Annual Report 2011

瑞金礦業
Real Gold Mining Limited

Real Gold Mining Limited
瑞金礦業有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 246

CONTENT

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Lu Tianjun *(Chairman)*
Mr. Ma Wenxue *(Vice Chairman & Chief Executive Officer)*
Mr. Cui Jie *(Chief Financial Officer)*
Mr. Li Qing

Independent Non-Executive Directors

Mr. Li Xiaoping
Mr. Zhao Enguang
Mr. Yang Yicheng

NOMINATION AND REMUNERATION COMMITTEE

Mr. Zhao Enguang *(Chairman)*
Mr. Li Xiaoping
Mr. Yang Yicheng

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr. Li Xiaoping *(Chairman)*
Mr. Zhao Enguang
Mr. Yang Yicheng

COMPANY SECRETARY

Mr. Leung Wai Chiu, Albert

AUTHORIZED REPRESENTATIVES

Mr. Cui Jie
Mr. Leung Wai Chiu, Albert

INVESTOR RELATIONS CONTACT

Mr. Lawrence Kwan Wing Hung, *CFA, AICPA*
Units 3601–03, 36/F., AIA Tower,
183 Electric Road,
North Point,
Hong Kong
E-mail: investorrelationship@realgoldmining.com

AUDITORS

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Unit 701, 7/F., Citicorp Centre,
18 Whitfield Road,
Causeway Bay,
Hong Kong

LEGAL ADVISOR

As to Hong Kong law
O'Melveny & Myers
31st Floor, AIA Central,
1 Connaught Road Central,
Hong Kong

REGISTERED OFFICE

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

CORPORATE INFORMATION (CONTINUED)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 3601–03, 36/F., AIA Tower,
183 Electric Road,
North Point,
Hong Kong

HEADQUARTERS OF OUR COMPANY

4th Floor, Southern Block,
243 Dizhi Zonghe Building,
No. 75 Yulong Street,
Xincheng District, Chifeng City,
Inner Mongolia,
The People's Republic of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road,
George Town,
Grand Cayman KY1-1110,
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716,
17th Floor,
Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Tower Branch
China Guangfa Bank (formerly known as Guangdong Development Bank)
Huizhou Branch
Hang Seng Bank
Beijing Branch
Industrial and Commercial Bank of China Limited
Chifeng Songshan District Branch
Ping An Bank (formerly known as Shenzhen Development Bank)
Offshore Business Department
Shanghai Pudong Development Bank
Huizhou Branch

STOCK NAME

Real Gold Mining Limited
(RealGold Mining)

STOCK CODE

246

WEBSITE OF THE COMPANY

www.realgoldmining.com

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We specialize in the mining of gold and the processing of ore into concentrates containing gold and other minerals for subsequent sale. Real Gold Mining Limited (the "Company") and its subsidiaries (together the "Group") has two gold mines in operation in the Chifeng Municipality, Inner Mongolia, namely, Shirengou Gold Mine and Nantaizi Gold Mine. They are adjacent to each other, and the ore processing facility located at Nantaizi Gold Mine ("Shirengou-Nantaizi Processing Plant") processes ore from both Nantaizi Gold Mine and Shirengou Gold Mine. Luotuochang Gold Mine, another gold mine of the Group which is also located in the Chifeng Municipality, Inner Mongolia, was in operation previously until the board of directors (the "Board") decided in July 2014 to suspend its mining activities. The ore processing facility located at Luotuochang Gold Mine ("Luotuochang Processing Plant") processed ore from Luotuochang Gold Mine when it was in operation.

On 2 January 2011 and 9 March 2011, the Company entered into an acquisition agreement and a supplemental agreement with Top Lucky Management Limited ("Top Lucky"), a company controlled by the then controlling shareholder of the Company, Mr. Wu Ruilin ("Mr. Wu"), for acquisition of certain mining and exploration rights (the "Acquisition") for a consideration of HKD520,000,000. For further details, please refer to the announcement of the Company dated 22 August 2011 and Note 19 to the consolidated financial statements of the Group for the year ended 31 December 2011 in this annual report. The Acquisition was brought to a halt as the Company was not satisfied that a reliable valuation basis could be relied upon to complete the Acquisition, and the consideration of HKD449,200,000 previously paid by the Company to Top Lucky was repaid to the Company by new debtors through debt restructuring (the "Debt Restructuring"). Further information relating to the Debt Restructuring was set out in the Company's circular dated 10 September 2012.

On 20 March 2011, the Group disposed of its 100% equity interests in Jinshi Mining Technology Development Limited* (上饒市金石礦業科技開發有限公司) ("Jinshi Mining") to independent third parties at a consideration of RMB37,000,000 with the loss of disposal of a subsidiary in the consolidated statement of comprehensive income amounting to approximately RMB69,343,000.

* For identification purpose only

OPERATION REVIEW

	1H11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	2011	2010	YoY
Shirengou-Nantaizi Processing Plant										
Average Daily Capacity (t/day)	1,480	1,480	1,480	1,480	1,480	1,480	1,480	**1,480**	1,480	
Utilization Rate (%)	100.1	100.3	99.8	100.2	99.2	99.5	99.5	**99.9**	98.5	
Production Days (Days)	135.9	11.7	23.6	28.4	27.6	29.0	33.0	**289.2**	302.0	–4%
Ore Processed (kt)	201.2	17.4	34.9	42.1	40.5	42.7	48.6	**427.4**	440.3	–3%
Average Gold Grade (g/t)	9.2	8.7	8.2	8.2	8.2	7.7	7.8	**8.6**	9.0	–4%
Average Recovery Rate (%)	84.1	83.8	79.4	78.7	77.9	79.8	80.2	**81.8**	84.5	–3%
Payable Gold (koz)	50.2	4.1	7.3	8.8	8.3	8.4	9.8	**96.9**	107.8	–10%
Equivalent Gold (koz)	66.7	5.5	9.3	10.8	10.3	10.5	12.2	**125.2**	141.3	–11%
Luotuochang Processing Plant										
Average Daily Capacity (t/day)	1,100	1,100	1,100	1,100	1,100	1,100	1,100	**1,100**	1,100	
Utilization Rate (%)	99.1	100.0	101.4	100.0	100.8	100.0	100.9	**99.9**	99.3	
Production Days (Days)	136.6	12.6	25.7	23.9	29.7	30.1	36.0	**294.5**	308.3	–4%
Ore Processed (kt)	148.8	13.9	28.7	26.3	32.9	33.1	40.0	**323.7**	336.6	–4%
Average Gold Grade (g/t)	3.0	2.9	2.8	2.8	2.9	2.9	3.0	**2.9**	3.0	–2%
Average Recovery Rate (%)	86.6	85.8	85.5	86.1	86.1	86.0	86.2	**86.2**	86.5	—
Payable Gold (koz)	12.5	1.1	2.2	2.0	2.7	2.6	3.3	**26.5**	28.3	–6%
Equivalent Gold (koz)	29.6	2.4	4.5	3.9	4.9	4.8	6.0	**56.1**	70.8	–21%
Total Payable Gold (koz)	**62.7**	**5.2**	**9.5**	**10.8**	**11.0**	**11.0**	**13.1**	**123.4**	**136.1**	**–9%**
Total Produced Equivalent Gold (koz)	**96.3**	**7.9**	**13.8**	**14.7**	**15.2**	**15.3**	**18.2**	**181.3**	**212.1**	**–15%**

The reduction in production days at the Shirengou-Nantaizi Processing Plant and Luotuochang Processing Plant was mainly the result of a temporary suspension requested by local authorities in June and July 2011 for an internal safety review of all mining operations within the region of Chifeng City, Inner Mongolia.

OPERATIONAL CONDITIONS OF THE SHIRENGOU-NANTAIZI PROCESSING PLANT

The total amount of ore processed for the year ended 31 December 2011 was approximately 427,400 tonnes, representing a decrease of approximately 3% from the year of 2010, as a result of fewer production days.

The average gold grade for the year ended 31 December 2011 was approximately 8.6 grams per tonne, and the average recovery rate was around 81.8%.

The total production of payable gold and equivalent gold for the year ended 31 December 2011 was approximately 96,900 ounces and 125,200 ounces respectively, representing a decrease of approximately 10% and 11% respectively from the year of 2010.

OPERATIONAL CONDITIONS OF THE LUOTUOCHANG PROCESSING PLANT

The total amount of ore processed for the year ended 31 December 2011 was approximately 323,700 tonnes, representing a decrease of approximately 4% from the year of 2010, as a result of fewer production days.

The average gold grade for the year ended 31 December 2011 was approximately 2.9 grams per tonne, and the average recovery rate was approximately 86.2%.

The total production of payable gold and equivalent gold for the year ended 31 December 2011 was approximately 26,500 ounces and 56,100 ounces respectively, representing a decrease of approximately 6% and 21% respectively from the year of 2010.

Overall, the Company produced approximately 123,400 ounces of payable gold and approximately 181,300 ounces of equivalent gold for the year ended 31 December 2011, representing a decrease of approximately 9% and 15% respectively from the year of 2010.

As announced in the Company's announcement dated 19 August 2014, the Board has decided in July 2014 to suspend the mining activities at Luotuochang Gold Mine and the operation of Luotuochang Processing Plant. The mining activities at Luotuochang Gold Mine and the operation of Luotuochang Processing Plant remain suspended as at the date of this annual report.

UPDATE ON THE ACTIVITIES AT THE OTHER GOLD MINES OF THE GROUP

As at the date of this annual report, the Company also owns 70% of the equity interest in Gaotaizi Gold Mine in Inner Mongolia. As mentioned in the Company's announcement dated 6 May 2015, Chifeng Fuqiao Mining Co. Limited* (赤峰富僑礦業有限公司), being a subsidiary indirectly held and wholly owned by the Company, has in the first quarter of 2015 acquired 70% of the equity interest of Inner Mongolia Siziwangqi Gaotai Mining Company Limited* (內蒙古四子王旗高台礦業有限責任公司), which owns Gaotaizi Gold Mine. There is currently no production at the Gaotaizi Gold Mine. The Company is carrying out exploration activities in the deeper and the outer parts of the mine in preparation for expansion of production capacity in the future.

As at the date of this annual report, the Company also owns Yandan Gold Mine, Yantang Gold Mine and nine other smaller gold mines in Guangxi. The Company is still in the process of applying for the mining permits for Yandan Gold Mine in Guangxi in accordance with the requisite procedure. For Yantang Gold Mine and two smaller gold mines in Guangxi, some ore reserves have been indicated by geological surveys. Relevant work is being carried out before the Company starts to apply for the mining permits.

The Company will consider abandoning the remaining seven smaller gold mines in Guangxi in due course and will make announcement in this regard as and when required.

* For identification purpose only

RESOURCES/RESERVE

The following is a statement of Resources/Reserves of the Group as at 31 December 2011 as estimated by Roma Oil and Mining Associates Limited and the Company:

Subsidiary	% owned by the Company	Mine	Mineral	Quantity of ore (Mt)	Grade (g/t)	Quantity of metal (koz)	Resources/ Reserves	Reporting standard	Categories
Shirengou	100.00%	Shirengou	Gold	1.90	10.2	624	Resources	Note	Note
Nantaizi	100.00%	Nantaizi	Gold	3.80	10.6	1,299	Resources	Note	Note
Guotao	100.00%	Luotuochang	Gold	1.14	3.8	140	Resources	Note	Note
Yunnan Gudao	95.00%	Yangchangbian	Gold	N/A	2.9	132	Reserves	PRC	333 + 334
Yuanyi Mining	100.00%	Yantang	Gold	1.44	1.41	66	Resources	PRC	332 + 333
Guangxi Jinding	78.57%	Yandan	Gold	13.10	1.45	611	Resources	PRC	332 + 333
Guangxi Jinding	78.57%	the other 12 mines	Gold	N/A	N/A	243	Resources	PRC	332 + 333 + 334

Note: Resources information relating to Shirengou Mine, Nantaizi Mine and Luotuochang Mine was estimated by Roma Oil and Mining Associates Limited. The resources estimation is not compliant with the JORC Code 2012 Edition as it was partly based on ROM tonnes and grade, % mining loss and % dilution provided by the Company, which could not be verified.

PROSPECTS

The Company considers identification and acquisition of gold mines to be its core competence and growth by acquisition of gold mines to be its key corporate strategy. We will keep looking for potential merger and acquisition opportunities, in particular the gold mines with existing operations. By leveraging on our stable management team with extensive experience in gold mining operations, we will be able to strengthen the competitiveness of the Group and maximize the interests of both the Company and its shareholders. We are committed to strengthen the corporate governance of the Group, and will continue to facilitate the resumption of trading of the Company in the course of the coming months, leading the Company to a bright future and create the greatest possible value for all shareholders of the Company.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased from approximately RMB1,368.2 million for the year ended 31 December 2010 to approximately RMB1,412.7 million for the year ended 31 December 2011. The increase was the net result of the favorable and unfavorable factors set out below. Favorable factor was mainly the increases in the average prices of gold while unfavorable factors were fewer production days, lower gold grade, as well as lower average recovery rate.

Cost of sales

Cost of sales was approximately RMB340.2 million for the year ended 31 December 2011, increased from approximately RMB311.1 million for the same period of 2010 and primarily included cost of raw materials consumed, subcontracting fees, auxiliary material costs, electricity costs, depreciation and amortization, environmental protection fees and production safety fees. For the year ended 31 December 2011, our cost of sales accounted for approximately 24.1% of our total revenue, increasing from approximately 22.7% for the same period of 2010, mainly owing to the increase in mining labour costs.

Gross profit and gross margin

As a result of the foregoing, gross profit was approximately RMB1,072.5 million and gross margin was approximately 75.9% for the year ended 31 December 2011. For the year ended 31 December 2010, gross profit was approximately RMB1,057.2 million and gross margin was approximately 77.3%.

Other income

Other income increased from approximately RMB156.8 million for the year ended 31 December 2010 to approximately RMB187.9 million for the year ended 31 December 2011.

Other income for the year ended 31 December 2011 consisted mainly of government subsidies of approximately RMB164.4 million, interest income arising from loans to a shareholder of approximately RMB14.1 million and bank interest income of approximately RMB9.4 million.

The primary source of other income for the year ended 31 December 2010 was government subsidies of approximately RMB149.2 million and bank interest income of approximately RMB7.6 million.

The government subsidies were in the form of a benefit from tax concession granted to us by the government of the People's Republic of China (the "PRC") to encourage the development of the gold industry.

Administrative expenses

Administrative expenses increased from approximately RMB34.5 million for the year ended 31 December 2010 to approximately RMB105.9 million for the year ended 31 December 2011.

The administrative expenses for the year ended 31 December 2011 primarily represented equity-settled share-based payment expenses of approximately RMB42.5 million (2010: RMB8.2 million), salaries paid and payable to, and benefits for, our administrative and management staff of approximately RMB30.2 million (2010: RMB7.2 million) and professional fees of approximately RMB19.1 million (2010: RMB5.8 million).

Equity-settled share-based payment expenses increased from approximately RMB8.2 million for the year ended 31 December 2010 to approximately RMB42.5 million for the year ended 31 December 2011 mainly because of a new grant of share options in 2011. Administrative and management staff costs increased mainly as the result of provisions made in 2011 for social security insurance for staff for 2011 and prior years. Professional fees increased as more consultancy fee was incurred in 2011 for assistance in dealing with additional regulatory enquiries received.

Other Expenses

Other expenses increased from approximately RMB71.7 million for the year ended 31 December 2010 to approximately RMB1,630.9 million for the year ended 31 December 2011.

Other expenses for the year ended 31 December 2011 primarily represented impairment losses on exploration and evaluation assets of approximately RMB908.8 million, impairment losses on property, plant and equipment of approximately RMB476.2 million and impairment losses on mining rights of approximately RMB156.4 million as well as exchange losses of approximately RMB78.2 million. Impairment losses were recognized as the investments in exploration and evaluation assets, property, plant and equipment and mining rights were not expected to provide the required return.

Other expenses for the year ended 31December 2010 represented primarily fees for consultancy service provided by independent professional firms for assessing the opportunities of exploration and evaluation projects of approximately RMB22.2 million and exchange losses of approximately RMB49.5 million.

Exchange difference arose primarily from the translation and the settlement of monetary items such as bank balances, prepaid project payments and loans receivable, which were denominated in currencies other than Renminbi ("RMB"). Exchange losses increased as Hong Kong dollars ("HKD") and United States dollars depreciated more in 2011 than in 2010 against RMB.

Tax expenses

Tax expenses were approximately RMB307.7 million and RMB299.3 million for the years ended 31 December 2011 and 2010 respectively, representing income tax on the profit generated from the gold mines, less any tax losses brought forward from prior years, the net amount being taxed at the PRC's Enterprise Income Tax ("EIT") rate of 25%.

(Loss)/Profit and total comprehensive (loss)/income for the year attributable to owners

Loss and total comprehensive loss attributable to owners of the Company for the year ended 31 December 2011 was approximately RMB758.4 million compared to approximately RMB798.0 million profit and total comprehensive income attributable to owners of the Company for the year ended 31 December 2010.

Cash flows

For the two years ended 31 December 2011 and 2010, we principally engaged in the exploration, mining and processing of gold ore and sale of concentrates in the PRC.

Our liquidity requirements relate to funding working capital, capital expenditures, acquisition of exploration and mining rights and maintaining cash reserves for future acquisitions. Our capital requirements include construction of mine shafts and the expansion of the ore processing facilities. We plan to fund acquisition of exploration and mining rights, capital expenditures and working capital with cash from operating activities, existing bank and cash balances, net proceeds from the initial public offering ("IPO") of the Company's shares in accordance with the purposes for which they are intended to be used, proceeds from the exercise of share options by directors and employees and proceeds from the issue of new shares. We may also finance our working capital, if needed, using a combination of short-term and long-term bank borrowings.

The following table sets out certain information regarding our consolidated statement of cash flows for the years ended 31 December 2011 and 2010:

	For the year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Net cash generated from operating activities	**776,060**	895,922
Net cash used in investing activities	**(868,010)**	(311,849)
Net cash (used in)/generated from financing activities	**(68,117)**	423,304
Net (decrease)/increase in cash and cash equivalents	**(160,067)**	1,007,377
Cash and cash equivalents at beginning of the year	**2,965,187**	1,957,810
Cash and cash equivalents at end of the year	**2,805,120**	2,965,187

Cash and cash equivalents decreased in the amount of approximately RMB160.1 million from approximately RMB2,965.2 million as at 31 December 2010 to approximately RMB2,805.1 million as at 31 December 2011.

Approximately RMB776.1 million was generated from operating activities for the year ended 31 December 2011. Net cash from operating activities was the net cash flow relating to cash inflow in respect of profit before tax adjusted for items not involving movement of cash, cash inflow in respect of the decrease in working capital under operating activities and cash outflow in respect of income tax paid.

Net cash used in investing activities amounted to approximately RMB868.0 million for the year ended 31 December 2011, consisting of cash outflow of approximately RMB364.2 million related to the prepaid project, cash outflow of approximately RMB256.4 million related to the loan to Mr. Wu, cash outflow of approximately RMB225.5 million related to the additions of exploration and evaluation assets and cash outflow of approximately RMB54.7 million related to the additions of property, plant and equipment, partially being offset by the cash inflow of approximately RMB32.7 million related to the disposal of a subsidiary.

Net cash used in financing activities was approximately RMB68.1 million for the year ended 31 December 2011, consisting of the cash outflow of approximately RMB75.1 million due to dividend payment, which was partially offset by the cash inflow of approximately RMB7.0 million arising from the proceeds from the issue of shares.

Borrowings

As at 31 December 2011 and 2010, the Group did not have any short-term or long-term bank loans. Gearing, being total interest-bearing debt divided by total assets, was nil for both 2010 and 2011.

Pledge of assets

There were no significant charges on group assets as at 31 December 2011 and 2010.

Use of net proceeds from the Company's IPO

Information of the use of net proceeds from the Company's IPO is set out in the Directors' Report in this annual report.

Capital expenditure

During the year ended 31 December 2011, the Group invested approximately RMB54.7 million (2010: RMB57.6 million, mainly in the construction of mining structures, at the mines in operation, and the capital expenditure (including exploration expenditure) incurred for Yangchangbian Mine, Daping Mine and Yantang-Yandan Mines amounted to approximately RMB7.0 million (2010: RMB31.8 million), RMB7.6 million (2010: RMB38.4 million) and RMB210.9 million (2010: RMB72.6 million) respectively.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2011 and 2010.

Operating lease commitments

As at 31 December 2011, we had contracted obligations consisting of operating leases which totalled approximately RMB4.3 million (2010: RMB7.9 million), with approximately RMB2.5 million due within one year (2010: RMB2.9 million) and approximately RMB1.8 million due between two to five years (2010: RMB5.0 million). Lease terms ranged from one to two years with fixed rentals.

Capital commitment

As at 31 December 2011, we had capital commitment of capital expenditure contracted for but not provided in the consolidated financial statement of approximately RMB95.8 million in respect of exploration projects (2010: RMB72.8 million).

Financial instruments

The Company did not have any hedging contracts or financial derivatives outstanding for the two years ended 31 December 2011 and 2010.

Segment analysis

Segment information is disclosed in Note 6 to the consolidated financial statements set out in this annual report.

Employees and emoluments policy

As at 31 December 2011, the number of employees of the Group was 578 (2010: 534). For the year ended 31 December 2011, the staff cost (including directors' remuneration in the form of salaries, share-based payments and other allowances but excluding sub-contracting labour cost) was approximately RMB88.7 million (2010: RMB24.7 million). The significant increase in staff cost was mainly the result of the increase in equity-settled share-based payments owing to a new grant of share options in 2011, and the provisions made in 2011 for social security insurance for staff for 2011 and prior years.

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group. The Group has adopted a share option scheme for its employees.

Provision of financial assistance to the then controlling shareholder

Between February 2011 and April 2011, three loan agreements were entered into between the Company and Mr. Wu Ruilin ("Mr. Wu"), pursuant to which a total of approximately HKD955,000,000 was lent by the Company to Mr. Wu (the "Financial Assistance").The Company had failed to comply with reporting, the announcement and independent shareholders' approval requirements in accordance with Chapter 14A of the Listing Rules. For further details on the Financial Assistance, please refer to the announcement of the Company dated 22 August 2011 and Note 19 to consolidated financial statements in this annual report.

DIVIDENDS

A final dividend for the year ended 31 December 2010 of HKD0.05 per share, totalling approximately RMB38.0 million, was paid in 2011.

An interim dividend for the six months ended 30 June 2011 of HKD0.05 per share, totalling approximately RMB37.2 million, was paid in 2011.

No final dividend was recommended by the Board for the year ended 31 December 2011.

FOREIGN EXCHANGE RISK

The Group has foreign currency transactions which expose the Group to market risk arising from changes in foreign exchange rates. We conduct our operations in the PRC and RMB is the functional and presentation currency of the Company. During the year ended 31 December 2011, the Group had bank balances, as well as balances of prepaid project payments and loans to a shareholder that were denominated in foreign currencies which exposed the Group to foreign currency risks. The Group was mainly exposed to the fluctuation of HKD. The Group manages and monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. No foreign currency hedging activity is currently undertaken by the Group.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lu Tianjun

Chairman and Executive Director, Head of the Mining Department, and Production and Environmental Safety Department

Mr. Lu, aged 50, joined the Company in August 2007. He graduated from Shenyang Gold Professional School (瀋陽黃金專科學校) in geology and mineral exploration and is qualified as a senior project engineer (高級項目工程師). Between July 1986 and May 2001, he held various positions at the Chifeng Honghuagou Mine (the "Honghuagou Mine") (赤峰紅花溝金礦), one of the largest state-owned gold mines in the PRC including as leader of technical team and field director (礦區主任). In 1991, Mr. Lu published an article in a national periodical, and the article was subsequently awarded the Second Award for Outstanding Article in respect of Natural Science in the Chifeng Municipality (赤峰市自然科學優秀論文二等獎). Mr. Lu also held various positions at Chifeng Shirengou Gold Mine (the "Shirengou Gold Mine") (赤峰石人溝金礦) and its predecessors between May 2001 and August 2007, including as technical consultant and engineer.

Mr. Lu is also a director of Fubon Industrial (Huizhou) Co., Ltd., Chifeng Shirengou Mining Co., Ltd. and Great Future Investments Limited, and a supervisor of Guangxi Jinding Mineral Resources Co., Ltd.

Mr. Ma Wenxue

Executive Director, Vice Chairman, Chief Executive Officer and Head of the Ore Processing Department

Mr. Ma, aged 48, joined the Company in August 2007. He graduated from Shenyang Institute of Gold (瀋陽黃金學院) in July 1988, majoring in ore processing engineering and the University of Liaoning (遼寧大學) with a Bachelor's degree in Economics Law in June 1999 and is qualified as a mine engineer at the senior level. Between July 1988 and October 2004, Mr. Ma held various positions at the Honghuagou Mine, one of the largest state-owned gold mines in the PRC, including ore processing technician and production scheduling safety officer between July 1988 and July 1990, mainly responsible for ore processing and production. Between July 1990 and August 1993, Mr. Ma was employed as a deputy production manager of the Honghuagou Mine , mainly responsible for production technology and safety, and management of equipment. He was employed as the processing manager of the Honghuagou Mine between August 1993 and October 2004, mainly responsible for overseeing all aspects of the operation of the ore processing facility. Between November 2004 and July 2007, Mr. Ma worked at Kalaqinqi Nantaizixiang Gold Mine (喀喇沁旗南台子鄉金礦) as its chief engineer, mainly responsible for ore processing and management of equipment, scientific planning for the Chifeng Nantaizi Gold Mine (赤峰南台子金礦).

Mr. Ma has received numerous awards for his achievement in technological advancement. For instance, Mr. Ma was awarded in December 1996 the Third Award in Scientific and Technological Advancement of Metallurgical Industry Department (冶金工業部科學技術進步三等獎) and the First Award in Scientific and Technological Advancement of Chifeng City (赤峰市科學技術進步一等獎), and in February 1997 the Third Award in Scientific and Technological Advancement of Chifeng City (赤峰市科學技術進步三等獎) for his research and invention of an innovative gold recovery technique from wasted coal (從炭漿廠廢炭中回收金的新工藝). In November 2001, he was awarded the Inner Mongolia Autonomous Region Innovation and Achievement Award in Staff and Worker Economic Technology Project Activity (內蒙古自治區職工經濟技術創新工程活動重大創新成果獎) for his research project conducted in relation to the improvement of gold refining techniques.

Mr. Ma is also a director of Chifeng Fuqiao Mining Co., Ltd., Guangxi Jinding Mineral Resources Co. Ltd. and Lita Investment Limited.

Mr. Cui Jie

Executive Director and Chief Financial Officer

Mr. Cui, aged 44, joined the Company in August 2007. He graduated from Inner Mongolia Finance College (內蒙古財經學院) with a Bachelor's degree in industrial accounting. Between July 1992 and September 1997, he held various financial management positions at Inner Mongolia Linxi Beer Factory (內蒙古林西啤酒廠), mainly responsible for auditing. Between September 1997 and October 2004, Mr. Cui held various financial management positions in Finance Bureau of Linxi County (林西縣財務局) and certain financial consultancy companies, mainly responsible for auditing, tax planning, corporate management and providing training to more than a hundred of trainees who graduated from accounting and financial institutions. Between October 2004 and July 2005, Mr. Cui worked as the chief financial officer of Beijing LongTech Huanyu Technology Co., Ltd (北京龍騰環宇科技發展有限公司). He also worked as the general manager of the Beijing branch of Beijing Shuang Bai Financial Accounting Society (雙百(北京)財務軟件開發有限公司) from July 2005 to October 2006, mainly responsible for auditing, tax planning and trademark registration.

He worked as chief financial officer of the Shirengou Gold Mine from December 2006 to August 2007, mainly responsible for accounting management and tax planning. During this period, Mr. Cui also provided financial advice on the future development of the Shirengou Gold Mine.

Mr. Cui is also a director of Balinzuo Banner Guotao Materials Products Trading Co., Ltd., Guangxi Jinding Mineral Resources Co., Ltd. and Rich Vision Holdings Limited.

Mr. Li Qing

Executive Director and Deputy Head of the Production and Environmental Safety Department

Mr. Li, aged 46, joined the Company in August 2007. He graduated from Shenyang Institute of Gold (瀋陽黃金學院) in July 1991 majoring in geological surveying, and graduated from Changchun University of Technology (長春工業大學) in September 2007 majoring in mining engineering. Mr. Li Qing is qualified as a senior geodetic engineer (高級測繪項目工程師).

Between July 1991 and June 1998, Mr. Li held the position of surveyor with the Honghuagou Mine, one of the largest state-owned gold mines in the PRC.

Between June 1998 and June 2004, Mr. Li held the position of surveyor with Inner Mongolia Hong Feng Industrial Co., Ltd. (內蒙宏峰實業股份有限公司) (formerly a listed company specializing in nonferrous metals and precious metals). Mr. Li was mainly responsible for the surveying of five major gold and lead mines, monitoring and inspecting data measurement, and surveying and map administration for all the mines. In addition, Mr. Li worked on the planning, statistics gathering and allocation of resources.

Further, he was responsible for the surveying and construction of the principal hauling shaft. Between June 2004 and August 2007, Mr. Li held the position of technical mining director with the Shirengou Gold Mine, responsible for the production technology.

Mr. Li was appointed as an executive director of the Company on 5 May 2011. He is also a director of Chifeng Nantaizi Mining Co., Ltd. and Rich Vision Holdings Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Xiaoping

Independent Non-Executive Director

Mr. Li, aged 62, joined the Company as an independent non-executive director on 18 November 2011. He is a partner of Shan Dong Zhong Rui China Certified Public Accountants ("Zhong Rui") (山東中瑞會計師事務所) in the PRC. He has over 30 years of experience in the finance, accounting and internal auditing and CPA field. He joined Zhong Rui and was admitted to the firm's partnership in 1999. Mr. Li is a member of the Institute of Internal Auditors, a Certified Enterprise Risk Manager (企業註冊風險管理師), a practising Certified Tax Agent (執業註冊稅務師) and a practising Certified Public Accountant (執業註冊會計師) in the PRC. Mr. Li graduated from the Ocean University of China (中國海洋大學) in corporate management in 1985 and in national economics management in 1990. Mr. Li has been appointed as the vice-chairman of the China Machinery Industry Audit Society since 2010 and he is currently serving as a part-time researcher at the Management College of Ocean University of China.

Mr. Zhao Enguang

Independent Non-Executive Director

Mr. Zhao, aged 72, joined the Company as a director in April 2008 and was designated as an independent non-executive director in January 2009. He graduated from Lanzhou University (蘭州大學) with a Bachelor's degree in Operational Research (數力系運籌專業) in 1966.

Mr. Zhao was an assistant to the chief executive and a vice project engineer of the Automation Research and Development Institute of Metallurgical Industry (冶金自動化研究院). He was also a director and the board secretary of Aritime Company Limited (北京金自天正智能控制股份有限公司) from December 1999 to January 2003. Mr. Zhao was the standing deputy secretary general of the Listed Companies Association of Beijing (北京上市公司協會) from January 2004 to November 2010. He is currently a member of the Professional Technology Engineering Appraisal Committee of the China Iron and Steel Association (中國鋼鐵工業協會工程技術專業職務評審委員會) and a professor grade engineer.

Mr. Yang Yicheng

Independent Non-Executive Director

Mr. Yang, aged 75, joined the Company as an independent non-executive director on 25 June 2009. He obtained a diploma from the Mining Department in Central South Institute of Mining and Smelting (中南礦冶學院採礦系) in China in 1965 and a diploma from the Department of Management in Jilin University (吉林大學管理系) in China in 1987.

Mr. Yang's career in the mining business spans over a period of approximately 55 years and he has experience in the exploration, mining and smelting of gold. From 1969 to 1992, he worked in various positions including those of Deputy Chief and Chief of Mine in Guangxi Longshui Gold Mine (廣西龍水金礦), the largest state-owned gold mine joint-venture in Guangxi Zhuang Autonomous Region in China at the time, which was highly rated for its technology and its efficiency.

From 1992 to 2000, he was the Deputy Bureau Chief at Guangxi Gold Management Bureau (廣西黃金管理局) in China and held various positions (including the post of Manager) at China Gold Guangxi Company (中國黃金廣西公司) in China. After his retirement from a government office, from 2000 to 2009 before his appointment by the Company, he worked as a senior consultant and senior engineer at Blackwatch Resources China Limited (廣西金沃礦業勘探開發有限公司), a sino-foreign joint venture in China.

OTHER SENIOR MANAGEMENT

Mr. Zhao Guoming

Deputy Head of the Ore Processing Department

Mr. Zhao, aged 50, joined the Company in August 2007. Mr. Zhao graduated from Shanxi Mining Institute (山西礦業學院) in July 1988 with a major in mining mechanical engineering and is qualified as a project engineer (項目工程師) and a mechanical engineer (機械工程師).

Between July 1988 and October 1998, Mr. Zhao held various positions with Inner Mongolia Jintao Co., Ltd. (內蒙古金陶股份有限公司) (one of the largest gold mining companies in Inner Mongolia) including technician, head of the mechanical and electrical department, and manager of machinery and production.

Between November 1998 and March 2003, Mr. Zhao held the position of production manager of Changchun Gold Design Institute (長春黃金設計院) and was responsible for its sub-contracting projects.

Between January 2004 and September 2007, Mr. Zhao held the position of deputy head of the ore processing department of the Shirengou Gold Mine, responsible for system design, configuration and management in mine upgrading, transportation, ventilation, drainage and air pressure.

Mr. Zhao has been awarded numerous technical achievement awards, including Third Prize in National Gold System Equipment Management Knowledge Contest (全國黃金系統設備管理知識競賽三等獎) in 1990.

Mr. Leung Wai Chiu, Albert

Company Secretary

Mr. Leung Wai Chiu, Albert is our company secretary. He has been working for our Company on a full-time basis since April 2009.

Mr. Leung graduated from Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) with a Higher Diploma in Accountancy, and from L' Ecole des Hautes Etudes Commerciales, France (HEC Paris) with a Diplome des Hautes Etudes Commerciales (Master of Science in Management).

Mr. Leung, aged 58, is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has over 30 years of experience in accounting and finance.

Mr. Leung is also a director of Great Future Investments Limited.

DIRECTORS' REPORT

The Board hereby presents its report and the audited consolidated financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Particulars of the principal activities of its principal subsidiaries are set out in Note 21 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 48 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the Group's property, plant and equipment are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements during the year in the issued share capital of the Company are set out in Note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY AND DECLARATION OF DIVIDEND

As at 31 December 2011, the Company's reserves available for distribution to shareholders were as follows:

	2011 **HKD'000**	2010 HKD'000
Share premium	**2,765,899**	2,847,207
Accumulated losses	**(172,509)**	(104,414)
	2,593,390	2,742,793

Under the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

No final dividend was recommended by the Board for the year ended 31 December 2011.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years are set out on page 102 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the years ended 31 December 2011 and 2010, sales to the Group's five largest customers, in aggregate represented 97.4% and 100.0% of the Group's total sales, respectively. For the years ended 31 December 2011 and 2010, sales to the single largest customer amounted to approximately 32.3% and 48.6% of our total sales, respectively.

For the years ended 31 December 2011 and 2010, our purchases of raw materials and auxiliary materials from our five largest suppliers accounted for approximately 99.7% and 97.3%, respectively, of the Group's total purchases. For the years ended 31 December 2011 and 2010, purchases from the single largest supplier amounted to approximately 57.5% and 48.9% of our total purchases, respectively.

For the year ended 31 December 2011, none of the directors or any of their associates or any shareholders who, to the knowledge of our directors, owns more than 5% of the Company's issued share capital, had any interest in our five largest suppliers or customers.

DIRECTORS

The directors during the year and up to the date of this annual report are as follows:

Executive Directors

Mr. Lu Tianjun	(appointed on 25 August 2008 and designated as an executive director on 30 January 2009)
Mr. Ma Wenxue	(appointed on 13 March 2008 and designated as an executive director on 30 January 2009)
Mr. Cui Jie	(appointed on 13 March 2008 and designated as an executive director on 30 January 2009)
Mr. Li Qing	(appointed as an executive director on 5 May 2011)
Mr. Qiu Haicheng	(appointed and designated as an executive director on 2 February 2009 and resigned on 5 May 2011)

Independent Non-executive Directors

Mr. Zhao Enguang	(appointed on 30 April 2008 and designated as an independent non-executive director on 30 January 2009)
Mr. Yang Yicheng	(appointed and designated as an independent non-executive director on 25 June 2009)
Mr. Wan Kam To	(appointed as an independent non-executive director on 25 July 2011 and resigned on 19 August 2011)
Mr. Li Xiaoping	(appointed as an independent non-executive director on 18 November 2011)
Mr. Mak Kin Kwong	(appointed on 19 September 2008, designated as an independent non-executive director on 30 January 2009 and resigned on 24 June 2011)
Mr. Xiao Zuhe	(appointed on 30 April 2008, designated as an independent non-executive director on 30 January 2009 and resigned on 13 July 2011)

Pursuant to Article 84 of the Company's Articles of Association, all the existing directors will retire from their office at the forthcoming annual general meeting and, being eligible, shall offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Mr. Lu Tianjun, Mr. Ma Wenxue and Mr. Cui Jie have each entered into an executive director service agreement with the Company for an initial fixed term of three years commencing on 30 January 2009. Each of their remuneration was adjusted on 1 January 2011.

Mr. Qiu Haicheng entered into an executive director service agreement with the Company for an initial fixed term of three years commencing on 2 February 2009. He resigned on 5 May 2011.

Mr. Li Qing has entered into an executive director service agreement with the Company for an initial fixed term of three years commencing on 5 May 2011.

Mr. Mak Kin Kwong was appointed as an independent non-executive director by the Company for an initial fixed term of two years commencing on 30 January 2009. His service contract was renewed with the same terms for another two years upon its expiry on 30 January 2011. He resigned on 24 June 2011.

Mr. Zhao Enguang has been appointed as an independent non-executive director by the Company for an initial fixed term of two years commencing on 30 January 2009. His service contract has been renewed with the same terms for another two years upon its expiry on 30 January 2011. The remuneration of Mr. Zhao Enguang was adjusted on 1 December 2011.

Mr. Xiao Zuhe was appointed as an independent non-executive director by the Company for an initial fixed term of two years commencing on 30 January 2009. His service contract was renewed with the same terms for another two years upon its expiry on 30 January 2011. He resigned on 13 July 2011.

Mr. Yang Yicheng has been appointed as an independent non-executive director by the Company for an initial fixed term of two years commencing on 25 June 2009. His service contract has been renewed with the same terms for another two years upon its expiry on 25 June 2011. The remuneration of Mr. Yang Yicheng was adjusted on 1 December 2011.

Mr. Wan Kam To was appointed as an independent non-executive director by the Company for an initial fixed term of two years commencing on 25 July 2011. He resigned on 19 August 2011.

Mr. Li Xiaoping has been appointed as an independent non-executive director by the Company for an initial fixed term of two years commencing on 18 November 2011.

None of the directors has or is proposed to have a service contract with any member of the Group which is not determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

REMUNERATION OF THE DIRECTORS

The remuneration of each director is determined by the members of the Nomination and Remuneration Committee with reference to the duties, responsibilities, performance of the directors and the results of the Group.

Details of the remuneration of the directors are set out in Note 12 to the consolidated financial statements of this annual report.

EMOLUMENTS POLICY

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group. The Group has adopted a share option scheme for its employees.

RETIREMENT BENEFIT SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") in Hong Kong under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organized by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited(the "Stock Exchange") (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent in accordance with Rule 3.13.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2011, the directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of Listed Issuers (the "Model Code"):

Long positions in share options

Name	Capacity	Number of options held	Number of underlying shares
Lu Tianjun *(Director)*	Beneficial owner	2,640,000	2,640,000
Ma Wenxue *(Director & Chief Executive Officer)*	Beneficial owner	2,640,000	2,640,000
Cui Jie *(Director)*	Beneficial owner	2,640,000	2,640,000
Li Qing *(Director)*	Beneficial owner	1,650,000	1,650,000

Other than as disclosed above, as at 31 December 2011, so far as known to any directors or chief executive of the Company, neither the directors nor the chief executive, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into in the register that was required to be kept under Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company has adopted a share option scheme on 30 January 2009 (the "Share Option Scheme"). The following is a summary of the principal terms of the Share Option Scheme:

(a) Purpose

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to our Company.

(b) Who may join

Our directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for shares at a price calculated in accordance with subparagraph (f) below:

(i) any employee or proposed employee (whether full-time or part-time and including any executive director), consultants or advisers of or to our Company, any of our subsidiaries or any entity ("Invested Entity") in which our Group holds an equity interest;

(ii) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to our Group or any Invested Entity;

(iv) any customer of our Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to our Group or any Invested Entity; and

(vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity,

and for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by us for the subscription of shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless our directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by our directors from time to time on the basis of the participants' contribution to the development and growth of our Group.

(c) Maximum number of shares

(i) The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Group must not in aggregate exceed 30% of our issued share capital from time to time. No options may be granted under any schemes of our Company or the subsidiary of our Company if such grant will result in the maximum number being exceeded.

(ii) The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme) to be granted under the Share Option Scheme and any other share option schemes of our Group must not in aggregate exceed 66,000,000 shares, being 10% of the total number of shares in issue at the time dealings in our shares first commence on the Stock Exchange ("General Mandate Limit").

(d) Maximum entitlement of each participant and connected persons

(i) Unless approved by our shareholders in general meeting, the total number of shares issued and to be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of our Group (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of the shares in issue ("Individual Limit").

(ii) Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our shareholders in compliance with the Note to Rule 17.03(4) and Rule 17.06 of the Listing Rules and/or such other requirements as prescribed in the Listing Rules and the separate approval of our shareholders in general meeting with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before our shareholders' meeting and the date of the board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 17.03(9) of the Listing Rules.

(iii) In addition to the shareholders' approval set out in Note (1) to Rule 17.03(3) and Note to Rule 17.03(4) of the Listing Rules, each grant of options to a director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the options).

(iv) Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, canceled and outstanding) under the Share Option Scheme or any other share option schemes of our Group to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate more than 0.1% of the shares in issue; and

(b) having an aggregate value, based on the closing price of our shares at the date of each grant, in excess of HKD5 million,

such further grant of options must be approved by our shareholders in general meetings in which all connected persons (as defined in the Listing Rules) of the Company must obtain from voting in favor at such general meeting.

(e) Minimum period of holding an option and performance target

Our directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

(f) Subscription price for Shares

The subscription price of a share in respect of any option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, provided that such price shall not be less than the highest of (i) the nominal value of our shares, (ii) the average closing price of our shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of the option and (iii) the closing price of our shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a business day). A consideration of HKD1.00 is payable on acceptance of the offer of the grant of an option.

(g) Rights are personal to grantee

An option granted under the Share Option Scheme shall not be transferable or assignable and is personal to the grantee.

(h) Time of exercise of option

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our directors to each grantee, which period may commence on a day upon which the offer for the grant of the option is accepted but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

(i) Ranking of Shares

The shares to be allotted upon the exercise of an option will be subject to all the provisions of our Memorandum of Association and the Articles of Association for the time being in force and will rank *pari passu* in all respects with the then existing fully paid shares in issue on the date of exercise of the option and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of exercise of the option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with reference to a record date falling before the date of exercise of the option. A share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee of such option has been duly entered on our register of members or the holder thereof.

(j) Period of the Share Option Scheme

Unless terminated by us by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on 23 February 2009, the date on which shares of the Company were first listed on the Stock Exchange.

(k) Present status of the Share Option Scheme

The following table discloses details of movements of the Company's share options held by our directors and our chief executive officer and our employees, and the value of the share options granted to these persons during the year ended 31 December 2011:

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HKD	Number of share options: Outstanding at 1.1.2011	Granted during the period	Lapsed during the period	Exercised during the period	Outstanding at 31.12.2011	Value of share options granted during the period HKD
Lu Tianjun *(Director)*	12.3.2009	12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	330,000	–	–	(330,000)	–	N/A
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	330,000	–	–	–	330,000	N/A
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	330,000	–	–	–	330,000	N/A
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	330,000	–	–	–	330,000	N/A
	12.5.2011	12.5.2011–31.12.2013	1.1.2014–31.12.2018	10.17	–	330,000	–	–	330,000	1,603,800
		12.5.2011–31.12.2014	1.1.2015–31.12.2018	10.17	–	330,000	–	–	330,000	1,679,700
		12.5.2011–31.12.2015	1.1.2016–31.12.2018	10.17	–	330,000	–	–	330,000	1,739,100
		12.5.2011–31.12.2016	1.1.2017–31.12.2018	10.17	–	330,000	–	–	330,000	1,782,000
		12.5.2011–31.12.2017	1.1.2018–31.12.2018	10.17	–	330,000	–	–	330,000	1,805,100
Ma Wenxue *(Director & Chief Executive Officer)*	12.3.2009	12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	330,000	–	–	(330,000)	–	N/A
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	330,000	–	–	–	330,000	N/A
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	330,000	–	–	–	330,000	N/A
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	330,000	–	–	–	330,000	N/A
	12.5.2011	12.5.2011–31.12.2013	1.1.2014–31.12.2018	10.17	–	330,000	–	–	330,000	1,603,800
		12.5.2011–31.12.2014	1.1.2015–31.12.2018	10.17	–	330,000	–	–	330,000	1,679,700
		12.5.2011–31.12.2015	1.1.2016–31.12.2018	10.17	–	330,000	–	–	330,000	1,739,100
		12.5.2011–31.12.2016	1.1.2017–31.12.2018	10.17	–	330,000	–	–	330,000	1,782,000
		12.5.2011–31.12.2017	1.1.2018–31.12.2018	10.17	–	330,000	–	–	330,000	1,805,100
Qiu Haicheng *(Former Director & Former Chief Executive Officer)*	12.3.2009	12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	330,000	–	–	(330,000)	–	N/A
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	330,000	–	(330,000)	–	–	N/A
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	330,000	–	(330,000)	–	–	N/A
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	330,000	–	(330,000)	–	–	N/A
Cui Jie *(Director)*	12.3.2009	12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	330,000	–	–	(330,000)	–	N/A
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	330,000	–	–	–	330,000	N/A
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	330,000	–	–	–	330,000	N/A
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	330,000	–	–	–	330,000	N/A
	12.5.2011	12.5.2011–31.12.2013	1.1.2014–31.12.2018	10.17	–	330,000	–	–	330,000	1,603,800
		12.5.2011–31.12.2014	1.1.2015–31.12.2018	10.17	–	330,000	–	–	330,000	1,679,700
		12.5.2011–31.12.2015	1.1.2016–31.12.2018	10.17	–	330,000	–	–	330,000	1,739,100
		12.5.2011–31.12.2016	1.1.2017–31.12.2018	10.17	–	330,000	–	–	330,000	1,782,000
		12.5.2011–31.12.2017	1.1.2018–31.12.2018	10.17	–	330,000	–	–	330,000	1,805,100

					Number of share options					
Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HKD	Outstanding at 1.1.2011	Granted during the period	Lapsed during the period	Exercised during the period	Outstanding at 31.12.2011	Value of share options granted during the period HKD
Li Qing *(Director)*	12.5.2011	12.5.2011–31.12.2011	1.1.2012–31.12.2016	10.17	–	330,000	–	–	330,000	1,339,800
		12.5.2011–31.12.2012	1.1.2013–31.12.2016	10.17	–	330,000	–	–	330,000	1,425,600
		12.5.2011–31.12.2013	1.1.2014–31.12.2016	10.17	–	330,000	–	–	330,000	1,498,200
		12.5.2011–31.12.2014	1.1.2015–31.12.2016	10.17	–	330,000	–	–	330,000	1,554,300
		12.5.2011–31.12.2015	1.1.2016–31.12.2016	10.17	–	330,000	–	–	330,000	1,587,300
Employees	12.3.2009	12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	2,310,000	–	(660,000)	–	1,650,000	N/A
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	2,310,000	–	(660,000)	–	1,650,000	N/A
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	2,310,000	–	(660,000)	–	1,650,000	N/A
	12.5.2011	12.5.2011–31.12.2011	1.1.2012–31.12.2016	10.17	–	5,650,000	–	–	5,650,000	22,939,000
		12.5.2011–31.12.2012	1.1.2013–31.12.2016	10.17	–	5,650,000	–	–	5,650,000	24,408,000
		12.5.2011–31.12.2013	1.1.2014–31.12.2016	10.17	–	5,650,000	–	–	5,650,000	25,651,000
		12.5.2011–31.12.2014	1.1.2015–31.12.2016	10.17	–	5,650,000	–	–	5,650,000	26,611,500
		12.5.2011–31.12.2015	1.1.2016–31.12.2016	10.17	–	5,650,000	–	–	5,650,000	27,176,500
	12.5.2011	12.5.2011–31.12.2013	1.1.2014–31.12.2018	10.17	–	330,000	(330,000)	–	–	1,603,800
		12.5.2011–31.12.2014	1.1.2015–31.12.2018	10.17	–	330,000	(330,000)	–	–	1,679,700
		12.5.2011–31.12.2015	1.1.2016–31.12.2018	10.17	–	330,000	(330,000)	–	–	1,739,100
		12.5.2011–31.12.2016	1.1.2017–31.12.2018	10.17	–	330,000	(330,000)	–	–	1,782,000
		12.5.2011–31.12.2017	1.1.2018–31.12.2018	10.17	–	330,000	(330,000)	–	–	1,805,100
Total					12,210,000	36,500,000	(4,620,000)	(1,320,000)	42,770,000	168,630,000

There are three lots of share options:

Lot A: granted on 12 March 2009, expiring on 11 March 2014,

Lot B: granted on 12 May 2011, expiring on 31 December 2018 and

Lot C: granted on 12 May 2011, expiring on 31 December 2016.

Share option lot A

The closing price of the Company's shares immediately before 4 January 2011, the date on which the share options were exercised was HKD13.90.

Share option lot B

The share options were granted on 12 May 2011, which is also the measurement date of the share options. The closing price of the Company's shares immediately before the date of grant of the options was HKD10.34 and the estimated fair values of the options at the date of grant ranged from HKD4.86 to HKD5.47 per option. These fair values were calculated using the Binomial Option Pricing model after taking into account the different vesting periods. The assumptions used for the calculation are as follows:

Closing share price at date of grant	HKD10.00
Exercise price	HKD10.17
Expected volatility	54%
Expected dividend yield	0.5%
Risk free rate	2.1%–2.3%

The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of the share options varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair values of the share options.

Share option lot C

The share options were granted on 12 May 2011, which is also the measurement date of the share options. The closing price of the Company's shares immediately before the date of grant of the options was HKD10.34 and the estimated fair values of the options at the date of grant ranged from HKD4.06 to HKD4.81 per option. These fair values were calculated using the Binomial Option Pricing model after taking into account the different vesting periods. The assumptions used for the calculation are as follows:

Closing share price at date of grant	HKD10.00
Exercise price	HKD10.17
Expected volatility	54%
Expected dividend yield	0.5%
Risk free rate	2.1%–2.3%

The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of the share options varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair values of the share options.

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVES

Other than the option holdings disclosed above, at no time during the year had the Company or any of its subsidiaries, holding companies or any fellow subsidiaries entered into any arrangement which enables the existing directors or chief executive to have the right to acquire benefits by means of acquisition of shares or debentures in the Company or any other legal entities.

SUBSTANTIAL SHAREHOLDERS, AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2011 and so far as known to any director or chief executive of the Company, shareholders (other than a director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

Long and short positions in ordinary shares of HKD1.00 each of the Company

(including equity derivative interests)

Name of shareholder	Capacity	Long position number of ordinary shares	Long position percentage of the issued share capital of the Company	Short position number of ordinary shares	Short position percentage of the issued share capital of the Company
Lead Honest Management Limited (Note i)	Beneficial owner	479,376,000	52.75%	234,376,000	25.79%
Tercel Holdings Limited (Note i)	Interest of controlled corporation	479,376,000	52.75%	234,376,000	25.79%
Credit Suisse Trust Limited (Note i)	Trustee	479,376,000	52.75%	234,376,000	25.79%
Wu Ruilin (Note i)	Founder of a discretionary trust	479,376,000	52.75%	234,376,000	25.79%
Citigroup Inc. (Note ii & iii)	Interest of controlled corporation	112,765,985	12.41%	116,996,729	12.87%
	Custodian corporation/ approved lending agent	244,498,735	26.90%	N/A	N/A
	Person having a security interest	362,000	0.04%	N/A	N/A
Value Partners Limited (Note iv)	Investment manager	85,985,000	9.46%	N/A	N/A
Value Partners Group Limited (Note iv)	Interest of controlled corporation	85,985,000	9.46%	N/A	N/A
Cheah Capital Management Limited (Note iv)	Interest of controlled corporation	85,985,000	9.46%	N/A	N/A
Cheah Company Limited (Note iv)	Interest of controlled corporation	85,985,000	9.46%	N/A	N/A
Hang Seng Bank Trustee International Limited (Note iv)	Trustee	85,985,000	9.46%	N/A	N/A
Cheah Cheng Hye (Note iv)	Founder of a discretional trust	85,985,000	9.46%	N/A	N/A
To Hau Yin (Note iv)	Interest of spouse of a substantial shareholder	85,985,000	9.46%	N/A	N/A

Equity derivative interests in ordinary shares of HKD1.00 each of the Company

(included in long and short positions)

Name of shareholder	Long position number of ordinary shares	Long position percentage of the issued share capital of the Company	Short position number of ordinary shares	Short position percentage of the issued share capital of the Company
Lead Honest Management Limited (Note i)	105,000,000	11.55%	107,408,809	11.82%
Tercel Holdings Limited (Note i)	105,000,000	11.55%	107,408,809	11.82%
Credit Suisse Trust Limited (Note i)	105,000,000	11.55%	107,408,809	11.82%
Wu Ruilin (Note i)	105,000,000	11.55%	107,408,809	11.82%
Citigroup Inc. (Note ii & iii)	108,234,676	11.91%	105,384,000	11.60%

Notes:

(i) As at 31 December 2011, Lead Honest Management Limited was 100% controlled by Tercel Holdings Limited, which in turn was ultimately controlled by Credit Suisse Trust Limited. Credit Suisse Trust Limited was a trustee of Tercel Trust, of which Mr. Wu Ruilin was the founder.

(ii) There was also a lending pool of 10,122,735 shares, representing 1.11% of the issued share capital of the Company.

(iii) Citigroup Inc.'s interests were held via the following companies controlled by Citigroup Inc.:

Citigroup Global Markets Financial Products LLC was interested in a long position of 110,259,485 shares of the Company and a short position of 107,408,809 shares of the Company. Citigroup Global Markets Financial Products LLC was controlled by Citigroup Global Markets Holdings GmbH which was in turn controlled by Citigroup Global Markets (International) Finance AG and Citigroup Global Markets Pacific Holding Company Inc.; both Citigroup Global Markets (International) Finance AG and Citigroup Global Markets Pacific Holding Company Inc. were controlled by Citigroup Financial Products Inc.;Citigroup Financial Products Inc. was controlled by Citigroup Global Markets Holdings Inc. which was in turn controlled by Citigroup Inc.

Citigroup Global Markets Ltd was interested in a long position of 2,159,500 shares of the Company and a short position of 1,781,320 shares of the Company. Citigroup Global Markets Ltd was controlled by Citigroup Global Markets Europe Ltd which was controlled by Citigroup Global Markets (International) Finance AG, Citigroup Financial Products Inc. and Citigroup Global Markets International LLC; both Citigroup Global Markets (International) Finance AG and Citigroup Global Markets International LLC were in turn controlled by Citigroup Financial Products Inc.; Citigroup Financial Products Inc. was controlled by Citigroup Global Markets Holdings Inc. which was in turn controlled by Citigroup Inc.

Citigroup Global Markets Holdings GmbH, which was controlled by Citigroup Global Markets (International) Finance AG and Citigroup Global Markets Pacific Holding Company Inc., was deemed to be interested in a long position of 110,259,485 shares of the Company and a short position of 107,408,809 shares of the Company.

Citigroup Global Markets Europe Ltd. was deemed to be interested in a long position of 2,159,500 shares of the Company and a short position of 1,781,320 shares of the Company.

Citigroup Global Markets Pacific Holding Company Inc. was deemed to be interested in a long position of 110,259,485 shares of the Company and a short position of 107,408,809 shares of the Company.

Citigroup Global Markets (International) Finance AG was deemed to be interested in a long position of 112,418,985 shares of the Company and a short position of 109,190,129 shares of the Company.

Citigroup Global Markets Inc. was interested in a long position of 325,000 shares of the Company and a short position of 7,422,600 shares of the Company. Citigroup Global Markets Inc. was controlled by Citigroup Financial Products Inc.; Citigroup Financial Products Inc. was controlled by Citigroup Global Markets Holdings Inc. which was in turn controlled by Citigroup Inc.

Citigroup Global Markets International LLC was deemed to be interested in a long position of 2,159,500 shares of the Company and a short position of 1,781,320 shares of the Company.

Citigroup Financial Products Inc. was deemed to be interested in a long position of 112,743,985 shares of the Company and a short position of 116,612,729 shares of the Company.

Citigroup Global Markets Holdings Inc. was deemed to be interested in a long position of 112,743,985 shares of the Company and a short position of 116,612,729 shares of the Company.

Citibank N.A. was interested in a long position of 244,882,735 shares of the Company and a short position of 384,000 shares of the Company. Citibank N.A. was controlled by Citicorp Holdings Inc. which was in turn controlled by Citigroup Inc.

Citicorp Holdings Inc. was deemed to be interested in a long position of 244,882,735 shares of the Company and a short position of 384,000 shares of the Company.

(iv) As at 31 December 2011, Value Partners Limited was 100% controlled by Value Partners Group Limited, which in turn was 28.47% controlled by Cheah Capital Management Limited, which in turn was 100% controlled by Cheah Company Limited, which in turn was 100% controlled by Hang Seng Bank Trustee International Limited. Hang Seng Bank Trustee International Limited was the trustee of the C H Cheah Family Trust, of which Mr. Cheah Cheng Hye was the founder. Ms. To Hau Yin was the spouse of Mr. Cheah Cheng Hye.

Other than as disclosed above, as at 31 December 2011, the Company has not been notified by any person (other than the directors or chief executive of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

MANAGEMENT CONTRACTS

Other than the service contracts of the directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

CONTRACTS OF SIGNIFICANCE

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

No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of year or at any time during the year.

On 2 January 2011 and 9 March 2011, the Company entered into an acquisition agreement and a supplemental agreement with Top Lucky for the Acquisition for a consideration of HKD520,000,000. For further details, please refer to the announcement of the Company dated 22 August 2011 and Note 19 to the consolidated financial statements in this annual report. The Acquisition was brought to a halt as the Company was not satisfied that a reliable valuation basis could be relied upon to complete the Acquisition, and the consideration of HKD449,200,000 previously paid by the Company to Top Lucky was repaid to the Company by new debtors through debt restructuring (the "Debt Restructuring"). Further information relating to the Debt Restructuring was set out in the Company's circular dated 10 September 2012.

Between February 2011 and April 2011, three loan agreements were entered into between the Company and Mr. Wu, pursuant to which a total of approximately HKD955,000,000 was lent by the Company to Mr. Wu (the "Financial Assistance"). The Company had failed to comply with reporting, the announcement and independent shareholders' approval requirements in accordance with Chapter 14A of the Listing Rules. For further details on the Financial Assistance, please refer to the announcement of the Company dated 22 August 2011 and Note 19 to the consolidated financial statements in this annual report.

Other than the above, no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

So far as the directors were aware, none of the directors or their associates had any interest in a business that competes or may compete with the business of the Group.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Company has established an Audit and Risk Management Committee for the purposes of reviewing and providing supervision over the Company's financial reporting process and internal controls. The Audit and Risk Management Committee presently comprises three independent non-executive directors of the Company namely, Mr. Li Xiaoping (Chairman), Mr. Zhao Enguang and Mr. Yang Yicheng. The Audit and Risk Management Committee has reviewed the audited final results for the year ended 31 December 2011.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the Companies Law of the Cayman Islands where the Company is incorporated.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the directors. During the year ended 31 December 2011, the Company had omitted to notify the Stock Exchange in advance of the commencement of the black-out period pursuant to paragraph A.3(b) of the Model Code preceding the Company's release of the 2011 interim results announcement on 31 August 2011. At that time, the Company was faced with a choice between (i) publishing the interim results which had not been reviewed by the Company's auditors as they had already resigned, and (ii) delaying the publication of the interim results. In the end, the Company chose to publish the 2011 interim results but by the time that decision was made, there was insufficient time for the Company to comply with the requirement in question. Despite this, having made specific enquiry to all the existing directors of the Company, the Board confirmed that they have complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2011.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the then applicable Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules ("CG Code") to regulate the corporate governance issues of the Group. The Board has reviewed the Company's corporate governance practices for the year ended 31 December 2011 (the "Reporting Period"), and has formed the opinion that the Company, throughout the Reporting Period, has complied with the then applicable code provisions ("Code Provisions") as set out in the CG Code except for certain deviations as set out in the Corporate Governance Report.

For details of the Corporate Governance Report please refer to pages 36 to 45 of this annual report.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

As at 31 December 2011, 140,000,000 shares of the Company (representing approximately 15.41% of the issued share capital of the Company) held by Lead Honest Management Limited ("Lead Honest"), a controlling shareholder of the Company, were pledged as security for the payment obligations and performance of the obligations under exchangeable bonds of an aggregate principal amount of HKD1,164,000,000 issued by Lead Honest.

ISSUE OF EQUITY SECURITIES

On 4 January 2011, the Company issued 1,320,000 ordinary shares of HKD1.00 each for cash at a price of HKD6.25 per share, totaling HKD8,250,000 (equivalent to approximately RMB6,860,000), pursuant to the exercise of the Company's share options. The expenses incurred for the issue was insignificant and the proceeds were intended to be used for general corporate purposes.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company was listed on the Main Board of the Stock Exchange on 23 February 2009. The net proceeds from the Company's issue of new shares (after deducting expenses relating specifically to the issue of new shares in the IPO and expenses relating generally to the listing of all the shares of the Company, whether existing or new, amounted to approximately HKD569.3 million (equivalent to approximately RMB501.7 million), which is slightly more than the estimate of HKD565.2 million as stated in the announcement of the IPO allotment results dated 20 February 2009.

The Board has resolved on 25 February 2011 to change the proposed use of part of the unutilized net proceeds originally allocated for expanding exploration activities and capital expenditure at existing gold mines to future acquisitions of gold resources.

As at 31 December 2011, the net proceeds of IPO had been utilized in the following manner:

	Future acquisition of gold resources in		Expanding exploration activities			
	Inner Mongolia HKD million	Other regions HKD million	Exploration activities HKD million	Facilitating actual production HKD million	Capital expenditures at existing gold mines HKD million	General corporate purpose HKD million
Planned amount per Prospectus	20.9	158.8	72.3	35.6	170.3	11.3
Planned amount for actual net IPO proceeds 2009	25.4	192.7	87.7	43.2	206.6	13.7
Amount utilized up to 31 December 2010	(25.4)	(192.7)	—	—	—	(13.7)
Balance as at 31 December 2010	—	—	87.7	43.2	206.6	—
Amount utilized from 1 January to 25 February 2011	—	—	—	—	—	—
Balance as at 25 February 2011	—	—	87.7	43.2	206.6	—
Change of proposed use of the unutilized net proceeds	—	337.5	(87.7)	(43.2)	(206.6)	—
Balance after change of proposed use	—	337.5	—	—	—	—
Amount utilized from 25 February to 31 December 2011	—	—	—	—	—	—
Balance as at 31 December 2011	—	337.5	—	—	—	—

The unutilized balance is deposited in bank accounts at commercial banks in the PRC. The Group intends to utilize the net proceeds balance in the manner as set out above.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the directors' knowledge, information and belief, the Company has maintained a sufficient public float throughout the year ended 31 December 2011.

AUDITORS

Deloitte Touche Tohmatsu ("DTT") was reappointed as the auditors of the Group for conducting the audit works of the Group for the years ended 31 December 2009 and 2010, respectively.

On 13 October 2011, the Board announced that DTT resigned as auditors of the Group with effect from 12 October 2011 in view of the matters revealed in the announcements made by the Company on 19 June 2011 and 22 August 2011. Apart from the circumstances disclosed in the announcements of the Company dated 19 June 2011, 22 August 2011 and 13 October 2011, both the Board and DTT confirmed that there were no circumstances other than as mentioned above in respect of the change of auditors which they considered should be brought to the attention of the shareholders of the Company. The casual vacancy following the resignation of DTT was filled on 6 February 2015 by ZHONGHUI ANDA CPA Limited, which will hold office until the conclusion of the next annual general meeting of the Company pursuant to Article 155 of the Articles of Association of the Company.

On behalf of the Board
Lu Tianjun
Chairman

29 January 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the need for and importance of corporate governance as one of the key elements in enhancing value for shareholders of the Company. The Company is committed to improving its corporate governance practices in compliance with regulatory requirements. The Company has adopted the then applicable Code on CG Code to regulate the corporate governance issues of the Group. The Board has reviewed the Company's corporate governance practices for the Reporting Period, and has formed the opinion that the Company, throughout the Reporting Period, has complied with the then applicable Code Provisions as set out in the CG Code except for the following deviations:

Relevant Code Provisions	Deviations from the relevant Code Provisions	Remedial Actions
A.1.3	Notices of board meetings were given on 30 August 2011 and 11 November 2011 for the board meetings held on 31 August 2011 and 14 November 2011 respectively, which were less than 14 days, being the minimum number of days required under Code Provision A.1.3 for regular board meetings.	Moving forward, the Company intends to comply with this Code Provision. By way of example, notice was given on 14 January 2016 for the board meeting held on 29 January 2016, which was no less than 14 days was as required under Code Provision A.1.3 for regular board meetings.
A.7.1	Board papers were sent to the directors on 10 March 2011, 9 May 2011 and 30 August 2011 for the board meetings held on 10 March 2011, 11 May 2011 and 31 August 2015 respectively, being less than 3 days before the dates of the board meetings, which resulted in deviations from the requirement under Code Provision A.7.1.	Moving forward, the Company intends to comply with this Code Provision. By way of example, agenda and board papers were sent to the directors on or before 26 January 2016 for the board meeting held on 29 January 2016, no less than 3 days before the date of the board meeting as required under the new Code Provision A.7.1.
C.2.1 and C.2.2	The Company had engaged a third party independent internal control consulting firm to assist the Board in conducting annual reviews of the internal control of the Group for 2009 and for 2010, but not after the trading of the shares of the Company was suspended on 27 May 2011. As a result, the Board was unable to conduct the annual review of the Company's internal control systems and matters stipulated in Code Provisions C.2.1 and C.2.2 during the Reporting Period.	ZHONGHUI ANDA Risk Services Limited, an external professional adviser, was engaged by the Company on 9 November 2015 to conduct an independent internal control review and to assist the management to improve the internal control systems of the Group. Moving forward, the Company intends to engage an external professional adviser to conduct annual reviews of the Company's internal control systems of the Company in the future.
D.2.1 and D.2.2	The Investigation Committee established pursuant to the board meetings of 28 July 2011 and 1 August 2011 was not given formal terms of reference to clearly set out its powers and functions as required under Code Provisions D.2.1 and D.2.2.	The Investigation Committee was dissolved on 24 December 2015. In the future, when board committees are established, they will be given formal terms of references with the requirement (among other things) that they report back to the Board on their decisions or recommendations.

Set out below is detailed discussion of the Company's corporate governance practices adopted and observed by the Company.

A. Directors' Securities Transactions

The Company has adopted the Model Code as the code of conduct governing director's securities transactions. Trading in the shares of the Company on the Stock Exchange has been suspended at the request of the Company since 27 May 2011. All the then directors who are still on the Board currently have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the financial year ended 31 December 2011.

B. Board of Directors

(i) Board Composition

During the year 2011 and as at the date of this annual report, the composition of the Board is set out below:

Executive directors as at the date of this annual report:
Mr. Lu Tianjun *(Chairman)*
Mr. Ma Wenxue *(Vice Chairman and Chief Executive Officer)*
Mr. Cui Jie *(Chief Financial Officer)*
Mr. Li Qing (appointed on 5 May 2011)

Executive directors during the year 2011:
Mr. Lu Tianjun *(Chairman)*
Mr. Qiu Haicheng (resigned on 5 May 2011) *(Former Chief Executive Officer)*
Mr. Ma Wenxue *(Vice Chairman and Chief Executive Officer)*
Mr. Cui Jie *(Chief Financial Officer)*
Mr. Li Qing (appointed on 5 May 2011)

Independent non-executive directors as at the date of this annual report:
Mr. Li Xiaoping (appointed on 18 November 2011)
Mr. Zhao Enguang
Mr. Yang Yicheng

Independent non-executive directors during the year 2011:
Mr. Mak Kin Kwong (resigned on 24 June 2011)
Mr. Zhao Enguang
Mr. Xiao Zuhe (resigned on 13 July 2011)
Mr. Yang Yicheng
Mr. Wan Kam To (appointed on 25 July 2011 and resigned on 19 August 2011)
Mr. Li Xiaoping (appointed on 18 November 2011)

The executive directors, with the assistance from the senior management, form the core management team of the Company. The executive directors have the overall responsibility for formulating the business strategies and development plan of the Group and the senior management are responsible for supervising and executing the plans of the Company and its subsidiaries.

During the year ended 31 December 2011, the directors of the Company have participated in continuous professional development to develop and refresh their knowledge and skills. On 26 October 2011, a directors' training was conducted by O'Melveny & Myers (the Company's legal advisor as to Hong Kong law), and was attended by all directors of the Company. The topics of the directors' training were directors' responsibilities, notifiable transactions and connected transactions. The directors' training lasted for 1.5 hours.

(ii) Board Functions and Duties

The principal functions and duties conferred on our Board include:

- convening general meetings and reporting our Board's work at general meetings;
- implementing the resolutions passed by our shareholders at general meetings;
- deciding our business plans and investment plans;
- formulating the proposals for profit distributions, recovery of losses and for the increase or reduction of our registered capital;
- Performing corporate governance duties; and
- exercising other powers, functions and duties conferred by our shareholders at general meetings.

(iii) Board Meetings

During the year ended 31 December 2011, thirty-one board meetings were held.

Notices of board meetings were given on 30 August 2011 and 11 November 2011 for the board meetings held on 31 August 2011 and 14 November 2011, respectively, being less than 14 days, which is the minimum number of days required under Code Provision A.1.3 for regular board meetings. For the rest of the regular board meetings held in 2011, sufficient notice was provided.

Board papers were sent to the directors on 10 March 2011, 9 May 2011 and 30 August 2011 for the board meetings held on 10 March 2011, 11 May 2011 and 31 August 2015 respectively, being less than 3 days before the dates of the board meetings, which resulted in deviations from the requirement under Code Provision A.7.1. For the rest of the regular board meetings held in 2011, board papers, as well as agenda, were provided in a timely manner.

As per the latest improved corporate governance practice of the Company, since 2016, notices of regular board meetings has been dispatched to all directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days (or any other agreed date) before each board meeting or committee meeting to keep directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The company secretary of the Company is responsible for keeping minutes for the board meetings.

At the meeting on 10 March 2011, the directors approved, among other things, the annual financial results of the Group for the year ended 31 December 2010; at the meeting on 31 August 2011, the directors approved, among other things, the interim financial results of the Group for the six months ended 30 June 2011; at the meetings on 11 May 2011 and 14 November 2011, the directors approved, among other things, the financial results of the Group for the three months ended 31 March 2011 and for the nine months ended 30 September 2011 respectively.

(iv) Attendance Record

The following is the attendance record of the board meetings held by the Board during the year ended 31 December 2011:

	Attendance at meetings
Executive Directors	
Mr. Lu Tianjun *(Chairman)*	29/31
Mr. Qiu Haicheng *(Former Chief Executive Officer)*	5/5
Mr. Ma Wenxue *(Vice Chairman & Chief Executive Officer)*	30/31
Mr. Cui Jie *(Chief Financial Officer)*	30/31
Mr. Li Qing	23/25
Independent Non-Executive Directors	
Mr. Mak Kin Kwong	9/14
Mr. Zhao Enguang	25/31
Mr. Xiao Zuhe	11/15
Mr. Yang Yicheng	30/31
Mr. Wan Kam To	1/2
Mr. Li Xiaoping	3/3

(v) Independent Non-Executive Directors

During the periods from 13 July 2011 to 25 July 2011 and from 19 August 2011 to 18 November 2011 (the "Relevant Periods"), following the resignations of Mr. Xiao Zuhe and Mr. Wan Kam To respectively, the number of independent non-executive directors fell below the minimum requirements stipulated under Rule 3.10(1) of the Listing Rules. In addition, during the Relevant Periods, the Company failed to meet the requirements under Rule 3.10(2) of the Listing Rules that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise (the "Requisite Qualifications"). Upon the appointment of Mr. Li Xiaoping on 18 November 2011, the Company has duly complied with the minimum requirement as stipulated under Rule 3.10(1) of the Listing Rules and the Requisite Qualifications as stipulated under Rule 3.10(2) of the Listing Rules.

At the date of this annual report, in compliance with Rule 3.10(1) of the Listing Rules, the Company has three independent non-executive directors. The Board considers that all independent non-executive directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of shareholders of the Company. One of the independent non-executive directors, Mr. Li Xiaoping, has over 30 years' experience in the finance and accounting field. Mr. Li is a practicing Certified Public Accountant (執業註冊會計師) in the PRC.

Prior to their respective appointment, each of the independent non-executive directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the independent non-executive directors in respect of their independence. The Board considers that all independent non-executive directors are being considered to be independent by reference to the factors stated in the Listing Rules.

C. Chairman and Chief Executive Officer

The roles of the Company's chairman and the chief executive officer are segregated. Mr. Lu Tianjun is the chairman of the Board who is chiefly responsible for managing the Board, while Mr. Ma Wenxue, who succeeded Mr. Qiu Haicheng on 5 May 2011, is the chief executive officer of the Company who takes charge of the supervision of the execution of the policies determined by the Board. The chairman also chairs the Board meetings and briefs the Board members on the issues discussed at the board meetings. Save and except by virtue of their offices, Mr. Ma and Mr. Lu are unrelated (whether financially, by family relations, or otherwise).

D. Independent Non-Executive Directors

Mr. Mak Kin Kwong was appointed for a fixed term of two years commencing from 30 January 2009. His service contract was renewed with the same terms for another two years upon its expiry on 30 January 2011 upon recommendation by the Nomination and Remuneration Committee. He resigned on 24 June 2011.

Mr. Zhao Enguang has been appointed for a fixed term of two years commencing from 30 January 2009. His service contract has been renewed with the same terms for another two years upon its expiry on 30 January 2011 and his remuneration was adjusted on 1 December 2011 upon recommendation by the Nomination and Remuneration Committee.

Mr. Xiao Zuhe was appointed for a fixed term of two years commencing from 30 January 2009. His service contract was renewed with the same terms for another two years upon its expiry on 30 January 2011 upon recommendation by the Nomination and Remuneration Committee. He resigned on 13 July 2011.

Mr. Yang Yicheng has been appointed for a fixed term of two years commencing from 25 June 2009. His service contract has been renewed with the same terms for another two years upon its expiry on 25 June 2011 and his remuneration was adjusted on 1 December 2011 upon recommendation by the Nomination and Remuneration Committee.

Mr. Wan Kam To was appointed for a fixed term of two years commencing from 25 July 2011 upon recommendation by the Nomination and Remuneration Committee. He resigned on 19 August 2011.

Mr. Li Xiaoping has been appointed for a fixed term of two years commencing from 18 November 2011 upon recommendation by the Nomination and Remuneration Committee.

The independent non-executive directors have attended the board meetings held during the year ended 31 December 2011 and provided independent judgment on the issues discussed.

E. Nomination and Remuneration Committee

The Company established a Nomination and Remuneration Committee on 30 January 2009 with written terms of reference in compliance with the CG Code (as amended from time to time). The primary duties of the Nomination and Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the directors and senior management, and to identify suitable individuals to become members of the Board and advise on the selection of individuals nominated for directorships. The Nomination and Remuneration Committee selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Company's business. It is the Company's policy that the remuneration package of each director and senior management shall be determined by reference to, inter alia, their duties, responsibilities, experience and qualifications.

During the financial year under review, the Nomination and Remuneration Committee consisted of the following members:

Period	Membership of the Nomination and Remuneration Committee
1 January 2011–13 July 2011	Mr. Xiao Zuhe *(Chairman)* Mr. Zhao Enguang Mr. Yang Yicheng
13 July 2011–25 July 2011	Mr. Zhao Enguang Mr. Yang Yicheng
25 July 2011–19 August 2011	Mr. Wan Kam To *(Chairman)* Mr. Zhao Enguang Mr. Yang Yicheng
19 August 2011–18 November 2011	Mr. Zhao Enguang Mr. Yang Yicheng
18 November 2011–31 December 2011	Mr. Zhao Enguang *(Chairman)* Mr. Li Xiaoping Mr. Yang Yicheng

According to the Articles of Association of the Company, at each annual general meeting one-third of the directors are subject to retirement by rotation or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and shall be eligible for re-election. The directors to be retired by rotation shall be those who have been longest in office since their last appointment or re-election. Every director shall be subject to retirement at an annual general meeting at least once every three years.

The following is the attendance record of the committee meetings held by the Nomination and Remuneration Committee during the year ended 31 December 2011.

	Attendance at meetings
Mr. Zhao Enguang	4/4
Mr. Xiao Zuhe	2/2
Mr. Yang Yicheng	4/4
Mr. Wan Kam To	0/0
Mr. Li Xiaoping	0/0

F. Audit and Risk Management Committee

The Company has established an Audit and Risk Management Committee on 30 January 2009 with written terms of reference in compliance with the CG code (as amended from time to time) for the purposes of reviewing and providing supervision over the Company's financial reporting process and internal controls. During the financial year under review, the Audit and Risk Management Committee consisted of the following members:

Period	Membership of the Audit and Risk Management Committee
1 January 2011–24 June 2011	Mr. Mak Kin Kwong *(Chairman)* Mr. Zhao Enguang Mr. Xiao Zuhe
24 June 2011–13 July 2011	Mr. Xiao Zuhe *(Chairman)* Mr. Zhao Enguang Mr. Yang Yicheng
13 July 2011–25 July 2011	Mr. Zhao Enguang Mr. Yang Yicheng
25 July 2011–19 August 2011	Mr. Wan Kam To *(Chairman)* Mr. Zhao Enguang Mr. Yang Yicheng
19 August 2011–18 November 2011	Mr. Zhao Enguang Mr. Yang Yicheng
18 November 2011–31 December 2011	Mr. Li Xiaoping *(Chairman)* Mr. Zhao Enguang Mr. Yang Yicheng

As above, during the periods from 13 July 2011 to 25 July 2011 and from 19 August 2011 to 18 November 2011 (the "Relevant Periods"), following the resignations of Mr. Xiao Zuhe and Mr. Wan Kam To respectively, the number of members of the Audit and Risk Management Committee fell below the minimum requirements stipulated under Rule 3.21 of the Listing Rules. In addition, during the Relevant Periods, the Company failed to meet the requirements under Rule 3.21 of the Listing Rules that at least one of the members of the Audit and Risk Management Committee must be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise (the "Requisite Qualifications"). Upon the appointment of Mr. Li Xiaoping on 18 November 2011, the Company has duly complied with the minimum requirement and the Requisite Qualifications as stipulated under Rule 3.21 of the Listing Rules.

During the year ended 31 December 2011, the Audit and Risk Management Committee has held nine meetings. At the meeting on 10 March 2011, the members of Audit and Risk Management Committee have reviewed and discussed with the external auditors of the Company the Group's consolidated financial statements for the years ended 31 December 2010; at the meeting on 31 August 2011, the members of the Audit and Risk Management Committee have reviewed the Group's condensed consolidated financial statements for the six months ended 30 June 2011; at the meetings on 11 May 2011 and 14 November 2011, the members of the Audit and Risk Management Committee have reviewed the Group's financial results for the three months ended 31 March 2011 and for the nine months ended 30 September 2011 respectively.

The following is the attendance record of the committee meetings held by the Audit and Risk Management Committee during the year ended 31 December 2010.

	Attendance at meetings
Mr. Mak Kin Kwong	7/7
Mr. Zhao Enguang	9/9
Mr. Xiao Zuhe	6/7
Mr. Yang Yicheng	2/2
Mr. Wan Kam To	0/0
Mr. Li Xiaoping	0/0

G. Auditors' Remuneration

ZHONGHUI ANDA CPA Limited provided audit service for the year ended 31 December 2011. Deloitte Touche Tohmatsu provided audit and non-audit services for the year ended 31 December 2010.

For the years ended 31 December 2011 and 2010, the total fee paid or payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

	For the year ended 31 December	
Nature of services	**2011 HKD'000**	2010 HKD'000
Audit services		
Annual audit services	**1,150**	1,700
Non-audit services		
Interim review services	—	350
Tax advisory services	—	12

The Audit and Risk Management Committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditors, which is subject to the approval by the Board and at the general meetings of the Company by its shareholders.

H. Director's Responsibility on the Financial Statements

The directors acknowledge that it is their responsibility to prepare the accounts of the Group and other financial disclosures required under the Listing Rules and the management will provide information and explanation to the Board to enable it to make an informed assessment of the financial and other Board decisions.

I. Internal Control

The internal control system is implemented to minimize the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The internal control system has been designed to safeguard the assets of the Company, maintain proper accounting records, ensure execution of contracts with appropriate authority and ensure compliance of the relevant laws and regulations. The system can only provide reasonable but not absolute assurance against misstatements or losses.

The Board is responsible for implementing and maintaining the Group's internal control system and reviewing its effectiveness. The Company had engaged a third party independent internal control consulting firm to assist the Board in conducting annual reviews of the internal control of the Group for 2009 and for 2010, but not after the trading of the shares of the Company was suspended on 27 May 2011. As a result, the Board was unable to conduct the annual review of the Company's internal control systems and matters stipulated in Code Provisions C.2.1 and C.2.2 during the Reporting Period.

ZHONGHUI ANDA Risk Services Limited, an external professional adviser, was engaged by the Company on 9 November 2015 to conduct an independent internal control review and to assist the management to improve the internal control systems of the Group. As at the date of this annual report, the review is still on-going. Moving forward, the Company intends to engage an external professional adviser to conduct annual reviews of the Company's internal control systems of the Company in the future.

J. Going Concern

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

K. Shareholders' Rights and Constitutional Documents

According to the current Articles of Association of the Company, any one or more Shareholders of the Company holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in the requisition. If within 21 days of such requisition the Board fails to proceed to convene the extraordinary general meeting, the requisitionists may themselves do so, and all reasonable expenses incurred by the requisitionists in this regard shall be reimbursed by the Company.

During the Reporting Period, there has been no change to the Company's constitutional documents.

INDEPENDENT AUDITOR'S REPORT

ZHONGHUI

TO THE SHAREHOLDERS OF REAL GOLD MINING LIMITED
瑞金礦業有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Real Gold Mining Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 101, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

BASIS FOR QUALIFIED OPINION

1. Opening balances and corresponding figures of a subsidiary

The financial statements of a subsidiary of the Company, Shangrao City Jinshi Mining Technology Development Limited (上饒市金石礦業科技開發有限公司), for the year ended 31 December 2010 were not audited by us. There were no satisfactory audit procedures for us to ascertain the existence, accuracy, presentation and completeness of the opening balances and corresponding figures shown in the current year's consolidated financial statements as follows:

	As at 31 December 2010 RMB'000
Property, plant and equipment	8,094
Exploration and evaluation assets	90,575
Trade and other receivables	412
Bank and cash balances	370
Trade and other payables	39

2. Loss on disposal of a subsidiary

As described in note 30 to the consolidated financial statements, a subsidiary of the Company, Shangrao City Jinshi Mining Technology Development Limited (上饒市金石礦業科技開發有限公司), was disposed of by the Group during the year. No sufficient evidence has been provided to satisfy ourselves as to the loss on disposal of a subsidiary of approximately RMB69,343,000 for the year ended 31 December 2011 as disclosed in note 30 to the consolidated financial statements.

OPINION

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

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Ng Ka Lok
Practising Certificate Number P06084

Hong Kong, 29 January 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	7	**1,412,736**	1,368,227
Cost of sales		**(340,266)**	(311,055)
Gross profit		**1,072,470**	1,057,172
Other income	8	**187,886**	156,857
Administrative expenses		**(105,900)**	(34,461)
Other expenses	9	**(1,630,903)**	(71,725)
(Loss)/Profit from operations		**(476,447)**	1,107,843
Loss on disposal of a subsidiary	30	**(69,343)**	—
(Loss)/Profit before tax		**(545,790)**	1,107,843
Income tax expense	10	**(307,691)**	(299,339)
(Loss)/Profit and total comprehensive (loss)/income for the year	11	**(853,481)**	808,504
(Loss)/Profit and total comprehensive (loss)/ income for the year attributable to:			
Owners of the Company		**(758,360)**	798,044
Non-controlling interests		**(95,121)**	10,460
		(853,481)	808,504
(Loss)/Earnings per share			
Basic	14	**(RMB83.45 cents)**	RMB95.15 cents
Diluted	14	**(RMB83.45 cents)**	RMB94.79 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	15	**1,500**	456,570
Mining rights	16	**—**	168,028
Exploration and evaluation assets	17	**480,170**	1,261,343
Prepaid land lease payments	18	**2,815**	5,834
Prepaid project payments	19	**364,166**	—
		848,651	1,891,775
Current assets			
Prepaid land lease payments	18	**62**	125
Loans to a shareholder	20	**256,360**	—
Inventories	22	**8,765**	7,676
Trade and other receivables	23	**48,866**	45,122
Bank and cash balances	24	**2,805,120**	2,965,187
		3,119,173	3,018,110
Current liabilities			
Other payables		**72,860**	61,325
Current tax liabilities		**22,782**	105,706
		95,642	167,031
Net current assets		**3,023,531**	2,851,079
Total assets less current liabilities		**3,872,182**	4,742,854
Non-current liabilities			
Provision for restoration cost	25	**9,094**	675
Deferred tax liabilities	26	**16,724**	16,724
		25,818	17,399
NET ASSETS		**3,846,364**	4,725,455

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Capital and reserves			
Share capital	27	**797,619**	796,494
Reserves	28	**3,008,792**	3,793,887
Equity attributable to owners of the Company		**3,806, 411**	4,590,381
Non-controlling interests		**39,953**	135,074
TOTAL EQUITY		**3,846,364**	4,725,455

The consolidated financial statements on pages 48 to 101 were approved and authorized for issue by the Board on 29 January 2016 and are signed on its behalf by:

Lu Tianjun
DIRECTOR

Cui Jie
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium* RMB'000	Statutory reserve* RMB'000	Capital reserve* RMB'000	Other reserve* RMB'000	Share options reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-Controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	675,383	1,161,239	73,165	–	7,803	10,164	555,938	2,483,692	37,122	2,520,814
Profit and total comprehensive income for the year	–	–	–	–	–	–	798,044	798,044	10,460	808,504
Issue of shares at premium	87,008	970,127	–	–	–	–	–	1,057,135	–	1,057,135
Transaction costs attributable to issue of shares	–	(24,910)	–	–	–	–	–	(24,910)	–	(24,910)
Issue of shares as part consideration for the acquisition of a subsidiary	32,107	374,693	–	–	–	–	–	406,800	–	406,800
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	8,233	–	8,233	–	8,233
Exercise of share options	1,996	14,474	–	–	–	(3,993)	–	12,477	–	12,477
Acquisition of additional interest in an existing subsidiary	–	–	–	–	(151,090)	–	–	(151,090)	(42,910)	(194,000)
Addition arising on acquisition of a subsidiary	–	–	–	–	–	–	–	–	130,402	130,402
Appropriation to reserve	–	–	–	6,267	–	–	(6,267)	–	–	–
Changes in equity for the year	121,111	1,334,384	–	6,267	(151,090)	4,240	791,777	2,106,689	97,952	2,204,641
At 31 December 2010	796,494	2,495,623	73,165	6,267	(143,287)	14,404	1,347,715	4,590,381	135,074	4,725,455
At 1 January 2011	**796,494**	**2,495,623**	**73,165**	**6,267**	**(143,287)**	**14,404**	**1,347,715**	**4,590,381**	**135,074**	**4,725,455**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(758,360)**	**(758,360)**	**(95,121)**	**(853,481)**
Dividends paid	**–**	**(75,147)**	**–**	**–**	**–**	**–**	**–**	**(75,147)**	**–**	**(75,147)**
Recognition of equity-settled share-based payment expenses	**–**	**–**	**–**	**–**	**–**	**42,507**	**–**	**42,507**	**–**	**42,507**
Lapse of share options	**–**	**–**	**–**	**–**	**–**	**(1,832)**	**1,832**	**–**	**–**	**–**
Exercise of share options	**1,125**	**8,155**	**–**	**–**	**–**	**(2,250)**	**–**	**7,030**	**–**	**7,030**
Appropriation to reserve	**–**	**–**	**–**	**5,954**	**–**	**–**	**(5,954)**	**–**	**–**	**–**
Changes in equity for the year	**1,125**	**(66,992)**	**–**	**5,954**	**–**	**38,425**	**(762,482)**	**(783,970)**	**(95,121)**	**(879,091)**
At 31 December 2011	**797,619**	**2,428,631**	**73,165**	**12,221**	**(143,287)**	**52,829**	**585,233**	**3,806,411**	**39,953**	**3,846,364**

* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		**(545,790)**	1,107,843
Adjustments for:			
Interest income		**(23,494)**	(7,651)
Loss on disposal of a subsidiary	30	**69,343**	—
Amortization of prepaid land lease payments	18	**125**	125
Amortization of mining rights	16	**11,676**	12,386
Depreciation of property, plant and equipment	15	**25,530**	25,755
Impairment losses on property, plant and equipment	15	**476,166**	—
Impairment losses on mining rights	16	**156,352**	—
Impairment losses on exploration and evaluation assets	17	**908,775**	—
Impairment losses on prepaid land lease payments	18	**2,957**	—
Increase in provision for restoration cost		**8,419**	—
Written off of property, plant and equipment	15	**73**	—
Equity-settled share-based payment expenses		**42,507**	8,233
Operating profit before working capital changes		**1,132,639**	1,146,691
Increase in trade and other receivables		**(207)**	(12,334)
Increase in inventories		**(1,089)**	(1,512)
Increase in other payables		**11,838**	15,250
Cash generated from operations		**1,143,181**	1,148,095
Interest received		**23,494**	7,651
Income tax paid		**(390,615)**	(259,824)
Net cash generated from operating activities		**776,060**	895,922
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries		**—**	(538,257)
Disposal of a subsidiary	30	**32,729**	—
Purchases of property, plant and equipment	15	**(54,696)**	(103,116)
Additions of exploration and evaluation assets	17	**(225,517)**	(97,473)
Prepaid project payments		**(364,166)**	—
Repayment of loans to a shareholder		**—**	426,997
Advance of loans to a shareholder		**(256,360)**	—
Net cash used in investing activities		**(868,010)**	(311,849)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**7,030**	1,069,612
Repayment of loans payables		**—**	(427,398)
Acquisition of additional interest in an existing subsidiary		**—**	(194,000)
Expenses on issue of shares		**—**	(24,910)
Dividends paid to owners of the Company	13	**(75,147)**	—
Net cash flows (used in)/generated from financing activities		**(68,117)**	423,304
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(160,067)**	1,007,377
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,965,187**	1,957,810
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	**2,805,120**	2,965,187
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	24	**2,805,120**	2,965,187

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of the principal place of business is Units 3601-3, 36/F, AIA Tower, 183 Electric Road, North Point, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and have been suspended for trading since 27 May 2011.

The Company is an investment holding company. Its subsidiaries are principally engaged in exploration, mining and processing of gold ore and sale of concentrates in the People's Republic of China (the "PRC").

The consolidated financial statements have been presented in Renminbi ("RMB"), which is also the functional currency of the Company and its principal subsidiaries.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised standards, amendments and interpretations (hereinafter collectively referred to as "new and revised IFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards ("IFRSs"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 4 to these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	5%–12.5%
Plant and machinery	10%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

Depreciation of mining structures is calculated using the Units of Production ("UOP") method to write off the cost of the assets proportionately to the extraction of the proved and probable mineral reserves.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Construction in progress represents mining structures in the course of construction, and is stated at cost less any impairment losses. Depreciation begins when the relevant assets are available for use.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stripping costs

Stripping costs incurred in the development of a mine before production commences are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a UOP basis.

Stripping costs incurred subsequently during the production phase of its operation are deferred for those operations where this is the most appropriate basis for matching the cost against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in stripping costs over the life of the mine. The amount of stripping costs deferred is based on the strip ratio obtained by dividing the tonnage of waste mined by the quantity of minerals contained in the ore. Stripping costs incurred in the period are deferred to the extent that the current period ratio exceeds the life of the mine strip ratio. Such deferred costs are then charged to profit or loss to the extent that, in subsequent periods, the current period ratio falls short of the life of mine ratio. The life of mine ratio is based on economically recoverable reserves of the mine. Changes are accounted for prospectively, from the date of the change.

Deferred stripping costs are included as part of "Mining structures". These form part of the total investment in the relevant cash generating units, which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the UOP method. Mining rights are written off to profit or loss if the mining property is abandoned.

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any identified impairment loss.

Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. An impairment loss is recognised in profit and loss.

When the technical feasibility and commercial viability of extracting a mineral resource become demonstrable and the mining rights is obtained, the carrying amounts of the recognised exploration and evaluation assets are reclassified as mining rights.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Operating leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount of the receivables and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the recoverable amount of the receivables can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(a) Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(b) Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") in Hong Kong under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Group issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss 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 deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or 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 arising on 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.

The carrying amount of deferred tax assets is reviewed at the end of each 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and 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.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies:

  (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

  (vi) The entity is controlled or jointly controlled by a person identified in (a).

  (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business in different geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except inventories and receivables 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 any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Provision for restoration cost

The Group is required to incur costs 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 different provinces of the PRC at the end of the reporting period, and is discounted to their present value where the effect is material.

Restoration cost is provided in the period in which the obligation is identified and is capitalised to the costs of mining structures. This cost is charged to profit or loss through depreciation of the assets, which are depreciated using the UOP method based on the actual production volume over the estimated total proved and probable reserves of the ore mines.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Impairment of receivables, deposits and prepayments

Impairment of receivables, deposits, and prepayments is made based on an assessment of the recoverability of receivables, deposits and prepayments. The assessment of impairment of receivables, deposits and prepayments involves the use of estimates and judgments. An estimate for doubtful debts is made when collection of the full amount is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying amount of receivables, deposits and prepayments and thus the impairment loss in the period in which such estimate is changed.

(d) Mine reserves

Mining rights and mining structures are amortised or depreciated over the estimated useful lives of the mines in accordance with the production plans of the entities concerned and the mineral resources and reserves of the mines using the UOP method.

The process of estimating the quantities of the Group's gold reserve and resources is inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information 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. Changes in reported reserves and resources estimated can impact the carrying value of intangible asset.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(e) Exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest the carrying amount may exceed its recoverable amount. The directors of the Company exercise their judgment in estimating recoverable amount which requires the Group to estimate the total reserves of the ore mines. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available. If the quantities of reserves are different from current estimates, it will result in significant changes of the recoverable amount. Where the recoverable amount is less than expected, a material impairment loss may arise.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has foreign currency transactions which expose the Group to market risk arising from changes in foreign exchange rates. During the year ended 31 December 2011, the Group had bank and cash balances, as well as balances of prepaid project payments and loans to a shareholder that were denominated in foreign currencies which exposed the Group to foreign currency risks.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2011, if the RMB had weakened 5% per cent against HKD with all other variables held constant, consolidated loss after tax for the year would have been RMB55,417,000 (2010: RMB77,363,000) lower, arising mainly as a result of the foreign exchange gain on loans to a shareholder and bank and cash balances denominated in HKD. If the RMB had strengthened 5% per cent against the HKD with all other variables held constant, consolidated loss after tax for the year would have been RMB55,417,000 (2010: RMB77,363,000) higher, arising mainly as a result of the foreign exchange loss on loans to a shareholder and bank and cash balances denominated in HKD.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk

The carrying amount of the bank and cash balances and trade and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, the directors review the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

(c) Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of its own funding sources.

(d) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Categories of financial instruments

	2011 RMB'000	2010 RMB'000
Financial assets:		
Loans and receivables		
Loans to a shareholder	256,360	—
Trade and other receivables	46,304	43,242
Bank and cash balances	2,805,120	2,965,187
	3,107,784	3,008,429
Financial liabilities:		
Financial liabilities at amortised cost		
Other payables	8,933	4,875

6. SEGMENT INFORMATION

The Group has 3 operating mines in Nantaizi, Shirengou and Luotuochang in Inner Mongolia, the PRC. The Group is organised based on the locations of its ore processing plants. The ore processing plant located at Nantaizi processes ore from the mines in Nantaizi and Shirengou. The ore processing plant located at Luotuochang only processes ore from the mine in Luotuochang. For management reporting purpose, the Group's executive directors, who are the chief operating decision maker ("CODM") reviewed the financial information of each ore processing plant for the purpose of resources allocation and performance evaluation. Hence, the processing activities at each of the ore processing plants in Nantaizi and Luotuochang is presented as an operating segment.

The Group acquired certain subsidiaries engaged in exploration activities in Yunnan, Jiangxi and Guangxi, the PRC. The CODM also reviewed financial information of each subsidiary separately. Because all these subsidiaries carry out exploration activities, they are aggregated as one reportable segment of exploration of gold mines.

The Group's reportable segments are set out as follows:

(i) Ore processing plant in Nantaizi — the mining and ore processing activities in respect of the mines in Nantaizi and Shirengou;

(ii) Ore processing plant in Luotuochang — the mining and ore processing activities in respect of the mine in Luotuochang;

(iii) Exploration of gold mines — the exploration activities in various places.

6. SEGMENT INFORMATION (Continued)

Information about reportable segment profit or loss, assets and liabilities:

	Ore processing plant in Nantaizi RMB'000	Ore processing plant in Luotuochang RMB'000	Exploration of gold mines RMB'000	Total RMB'000
For the year ended 31 December 2011				
Revenue from external customers	982,512	430,224	—	1,412,736
Segment profit/(loss) before tax	499,008	112,369	(948,583)	(337,206)
Addition to non-current assets	39,389	15,298	225,517	280,204
Amortization of mining rights	9,879	1,797	—	11,676
Amortization of prepaid land lease payments	91	34	—	125
Depreciation of property, plant and equipment	13,538	10,841	493	24,872
Impairment losses on property, plant and equipment	271,789	166,849	37,528	476,166
Impairment losses on mining rights	117,542	38,810	—	156,352
Impairment losses on exploration and evaluation assets	—	—	908,775	908,775
Provision for restoration cost	6,525	1,894	—	8,419
Bank interest income	207	85	2	294
Income tax expense	225,813	80,749	—	306,562
As at 31 December 2011				
Segment assets	21,743	13,243	482,029	517,015
Segment liabilities	76,560	38,410	240	115,210

6. SEGMENT INFORMATION (Continued)

	Ore processing plant in Nantaizi RMB'000	Ore processing plant in Luotuochang RMB'000	Exploration of gold mines RMB'000	Total RMB'000
For the year ended 31 December 2010				
Revenue from external customers	909,592	458,635	—	1,368,227
Segment profit/(loss) before tax	839,380	360,436	(2,421)	1,197,395
Addition to non-current assets	42,921	14,656	1,218,471	1,276,048
Amortization of mining rights	10,493	1,893	—	12,386
Amortization of prepaid land lease payments	90	35	—	125
Depreciation of property, plant and equipment	13,889	11,139	140	25,168
Bank interest income	147	75	—	222
Income tax expense	209,058	89,446	—	298,504
As at 31 December 2010				
Segment assets	409,995	221,700	1,310,587	1,942,282
Segment liabilities	123,279	58,686	41	182,006

6. SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2011 RMB'000	2010 RMB'000
Revenue		
Total revenue of reportable segments and consolidated revenue	1,412,736	1,368,227
Profit or loss		
Total (loss)/profit of reportable segments	(337,206)	1,197,395
Unallocated other income	23,199	7,429
Unallocated corporate expenses	(84,204)	(25,256)
Unallocated other expenses	(78,236)	(71,725)
Loss on disposal of a subsidiary	(69,343)	—
Consolidated (loss)/profit before tax	(545,790)	1,107,843
Assets		
Total assets of reportable segments	517,015	1,942,282
Unallocated bank and cash balance	2,804,536	2,962,926
Unallocated prepaid project payments	364,166	—
Unallocated loans to a shareholder	256,360	—
Unallocated corporate assets	25,747	4,677
Consolidated total assets	3,967,824	4,909,885
Liabilities		
Total liabilities of reportable segments	115,210	182,006
Unallocated corporate liabilities	6,250	2,424
Consolidated total liabilities	121,460	184,430

Apart from the above, the totals of other material items disclosed in the segment information are the same as the consolidated totals.

6. SEGMENT INFORMATION (Continued)

Geographical information:

(a) Revenue from external customers

For both years, all the revenue are derived from customers located in the PRC.

(b) Non-current assets

	2011 RMB'000	2010 RMB'000
Hong Kong	1,458	2,775
PRC	847,193	1,889,000
	848,651	1,891,775

In presenting the geographical information, revenue is based on the locations of the customers.

Information about major customers

	Segment	2011 RMB'000	2010 RMB'000
Customer A	Ore processing plant in Nantaizi and Luotuochang	135,473	664,627
Customer B	Ore processing plant in Nantaizi	—	407,171
Customer C	Ore processing plant in Nantaizi and Luotuochang	243,971	169,729
Customer D	Ore processing plant in Nantaizi and Luotuochang	408,577	—
Customer E	Ore processing plant in Nantaizi	456,434	—

7. REVENUE

The Group's revenue which represents sales of goods to customers are as follows:

	2011 RMB'000	2010 RMB'000
Products:		
— Gold	967,013	877,680
— Copper	231,195	296,519
— Other (Silver, Lead and Zinc)	214,528	194,028
	1,412,736	1,368,227

8. OTHER INCOME

	2011 RMB'000	2010 RMB'000
Government subsidies	164,392	149,206
Interest income arising from loans to a shareholder	14,129	—
Bank interest income	9,365	7,651
	187,886	156,857

Government subsidies represent the benefit from tax concession granted by the PRC government to encourage the production and sale of gold concentrates. Under the tax concession, the Group is not required to pay to the government authority value-added tax which have been charged on the sale of gold concentrates.

9. OTHER EXPENSES

	2011 RMB'000	2010 RMB'000
Exchange losses	78,234	49,464
Consultancy expenses	—	22,261
Impairment losses on property, plant and equipment	476,166	—
Impairment losses on mining rights	156,352	—
Impairment losses on exploration and evaluation assets	908,775	—
Impairment losses on prepaid land lease payments	2,957	—
Provision for restoration cost	8,419	—
	1,630,903	71,725

Consultancy expenses mainly relates to consultancy service provided by independent professional firms for assessing the opportunities of exploration and evaluation projects.

10. INCOME TAX EXPENSE

	2011 RMB'000	2010 RMB'000
Current tax — PRC Enterprise Income Tax ("EIT")		
— Current year	307,535	299,091
— Under-provision in prior years	156	248
	307,691	299,339

No provision for Hong Kong Profits Tax is required since the Group's income is derived from overseas sources which is not liable to Hong Kong Profits Tax.

The applicable income tax rate for the subsidiaries of the Group in the PRC in the current year is 25% (2010: 25%).

10. INCOME TAX EXPENSE (Continued)

In addition, the Law of the PRC on EIT has imposed withholding tax upon the distribution of the profits earned by the PRC subsidiaries from 1 January 2008 onwards to their non-PRC shareholders. At 31 December 2011, the aggregate amount of temporary differences associated with retained earnings of the Group's PRC subsidiaries was approximately RMB855,933,000 (2010: RMB1,645,254,000). Deferred taxation has not been provided for in the consolidated financial statements in respect of these temporary differences attributable to retained profits of the Group's PRC subsidiaries amounting to approximately RMB688,694,000 (2010: RMB1,478,015,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The reconciliation between the income tax expense and the product of (loss)/profit before tax multiplied by the PRC EIT rate is as follows:

	2011 RMB'000	2010 RMB'000
(Loss)/Profit before tax	**(545,790)**	1,107,843
Tax at applicable PRC EIT rate of 25% (2010: 25%)	**(136,448)**	276,961
Tax effect of income that is not taxable	**(8,201)**	(5,787)
Tax effect of expenses that are not deductible	**27,460**	15,627
Tax effect of temporary differences not recognised	**389,250**	—
Tax effect of tax losses not recognised	**35,474**	12,290
Under-provision in prior years	**156**	248
Income tax expense	**307,691**	299,339

11. (LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR

The Group's (loss)/profit and total comprehensive (loss)/income for the year is stated after charging the following:

	2011 **RMB'000**	2010 RMB'000
Auditor's remuneration	**954**	1,481
Amortization of mining rights (included in cost of sales)	**11,676**	12,386
Amortization of prepaid land lease payments	**125**	125
Cost of inventories processed and sold	**322,964**	286,086
Depreciation of property, plant and equipment	**25,530**	25,755
Operating lease payments for rented premises	**2,574**	1,000
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**40,428**	14,273
Equity-settled share-based payment expenses	**42,507**	8,233
Retirement benefits scheme contributions	**5,779**	2,160
	88,714	24,666

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION

(a) Directors' remuneration

The emoluments paid or payable to each director were as follows:

	Notes	Fees RMB'000	Salaries, bonus and allowances RMB'000	Discretionary bonus RMB'000	Share-based payment expenses RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
		For the year ended 31 December 2011					
Executive Directors:							
Mr. Lu Tianjun		—	356	—	1,632	9	1,997
Mr. Qiu Haicheng	(i)	—	138	—	—	2	140
Mr. Ma Wenxue		—	356	—	1,632	9	1,997
Mr. Cui Jie		—	356	—	1,632	9	1,997
Mr. Li Qing	(ii)	—	132	—	2,008	4	2,144
Independent Non-Executive Directors:							
Mr. Mak Kin Kwong	(iii)	200	—	—	—	—	200
Mr. Zhao Enguang		90	—	—	—	—	90
Mr. Xiao Zuhe	(iv)	—	—	—	—	—	—
Mr. Yang Yicheng		56	—	—	—	—	56
Mr. Wan Kam To	(v)	247	—	—	—	—	247
Mr. Li Xiaoping	(vi)	48	—	—	—	—	48
		641	1,338	—	6,904	33	8,916

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION (Continued)

(a) Directors' remuneration (Continued)

	Notes	Fees RMB'000	Salaries, bonus and allowances RMB'000	Discretionary bonus RMB'000	Share-based payment expenses RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
		For the year ended 31 December 2010					
Executive Directors:							
Mr. Lu Tianjun		–	171	–	749	9	929
Mr. Qiu Haicheng	(i)	–	171	–	749	9	929
Mr. Ma Wenxue		–	171	–	749	9	929
Mr. Cui Jie		–	171	–	749	9	929
Independent Non-Executive Directors:							
Mr. Mak Kin Kwong	(iii)	436	–	–	–	–	436
Mr. Zhao Enguang		87	–	–	–	–	87
Mr. Xiao Zuhe	(iv)	87	–	–	–	–	87
Mr. Yang Yicheng		52	–	–	–	–	52
		662	684	–	2,996	36	4,378

Notes:

(i) Mr. Qiu Haicheng resigned as an executive director on 5 May 2011

(ii) Mr. Li Qing was appointed as an executive director on 5 May 2011

(iii) Mr. Mak Kin Kwong resigned as an independent non-executive director on 24 June 2011

(iv) Mr. Xiao Zuhe resigned as an independent non-executive director on 13 July 2011

(v) Mr. Wan Kam To was appointed as an independent non-executive director on 25 July 2011 and resigned on 19 August 2011

(vi) Mr. Li Xiaoping was appointed as an independent non-executive director on 18 November 2011

During the two years ended 31 December 2011 and 2010, no director waived or agreed to waive any emoluments.

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION (Continued)

(b) Five highest paid employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2010: four) were directors of the Company whose emoluments are included in the disclosures in Note 12(a) above. The emoluments of the remaining one (2010: one) highest paid individuals was as follows:

	2011 RMB'000	2010 RMB'000
Salaries, bonus and allowances	1,147	734
Equity-settled share-based payment expenses	10	—
Retirement benefit scheme contributions	1,522	749
	2,679	1,483

The emoluments fell within the following band:

	Number of individuals	
	2011	2010
HKD1,500,000 to HKD2,000,000	—	1
HKD3,000,000 to HKD3,500,000	1	—

During each of the years ended 31 December 2011 and 2010, no emoluments were paid by the Group to the directors or the five highest paid individuals any inducement to join or upon joining the Group, or a compensation for loss of office.

13. DIVIDENDS

	2011 RMB'000	2010 RMB'000
2011 Interim of HKD0.05 per ordinary share paid	**37,163**	—
2010 Final of HKD0.05 per ordinary share paid	**37,984**	—
	75,147	—

14. LOSS/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic loss (2010: earnings) per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB758,360,000 (2010: profit attributable to owners of the Company of approximately RMB798,044,000) and the weighted average number of ordinary shares of 908,775,000 (2010: 838,733,000) in issue during the year.

Diluted earnings per share

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2011.

The calculation of diluted earnings per share attributable to owners of the Company for the year ended 31 December 2010 is based on the profit for the year attributable to owners of the Company of approximately RMB798,044,000 and the weighted average number of ordinary shares of 841,899,000, being the weighted average number of ordinary shares of 838,733,000 in issue during 2010 used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 3,166,000 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding as at 31 December 2010.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2010	105,556	214,090	82,582	2,062	2,007	—	406,297
Additions	—	72,717	106	19	74	30,200	103,116
Acquisition of subsidiaries	—	—	56	129	527	—	712
At 31 December 2010 and 1 January 2011	105,556	286,807	82,744	2,210	2,608	30,200	510,125
Reclassification between categories	10,057	43,544	(29,267)	5,973	(107)	(30,200)	—
Additions	—	54,687	—	9	—	—	54,696
Written off	—	—	(5)	—	(69)	—	(74)
Disposal of a subsidiary	—	(8,114)	(11)	(2)	—	—	(8,127)
At 31 December 2011	115,613	376,924	53,461	8,190	2,432	—	556,620
Accumulated depreciation and impairment							
At 1 January 2010	6,379	13,787	6,689	739	206	—	27,800
Charge for the year	5,481	14,160	5,346	299	469	—	25,755
At 31 December 2010 and 1 January 2011	11,860	27,947	12,035	1,038	675	—	53,555
Reclassification between categories	(179)	840	(2,249)	1,555	33	—	—
Charge for the year	5,482	13,911	4,680	1,006	451	—	25,530
Disposal of a subsidiary	—	(130)	—	—	—	—	(130)
Written off	—	—	(1)	—	—	—	(1)
Impairment losses recognized in profit or loss	98,450	334,356	38,996	3,908	456	—	476,166
At 31 December 2011	115,613	376,924	53,461	7,507	1,615	—	555,120
Carrying amount							
At 31 December 2011	—	—	—	683	817	—	1,500
At 31 December 2010	93,696	258,860	70,709	1,172	1,933	30,200	456,570

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year, the Group carried out reviews of the recoverable amount of property, plant and equipment. These assets are used in the Group's ore processing plant in Nantaizi and Luotuochang segment. The reviews led to the recognition of an impairment loss of RMB438,638,000, which has been recognized in profit or loss. The recoverable amounts of the relevant assets has been determined on the basis of their value-in-use using discounted cash flow method. The discount rate used in measuring the amount of value-in-use was 20.30% in relation to property, plant and equipment.

Additional impairment losses recognized in property, plant and equipment in the year amounted to RMB37,528,000, which has been recognized in profit or loss. These assets are used in the Group's exploration of gold mines segment. The recoverable amounts of the relevant assets has been determined on the basis of fair value less costs to sell using market comparable approach.

16. MINING RIGHTS

	RMB'000
Cost	
At 1 January 2010, 31 December 2010 and 31 December 2011	195,500
Accumulated amortization and impairment	
At 1 January 2010	15,086
Amortization for the year	12,386
At 31 December 2010 and 1 January 2011	27,472
Amortization for the year	11,676
Impairment losses recognized in profit or loss	156,352
At 31 December 2011	195,500
Carrying amount	
At 31 December 2011	—
At 31 December 2010	168,028

The Group carried out reviews of the recoverable amount of its mining rights in 2011. These assets are used in the Group's ore processing plant in Nantaizi and Luotuochang segment. The reviews led to the recognition of an impairment loss of RMB156,352,000, that has been recognized in profit or loss. The recoverable amounts of the relevant assets has been determined on the basis of their value in use using discounted cash flow method). The discount rate used was 20.30%.

17. EXPLORATION AND EVALUATION ASSETS

	2011 RMB'000	2010 RMB'000
At beginning of year	**1,261,343**	89,123
Additions	**225,517**	97,473
Acquisition of subsidiaries	**—**	1,074,747
Disposal of a subsidiary	**(97,915)**	—
Impairment losses recognized in profit or loss	**(908,775)**	—
At end of year	**480,170**	1,261,343

The amount mainly represents the cost of acquisition of the exploration permits in various locations in the PRC.

The Group carried out reviews of the recoverable amount of its exploration and evaluation assets in 2011. These assets are used in the Group's exploration of gold mines segment. The reviews led to the recognition of an impairment loss of RMB908,775,000, that has been recognized in profit or loss. The recoverable amounts of the relevant assets has been determined on the basis of fair value less costs to sell using market comparable approach.

18. PREPAID LAND LEASE PAYMENTS

	2011 RMB'000	2010 RMB'000
At beginning of year	**5,959**	6,084
Amortization for the year	**(125)**	(125)
Impairment losses recognized in profit or loss	**(2,957)**	—
At end of year	**2,877**	5,959
Analysed for reporting purposes as:		
Current portion	**62**	125
Non-current portion	**2,815**	5,834
At end of year	**2,877**	5,959

The prepaid land lease payments represent land use rights in the PRC held under medium-term lease.

19. PREPAID PROJECT PAYMENTS

During the first quarter of 2011, two acquisition agreements were entered into between the Company and Top Lucky Management Limited ("Top Lucky"), a company controlled by the then controlling shareholder of the Company Mr. Wu Ruilin ("Mr. Wu"), pursuant to which the Company agreed to purchase certain mining and exploration rights from Top Lucky in relation to two phosphorus mines situated in Khovsgol Province, Mongolia (the "Acquisition"), for a consideration of HKD520,000,000. HKD449,200,000 was paid by the Company in this respect. Under the terms of the two agreements relating to the Acquisition, the Company has the right to instruct an independent third party valuer which is acceptable to Top Lucky to value the Acquisition. If the value of the Acquisition is determined to be less than HKD520,000,000, then the Company has the right to terminate the Acquisition and it will be reimbursed the consideration already paid.

20. LOANS TO A SHAREHOLDER

On 23 February 2011, the Company entered into a loan agreement with Mr. Wu, for an unsecured loan to him of HKD367,000,000. The loan was repayable before 30 March 2012. Interest was charged at a rate based on the People's Bank of China lending rates and was payable with the repayment of the loan. A loan balance of approximately RMB256,360,000 was outstanding as at 31 December 2011.

On 6 April 2011, the Company entered into a loan agreement with Mr. Wu, for an unsecured loan to him of HKD538,000,000. The loan was wholly repaid on 8 April 2011.

On 6 April 2011, the Company entered into a loan agreement with Mr. Wu, for an unsecured loan to him of HKD50,000,000. The loan was wholly repaid on 29 April 2011.

The amount of the outstanding loan is unsecured, interest-bearing with 6.06% per annum. The settlement was completed in June 2014.

21. SUBSIDIARIES

Particulars of the Company's major subsidiaries are set out below:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/voting power/ profit sharing Direct	Indirect	Principal activities
Lita Investment Limited (Note ii)	British Virgin Islands	USD55,942,117	100%	–	Investment holding
Rich Vision Holdings Limited (Note ii)	Hong Kong	HKD1	–	100%	Inactive
富邦工業(惠州)有限公司 Fubon Industrial (Huizhou) Co., Ltd.* (Note i)	PRC	HKD437,000,000	–	100%	Investment holding
赤峰富僑礦業有限公司 Chifeng Fuqiao Mining Co., Ltd.* (Note ii)	PRC	RMB5,000,000	–	100%	Investment holding
赤峰石人溝金礦有限責任公司 Chifeng Shirengou Mining Co., Ltd.* (Note ii)	PRC	RMB600,000	–	100%	Exploration, mining and processing of gold ore and sale of concentrates in the PRC
赤峰南台子金礦有限公司 Chifeng Nantaizi Mining Co., Ltd.* (Note ii)	PRC	RMB1,000,000	–	100%	Exploration, mining and processing of gold ore and sale of concentrates in the PRC
巴林左旗國濤礦產品貿易有限責任公司 Balinzuo Banner Guotao Materials Products Trading Co., Ltd.* (Note ii)	PRC	RMB1,000,000	–	100%	Exploration, mining and processing of gold ore and sale of concentrates in the PRC
雲南古道礦業有限公司 Yunnan Gudao Mining Limited* (Note ii)	PRC	RMB6,000,000	–	95%	Exploration of gold mine in the PRC
廣西金鼎礦業有限公司 Guangxi Jinding Mineral Resources Co., Ltd* (Note ii)	PRC	USD3,300,000	–	78.57%	Exploration of gold mine in the PRC
柳州市元義礦業有限責任公司 Liuzhou City Yuanyi Mining Co., Ltd* (Note ii)	PRC	RMB3,000,000	–	100.0%	Exploration of gold mine in the PRC
Great Future Investments Limited (Note ii)	Cayman Islands	USD1,000	–	100.0%	Investment holding

Notes:

(i) A Sino-foreign equity joint venture.

(ii) A limited liability company.

* English translated name is for identification only.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

22. INVENTORIES

	2011 RMB'000	2010 RMB'000
Mineral ores	3,467	4,159
Concentrates	5,298	3,517
	8,765	7,676

23. TRADE AND OTHER RECEIVABLES

	2011 RMB'000	2010 RMB'000
Trade receivables	22,289	39,964
Prepayments, deposits and other receivables	26,577	5,158
	48,866	45,122

The aging analysis of trade receivables presented based on the invoice date is as follows:

	2011 RMB'000	2010 RMB'000
0 to 90 days	22,289	39,964

The average credit period granted to the Group's customers is 90 days (2010: 30 days). The balances of trade receivables were denominated in RMB.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Majority of the trade receivables that were neither past due nor impaired had no default payment history.

24. BANK AND CASH BALANCES

As at 31 December 2011 and 2010, the bank and cash balances of the Group were denominated in the following currencies:

	2011 RMB'000	2010 RMB'000
RMB	**1,914,069**	1,275,613
USD	**39,081**	142,314
HKD	**851,970**	1,547,260
	2,805,120	2,965,187

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

Bank balances carry interest at market rates which range from 0.01% to 0.83% (2010: 0.01% to 0.85%) per annum.

25. PROVISION FOR RESTORATION COST

In accordance with relevant PRC rules and regulations, the Group is obliged to accrue the cost for land reclamation and mine closures for the Group's existing mines. The provision for restoration cost has been determined by the directors based on their best estimates in accordance with the PRC rules and regulations.

26. DEFERRED TAX LIABILITIES

The followings are the deferred tax liability arising from withholding tax applied on the undistributed profits of the PRC subsidiaries and movement thereon during the current and prior years:

	RMB'000
At 1 January 2010, 31 December 2010 and 31 December 2011	16,724

At the end of the reporting period, the Group has unused tax losses of approximately RMB1,692,000 (2010: RMB87,351,000) available for offset against future profits. No deferred tax asset has been recognized in respect of such losses due to unpredictability of future profit streams. The tax losses of approximately RMB1,692,000 (2010: RMB10,064,000) can be carried forward for 5 years from the year they arise with the remaining tax losses carried forward indefinitely.

27. SHARE CAPITAL

	Notes	Number of shares '000	Amount HKD'000
Authorised:			
Ordinary shares of HKD1.00 each			
At 1 January 2010, 31 December 2010 and 31 December 2011		1,000,000	1,000,000
Issued and fully paid:			
Ordinary shares of HKD1.00 each			
At 1 January 2010		768,630	768,630
Issue of shares as part consideration for the acquisition of a subsidiary	(a)	36,526	36,526
Issue of shares at a premium	(b)	100,000	100,000
Exercise of share options	(c)	2,310	2,310
At 31 December 2010		907,466	907,466
Exercise of share options	(d)	1,320	1,320
At 31 December 2011		908,786	908,786

	2011 RMB'000	2010 RMB'000
Shown in the consolidated statement of financial position as	**797,619**	796,494

Notes:

(a) On 4 June 2010, the Company issued 36,526,213 ordinary shares of HKD1.00 each at a price of HKD12.67 per share, totalling HKD462,787,000 (equivalent to approximately RMB406,800,000) to independent third parties as part of the consideration for the acquisition of a subsidiary.

(b) On 24 June 2010, the Company entered into a placing and subscription agreement with Lead Honest, Mr. Wu Ruilin and an independent placing agent in connection with the placing of 100,000,000 existing ordinary shares of the Company of HKD1.00 each held by Lead Honest at a placing price of HKD12.15 per share (the "Placing") and the subscription of 100,000,000 new ordinary shares in the Company by Lead Honest, at a subscription price of HKD12.15 per share (the "Subscription"). The Placing and the Subscription were completed on 29 June 2010 and 7 July 2010, respectively, resulting in a net proceeds from the Subscription of approximately HKD1,186,369,000 (equivalent to approximately RMB1,032,225,000).

(c) On 30 September 2010, the Company issued 2,310,000 ordinary shares of HKD1.00 each for cash at a price of HKD6.25 per share, totalling HKD14,437,500 (equivalent to approximately RMB12,477,000), pursuant to the exercise of the Company's share options.

(d) On 4 January 2011, the Company issued 1,320,000 ordinary shares of HKD1.00 each for cash at a price of HKD6.25 per share, totalling HKD8,250,000 (equivalent to approximately RMB6,860,000), pursuant to the exercise of the Company's share options.

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

27. SHARE CAPITAL (Continued)

The capital structure of the Group consists of equity attributable to owners of the Company which comprises issued share capital and reserves.

Management reviews the capital structure regularly, taking into account of the cost and risk associated with the capital. The Group will then balance its capital structure through the payment of dividends, new shares issues as well as the issue of new debt.

28. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium RMB'000	Share options reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2010	1,161,239	10,164	(54,301)	1,117,102
Loss and total comprehensive loss for the year	—	—	(107,709)	(107,709)
Issue of shares at premium	970,127	—	—	970,127
Transaction costs attributable to issue of shares	(24,910)	—	—	(24,910)
Issue of shares as part consideration for the acquisition of a subsidiary	374,693	—	—	374,693
Recognition of equity-settled share-based payment expenses	—	8,233	—	8,233
Exercise of share options	14,474	(3,993)	—	10,481
At 31 December 2010 and 1 January 2011	2,495,623	14,404	(162,010)	2,348,017
Loss and total comprehensive loss for the year	—	—	(167,631)	(167,631)
Dividends paid	(75,147)	—	—	(75,147)
Recognition of equity-settled share-based payment expenses	—	42,507	—	42,507
Lapse of share options	—	(1,832)	1,832	—
Exercise of share options	8,155	(2,250)	—	5,905
At 31 December 2011	2,428,631	52,829	(327,809)	2,153,651

28. RESERVES (Continued)

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Statutory reserve

Statutory reserve represents the appropriation of 10% of profit after taxation determined based on the accounting standards and regulations in the PRC as required by the Articles of Association of one of the Company's PRC subsidiaries. The appropriation may cease to apply if the balance of the statutory reserve has reached 50% of that PRC subsidiary's registered capital.

(iii) Capital reserve

Capital reserve comprises an amount of approximately RMB12,221,000 (2010: RMB6,267,000) representing an appropriation to safety production fund from retained profits pursuant to regulations in the PRC. The fund is not available for distribution to shareholders.

(iv) Other reserve

Other reserve comprises an amount of approximately RMB7,803,000 advanced and waived by Lead Honest Management Limited, the Company's immediate holding company during the year ended 31 December 2008 and an amount of approximately RMB151,090,000 representing the excess of the fair value of the consideration over the carrying amount of the net assets of additional interest in an existing subsidiary acquired during the year ended 31 December 2010.

(v) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognized in accordance with the accounting policy adopted for share-based payments in Note 3 to the consolidated financial statements.

29. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a written resolution of the then sole shareholder passed on 30 January 2009 for the primary purpose of providing incentives to directors and eligible employees, and will remain in force for a period of ten years from the date of adoption of the Scheme.

At 31 December 2011, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 42,770,000 (2010: 12,210,000), representing 4.7% (2010: 1.3%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Share option lot A

				Number of share options					
Grantee	Vesting Period	Exercisable period	Exercise price per share HKD	Outstanding at 01.01.2010	Exercised during the year	Outstanding at 31.12.2010	Lapsed during the year	Exercised during the year	Outstanding at 31.12.2011
Directors	12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	1,320,000	–	1,320,000	–	(1,320,000)	–
	12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	1,320,000	–	1,320,000	(330,000)	–	990,000
	12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	1,320,000	–	1,320,000	(330,000)	–	990,000
	12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	1,320,000	–	1,320,000	(330,000)	–	990,000
Employees	12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	2,310,000	(2,310,000)	–	–	–	–
	12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	2,310,000	–	2,310,000	(660,000)	–	1,650,000
	12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	2,310,000	–	2,310,000	(660,000)	–	1,650,000
	12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	2,310,000	–	2,310,000	(660,000)	–	1,650,000
				14,520,000	(2,310,000)	12,210,000	(2,970,000)	(1,320,000)	7,920,000
Exercisable at the end of the reporting period						1,320,000			2,640,000

29. SHARE-BASED PAYMENTS (Continued)

Share option lot A (Continued)

The above share options were granted on 12 March 2009. The closing price of the Company's shares immediately before the date of grant of the options was HKD4.86 and the estimated fair values of the options at the date of grant ranged from HKD1.79 to HKD2.60 per option. These fair values were calculated using the Binomial Option Pricing model after taking into account the different vesting periods. The assumptions used for the calculation were as follows:

Closing share price at date of grant	HKD4.9
Exercise price	HKD6.25
Suboptimal exercise factor	2
Expected volatility	71.7%
Expected dividend yield	—
Risk free rate	1.6%

The variables and assumptions used above were based on the directors' best estimate. The value of an option varied with different variables of certain subjective assumptions.

In respect of the share options exercised during the year, the weighted average share price at the date of exercise is HKD13.93 (2010: HKD13.78).

Share option lot B

Grantee	Vesting Period	Exercisable period	Exercise price per share HKD	Number of share options Outstanding at 1.1.2011	Granted during the year	Lapsed during the year	Outstanding at 31.12.2011
Directors	12.5.2011–31.12.2013	1.1.2014–31.12.2018	10.17	–	990,000	–	**990,000**
	12.5.2011–31.12.2014	1.1.2015–31.12.2018	10.17	–	990,000	–	**990,000**
	12.5.2011–31.12.2015	1.1.2016–31.12.2018	10.17	–	990,000	–	**990,000**
	12.5.2011–31.12.2016	1.1.2017–31.12.2018	10.17	–	990,000	–	**990,000**
	12.5.2011–31.12.2017	1.1.2018–31.12.2018	10.17	–	990,000	–	**990,000**
Employees	12.5.2011–31.12.2013	1.1.2014–31.12.2018	10.17	–	330,000	(330,000)	**–**
	12.5.2011–31.12.2014	1.1.2015–31.12.2018	10.17	–	330,000	(330,000)	**–**
	12.5.2011–31.12.2015	1.1.2016–31.12.2018	10.17	–	330,000	(330,000)	**–**
	12.5.2011–31.12.2016	1.1.2017–31.12.2018	10.17	–	330,000	(330,000)	**–**
	12.5.2011–31.12.2017	1.1.2018–31.12.2018	10.17	–	330,000	(330,000)	**–**
				–	6,600,000	(1,650,000)	**4,950,000**
Exercisable at the end of the reporting period							**–**

29. SHARE-BASED PAYMENTS (Continued)

Share option lot B (Continued)

The above share options were granted on 12 May 2011. The closing price of the Company's shares immediately before the date of grant of the options was HKD10.34 and the estimated fair values of the options at the date of grant ranged from HKD4.86 to HKD5.47 per option. These fair values were calculated using the Binomial Option Pricing model after taking into account the different vesting periods. The assumptions used for the calculation were as follows:

Closing share price at date of grant	HKD9.94
Exercise price	HKD10.17
Expected volatility	54%
Expected dividend yield	0.5%
Risk free rate	2.1%–2.3%

The variables and assumptions used above were based on the directors' best estimate. The value of an option varied with different variables of certain subjective assumptions.

Share option lot C

Grantee	Vesting Period	Exercisable period	Exercise price per share HKD	Outstanding at 1.1.2011	Number of share options Granted during the year	Movement during the year	Outstanding at 31.12.2011
Directors	12.5.2011-31.12.2011	1.1.2012-31.12.2016	10.17	–	330,000	–	**330,000**
	12.5.2011-31.12.2012	1.1.2013-31.12.2016	10.17	–	330,000	–	**330,000**
	12.5.2011-31.12.2013	1.1.2014-31.12.2016	10.17	–	330,000	–	**330,000**
	12.5.2011-31.12.2014	1.1.2015-31.12.2016	10.17	–	330,000	–	**330,000**
	12.5.2011-31.12.2015	1.1.2016-31.12.2016	10.17		330,000	–	**330,000**
Employees	12.5.2011-31.12.2011	1.1.2012-31.12.2016	10.17	–	5,650,000	–	**5,650,000**
	12.5.2011-31.12.2012	1.1.2013-31.12.2016	10.17	–	5,650,000	–	**5,650,000**
	12.5.2011-31.12.2013	1.1.2014-31.12.2016	10.17	–	5,650,000	–	**5,650,000**
	12.5.2011-31.12.2014	1.1.2015-31.12.2016	10.17	–	5,650,000	–	**5,650,000**
	12.5.2011-31.12.2015	1.1.2016-31.12.2016	10.17	–	5,650,000	–	**5,650,000**
				–	29,900,000	–	**29,900,000**
Exercisable at the end of the reporting period							**–**

29. SHARE-BASED PAYMENTS (Continued)

Share option lot C (Continued)

The above share options were granted on 12 May 2011. The closing price of the Company's shares immediately before the date of grant of the options was HKD10.34 and the estimated fair values of the options at the date of grant ranged from HKD4.06 to HKD4.81 per option. These fair values were calculated using the Binomial Option Pricing model after taking into account the different vesting periods. The assumptions used for the calculation were as follows:

Closing share price at date of grant	HKD9.94
Exercise price	HKD10.17
Expected volatility	54%
Expected dividend yield	0.5%
Risk free rate	2.1%–2.3%

The variables and assumptions used above were based on the directors' best estimate. The value of an option varied with different variables of certain subjective assumptions.

During the year, the Group recognised share-based payment expense of RMB42,507,000 (2010: RMB8,233,000) in relation to the share options granted by the Company.

30. DISPOSAL OF A SUBSIDIARY

On 20 March 2011, the Group disposed of its 100% equity interests in Shangrao City Jinshi Mining Technology Development Limited* (上饒市金石礦業科技開發有限公司) ("Jinshi Mining") to the independent third parties at a consideration of RMB37,000,000. The net assets of Jinshi Mining at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	7,997
Exploration and evaluation assets	97,915
Trade and other receivables	463
Bank and cash balances	271
Trade and other payables	(303)
Net assets disposed of	106,343
Loss on disposal of a subsidiary	(69,343)
Total consideration	37,000
Total consideration satisfied by:	
Cash	33,000
Deferred consideration	4,000
Total consideration	37,000
Net cash inflow arising on disposal	
Cash consideration obtained from disposal	33,000
Bank and cash balances disposed of	(271)
	32,729

* For identification purpose only

31. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2011 RMB'000	2010 RMB'000
Capital expenditure in respect of exploration projects		
Contracted for but not provided in the consolidated financial statements	**95,833**	72,754

32. LEASE COMMITMENTS

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

	2011 RMB'000	2010 RMB'000
Within one year	**2,521**	2,906
In the second to fifth years, inclusive	**1,803**	5,017
After five years	**—**	—
	4,324	7,923

Operating lease payments represent rentals payable by the Group for certain of its rented premises. Lease terms are ranged from 1 to 2 years with fixed rentals.

33. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

		2011 RMB'000	2010 RMB'000
(a)	The remuneration of directors and other members of key management during the year is as follows:		
	Short-term benefits	**4,436**	3,168
	Other long-term benefits	**49**	61
	Equity-settled share-based payment expenses	**8,426**	3,747
		12,911	6,976
(b)	Interest arising from loans to the then controlling shareholder of the Company, Mr. Wu:		
	Interest income	**14,129**	—
(c)	Prepayments to a company controlled by the then controlling shareholder of the Company, Mr. Wu:		
	Prepaid project payments	**364,166**	—
(d)	Loans advance to the then controlling shareholder of the Company, Mr. Wu:		
	Loans to a shareholder	**256,360**	—

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER

	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	1,458	2,052
Investments in subsidiaries	387,521	387,521
Prepaid project payments	364,166	—
	753,145	389,573
CURRENT ASSETS		
Loans to a shareholder	256,360	—
Other receivables	17,434	815
Amounts due from subsidiaries	1,286,921	1,332,010
Bank and cash balances	639,322	1,423,794
	2,200,037	2,756,619
CURRENT LIABILITIES		
Other payables	1,912	1,681
NET CURRENT ASSETS	2,198,125	2,754,938
NET ASSETS	2,951,270	3,144,511
EQUITY		
Share capital	797,619	796,494
Reserves	2,153,651	2,348,017
TOTAL EQUITY	2,951,270	3,144,511

35. EVENT AFTER THE REPORTING PERIOD

Chifeng Fuqiao Mining Co. Limited* (赤峰富僑礦業有限公司), being a subsidiary indirectly held and wholly owned by the Company, has taken over operational control of Inner Mongolia Siziwangqi Gaotai Mining Company Limited* (內蒙古四子王旗高台礦業有限責任公司), after acquiring its 70% equity interest from the third parties who are independent of and not connected with the Company and its connected persons at a consideration of RMB59,500,000 in the first quarter of 2015.

* For identification purpose only

36. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized for issue by the Board on 29 January 2016.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and reclassified as appropriate, is set out below.

RESULTS

	For the year ended 31 December				
	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Revenue	**1,412,736**	1,368,227	1,011,154	312,262	8,007
(Loss)/Profit before tax	**(545,790)**	1,107,843	736,301	184,472	(1,699)
Income tax expenses	**(307,691)**	(299,339)	(193,043)	(74,717)	(606)
(Loss)/Profit and total comprehensive (loss)/income for the year	**(853,481)**	808,504	543,258	109,755	(2,305)
Non-controlling interests	**95,121**	(10,460)	(16,582)	(5,850)	60
(Loss)/Profit for the year	**(758,360)**	798,044	526,676	103,905	(2,245)
Attributable to:					
Owners of the Company	**(758,360)**	798,044	526,676	103,905	(2,245)
Non-controlling interests	**(95,121)**	10,460	16,582	5,850	(60)
	(853,481)	808,504	543,258	109,755	(2,305)

ASSETS AND LIABILITIES

	At 31 December				
	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Non-current assets	**848,651**	1,891,775	653,993	512,963	217,453
Current assets	**3,119,173**	3,018,110	2,423,884	69,096	31,906
Current liabilities	**(95,642)**	(167,031)	(539,664)	(52,080)	(250,872)
Non-current liabilities	**(25,818)**	(17,399)	(17,399)	(17,399)	(675)
Net assets	**3,846,364**	4,725,455	2,520,814	512,580	(2,188)
Attributable to:					
Owners of the Company	**3,806,411**	4,590,381	2,483,692	496,852	(2,378)
Non-controlling interests	**39,953**	135,074	37,122	15,728	190
Total equity	**3,846,364**	4,725,455	2,520,814	512,580	(2,188)