THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in **China Daye Non-Ferrous Metals Mining Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

中國大冶有色金屬礦業有限公司
China Daye Non-Ferrous Metals Mining Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00661)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
(2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION
(3) APPLICATION FOR WHITEWASH WAIVER
(4) PROPOSED GRANT OF SPECIFIC MANDATE
AND
(5) CONTINUING CONNECTED TRANSACTIONS

PART 1 OF 2

Financial adviser to the Company in respect of the Acquisition and the sponsor to the new listing application of the Company

J.P.Morgan

J.P. Morgan Securities (Asia Pacific) Limited

Independent financial adviser to the Independent Board Committee

PLATINUM Securities

A letter from the Board is set out on pages 64 to 111 of this circular. A letter from the Independent Board Committee is set out on pages 112 to 113 of this circular. A letter from the Independent Financial Adviser containing their advice to the Independent Board Committee and the Independent Shareholders is set out on pages 114 to 211 of this circular.

A notice convening the EGM to be held at 10:00 a.m., on Monday, 16 January 2012, at Harbour View Ballroom III, Level 4, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

29 December 2011

This circular is printed in two parts that, together, form one and the same circular. You should read each part of this circular in conjunction with the other part in order to understand the matters to which this circular relates, including the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions, and decide how to cast your vote(s) on the resolutions proposed at the EGM. The complete circular is also available at www.hkexnews.hk and www.hk661.com.

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EXPECTED TIMETABLE AND TRADING ARRANGEMENTS

The following expected timetable is indicative only and is subject to change. If necessary, further announcement(s) in relation to any revision of the timetable will be published as and when appropriate.

	2012
Latest time for lodging forms of proxy for the EGM	10:00 a.m. on Saturday, 14 January
EGM	10:00 a.m. on Monday, 16 January
Announcement of results of the EGM to be published	Monday, 16 January
Expected date of China Times Completion	Thursday, 16 February

This summary aims at giving you an overview of the information contained in this circular. As it is a summary, it does not contain all the information that may be important to you. You should read the whole circular before making a decision on the Acquisition and the appropriate course of action for yourself.

There are risks associated with any business. You should read the section headed "Risk Factors" of this circular carefully before making a decision on the Acquisition.

INTRODUCTION

The Company, China Daye Non-Ferrous Metals Mining Limited, is the holding company of the Group and has been listed on the Main Board of the Stock Exchange since 1990. China Times, which owned 20.80% of the ordinary shares in issue of the Company as at the Latest Practicable Date, is currently its single largest shareholder. China Times is indirectly wholly-owned by 大冶有色金屬集團控股有限公司 (Daye Nonferrous Metals Corporation Holdings Limited), which is incorporated in the PRC and wholly-owned by Hubei SASAC.

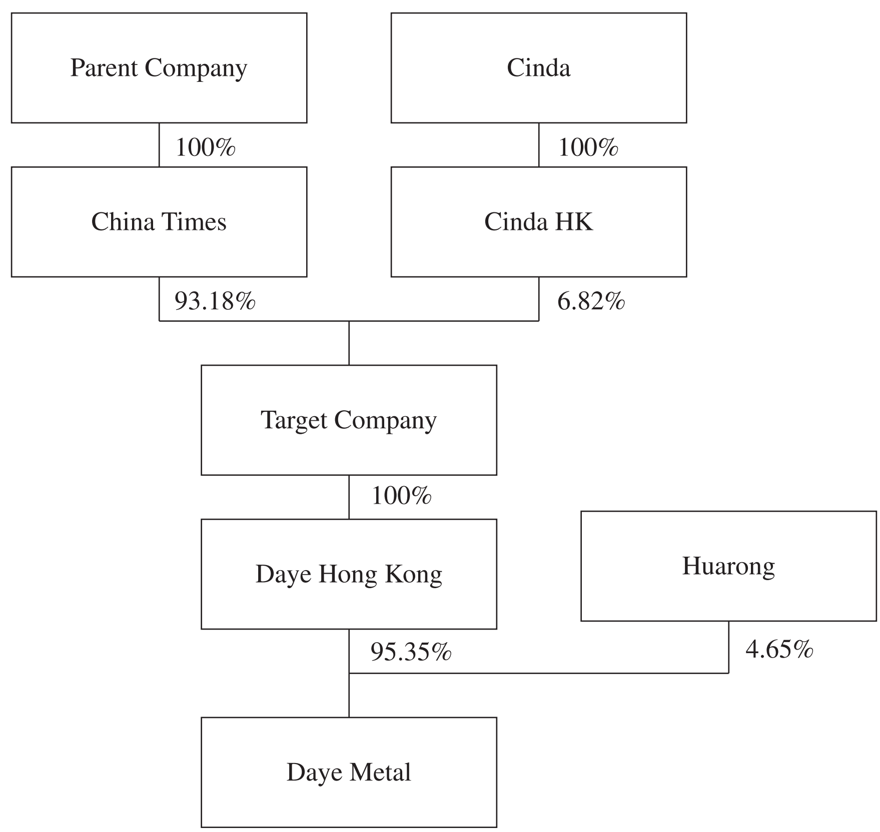
The Group is principally engaged in corporate investment and trading in securities, mineral exploitation and trading in non-ferrous metals. Since 2004, the Group has been diversifying its business into the mining industry and completed various acquisitions of mineral resources and assets. The Group currently holds the mining or exploration rights to two copper mines in Xinjiang, one molybdenum mine and two wolfram mines in Mongolia. Commercial production has yet to commence at any of those mines and hence, none of those mines have generated any revenue for, or contributed to the profits of, the Group since they were acquired. For the year ended 31 December 2010 and the six months ended 30 June 2011, the Group recorded a net loss attributable to the owners of the Company of approximately HK$23 million and HK$22 million, respectively.

The Company entered into the Acquisition Agreement on 23 January 2011 with, among other parties, China Times and Cinda HK, to acquire the Target Company. The Target Company is an investment holding company which is owned as to 93.18% by China Times and 6.82% by Cinda HK. The Target Company holds a 95.35% equity interest in Daye Metal.

The principal business of Daye Metal is the production and sales of copper cathodes, gold and silver, both self-produced and those sourced from third party suppliers or the Parent Group for on-sale to its customers. Daye Metal currently holds the mining rights to four copper mines in the Hubei Province, the PRC, all of which are already in commercial production. For the year ended 31 December 2010 and the six months ended 30 June 2011, Daye Metal and its subsidiaries recorded net profits attributable to the owners of the Target Company of approximately RMB128 million and RMB94 million, respectively.

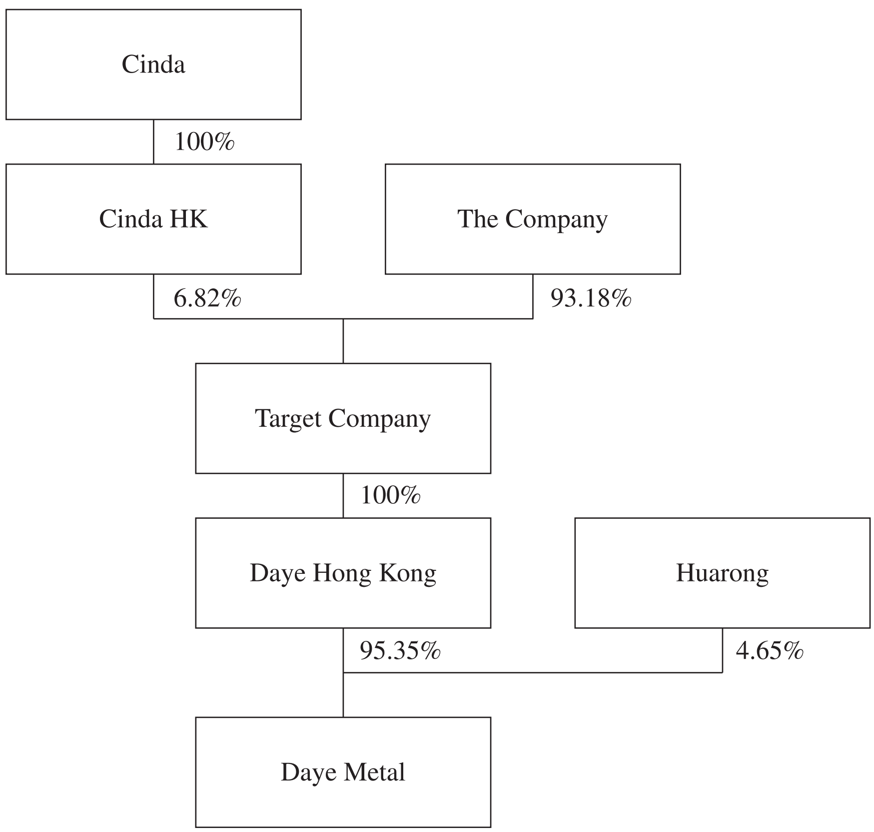
The Directors of the Company believe that the acquisition of the Target Company (and hence, Daye Metal and its subsidiaries) will enable the Group to capitalize on the significant portfolio of high-grade copper reserves and resources and associated metals (such as gold and silver) at the four mines of the Target Group, the expertise and experience of the management and technical teams of the Target Group, as well as the income stream generated from the four mines of the Target Group for the ongoing development of the Group's existing mines and the management of their future operations.

The following diagram illustrates the shareholding structure of the Target Company as at the Latest Practicable Date:

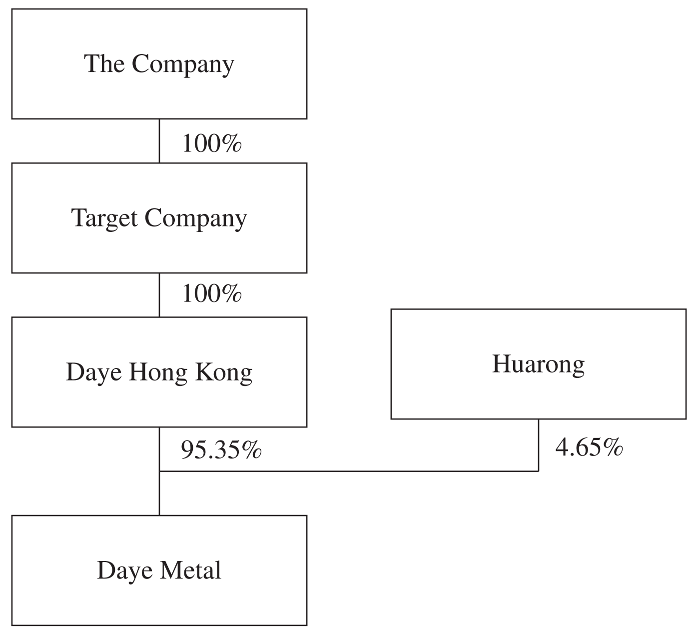


Completion of the acquisition of the Target Company is subject to the fulfilment of various conditions set out in the Acquisition Agreement (or in the case of certain conditions, waiver of those conditions). The sale by Cinda HK of its 6.82% shareholding in the Target Company to the Company is conditional on, among other things, completion of the sale by China Times of its 93.18% shareholding in the Target Company to the Company. Completion of the sale by China Times is, however, not conditional on completion of the sale by Cinda HK. Hence, it is possible that the Company may only acquire the 93.18% shareholding in the Target Company held by China Times and not the 6.82% shareholding held by Cinda HK.

The following diagram illustrates the shareholding structure of Daye Metal if the Company only acquires the 93.18% shareholding in the Target Company from China Times:



The following diagram illustrates the shareholding structure of Daye Metal if the Company acquires both the 93.18% shareholding and the 6.82% shareholding in the Target Company from China Times and Cinda HK, respectively:



The acquisition of the Target Company by the Company described above constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. It also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules since each of China Times (being the vendor of the 93.18% shareholding in the Target Company) and the Parent Company (which holds 100% of China Times) is a substantial shareholder and therefore a connected person of the Company under the Listing Rules. Hence, the acquisition of the Target Company is subject to the approval by the shareholders of the Company (other than China Times, its associates, persons acting in concert with it and any person who is involved or interested in such acquisition and/or the Whitewash Waiver) at the extraordinary general meeting of the Company to be held at Harbour View Ballroom III, Level 4, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Monday, 16 January 2012, at 10:00 a.m..

The consideration payable by the Company to China Times for the sale of its 93.18% shareholding in the Target Company is to be satisfied partly by the issue of new shares and partly by the issue of convertible notes by the Company. The issue of the new shares by the Company to China Times will result in China Times increasing its shareholding (and hence, its voting rights) in the Company to more than 30% and will, therefore, constitute a change in control (as defined in the Takeovers Code) of the Company. As the acquisition constitutes both a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and will result in a change in control within the meaning of the Takeovers Code, it also constitutes a reverse takeover for the Company under Rule 14.06(6)(a) of the Listing Rules. The Company will, therefore, be treated as if it were a new listing applicant and the acquisition will be subject to the approval by the Listing Committee of the new listing application made by the Company. On 14 October 2011, the Company made a new listing application to the Stock Exchange and the Listing Committee has given its approval in principle of the new listing application of the Company.

THE ACQUISITION

The Acquisition Agreement

As announced by the Company on 1 February 2011 and 23 December 2011, the Company, the Parent Company and the Vendors entered into the Acquisition Agreement on 23 January 2011 (as supplemented and amended by the First Supplemental Agreement and the Second Supplemental Agreement). Pursuant to the Acquisition Agreement, the Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Shares (comprising the China Times Sale Shares, the Cinda Sale Shares and the Huarong Sale Shares) at a total consideration of RMB6,100,000,000 or HK$7,207,334,940 (based on the exchange rate of HK$1: RMB0.84636). The total consideration will be satisfied by the allotment and issue by the Company to the Vendors of an aggregate of 12,406,997,784 Ordinary Shares at the Issue Price of HK$0.50 per Consideration Share and (to China Times only) the issue of the China Times Convertible Notes.

It was further announced by the Company on 14 October 2011 that the Company has been informed by Huarong, being one of the Vendors, that it was not able to obtain the regulatory and other approvals required in connection with the Huarong Reorganisation. Hence, as provided in the Reorganisation Agreement, the Huarong Reorganisation will not proceed. As completion of the sale and purchase of the Huarong Sale Shares by Huarong under the Acquisition Agreement is conditional upon completion of the Huarong Reorganisation, Huarong Completion will not take place in accordance with the Acquisition Agreement.

Completion of the sale and purchase of the remaining Sale Shares, comprising the China Times Sale Shares and the Cinda Sale Shares, will remain subject to the conditions set out in the Acquisition Agreement. Some of those conditions have already been fulfilled as at the Latest Practicable Date (please refer to the section headed "Letter from the Board – Conditions precedent" of this circular). If all of the conditions are fulfilled (or, where applicable, waived) and China Times Completion and Cinda Completion take place in accordance with the Acquisition Agreement, the total consideration payable by the Company pursuant to the Acquisition Agreement will be reduced to RMB5,816,350,000 (or HK$6,872,193,865) (based on the exchange rate of HK$1: RMB0.84636) and the aggregate number of Consideration Shares to be issued by the Company will also be reduced to 11,736,715,634 new Ordinary Shares, as a result of the exclusion of the Huarong Consideration attributable to the Huarong Sale Shares.

Assets to be acquired by the Company

Pursuant to the Acquisition and subject to the fulfillment of the relevant conditions set out in the Acquisition Agreement, the Company will acquire (i) 93.18% of the total issued shares in the Target Company, if only the completion of the acquisition of the China Times Sale Shares takes place; or (ii) 100% of the total issued shares in the Target Company, if both the completion of the acquisition of the China Times Sale Shares and the Cinda Sale Shares take place. As at the Latest Practicable Date, the Target Company held all the issued shares in Daye Hong Kong which, in turn, held a 95.35% equity interest in Daye Metal.

The Target Group is principally engaged in the production and sales of copper cathodes. It also sells gold, silver and suphuric acid. The Target Group holds the mining and/or exploration rights to four mines in the Hubei Province, the PRC, and all of those mines are already in operation. It also owns and operates on-site processing facilities at each of those mines to carry out crushing, screening and milling of copper ore, a smelting plant which undertakes the smelting of copper concentrate and production of sulphuric acid, a precious metal plant which extracts gold and silver from anode slime, and a research and development centre. The Target Group is one of the few copper producers in the PRC who have a vertically integrated operation which extends from the exploration, mining and processing of copper ore to the smelting of copper concentrate and the production of copper cathodes and other precious metals such as gold and silver. Please refer to the sub-section headed "Information on the Target Group" in this section and the section headed "Business of the Target Group" in this circular for further information.

IMPLICATIONS UNDER THE LISTING RULES

Very substantial acquisition and connected transaction

As the Relevant Ratios exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, each of the Parent Company and China Times was a substantial shareholder of the Company and therefore constitutes a connected person of the Company. Hence, the Acquisition also constitutes a connected transaction of the Company under the Listing Rules.

The Acquisition, the terms of which include the allotment and issue of the China Times Consideration Shares, Cinda Consideration Shares, China Times Convertible Notes and Conversion Shares, is therefore subject to the approval by the Independent Shareholders at the EGM. Resolutions will be proposed at the EGM for the Independent Shareholders to approve, among others, (i) the terms of the Acquisition Agreement, the First Supplemental Agreement and the Second Supplemental Agreement and the transactions contemplated under those agreements; (ii) a specific mandate to the Directors to allot and issue the China Times Consideration Shares, Cinda Consideration Shares, China Times Convertible Notes and Conversion Shares; and (iii) authorizations to the Directors to do all acts or things for and on behalf of the Company as they may consider necessary or desirable in connection with (i) and (ii) above.

China Times, its associates, persons acting in concert with it and any person who is involved or interested in the Acquisition and/or the Whitewash Waiver are required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. As at the Latest Practicable Date, China Times, its associates, persons acting in concert with it and any person who is involved or interested in the Acquisition and/or the Whitewash Waiver were interested in 1,163,236,988 Ordinary Shares, representing approximately 20.80% of the total Ordinary Shares in issue and 5,495 Preference Shares, representing approximately 33.33% of the total Preference Shares in issue. Your attention is drawn to pages EGM-1 to EGM-2 of this circular where you will find a notice of the EGM to be held at Harbour View Ballroom III, Level 4, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Monday, 16 January 2012, at 10:00 a.m..

Reverse takeover and deemed new listing

Since the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and the issue of the China Times Consideration Shares to China Times at China Times Completion will result in a change in control (as defined in the Takeovers Code) of the Company, the Acquisition also constitutes a reverse takeover for the Company under Rule 14.06(6)(a) of the Listing Rules. Under Rule 14.54 of the Listing Rules, the Company will be treated as if it were a new listing applicant and the Acquisition is therefore subject to, among other conditions, the approval by the Listing Committee of the new listing application made by the Company. The Enlarged Group or the Target Group must be able to meet the requirements of Rule 8.05 of the Listing Rules and the Enlarged Group must also be able to meet all the other basic conditions set out in Chapter 8 and Chapter 18 of the Listing Rules. Neither the Target Group nor the Enlarged Group is, however, able to meet the profit requirement under Rule 8.05(1) of the Listing Rules, but the Enlarged Group is able to satisfy the capitalisation and revenue requirements under Rule 8.05(3) of the Listing Rules. On 14 October 2011, the Company made a new listing application to the Stock Exchange under Rule 8.05(3) of the Listing Rules and the Listing Committee has given its approval in principle of the new listing application of the Company.

Chapter 18 of the Listing Rules

As the Acquisition constitutes a very substantial acquisition and reverse takeover for the Company under Chapter 14 of the Listing Rules, and the principal assets of the Target Group to be acquired by the Company pursuant to the Acquisition constitute Mineral Assets under Chapter 18 of the Listing Rules, the Acquisition is also subject to the requirements of Chapter 18 of the Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, China Times and persons acting in concert with it were interested in approximately 20.80% of the total Ordinary Shares in issue.

If only China Times Completion takes place, China Times and persons acting in concert with it will, immediately following China Times Completion, be interested in approximately 72.99% of the total Ordinary Shares in issue as enlarged by the issue of the China Times Consideration Shares (but without taking into account any Conversion Shares which may be issued pursuant to the China Times Convertible Notes).

If both China Times Completion and Cinda Completion take place, China Times and persons acting in concert with it will, immediately following China Times Completion and Cinda Completion, be interested in approximately 69.04% of the total Ordinary Shares in issue as enlarged by the issue of the China Times Consideration Shares and Cinda Consideration Shares (but without taking into account any Conversion Shares which may be issued pursuant to the China Times Convertible Notes).

If only China Times Completion takes place and on the basis that the China Times Convertible Notes are converted into Conversion Shares at the Conversion Price but only to the extent that the Company will be able to maintain its minimum public float required under the Listing Rules, China Times and persons acting in concert with it will, immediately following China Times Completion , be interested in, approximately 74.99% of the total Ordinary Shares in issue as enlarged by the issue of the China Times Consideration Shares and such Conversion Shares.

If both China Timers Completion and Cinda Completion take place and on the basis that the China Times Convertible Notes are fully converted into Conversion Shares at the Conversion Price, China Times and persons acting in concert with it will, immediately following China Times Completion and Cinda Completion, be interested in approximately 72.25% of the total Ordinary Shares in issue as enlarged by the issue of the China Times Consideration Shares, Cinda Consideration Shares and such Conversion Shares.

As such, China Times would be required to make a mandatory general offer for all the issued shares of the Company not already owned or agreed to be acquired by China Times and persons acting in concert with it under Rule 26.1 of the Takeovers Code unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

China Times made an application to the Executive on 14 October 2011 for the granting of the Whitewash Waiver. The Whitewash Waiver, if granted, would be subject to the approval of the Independent Shareholders. China Times, its associates, persons acting in concert with it, and any person involved or interested in the Acquisition and/or the Whitewash Waiver are required to abstain from voting on the relevant resolution to be proposed at the EGM to approve the Whitewash Waiver.

As a result of China Times Completion and the allotment and issue of the China Times Consideration Shares and Conversion Shares (assuming conversion of the China Times Convertible Notes at the Conversion Price, but only to the extent that the Company will be able to maintain its minimum public float required under the Listing Rules), China Times and persons acting in concert with it will have a holding of more than 50% of the voting rights of the Company. Hence, China Times and persons acting in concert with it may increase their holding of voting rights in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer. However, any changes in the make-up of the group comprising China Times and persons acting in concert with it that effectively result in a new group being formed or the balance of the group being changed significantly may trigger an obligation to make a general offer under Rule 26.1 of the Takeovers Code.

PROPOSED GRANT OF SPECIFIC MANDATE

Under the Acquisition Agreement, the China Times Consideration will be satisfied by the issue of the China Times Consideration Shares and the China Times Convertible Notes by the Company to China Times (or its nominee), and the Cinda Consideration will be satisfied by the issue of the Cinda Consideration Shares by the Company to Cinda (or its nominee). The China Times Consideration Shares, the Cinda Consideration Shares, the China Times Convertible Notes and the Conversion Shares to be issued upon conversion of the China Times Convertible Notes will be allotted and issued under the Specific Mandate proposed to be obtained at the EGM. The China Times Consideration Shares, the Cinda Consideration Shares and the Conversion Shares, when issued, will rank equally among themselves and pari passu in all respects with the Ordinary Shares then in issue, including as to the right to any dividend declared on or after the respective dates of their allotment and issue.

CONTINUING CONNECTED TRANSACTIONS

It was announced on 23 December 2011 that the Company entered into the Non-Exempt Continuing Connected Transaction Agreements and the Exempt Continuing Connected Transaction Agreements with the Parent Company, its associates or Daye Labour (as the case may be).

Each of the Non-Exempt Continuing Connected Transaction Agreements is conditional upon China Times Completion taking place and all applicable legal and regulatory requirements (including those under the Listing Rules) having been complied with. An ordinary resolution will be proposed at the EGM for the approval by the Independent Shareholders of the Non-Exempt Continuing Connected Transaction Agreements and the transactions to be carried out pursuant thereto (including the Annual Caps).

Further information on the Non-Exempt Continuing Connected Transactions is set out in the section headed "Continuing Connected Transactions" in this circular.

PURPOSE OF THIS CIRCULAR

The purpose of this circular is to provide the Shareholders with further information about: (i) the Acquisition; (ii) the Whitewash Waiver; (iii) the proposed grant of the Specific Mandate; and (iv) the Non-Exempt Continuing Connected Transactions, as well as to give notice to the Shareholders of the EGM. This circular also provides additional information on the Target Group as required under the Listing Rules in connection with the new listing application.

INFORMATION ON THE TARGET GROUP

Business

According to the Antaike Report, Daye Metal was the fifth largest producer of copper cathodes in the PRC by production volume, accounting for approximately 6.7% of the total production of copper cathodes in the PRC in 2010. The major products of the Target Group include copper cathodes, gold, silver and sulphuric acid (which is a by-product derived from the smelting process of copper ore and concentrate). The Target Group sells both copper cathodes, gold and silver produced by itself as well as those sourced by it from third party suppliers or the Parent Group for on-sale to its customers.

Sales of copper cathodes accounted for approximately 73.6%, 71.5%, 77.1% and 76.4% of the total revenue of the Target Group for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively. Approximately 95.5%, 60.1%, 55.6% and 68.5% of the revenue from the sales of copper cathodes for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively, was derived from the sales of copper cathodes produced by the Target Group, while the remainder was derived from the sales of copper cathodes sourced by the Target Group from third party suppliers and the Parent Group for on-sale to its customers. The Target Group also provides copper processing services including the processing of copper concentrates into copper cathodes, but such processing services accounted for less than 1% of the total revenue of the Target Group over the Track Record Period.

Sales of gold, silver and sulphuric acid, together, accounted for approximately 16.3%, 22.6%, 13.4% and 18.0% of the total revenue of the Target Group for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively. Approximately 100%, 47.7%, 84.7% and 74.8% of the revenue from the sales of gold and silver for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively, was derived from the sales of gold and silver produced by the Target Group, while the remainder was derived from the sales of gold and silver sourced by the Target Group from third party suppliers for on-sale to its customers. The Target Group also sells a small amount of iron concentrate (which is derived from iron ore deposits associated with the copper ore deposits at the Tonglvshan Mine) and other metals recovered during the smelting and refining process of copper concentrate, such as platinum, palladium, and molybdenum. The Target Group sells all of the copper cathodes, gold and silver it produces as well as the copper cathodes it processes for its customers under its "Dajiang" brand.

The Target Group holds the Mining Licences to the Four Mines, all of which are located in the Hubei Province of the PRC. The primary mineral deposit at the Four Mines is copper, with associated deposits of gold and silver. The Target Group also owns and operates on-site processing facilities at each of the Four Mines to carry out crushing, screening and milling of copper ore, the Smelting Plant which undertakes the smelting of copper concentrate and production of sulphuric acid, the Precious Metal Plant which extracts gold and silver from anode slime, and the R&D Centre. The Target Group is one of the few copper producers in the PRC who have a vertically integrated operation which extends from the exploration, mining and processing of copper ore to the smelting of copper concentrate and the production of copper cathodes and other precious metals such as gold and silver.

The supply of copper ore from the Four Mines is currently not sufficient to meet the requirements of the Target Group for its downstream copper cathode production. In addition to the supply from the Four Mines, the Target Group also sources a significant portion of copper concentrates from external suppliers and the Parent Group. The Target Group produced, in aggregate, approximately 20,930 tonnes and approximately 9,800 tonnes of copper concentrates from the copper ore mined from the Four Mines in the year ended 31 December 2010 and the six months ended 30 June 2011, respectively, which accounted for approximately 13.41% and 13.10% of the copper concentrates used by the Target Group for its copper cathode production in those periods, with the remainder being sourced from external suppliers and the Parent Group. The Target Group produced approximately 308,100 tonnes and approximately 167,000 tonnes of copper cathodes in the year ended 31 December 2010 and the six months ended 30 June 2011, respectively.

As production of copper cathodes and other major products by the Target Group is dependent on a stable supply of, among other raw materials, copper concentrates, if there is any shortage in the supply or any fluctuation in the price of copper concentrates, the Target Group's results of operations, financial condition and growth prospects may be materially and adversely affected. Please refer to the section headed "Risk Factors – Risks relating to the business of the Enlarged Group – Fluctuations in price and supply of raw materials could negatively impact our business and financial conditions" in this circular for further information.

Summary financial information

The summary financial information of the Target Group for the Track Record Period below is extracted from the section headed "Financial information of the Target Group" set out in Appendix I to this circular.

	Year ended 31 December			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
	(audited)	*(audited)*	*(audited)*	*(audited)*
Revenue *(RMB million)*	14,867	18,485	26,020	13,672
Gross profit *(RMB million)*	349	877	833	539
Gross profit margin *(%)* *(unaudited)*	2.4	4.7	3.2	3.9
Net (loss)/profit attributable to the owners of the Target Company *(RMB million)*	(95)	61	128	94
Net asset value attributable to the owners of the Target Company *(RMB million)*	1,605	1,911	2,225	3,553

Production capacity

The following table sets out the production capacity and utilisation rates of the Smelting Plant and the Precious Metal Plant of the Target Group during the Track Record Period:

		Year ended 31 December						Six months ended 30 June	
		2008		2009		2010		2011	
	Year of commencement of commercial production	Production capacity (Kt) *(Note 1)*	Utilisation rate (%) *(Note 2)*	Production capacity (Kt) *(Note 1)*	Utilisation rate (%) *(Note 2)*	Production capacity (Kt) *(Note 1)*	Utilisation rate (%) *(Note 2)*	Production capacity (Kt) *(Note 1)*	Utilisation rate (%) *(Note 3)*
Smelting Plant	1960								
Copper cathodes		257	97.64	260	92.48	340	90.62	350	47.71
Sulphuric acid		600	97.82	600	94.60	600	88.06	635	42.04
Precious Metal Plant	2006								
Gold		0.0061	90.39	0.009	64.91	0.009	66.74	0.0065	41.46
Silver		0.25	104	0.3	90.02	0.3	102	0.35	43.48

Notes:

(1) Production capacity figures expressed in thousand tonnes are estimates based on a number of factors including working hours, the number of workers and the grade of ore used.

(2) The utilisation rates are calculated based on the total actual production of the relevant product for the relevant year over the total annual production capacity for such year.

(3) The utilisation rates are calculated based on the total actual production of the relevant product for the six months ended 30 June 2011 over the total annual production capacity for the year ending 31 December 2011.

The Four Mines

Introduction

The Target Group holds the mining and/or exploration rights to the Four Mines, all of which are located in the Hubei Province of the PRC. The Tonglvshan Mine is the flagship copper mine of the Target Group, which has been in operation since 1971. Metals of economic value recoverable from the Tonglvshan Mine include mainly copper, gold, silver and iron, and main products produced from those metals are copper cathodes, gold, silver and iron concentrate. The Fengshan Mine, the Tongshankou Mine and the Chimashan Mine have been in operation since 1972, 1984 and 1958, respectively. Metals of economic value recoverable from those three mines mainly include copper, gold, silver and molybdenum and main products produced from those metals are copper cathodes, gold and silver. Please refer to the section headed "Business of the Target Group – Mines and processing facilities – The Four Mines" in this circular for further information.

Summary of mineral resources and ore reserves of the Four Mines

The following table sets out a summary of the copper, iron and molybdenum mineral resources of the Four Mines as at 30 September 2011, which has been extracted from the Competent Person's Report on the Four Mines set out in Appendix V-A to this circular:

							Metal tonnes		
Mine	**Cut Off Grade**	**JORC Classification**	**Quantity**	**Cu**	**Fe**	**Mo**	**Cu**	**Fe**	**Mo**
			Mt	*%*	*%*	*%*	*t*	*Mt*	*t*
	In licence	**Indicated**	16.37	1.16	27.21		189,200	4.45	
Tonglvshan Mine		**Inferred**	15.05	1.08	29.47		162,000	4.44	
	CuEq >0.3%	**Total**	**31.42**	**1.12**	**28.30**		**351,300**	**8.89**	
	In licence	**Indicated**	12.72	0.82		0.005	104,200		630
Fengshan Mine		**Inferred**	14.50	0.73		0.008	106,300		1,230
	CuEq >0.3%	**Total**	**27.22**	**0.77**		**0.007**	**210,400**		**1,860**
	In licence open cut area	**Indicated**	13.36	0.58		0.011	76,800		1,470
		Inferred	0.24	0.54		0.004	1,300		10
	CuEq >0.2%	**Sub-Total**	13.60	0.57		0.011	78,100		1,480
	In licence underground area	**Indicated**	24.68	0.66		0.007	163,200		1,770
		Inferred	20.32	0.57		0.019	115,200		3,850
Tongshankou Mine	**CuEq >0.3%**	**Sub-Total**	45.00	0.62		0.012	278,300		5,620
	Out of licence underground area	**Indicated**	0.05	0.40		0.034	200		20
		Inferred	2.68	0.45		0.034	12,100		900
	CuEq >0.3%	**Sub-Total**	2.73	0.45		0.034	12,300		920
	Total open cut and underground area	**Indicated**	38.09	0.63		0.009	240,200		3,270
		Inferred	23.23	0.55		0.020	128,600		4,760
	in and out of licence	**Total**	**61.32**	**0.60**		**0.013**	**368,800**		**8,030**
	In licence	**Indicated**	0.12	0.72		0.001	830		1
		Inferred	0.01	0.58		0.004	20		-
	CuEq >0.3%	**Sub-Total**	0.12	0.71		0.001	850		1
	Out of licence	**Indicated**	0.19	0.49		0.001	900		2
Chimashan Mine		**Inferred**	0.20	0.84		0.020	1,700		40
	CuEq >0.3%	**Sub-Total**	0.38	0.67		0.011	2,600		41
	Total in and out	**Indicated**	0.30	0.58		0.001	1,730		2
	of licence	**Inferred**	0.20	0.84		0.020	1,720		40
		Total	**0.50**	**0.68**		**0.008**	**3,450**		**42**

The following table sets out a summary of the gold and silver mineral resources of the Tonglvshan Mine as at 30 September 2011 which has been extracted from the Competent Person's Report on the Four Mines set out in Appendix V-A to this circular:

						Metal	
Mine	**Cut Off Grade**	**JORC Classification**	**Quantity**	**Au**	**Ag**	**Au**	**Ag**
			Mt	*g/t*	*g/t*	*Oz*	*k Oz*
Tonglvshan Mine	**In licence**	**Indicated**	13.22	0.63	4.76	265,000	2,020
		Inferred	11.23	0.66	7.06	237,000	2,540
	CuEq >0.3%	**Sub-Total**	24.45	0.64	5.81	502,000	4,560

The following table sets out a summary of the copper, iron, gold and silver ore reserves of the Tonglvshan Mine as at 30 September 2011 which has been extracted from the Competent Person's Report on the Four Mines set out in Appendix V-A to this circular:

JORC Classification	Ore Quantity (kt)	Cu (%)	TFe (%)	Au (g/t)	Ag (g/t)	Cu metal (t)	Fe metal (kt)	Au metal (kg)	Ag metal (kg)
Probable (in mining licence)	10,360	1.21	23.78	0.46	3.31	125,100	2,464	4,800	34,300
Probable (in exploration licence)	2,380	0.68	34.18	0.46	6.24	16,200	815	1,100	14,900
Total Probable	12,750	1.11	25.72	0.46	3.86	141,300	3,279	5,900	49,200

The following table sets out a summary of the copper and molybdenum ore reserves of the Fengshan Mine, the Tongshankou Mine and the Chimashan Mine as at 30 September 2011, which has been extracted from the Competent Person's Report on the Four Mines set out in Appendix V-A to this circular:

Mine	JORC Classification	Ore Quantity *(kt)*	Cu *(%)*	Mo *(%)*	Cu metal *(t)*	Mo metal *(t)*
Fengshan Mine	**Probable**	4,560	1.01	0.004	45,800	190
Tongshankou Mine	**Probable (open pit)**	10,340	0.63	0.010	64,600	980
	Probable (underground)	6,200	0.87	0.006	54,000	360
	Total Probable	16,540	0.72	0.008	118,600	1,330
Chimashan Mine	**Probable**	35	0.77	0	270	0

Notes:

(1) In the above tables, Cu, Fe, TFe, Mo, CuEq, Au and Ag mean copper, iron, total iron, molybdenum, copper equivalent, gold and silver, respectively, and t, Kt, Mt, kg, g/t, Oz, and k Oz mean tonne, thousand tonne, million tonne, kilogram, gram per tonne, troy ounce and thousand troy ounce, respectively. The terms "Indicated", "Inferred" and "Probable" have the meanings ascribed to them under the JORC Code.

(2) Mineral resources and ore reserves described as "out of licence" refers to the discovery of mineral resources or ore reserves outside of the permitted level of mining depth prescribed in the mining licence of the relevant mine. However, no mining or exploration in respect of such mineral resources has been conducted by the Target Group. Mineral resources and ore reserves described as "in licence" or "in mining licence" refer to the discovery of mineral resources or ore reserves within the permitted level of mining depth prescribed in the mining licence of the relevant mine.

(3) Rounding affects the total metal amounts reported by Runge in the Competent Person's Report on the Four Mines as set out in Appendix V-A to this circular.

(4) These mineral resource and ore reserve numbers have been prepared in accordance with the JORC Code.

(5) Mineral resources were defined within a mineralized envelop above 0.2% copper, and reported at a cut-off grade of 0.3% copper equivalent for underground operations and 0.2% copper equivalent for open pit operations.

(6) Ore reserves are estimated using minimum cut-off grades of 0.68%, 0.40%, 0.36%, 0.45%, and 0.60% copper equivalent for the Tonglvshan Mine, the Fengshan Mine, the open pit mining at the Tongshankou Mine, the underground mining at the Tongshankou Mine and the Chimashan Mine, respectively.

(7) Copper equivalence was calculated for the Tonglvshan Mine, the Fengshan Mine and the Tongshankou Mine using forecast processing plant recoveries and long-term forecast prices of RMB32,987 per tonne of copper, RMB180 per kilogram of molybdenum, RMB1,124 per tonne of iron concentrate, RMB185.90 per gram of gold, and RMB3.22 per gram of silver; and at the Chimashan Mine using forecast processing plant recoveries and long-term forecast price of RMB57,571 per tonne of copper and RMB244 per kilogram of molybdenum.

(8) Copper and iron mineral resources at the Tonglvshan Mine are inclusive of the gold and silver mineral resources at the Tonglvshan Mine and gold and silver mineral resources at the Tonglvshan Mine are inclusive of the copper and iron mineral resources at the Tonglvshan Mine. Such mineral resources should not be added together.

(9) A minimum mining width of 2 metres was used for estimating the underground ore reserves at each of the Four Mines.

(10) The mineral resource and ore reserve estimates are based on geological sampling and mining depletion information up to 30 September 2011 as confirmed by Daye Metal.

(11) Estimates for mineral resources and ore reserves are updated as at 30 September 2011. Please refer to the Competent Person's Report on the Four Mines as set out in Appendix V-A to this circular for details of the assumptions and parameters used to calculate these resource and reserve numbers and qualities of metals.

(12) The mineral resources set out in the mineral resources tables above are inclusive of, and not in addition to, the mineral resources modified to produce the ore reserves set out in the ore reserves tables above.

Summary of the total forecast cash cost and the total forecast production cost for the Four Mines

The following tables set out a summary of the total forecast cash cost and the total forecast production cost for the Four Mines, respectively, which has been extracted from the Competent Person's Report on the Four Mines set out in Appendix V-A to this circular:

Tonglvshan Project Forecast Operating Costs

Cost Item	Unit	Cost
Materials	RMB/t	31
Power and Water	RMB/t	28
Labour	RMB/t	30
Manufacturing *(Note 1)*	RMB/t	62
Mining Cost	**RMB/t mined**	**152**
Processing	RMB/t	50
Manufacturing *(Note 1)*	RMB/t	12
Processing Cost	**RMB/t processed**	**62**
Total Operating Cost	**RMB/t**	**214**
General & Administration Costs *(Note 2)*	**RMB/t**	**49**
Total Production Cost	**RMB/t**	**263**
Depreciation	RMB/t	46
Amortisation	RMB/t	6
Financial interest	RMB/t	5
Total Cash Cost	**RMB/t**	**206**

Notes:

(1) In the above table, manufacturing includes maintenance, depreciation and amortisation (inclusive of mining rights and depletion charges), and other costs.

(2) In the above table, general and administration costs include management costs, sales costs, financial costs, and production taxes and fees.

(3) The figures contained in the above tables contain rounding effect.

(4) In the above table, t means tonne.

Fengshan Project Forecast Operating Costs

Cost Item	Unit	Cost
Development and Stoping	RMB/t	24
Haulage and Transportation	RMB/t	3
Mine Services	RMB/t	19
Other Costs	RMB/t	7
Mining Cost	**RMB/t mined**	**52**
Processing Cost	**RMB/t processed**	**56**
Manufacturing Cost *(Note 1)*	**RMB/t**	**46**
Total Operating Cost	**RMB/t**	**154**
General & Administration Costs *(Note 2)*	**RMB/t**	**50**
Total Production Cost	**RMB/t**	**204**
Depreciation	RMB/t	41
Amortisation	RMB/t	1
Financial interest	RMB/t	2
Total Cash Cost	**RMB/t**	**160**

Notes:

(1) In the above table, manufacturing cost includes maintenance, depreciation and amortisation (inclusive of mining rights and depletion charges) applicable to both mining and processing.

(2) In the above table, general and administration costs include management costs, sales costs, financial costs, production taxes and fees and other costs.

(3) The figures contained in the above tables contain rounding effect.

(4) In the above table, t means tonne.

Tongshankou Project Forecast Open Pit Operating Costs

Cost Item	Unit	Cost
Materials	RMB/t	17
Power	RMB/t	1
Labour	RMB/t	5
Manufacturing *(Note 1)*	RMB/t	18
Mining Cost	**RMB/t mined**	**40**
Processing Cost	**RMB/t processed**	**45**
Total Operating Cost	**RMB/t**	**85**
General & Administration Costs *(Note 2)*	**RMB/t**	**16**
Total Production Cost	**RMB/t**	**101**
Depreciation	RMB/t	13
Total Cash Cost	**RMB/t**	**88**

Notes:

(1) In the above table, manufacturing cost includes maintenance, depreciation (inclusive of mining rights and depletion charges) and other costs.

(2) In the above table, general and administration costs include management and sales costs.

(3) The figures contained in the above tables contain rounding effect.

(4) In the above table, t means tonne.

Tongshankou Project Forecast Underground Operating Costs

Cost Item	Unit	Cost
Materials	RMB/t	19
Power and Water	RMB/t	11
Labour	RMB/t	15
Manufacturing *(Note 1)*	RMB/t	32
Mining Cost	**RMB/t mined**	**77**
Processing Cost	**RMB/t processed**	**38**
Total Operating Cost	**RMB/t**	**115**
General & Administration Costs *(Note 2)*	**RMB/t**	**23**
Total Production Cost	**RMB/t**	**138**
Depreciation	RMB/t	5
Amortisation	RMB/t	4
Financial interest	RMB/t	5
Total Cash Cost	**RMB/t**	**124**

Notes:

(1) In the above table, manufacturing includes maintenance, depreciation and amortisation (inclusive of mining rights and depletion charges) and other costs.

(2) In the above table, general and administration costs include management costs, sales costs, financial costs, production taxes and fees.

(3) The figures contained in the above tables contain rounding effect.

(4) In the above table, t means tonne.

Chimashan Project Forecast Operating Costs

Cost Item	Unit	Cost
Mining and Processing Cost	**RMB/t**	**100**
Manufacturing Cost *(Note 1)*	**RMB/t**	**44**
Total Operating Cost	**RMB/t**	**144**
General & Administration Costs *(Note 2)*	**RMB/t**	**18**
Total Production Cost	**RMB/t**	**162**
Depreciation	RMB/t	22
Total Cash Cost	**RMB/t**	**140**

Notes:

(1) In the above table, manufacturing cost includes maintenance and depreciation (inclusive of mining rights and depletion charges).

(2) In the above table, general and administration costs include management costs, sales costs, and production taxes.

(3) The figures contained in the above table contain rounding effect.

(4) In the above table, t means tonne.

The financial effect associated with the depletion of the Four Mines had been accounted for in the depreciation and amortisation charges of the Target Group during the Track Record Period as well as the forecasted operating cost. The depreciation and amortisation charges, recognised in accordance with the accounting policies of the Target Group, relating to the Four Mines operated by the Target Group amounted to approximately RMB43,662,000, RMB54,180,000, RMB67,002,000 and RMB47,047,000 for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively. The depreciation and amortisation charges include the depreciation of mining infrastructure and amortisation of mining right, which are calculated using the units-of-production method over the estimated life of the Four Mines and also takes into consideration the depletion of the relevant mine.

Summary of mineral resource and ore reserve depletion rate of the Four Mines

The following tables set out a summary of the resource and ore reserve depletion rate of the Four Mines, which has been extracted from the Competent Person's Report on the Four Mines set out in Appendix V-A to this circular:

The depletion rate of the Four Mines

Project	**Depletion Rate (Mtpa)**
Tonglvshan	1.15
Fengshan	0.76
Tongshankou (Open Pit)	1.5
Tongshankou (Underground)	1.15
Tongshankou (Total)	2.65
Chimashan	0.08

Notes:

(1) Depletion rate is the rate a mineral resource or ore reserve reduces over time due to the mining process, and can be used for estimating mine life as well as a measure of mineral resource and ore reserve estimation accuracy.

(2) In the above table, Mtpa means million tonne per annum.

(3) The figures contained in the above table contain rounding effect.

Summary of principal licences and permits for the Four Mines

The following table sets out a summary of the principal licences and permits held by the Target Group in connection with the operations of the Four Mines:

Mine	Location	Type of licence or permit	Issuing authority	Activity permitted	Term of licence or permit
Tonglvshan Mine	Tonglv Mountain, Daye City, Hubei Province	Mining licence	Ministry of Land and Resources of the PRC	Mining of copper and iron	1 June 2011 to 1 June 2027 *(Note (1))*
	Tonglv Mountain, Daye City, Hubei Province	Exploration licence	Department of Land and Resources of Hubei Province	Exploration	12 July 2011 to 12 July 2013
	Tonglv Mountain, Daye City, Hubei Province	Safe production permit	Hubei Province Safety Production Supervision and Administration Bureau	Open pit mining and underground mining of copper	22 February 2011 to 21 February 2014
	Tonglv Mountain, Daye City, Hubei Province	Safe production permit	Hubei Province Safety Production Supervision and Administration Bureau	Operation of tailing dam	22 February 2011 to 21 February 2014
	Tonglv Mountain, Daye City, Hubei Province	Waste disposal permit	Daye City Environmental Protection Bureau	Emission of gas and discharge of waste water	28 March 2011 to 20 March 2012
Fengshan Mine	Yangxin County, Huangshi City, Hubei Province	Mining licence	Ministry of Land and Resources of the PRC	Mining of copper	10 July 2011 to 10 July 2034 *(Note (2))*
	Yangxin County, Huangshi City, Hubei Province	Exploration licence	Department of Land and Resources of Hubei Province	Exploration	12 July 2011 to 12 July 2013
	Yangxin County, Huangshi City, Hubei Province	Safe production permit	Hubei Province Safety Production Supervision and Administration Bureau	Underground mining of copper	31 October 2011 to 30 October 2014
	Yangxin County, Huangshi City, Hubei Province	Safe production permit	Hubei Province Safety Production Supervision and Administration Bureau	Operation of tailing dam	2 November 2010 to 5 March 2012
	Yangxin County, Huangshi City, Hubei Province	Waste disposal permit	Yangxin County Environmental Protection Bureau	Emission of gas and discharge of waste water	1 January 2011 to 31 December 2012

Mine	Location	Type of licence or permit	Issuing authority	Activity permitted	Term of licence or permit
Tongshankou Mine	Daye City, Hubei Province	Mining licence	Department of Land and Resources of Hubei Province	Mining of copper	14 April 2011 to 14 April 2016
	Daye City, Hubei Province	Safe production permit	Hubei Province Safety Production Supervision and Administration Bureau	Open pit mining of copper	31 October 2011 to 30 October 2014
	Daye City, Hubei Province	Safe production permit	Hubei Province Safety Production Supervision and Administration Bureau	Operation of tailing dam	2 November 2010 to 30 June 2012
	Daye City, Hubei Province	Waste disposal permit	Daye City Environmental Protection Bureau	Emission of gas and discharge of waste water	2 April 2011 to 20 March 2012
Chimashan Mine	Yangxin County, Hubei Province	Mining licence	Department of Land and Resources of Hubei Province	Mining of copper	14 April 2011 to 14 April 2014
	Yangxin County, Hubei Province	Safe production permit	Hubei Province Safety Production Supervision and Administration Bureau	Underground mining of copper	31 October 2011 to 30 October 2014
	Yangxin County, Hubei Province	Safe production permit	Hubei Province Safety Production Supervision and Administration Bureau	Operation of tailing dam	2 November 2010 to 10 June 2012
	Yangxin County, Hubei Province	Waste disposal permit	Yangxin County Environmental Protection Bureau	Emission of gas and discharge of waste water	1 January 2011 to 31 December 2012

Notes:

(1) A new mining licence for the Tonglvshan Mine, with a term from January 2011 to June 2011, was issued to Daye Metal in January 2011 as a result of the transfer of the mining rights from the Parent Company to Daye Metal at that time. Upon the expiry of such licence, a new mining licence for the Tonglvshan Mine was issued to Daye Metal in June 2011 for a term of 16 years.

(2) A new mining licence for the Fengshan Mine, with a term extending from January 2011 to July 2011, was issued to Daye Metal in January 2011. Upon Daye Metal's application, a new mining licence for the Fengshan Mine was issued to Daye Metal in June 2011 for a term of 23 years.

Continuing obligation on publication of resources and reserves

After completion of the Acquisition, the Company will include an update of the reserves and resources of the Four Mines once a year in its annual reports in accordance with Rule 18.15 of the Listing Rules.

INFORMATION ON THE GROUP

The Group is principally engaged in corporate investment and trading in securities, mineral exploitation and trading in non-ferrous metals.

The existing mines of the Group

The Group holds the mining or exploration rights to two copper mines in Xinjiang, namely, the Sareke Mine and the Hami Mine, one molybdenum mine in Mongolia, namely, the Aleinuer Mine, and two wolfram mines in Mongolia, namely, the Burentsogt Mine and the Sala Mine.

Sareke Mine

新疆滙祥永金礦業有限公司 (Xinjiang Huixiang Yong Jin Mining Company Limited), which is 55%-owned by the Company, currently holds the mining right to the Sareke Mine. The Sareke Mine is a copper mine situated in the Xinjiang Uygur Autonomous Region of the PRC, which occupies an aggregate area of approximately 1.2286 sq. km as stated in its mining licence. According to the Competent Person's Report on the Sareke Mine prepared in accordance with the JORC Code, the Sareke Mine had, as at 30 June 2011, copper mineral resources and probable copper ore reserves of 12.71 million and 7.96 million tonnes, respectively. The Sareke Mine has yet to commence commercial production. The Group is in the process of constructing the underground mining infrastructure at the Sareke Mine and a processing plant on site, which is expected to be completed in October 2013.

Hami Mine

新疆同興礦業有限責任公司 (Xinjiang Tong Xing Mining Company Limited), which is 80%-owned by the Company, currently holds the exploration right to the Hami Mine. The Hami Mine is a copper mine situated in the Xinjiang Uygur Autonomous Region of the PRC, which occupies an aggregate area of approximately 11.14 sq. km (without taking into account the area affected by the railway right of way). According to the Competent Person's Report on the Hami Mine prepared in accordance with NI 43-101, the Hami Mine had, as at 31 July 2011, copper mineral resources of 22.34 million tonnes (excluding resources located in areas subject to the right of way granted for railway operations). The Hami Mine has yet to commence commercial production as the mining licence has yet to be granted.

Aleinuer Mine

Reservoir Moly is a joint venture company established in Mongolia which is 55%-owned by CRML and 45%-owned by the Mongolian JV Partner. CRML, in turn, is 51%-owned by the Company. Reservoir Moly currently holds the mining right to the Aleinuer Mine. The Aleinuer Mine is a molybdenum mine situated in Sukhbaatar, Mongolia, which occupies an aggregate area of approximately 2.27 sq. km as stated in its mining licence. According to the Competent Person's Report on the Aleinuer Mine prepared in accordance with the JORC Code, the Aleinuer Mine had, as at 1 July 2011, inferred molybdenum mineral resources of approximately 10 million tonnes (based on an assumed long-term molybdenum price of US$15 per pound and a 0.06% of molybdenum content cutoff). The Aleinuer Mine has yet to commence commercial production. As at the Latest Practicable Date, exploration works at the Aleinuer Mine have been completed.

Burentsogt Mine and Sala Mine

Reservoir Moly currently holds the mining right to the Burentsogt Mine. Reservoir Mongolia LLC, which is 51%-owned by the Company, currently holds the mining right to the Sala Mine. The Burentsogt Mine and Sala Mine are wolfram mines situated in Munkhkhaan and Sukhbaatar, Mongolia, respectively. It is not the Company's intention to develop those mines as, given the insignificant amount of the wolfram deposits projected by the technical studies which have previously been conducted by the technical staff of CRML and the mining engineers of the Parent Company, the Company does not consider it economical to incur substantial costs in the construction of infrastructure facilities to develop those mines. The Company is currently actively exploring opportunities for the disposal of the Burentsogt Mine and Sala Mine.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 18.05 (1) of the Listing Rules to prepare a competent person's report in respect of the resources of each of the Burentsogt Mine and Sale Mine. Please refer to the section headed "Waivers from Strict Compliance with the Listing Rules" in this circular for further details.

Summary of mineral resources and ore reserves

Sareke Mine

The following table sets out a summary of the mineral resources of the Sareke Mine as at 30 June 2011, which has been extracted from the Competent Person's Report on the Sareke Mine set out in Appendix V-C to this circular:

Resource Statement of Sareke Copper Deposit at Cut-off of 0.3%TCu by SRK as at 30 June 2011				
Zone	**Classification**	**Resource Tonnage (t)**	**Average Grade TCu (%)**	**Copper Metal (t)**
North	Indicated	8,398,000	1.03	86,000
	Inferred	4,315,000	0.77	33,300

The following table sets out a summary of the ore reserves of the Sareke Mine as at 30 June 2011, which has been extracted from the Competent Person's Report on the Sareke Mine set out in Appendix V-C to this circular:

Elevation (m)	**Probable**	
	Tonnage (kt)	**Cu (%)**
>=2820	870	0.76
2730~2820	2,127	0.97
2640~2730	4,648	1.03
<=2640	311	0.53
Total	7,956	0.96

Notes:

(1) In the above tables, t, m, Cu and TCu mean tonne, metre, copper and total copper, respectively. The terms "Indicated" and "Inferred" have the meanings ascribed to them under the JORC Code.

(2) Mineral resources and ore reserves are estimated at a copper cut-off grade of 0.3%.

(3) Mineral resources and ore reserves are estimated using a long-term copper price of RMB42,500 per metric tonne.

(4) A minimum zone width of 2 metres was used for estimating the mineral resources and ore reserves.

(5) The mineral resource and ore reserve estimates are based on drilling information up to 30 June 2011 as confirmed by the Company.

(6) *Estimates for mineral resources and ore reserves are updated as at 30 June 2011. Please refer to the Competent Person's Report on the Sareke Mine as set out in Appendix V-C to this circular for details of the assumptions and parameters used to calculate these resource and reserve numbers and qualities of metals.*

(7) *The mineral resources set out in the mineral resource table above are inclusive of the ore reserves set out in the ore reserve table above.*

Hami Mine

The following table sets out a summary of the mineral resources of the Hami Mine (excluding resources located in areas subject to the right of way granted for railway operations) as at 31 July 2011, which has been extracted from the Competent Person's Report on the Hami Mine set out in Appendix V-D to this circular:

	Indicated Resources				Inferred Resources			
Location	**Tonnes** *(Mt)*	**Grade** *(% Cu)*	**Copper Content** *(Mlb)*	**Copper Content** *(tonnes)*	**Tonnes** *(Mt)*	**Grade** *(% Cu)*	**Copper Content** *(Mlb)*	**Copper Content** *(tonnes)*
Main Lens	14.15	0.75	234	106,000	7.79	0.72	124	56,200
Other Lenses					0.4	0.61	5	2,300
TOTAL	14.15	0.75	234	106,000	8.19	0.71	129	58,500

Notes:

(1) *In the above table, the terms mt, cu, mlb mean million tonnes, copper and million pounds, respectively and National Instrument 43-101 (NI43-101) and CIM (Canadian Institute of Mining, Metallurgy and Petroleum) definitions are followed for Mineral Resources, Indicated Resources and Inferred Resources.*

(2) *As mineralisation is present in four separate lenses in the Hami Mine, the largest lens or zone of mineralisation where the majority of the mineral resources are contained is described as the "Main Lens", and the three other lenses are collectively described as the "Other Lenses" in the above table.*

(3) *Mineral Resources are estimated at a cut-off grade of 0.5% copper within a mineralized envelope defined at 0.3% copper.*

(4) *Mineral Resources are estimated using an average long-term copper price of US$2.50 per pound, and a US$ to Canadian dollar exchange rate of 1.04.*

(5) *A minimum zone width of 5 metres was used.*

(6) *The Mineral Resource estimate is based on drilling information up to 31 July 2011 as confirmed by GobiMin Inc. and the Company.*

(7) *Estimates for mineral resources are updated as at 31 July 2011. Please refer to the Competent Person's Report on the Hami Mine as set out in Appendix V-D to this circular for details of the assumptions and parameters used to calculate these resource numbers and qualities of metals.*

Aleinuer Mine

The following table sets out a summary of the inferred mineral resources of the Aleinuer Mine as at 1 July 2011, which has been extracted from the Competent Person's Report on the Aleinuer Mine set out in Appendix V-B to this circular:

Concentrate Selling Price *(Note 1)* *($/t)*	**Market Price** *($/lb Mo)*	**Cut-off** *(% Mo)*	**Mineralization** *(t-000)*	**Average Grade** *(% Mo)*	**Contained Metal** *(t Mo)*	**Waste** *(t-000)*	**Stripping Ratio** *(Note 2)* *(t/t)*
8,500	10.00	0.097	78	0.210	200	551	7.10
11,100	12.50	0.074	2,553	0.110	2,900	7,640	2.99
13,800	15.00	0.060	10,039	0.090	8,900	20,413	2.03
16,400	17.50	0.050	20,278	0.080	15,400	34,906	1.72
19,000	20.00	0.043	31,454	0.070	21,300	46,669	1.48
21,700	22.50	0.038	38,772	0.060	24,500	52,721	1.36
24,300	25.00	0.034	49,610	0.060	29,500	80,065	1.61
27,000	27.50	0.030	55,075	0.060	31,500	86,344	1.57
29,600	30.00	0.028	59,132	0.060	32,800	88,893	1.50
32,300	32.50	0.025	62,777	0.050	33,900	94,429	1.50
34,900	35.00	0.023	65,804	0.050	34,800	97,546	1.48
37,600	37.50	0.022	69,478	0.050	35,800	104,606	1.51
40,200	40.00	0.020	71,904	0.050	36,400	110,160	1.53

Notes:

(1) *48% molybdenum is contained in molybdenum sulfide found in the molybdenum concentrate at the Aleinuer Mine.*

(2) *Stripping ratio refers to the average mass of waste rock required to be removed for each tonne of ore mined.*

(3) *In the above table, Mo, t, t-000, lb mean molybdenum, tonne, thousand tonnes and pounds, respectively and all market prices of molybdenum are expressed in terms of US Dollars. The term mineralization means inferred mineral resources, which has the meaning ascribed to it under the JORC Code.*

(4) *Mineral resources are estimated at selected molybdenum cut-off grades ranging from 0.020% molybdenum to 0.097% molybdenum within a mineralized envelop defined at 0.02% molybdenum.*

(5) *Mineral resources are estimated using a long-term molybdenum price ranging from US$10 to US$40 per pound. By way of illustration, at a long-term molybdenum price of US$15 per pound, there is an inferred mineral resources of approximately 10 million tonnes.*

(6) *The mineral resource estimate is based on drilling information up to 1 July 2011 as confirmed by the Company.*

(7) *Estimates for mineral resources are updated as at 1 July 2011. Please refer to the Competent Person's Report on the Aleinuer Mine as set out in Appendix V-B to this circular for details of the assumptions and parameters used to calculate these resource numbers and qualities of metals.*

Continuing obligation on publication of resources and reserves

The Company will include an update of the resources and/or reserves of the Sareke Mine, the Hami Mine and the Aleinuer Mine once a year in its annual reports in accordance with Rule 18.15 of the Listing Rules.

Summary of principal licences and permits

The following table sets out a summary of the principal licences and permits held by the Group in connection with the operations of the Sareke Mine, the Hami Mine and the Aleinuer Mine:

Mine	Location	Type of licence or permit	Issuing authority	Activity permitted	Term of licence or permit
Sareke Mine	Ulugqat County, Xinjiang Uyghur Autonomous Region	Exploration licence	Department of Land and Resources of Xinjiang Uygur Autonomous Region	Exploration	26 January 2011 to 26 January 2012
	Ulugqat County, Xinjiang Uyghur Autonomous Region	Mining licence	Department of Land and Resources of Xinjiang Uygur Autonomous Region	Underground and open pit mining of copper and silver	31 May 2011 to 31 May 2013
Hami Mine	Hami City, Xinjiang Uygur Autonomous Region	Exploration licence	Department of Land and Resources of Xinjiang Uygur Autonomous Region	Exploration	6 August 2010 to 6 August 2012
Aleinuer Mine	Sukhbaatar, Mongolia	Mining licence	Department of Geology and Mining Cadastre of the Minerals Affairs Agency of Government	Open pit mining of molybdenum	23 January 2007 to 15 January 2037

Summary of the total forecast cash cost, the total forecast production cost and depletion charges

Sareke Mine

The following table sets out the projected cash cost per tonne of ore, which has been extracted from the Competent Person's Report on the Sareke Mine set out in Appendix V-C to this circular:

Items	**RMB/t ore**
Mining cost	60.42
Ore Processing cost	34.27
Sales cost	4.41
Accounting cost	5.89
Management cost	6.59
Depreciation for mining	***12.37***
Depreciation for ore processing	***8.16***
Amortization for management	***4.41***
Royalty (Resource compensation fee)	***4.26***
Value Added Tax	***12.93***
Total Cash Cost	***128.77***
Total	**153.71**

The projected production cost per tonnes of ore is RMB140.77 (before value added tax), which has been extracted from the Competent Person's Report on the Sareke Mine set out in Appendix V-C to this circular.

Since the Sareke Mine has not commenced production, no depletion charges for the Group were included in the depreciation and amortisation relating to the mining infrastructure and mining rights of the Sareke Mine recorded in the Company's audited consolidated financial statements for the two years ended 30 April 2008 and 2009, the eight months ended 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011.

The estimated annual reserve depletion rate for the Sareke Mine is 1,155 tonne per annum. The estimated total depreciation and amortisation set out in the table above have taken into account the estimated potential depletion charges, which account for more than 90% of the estimated total depreciation and amortization, after the mine commences production. Such information has been extracted from the Competent Person's Report on the Sareke Mine set out in Appendix V-C to this circular.

Hami Mine

Roscoe has not reviewed any information relating to the forecast cash cost and the forecast production cost, and such information is not available in the Competent Person's Report on the Hami Mine set out in Appendix V-D to this circular.

Aleinuer Mine

On an ore tonne basis, projected operating cash costs for the Aleinuer Project for mining, processing and other operating expenses through delivery to the Chinese border (excluding value added tax) for the first five years of project operation are shown below, which have been extracted from the Competent Person's Report on the Aleinuer Mine set out in Appendix V-B to this circular:

	Year 3	Year 4	Year 5	Year 6	Year 7
Ore Output Tonnes *('000)*	1,403	1,650	1,650	1,650	1,650
Category			**US$/Ore Tonne**		
Mining Cost	6.90	5.87	5.87	5.87	5.87
Processing Cost	11.80	10.97	10.97	10.97	10.97
Management Cost	1.45	1.23	1.23	1.23	1.23
Selling Cost	0.07	0.10	0.10	0.08	0.08
Total Cash Cost	20.22	18.17	18.17	18.15	18.15

Note:

Year refers to number of years from start of project development.

Operating cost projections do not include production royalty payments that may be incurred by the mine operator. Mongolian resource development fees are projected at 5% of the selling price. Including US$3.75/tonne of ore for depreciation and amortization, the production cost in years 4 – 7, ranges from US$21.90 to US$21.92 per tonne of ore output. Such information has been extracted from the Competent Person's Report on Aleinuer Mine set out in Appendix V-B to this circular.

Since the Aleinuer Mine has not commenced production, no depletion charges were included in the depreciation and amortization relating to the mining infrastructure and mining rights of the Aleinuer Mine recorded in the Company's audited consolidated financial statements for the two years ended 30 April 2008 and 2009, the eight months ended 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011.

Since no reserves are recognised for the Aleinuer Mine, John T. Boyd is not able to estimate the mine operation life of the Aleinuer Mine and therefore not able to estimate the depletion charges in relation to the depreciation and amortization of the mining infrastructure and mining rights over the mine operation life. For further details relating to the depletion of the Aleinuer Mine, please refer to the subsection headed "6.3.5 Operating Cost Forecast (Ore Basis)" in the Competent Person's Report on Aleinuer Mine set out in Appendix V-B to this circular.

WORKING CAPITAL

The following table sets out the estimated working capital requirements of the Enlarged Group and the source of funding for the 18 months ending 31 December 2012:

	HK$'million
Net cash inflow from operating activities	1,171.7
Finance costs paid	(392.3)
Working capital surplus/(requirement) *(Note 1)*	779.4
Cash outflows for capital expenditures	(3,238.6)
Working capital requirements plus other capital expenditures	(2,459.2)
Net proceeds from borrowings	1,801.2
Decrease in restricted and term deposits	591.6
Cash inflow from financing activities *(Note 2)*	2,392.8
Cash and cash equivalents at 30 June 2011	961.8
CASH AND CASH EQUIVALENTS, END OF PERIOD	895.4

Notes:

(1) This figure represents the total working capital requirements of the Enlarged Group for the 18 months ending 31 December 2012. It is expected that the Enlarged Group will generate positive cash flow from its operating activities including the finance cost, which resulting a working capital surplus for the 18 months ending 31 December 2012.

(2) It is expected that the sources of funding of the Enlarged Group mainly from working cash generated from operation, net increase in bank borrowings, and the cash and cash equivalent and restricted and term deposits on hand.

LATEST INDUSTRY TRENDS

Since 30 June 2011, the global economy has continued to be affected by the heightened financial and economic uncertainties caused by, among others, the worsening European debt crisis and the slower than expected recovery of the US economy due to spending cuts. In general, there is a gloomy sentiment in financial markets caused by factors such as growing concern that the European debt crisis may continue to deteriorate and become the triggering point of a global recession. Commodity prices have declined as reflected by copper price quoted on LME, which has fallen over 25% since July 2011. In the global copper industry, however, it is expected that a supply deficit in copper cathodes will continue to provide support to the global price of copper cathodes in the near term. On the supply side, near-term supply shortage may be aggravated by tense labour relations at major copper mines worldwide, while global demand for copper cathodes is expected to maintain a steady pace of growth.

While the PRC economy has continued to maintain a steady growth of 9.6% in GDP in the first half of 2011 compared to the same period in 2010, there are signs of a slowdown as industrial output continues to fall due to weak demand in Europe and the United States. The Purchasing Managers' Index (PMI) in the PRC fell to a 32-month low of under 50 points. In the copper cathodes market, notwithstanding growth in smelting capacity as a result of expansions by copper producers and entry of new producers, the Directors expect that there will continue to be a supply deficit in copper cathodes in the PRC in the near term as there remains a gap between the volume of domestic supply and demand, which is currently being satisfied by imports.

While the PRC economy is showing signs of a slowdown, the Directors have not seen any significant decrease in the demand for the Target Group's copper cathodes since 30 June 2011. The Directors cannot preclude the possibility that a further slowdown of the PRC economy, whether due to worsening economic conditions in Europe, the United States or otherwise, may result in a significant decrease in the demand for copper cathodes in the PRC market and hence, adversely affect the business of the Target Group (and after completion of the Acquisition, the Enlarged Group). The Directors will, however, carefully monitor changes in market conditions and take such action as may be necessary to ensure that after completion of the Acquisition, the Enlarged Group will be in a position to maintain its competitiveness and to meet the challenges if the economic outlook in the PRC should worsen.

RISK FACTORS

Risks relating to the Acquisition

- Completion of the Acquisition is subject to satisfaction of the conditions under the Acquisition Agreement and there is no assurance that all of those conditions will be satisfied

- The mineral resources and ore reserves and mineralized potential of the Target Group are estimated based on assumptions and the actual recovery of minerals may be lower than expected

- The shareholding of the existing Shareholders will be substantially diluted immediately following the China Times Completion and the Cinda Completion

Risks relating to the business of the Enlarged Group

- The Enlarged Group may face significant challenges in integrating the business operations of the Group with those of the Target Group and to establish a centralized management structure and failure to achieve successful integration may adversely affect the business and operations of the Enlarged Group

- The growth prospects of the Enlarged Group are dependent upon continual and successful exploration and development of its mining assets

- Fluctuations in price and supply of raw materials could negatively impact our business and financial conditions

- Failure to achieve production estimates could have a material adverse effect on the business, financial condition and results of operations of the Enlarged Group

- Impairment losses relating to the mining rights of the Target Group may adversely affect the results of operations of the Enlarged Group

- Adverse economic developments in the PRC could have a negative impact on the revenues, cash flow and profitability of the Enlarged Group

- The operations of the Enlarged Group are governed by extensive and increasingly stringent environmental, health and safety laws and regulations, the violation of which might adversely affect the business of the Enlarged Group

- The Enlarged Group may not have adequate insurance coverage against operation risks and hazards interest in the nature of the mining business, which could adversely affect its business

- The Enlarged Group may not achieve optimal result in future acquisitions or may encounter difficulties in integrating and developing the acquired assets or business successfully

- Hedging activities may limit the Enlarged Group's participation in commodity price increases and increase its exposure to counterparty credit risk

- The risk management and internal control systems of the Enlarged Group may not be adequate or effective

- Changes in government policies, including, but not limited to, the imposition of new taxes or cancellation of preferential tax treatment currently enjoyed by the Group and the Target Group may adversely affect the results of operations of the Enlarged Group

- Severe weather conditions may prevent or hinder the mining activities of the Enlarged Group

- Failure of transport infrastructure may adversely affect the operations of the Enlarged Group

- If the ruling of the Mongolian Arbitration Center at the re-hearing is unfavourable to CRML, the Group's business and operations may be adversely affected

- Title defects to the owned and leased properties of the Target Group may adversely affect its right to use such properties

- Failure to retain key management and personnel could adversely affect the Enlarged Group's business and operations

- The global financial crisis which commenced in 2008, and recently aggravated by the European sovereign debt crisis may have a further negative impact on the results of operations and prospects of the Enlarged Group

- Higher energy costs or energy shortage would adversely affect the business of the Enlarged Group

- Failure to compete successfully against other PRC copper producers could materially and adversely affect the business and prospects of the Enlarged Group

- The reported mineral resources of the Enlarged Group may not be successfully converted to ore reserves, which may affect the future profitability of the Enlarged Group and its expansion potential

- The Enlarged Group may not be able to obtain or renew the mining licences and/or concessions, permits, approvals and registrations required for its operations

- Reliance on the Parent Group may adversely affect the business and operations of the Enlarged Group

Risks relating to the mining industry

- The mining industry is exposed to cyclical changes of the global economy and requires significant investments of capital

Risks relating to conducting business in the PRC

- Changes in economic, political and social conditions and government policies in the PRC could have an adverse impact on the Enlarged Group

- The business of the Enlarged Group could be negatively affected by uncertainties in the PRC legal system

- Changes in PRC tax laws and regulations could materially and adversely affect the Enlarged Group's business and results of operations

- PRC governmental control of currency conversion and fluctuations in the value of Renminbi could have an adverse effect on the financial results of the Enlarged Group

- The Enlarged Group will be subject to restrictions on foreign investment in the PRC mining industry

- Under the PRC Enterprise Income Tax Law, the Company may be considered a PRC "resident enterprise". As a result, it may be subject to 25% PRC income tax on its worldwide income, and holders of the Ordinary Shares may be subject to PRC tax on dividends paid by it and gains realized on their transfer of the Ordinary Shares.

FINANCIAL ADVISER AND SPONSOR

J.P. Morgan has been appointed as the financial adviser to the Company in relation to the Acquisition and the sponsor to the new listing application of the Company.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Wang Qihong, Mr. Wang Guoqi and Mr. Qiu Guanzhou, being all the independent non-executive Directors, have been formed to advise the Independent Shareholders in relation to the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps).

Platinum Securities has been appointed as Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps).

EGM

Your attention is hereby drawn to pages EGM-1 to EGM-2 of this circular where you will find a notice of the EGM to be held at Harbour View Ballroom III, Level 4, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Monday, 16 January 2012, at 10:00 a.m.. At the EGM, resolutions will be proposed to approve, among other things: (1) the Acquisition; (2) the Whitewash Waiver; (3) the proposed grant of the Specific Mandate; and (4) the Non-Exempt Continuing Connected Transactions (including the Annual Caps).

China Times, its associates, persons acting in concert with it and any person who is involved or interested in the Acquisition and/or the Whitewash Waiver will abstain from voting on the resolutions for the approval of the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps) to be proposed at the EGM.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

RECOMMENDATIONS

The Independent Board Committee, having considered the terms of the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps) as well as the advice and recommendations of the Independent Financial Adviser set out in the section headed "Letter from the Independent Financial Adviser" in this circular, considers that (i) the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its shareholders as a whole; (ii) the Acquisition and the proposed grant of the Specific Mandate are on normal commercial terms; and (iii) the Non-Exempt Continuing Connected Transactions (including the Annual Caps) will be on normal commercial terms and in the usual and ordinary course of business of the Enlarged Group.

As such, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the ordinary resolutions in respect of the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps) to be proposed at the EGM. The "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser" are set out on pages 112 to 113 and pages 114 to 211 of this circular, respectively.

On the basis of the information set out in this circular, the Directors (including members of the Independent Board Committee) consider that the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors, therefore, recommend that the Shareholders vote in favour of the resolutions set out in the notice of EGM at the end of this circular.

DEFINITIONS

In this circular, the following expressions have the meanings set out below, unless the context requires otherwise:

"Acquisition"	the acquisition of the China Times Sale Shares and the Cinda Sale Shares by the Company pursuant to the Acquisition Agreement
"Acquisition Agreement"	the acquisition agreement dated 23 January 2011 and entered into between the Company, the Parent Company and the Vendors in relation to the Acquisition, as supplemented and amended by the First Supplemental Agreement and the Second Supplemental Agreement
"AGM"	the annual general meeting of the Company held on 2 June 2011 at which the Shareholders approved, among other things, the grant of the Share Issue Mandate and the Share Repurchase Mandate to the Board
"Aleinuer Mine"	the molybdenum mine located in Sukhbaatar, Mongolia, the mining right relating to which is granted under mining licence numbered 10889A
"Annual Caps"	the maximum aggregate annual value proposed to be adopted for the Non-Exempt Continuing Connected Transactions for each of the two years ending 31 December 2012 and 2013
"Antaike"	北京安泰科信息開發有限公司 (Beijing Antaike Information Development Co., Ltd.), an independent market research agency commissioned by the Company to conduct a market study on the copper mining and processing industry in the PRC and worldwide
"Antaike Report"	the report dated 23 December 2011 compiled by Antaike in respect of its market study on the copper mining and processing industry in the PRC and worldwide commissioned by the Company
"associate(s)"	has the meaning ascribed to it under the Listing Rules

"Bermuda Companies Act"	The Companies Act 1981 of Bermuda, as amended, supplemented or modified from time to time
"Board"	the board of Directors
"Burentsogt Mine"	the wolfram mine located in Munkhkhaan, Mongolia, the mining right relating to which is granted under mining licence numbered 13470A
"Business Day"	a day (other than a Saturday or a Sunday) on which banks are generally open for banking business in Hong Kong and the PRC
"BVI"	the British Virgin Islands
"Bye-Laws"	the bye-laws of the Company, as amended, supplemented or modified from time to time
"CAGR"	compound annual growth rate
"Changdian"	北京長電創新投資管理有限公司 (Beijing Yangtze Power Innovation Investment Management Co., Ltd.), a company incorporated in the PRC with limited liability
"Chimashan Mine"	the mine located in Yangxin County, Hubei Province, the mining right relating to which is granted under mining licence numbered C4200002009063120021949
"China Times"	China Times Development Limited, a company incorporated in BVI with limited liability;
"China Times Completion"	completion of the acquisition of the China Times Sale Shares in accordance with the Acquisition Agreement
"China Times Consideration"	the consideration for the acquisition of the China Times Sale Shares pursuant to the Acquisition Agreement
"China Times Consideration Shares"	10,799,762,092 new Ordinary Shares to be allotted and issued by the Company to China Times (or its nominee) at China Times Completion to satisfy part of the China Times Consideration pursuant to the Acquisition Agreement

"China Times Convertible Notes"	the convertible note(s) in the aggregate principal amount of HK$1,003,836,048 to be issued by the Company to China Times at China Times Completion to satisfy part of the China Times Consideration pursuant to the Acquisition Agreement
"China Times Sale Shares"	the shares in the Target Company held by China Times upon completion of the Parent Company Reorganisation
"Cinda"	中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd), a joint stock company incorporated in the PRC
"Cinda Completion"	completion of the acquisition of the Cinda Sale Shares in accordance with the Acquisition Agreement
"Cinda Consideration"	the consideration for the acquisition of the Cinda Sale Shares pursuant to the Acquisition Agreement
"Cinda Consideration Shares"	936,953,542 new Ordinary Shares to be allotted and issued by the Company to Cinda (or its nominee) at Cinda Completion pursuant to the Acquisition Agreement
"Cinda HK"	中國信達（香港）資產管理有限公司 (China Cinda (HK) Asset Management Co., Limited), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Cinda
"Cinda Sale Shares"	the shares in the Target Company held by Cinda HK upon completion of the Cinda Reorganisation
"Cinda Reorganisation"	the transactions to be carried out by and related to Cinda under the Reorganisation Agreement
"Combined Ancillary Services Framework Agreement"	the combined ancillary services framework agreement dated 23 December 2011 and entered into between the Company and the Parent Company
"Company"	China Daye Non-Ferrous Metals Mining Limited, a company incorporated in Bermuda with limited liability, whose Ordinary Shares and Preference Shares are listed on the Main Board of the Stock Exchange

"Competent Person's Reports"	the competent person's reports in respect of the Four Mines, the Aleinuer Mine, the Sareke Mine and the Hami Mine, respectively, the text of which is set out in Appendix V to this circular
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the China Times Consideration, Cinda Consideration and Huarong Consideration
"Consideration Shares"	the China Times Consideration Shares, Cinda Consideration Shares and Huarong Consideration Shares
"Conversion Price"	the conversion price of HK$0.50 per Conversion Share
"Conversion Shares"	Ordinary Shares to be issued upon conversion of the China Times Convertible Notes
"CRML"	China Reservoir Mining Limited, a company incorporated in BVI with limited liability and owned as to 51% by the Company
"Daye Design"	大冶有色設計研究院有限公司 (Daye Non-ferrous Design and Research Institute Company Limited), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Daye Metal
"Daye Hong Kong"	Rainbow Treasure Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of by the Target Company
"Daye Industry"	大冶有色三友實業有限責任公司 (Daye Non-ferrous San You Industry Company Limited), a company incorporated in the PRC with limited liability and a 89.34%-owned subsidiary of Daye Metal
"Daye Labour"	大冶有色金屬公司銅錄山銅鐵礦勞動服務公司 (Daye Non-ferrous Metals Tonglushan Mining Labour Services Company), a company incorporated in the PRC with limited liability and a substantial shareholder of Daye Industry
"Daye Labour Purchase and Production Services Framework Agreement"	the purchase and production services framework agreement dated 23 December 2011 and entered into between the Company and Daye Labour

"Daye Metal"	大冶有色金屬有限責任公司 (Daye Nonferrous Metals Co., Ltd.) (formerly 大冶有色金屬股份有限公司 (Daye Non-ferrous Metals Joint Stock Company Limited)), a company incorporated in the PRC with limited liability
"Daye Metal Group"	Daye Metal, its subsidiaries and branches
"Daye Shareholder Transfer Agreements"	the equity transfer agreements dated 21 January 2011 and 23 January 2011 and entered into between each of the Six Original Daye Shareholders, as vendor, and the Parent Company, as purchaser, in relation to the transfer of its equity interest in Daye Metal
"Daye Transportation Purchase Framework Agreement"	the purchase framework agreement dated 23 December 2011 and entered into between the Company and Daye Transportation
"Daye Transportation"	大冶有色運輸輪胎有限公司 (Daye Non-ferrous Transportation and Tyre Company Limited), a company incorporated in the PRC with limited liability and owned as to 41.01% by a wholly-owned subsidiary of Hubei Jinge, which, in turn, is a 66.88%-owned subsidiary of the Parent Company
"Daye Xingke"	大冶有色興科建設工程質量檢測有限公司 (Daye Non-ferrous Xingke Construction Works Quality Inspection Company Limited), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Daye Metal
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among others, (i) the Acquisition Agreement and the transactions contemplated thereunder; (ii) the Whitewash Waiver; (iii) the proposed grant of the Specific Mandate; and (iv) the Non-Exempt Continuing Connected Transactions (including the Annual Caps)
"Enlarged Group"	the Group and the Target Group
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his/her delegate

"Exempt Continuing Connected Transactions"	the transactions to be carried out pursuant to the Exempt Continuing Connected Transaction Agreements
"Exempt Continuing Connected Transaction Agreements"	the Land Lease Framework Agreement dated 23 December 2011 and entered into between the Company and the Parent Company, and the Daye Labour Purchase and Production Services Framework Agreement dated 23 December 2011 and entered into between the Company and Daye Labour
"Existing Convertible Notes"	the Hong Kong dollar denominated 1% convertible notes in the principal amount of HK$220,000,000 issued by the Company on 22 July 2010, details of which were disclosed in the Company's announcement dated 16 April 2010
"Fengshan Mine"	the mine located in Yangxin County, Huangshi City, Hubei Province, the mining right relating to which is granted under mining licence numbered C1000002008073120000039
"First Supplemental Agreement"	the agreement dated 31 January 2011 and entered into between the Company, the Parent Company and the Vendors, which is supplemental to the Acquisition Agreement
"Four Mines"	the Tongshankou Mine, Chimashan Mine, Tonglvshan Mine and Fengshan Mine
"GDP"	gross domestic product
"Group"	the Company and its subsidiaries
"Hami Mine"	the copper mine located in the Xinjiang Uygur Autonomous Region of the PRC, the exploration right relating to which is granted under exploration licence numbered T65120090702031836
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hongtai"	湖北省宏泰國有資產經營有限責任公司 (Hubei Hongtai State-owned Asset Management Co., Ltd), a company incorporated in the PRC with limited liability

"Huarong"	中國華融資產管理公司 (China Huarong Asset Management Corporation), a company incorporated in the PRC with limited liability
"Huarong Completion"	completion of the acquisition of the Huarong Sale Shares in accordance with the Acquisition Agreement
"Huarong Consideration"	the consideration for the acquisition of the Huarong Sale Shares pursuant to the Acquisition Agreement
"Huarong Consideration Shares"	670,282,150 new Ordinary Shares to be allotted and issued by the Company to Huarong (or its nominee) at Huarong Completion pursuant to the Acquisition Agreement
"Huarong Reorganisation"	the transactions to be carried out by and related to Huarong under the Reorganisation Agreement
"Huarong Sale Shares"	the shares in the Target Company to be held by Huarong upon completion of the Huarong Reorganisation
"Hubei Department of Land"	Department of Land and Resources of Hubei Province, the PRC
"Hubei Jinge"	湖北金格實業發展有限公司(Hubei Jinge Industrial Development Company Limited), a company incorporated in the PRC with limited liability and a 66.88%-owned subsidiary of the Parent Company
"Hubei Gold"	湖北雞籠山黃金礦業有限公司 (Hubei Jilong Mountain Gold Mining Co., Ltd.) a company incorporated in the PRC with limited liability and is owned as to 40.2% by the Parent Company
"Hubei Gold Purchase Framework Agreement"	the purchase framework agreement dated 23 December 2011 and entered into between the Company and Hubei Gold
"Hubei SASAC"	湖北省人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Hubei Provincial People's Government)
"Independent Board Committee"	an independent committee of the Board, comprising Wang Qihong, Wang Guoqi and Qiu Guanzhou, being all independent non-executive Directors, formed to make recommendations to the Independent Shareholders in respect of the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps)

"Independent Financial Adviser" or "Platinum Securities"	Platinum Securities Company Limited, the independent financial adviser to the Independent Board Committee, which is a corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
"Independent Shareholders"	the Shareholders other than China Times, its associates, persons acting in concert with it and any person who is involved or interested in the Acquisition and/or the Whitewash Waiver
"Independent Third Party"	an individual or a company who or which is independent of and not connected with (within the meaning of the Listing Rules) any director, chief executive or substantial shareholder of the Company, any of its subsidiaries or any of their respective associates
"Issue Price"	the issue price of HK$0.50 for each Consideration Share
"Jingpai"	勁牌有限公司 (Jing Brand Co., Ltd.), a company incorporated in the PRC with limited liability
"John T. Boyd"	John T. Boyd Company, a firm of mining consultants which meets the requirements for a competent person under Chapter 18 of the Listing Rules
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists and the Minerals Council of Australia from time to time, for reporting of mineral resources and ore reserves which sets out the minimum standards, recommendations and guidelines for public reporting of exploration results, mineral resources and ore reserves
"J.P. Morgan" or "Sponsor"	J.P. Morgan Securities (Asia Pacific) Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO, being the sponsor to the new listing application of the Company and the financial adviser to the Company in relation to the Acquisition

"Land Lease Framework Agreement"	the land lease framework agreement dated 23 December 2011 and entered into between the Company and the Parent Company
"Last Trading Day"	21 January 2011, being the last trading day for the Ordinary Shares before 1 February 2011, being the date of the announcement of the Company in relation to, among others, the Acquisition Agreement and the First Supplemental Agreement
"Latest Practicable Date"	23 December 2011, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
"Liangyou"	湖北省糧油（集團）有限責任公司 (Hubei Province Grain and Oils Group Co. Ltd), a company incorporated in the PRC with limited liability
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"LME"	London Metal Exchange, an international non-ferrous metals exchange
"Maturity Date"	the date falling on the fifth anniversary of the issue of the China Times Convertible Notes
"Memorandum of Association"	the memorandum of association of the Company, as amended, supplemented or modified from time to time
"Mining Licences"	the mining licences in respect of the Four Mines
"Mongolian Arbitration Center"	the Mongolian National Arbitration Center at the Mongolian National Chamber of Commerce and Industry
"Mongolian JV Partner"	Nomin Deposit LLC, a company incorporated in Mongolia with limited liability and an Independent Third Party
"NI 43-101"	National Instrument 43-101, the (Canadian) Standards of Disclosure for Mineral Projects, including Companion Policy 43-101 as amended from time to time
"Non-Exempt Continuing Connected Transactions"	the transactions to be carried out pursuant to the Non-Exempt Continuing Connected Transaction Agreements

"Non-Exempt Continuing Connected Transaction Agreements"	the Sales Framework Agreement, the Services Framework Agreement, the Purchase and Production Services Framework Agreement, the Hubei Gold Purchase Framework Agreement, the Daye Transportation Purchase Framework Agreement, the Combined Ancillary Services Framework Agreement and the Tonghua Hotel Services Framework Agreement, all of which are dated 23 December 2011 and entered into between the Company on the one hand and the Parent Company or its associates (as the case may be) on the other hand
"Ordinary Share(s)"	ordinary share(s) of nominal value HK$0.05 each in the share capital of the Company
"Parent Company"	大冶有色金屬集團控股有限公司 (Daye Nonferrous Metals Corporation Holdings Limited), a company incorporated in the PRC with limited liability and wholly-owned by Hubei SASAC
"Parent Company Reorganisation"	the transactions to be carried out by and related to the Parent Company and China Times under the Daye Shareholder Transfer Agreements and the Reorganisation Agreement
"Parent Group"	the Parent Company and its subsidiaries (excluding any member of the Group and the Target Group)
"PRC" or "China"	the People's Republic of China, which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Precious Metal Plant"	the processing plant for extracting and processing precious metals of the Target Group located in No. 21, Yelian Road, Xin Xialu, Huangshi City, Hubei Province, the PRC
"Preference Share(s)"	convertible cumulative redeemable preference share(s) of nominal value HK$1.00 each in the share capital of the Company, each of which (a) carries no voting right except in the event of the winding up of the Company, a reduction of capital or a variation or abrogation of the rights attaching to such share, or any dividend payable with respect to such share being in arrears for six months or more; and (b) has a notional value of HK$5 and can be converted to Ordinary Shares at the conversion price of HK$0.036 per share, subject to adjustment

"Purchase and Production Services Framework Agreement"	the purchase and production services framework agreement dated 23 December 2011 and entered into between the Company and the Parent Company
"R&D Centre"	the research and development centre of the Target Group located in No. 65, Yelian Road, Xin Xialu, Huangshi City, Hubei Province, the PRC
"Relevant Ratios"	any of the five ratios set out in Rule 14.07 of the Listing Rules
"Reorganisation Agreement"	the agreement dated 23 January 2011 and entered into between the Parent Company, the Vendors, the Target Company, Daye Hong Kong and Daye Metal, pursuant to which, among other things, each of the Parent Company, Cinda and Huarong has conditionally agreed to transfer its shares in Daye Metal to Daye Hong Kong in consideration of shares in the Target Company
"Reservoir Moly"	Reservoir Moly Mongolia LLC, a company incorporated in Mongolia with limited liability and is indirectly owned as to 55% by CRML, which is a subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Roscoe"	Roscoe Postle Associates Inc., a firm of mining consultants which meets the requirements for a competent person under Chapter 18 of the Listing Rules
"Runge"	Runge Asia Limited, a firm of mining consultants which meets the requirements for a competent person under Chapter 18 of the Listing Rules
"Sala Mine"	the wolfram mine located in Sukhbaatar, Mongolia, the mining right relating to which is granted under the mining licence numbered 16852A
"Sale Shares"	the China Times Sale Shares, Cinda Sale Shares and Huarong Sale Shares
"Sales Framework Agreement"	the sales framework agreement dated 23 December 2011 and entered into between the Company and the Parent Company

"Sareke Mine"	the copper mine located in the Xinjiang Uygur Autonomous Region of the PRC, the mining right relating to which is granted under the mining licence numbered C6500002009123120053788
"Second Supplemental Agreement"	the agreement dated 23 December 2011 and entered into between the Company, the Parent Company China Times and Cinda, which is supplemental to the Acquisition Agreement and the First Supplemental Agreement, pursuant to which (i) the parties agreed to extend the date by which the conditions precedent to China Times Completion and the conditions precedent to Cinda Completion have to be fulfilled (or, if applicable, waived by the Company) as set out in the Acquisition Agreement to 30 June 2012; and (ii) the non-competition undertaking given by the Parent Company to the Company in the Acquisition Agreement was amended
"Services Framework Agreement"	the services framework agreement dated 23 December 2011 and entered into between the Company and the Parent Company
"Six Original Daye Shareholders"	Changdian, Wuhan Guozi, Liangyou, Hongtai, Jingpai and Xinxing
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of the Ordinary Shares
"Share Issue Mandate"	the general mandate granted by the Shareholders to the Directors at the AGM to issue, allot and deal with additional Ordinary Shares not exceeding 20% of the aggregate nominal amount of the Ordinary Shares in issue as at the date of AGM
"Share Option Scheme"	the existing share option scheme of the Company adopted by a resolution of the Shareholders on 13 October 2003
"Share Repurchase Mandate"	the general mandate granted by the Shareholders to the Directors at the AGM to purchase Ordinary Shares not exceeding 10% of the aggregate nominal amount of the Ordinary Shares in issue as at the date of AGM
"Smelting Plant"	the smelting plant of the Target Group located in No.1, Yelian Road, Xin Xialu, Huangshi City, Hubei Province, the PRC

"Specific Mandate"	the specific mandate proposed to be granted by the Shareholders to the Directors at the EGM to issue and allot the China Times Consideration Shares, the Cinda Consideration Shares, the China Times Convertible Notes and the Conversion Shares
"SHFE"	Shanghai Futures Exchange (上海期貨交易所)
"SHGE"	Shanghai Gold Exchange (上海黃金交易所), approved by the State Council of the PRC (中華人民共和國國務院) and founded by the People's Bank of China, which organizes gold transactions in China and perform regulated functions as stipulated by the applicable PRC rules and regulations as amended from time to time
"sq. km"	square kilometer(s)
"sq.m."	square metre(s)
"SRK"	SRK Consulting China Limited, a firm of mining consultants which meets the requirements for a competent person under Chapter 18 of the Listing Rules
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Target Company"	Prosper Well Group Limited, a company incorporated in BVI with limited liability, which, as at the Latest Practicable Date, was owned as to 93.18% by China Times and 6.82% by Cinda HK
"Target Group"	the Target Company and its subsidiaries (which will include the Daye Metal Group)
"Tonghua Hotel"	黃石市銅花大酒店有限公司 (Huangshi Tonghua Hotel Company Limited), a company incorporated in the PRC with limited liability and is owned as to 45% by the Parent Company
"Tonghua Hotel Services Framework Agreement"	the services framework agreement dated 23 December 2011 and entered into between the Company and Tonghua Hotel

"Tonglvshan Mine"	the mine located in Tonglv Mountain, Huangshi City, Hubei Province, the mining right relating to which is granted under mining licence numbered C1000002011013220105660
"Tongshankou Mine"	the mine located in Huangshi City, Hubei Province, the mining right relating to which is granted under mining licence numbered C4200002011043120111136
"Track Record Period"	the three years ended 31 December 2010 and the six months ended 30 June 2011
"Transfer Agreement"	the transfer agreement dated 29 March 2010 and entered into between Daye Metal and the Parent Company in relation to the transfer of the Mining Licences
"United States", "US" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "US Dollars"	United States dollars, the lawful currency of the United States of America
"Vendors"	China Times, Cinda and Huarong
"Warranties"	the representations and warranties given by the Vendors in the Acquisition Agreement
"Warrants"	the 60,000,000 warrants which carry the right to subscribe for up to an aggregate of 60,000,000 Ordinary Shares pursuant to the placing agreement dated 23 April 2009, details of which were disclosed in the Company's announcement dated 24 April 2009
"Whitewash Waiver"	a waiver in respect of the obligation of China Times and persons acting in concert with it to make a mandatory offer to other holders of the issued shares of the Company in respect of those shares as a result of the issue of the China Times Consideration Shares in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code
"Wuhan Guozi"	武漢國有資產經營公司 (Wuhan State-owned Assets Management Company), a company incorporated in the PRC with limited liability

"Xinxing"	黃石市鑫興工貿有限責任公司 (Huangshi Xinxing Industrial & Trade Co., Ltd.), a company incorporated in the PRC with limited liability
"Zhong Lun"	Zhong Lun Law Firm, the legal advisers of the Company as to PRC laws

In this circular:

- *Unless otherwise specified, the HK$ amounts shown in this circular have been translated into the RMB amount at an exchange rate of HK$1.00 = RMB0.8620, for reference purposes only.*
- *Those exchange rates are for the purpose of illustration only and do not constitute a representation that any amounts Hong Kong dollars or RMB have been, could have been or may be converted at such or any other rates or at all.*
- *Certain figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.*
- *Any discrepancy in any table between totals and sums of amounts listed in this circular is due to rounding.*
- *The English names of the Chinese nationals, companies, entities, departments, facilities, certificates, titles and the like are translation of their Chinese names and are included in this circular for identification purpose only and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese names prevail.*

This glossary contains definitions of certain terms used in this circular in connection with the Target Group, the Enlarged Group and their businesses. Some of these terms may not correspond to standard industry definitions.

"beneficiate" or "beneficiation"	process to improve the grade by removing associated impurities and preparation of ores for smelting by drying, flotation or magnetic separation
"concentrate"	the clean product recovered from a treatment plant
"deposit"	mineral deposit or ore deposit that is used to designate a natural occurrence of a useful mineral, or an ore, in sufficient extent and degree of concentration
"exploration"	method by which ore deposits are evaluated
"grade"	relative quantity or the percentage of ore mineral or metal content in an ore body
"mill"	equipment used to grind crushed rocks to the desired size for mineral extraction
"metallurgical"	describing the science concerned with the production, purification and properties of metals and their applications
"mineralisation"	process of formation and concentration of elements and their chemical compounds within a mass or body of rock
"ore"	material from which a mineral or minerals of economic value can be extracted profitably or to satisfy social or political objectives
"ore-field"	a zone of concentration of mining occurrences
"ore body"	mining term to define a solid mass of mineralized rock which can be mined profitably under current or immediately foreseeable economic conditions
"processing"	methods employed to clean, process and prepare materials or ore into the final marketable product

"recovery"	proportion of valuable material obtained in the processing of an ore, stated as a percentage of the material recovered compared with the total material present
"shaft"	vertical or inclined excavation into mining works
"tailings"	material that remains after all metals/minerals considered economic have been removed from the ore

CORPORATE INFORMATION

The following sets out the corporate information relating to the Enlarged Group immediately following the completion of the Acquisition:

Registered office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head office and principal place of business	Unit 2001, World Wide House 19 Des Voeux Road Central Hong Kong
Company secretary	Chan Yim Kum（陳艷琴）*ATIHK, ACIS, ACS*
Audit committee	Wang Guoqi（王國起）(Chairman) Wang Qihong（王岐虹） Qiu Guanzhou（邱冠周）
Remuneration committee	Wang Guoqi（王國起）(Chairman) Wang Qihong（王岐虹） Qiu Guanzhou（邱冠周）
Authorised representative	Chan Yim Kum（陳艷琴）*ATIHK, ACIS, ACS* Room C, 13/F, Tower 2 Heng Fa Chuen Chai Wan Hong Kong
Compliance adviser	**Somerley Limited** 10/F, The Hong Kong Club Building 3A Chater Road, Central Hong Kong
Principal bankers	**Hang Seng Bank Limited** 16/F, Hang Seng Tower 33 Wai Yip Street, Kowloon Bay Kowloon, Hong Kong **Industrial and Commercial Bank of China (Asia) Limited** G.P.O. Box 872, Hong Kong **Bank of Communications Co., Ltd. Hong Kong Branch** 20 Pedder Street, Central, Hong Kong

Principal share registrar and transfer office	**Butterfield Fulcrum Group (Bermuda) Limited** Rosebank Centre 11 Bermudiana Road Pembroke HM 08 Bermuda
Hong Kong branch share registrar and transfer office	**Tricor Investor Services Limited** 26/F, Tesbury Centre 28 Queen's Road East Hong Kong
Company's website	www.hk661.com *(information on the website does not form part of this circular)*

The following were the Directors as at the Latest Practicable Date:

Name	Address	Nationality
Executive Directors		
Mr. Wan Bi Qi (万必奇)	Flat 10, 30/F, Tower One The Metropolis Residence No. 8 Metropolis Drive Kowloon, Hong Kong	Chinese
Mr. Chen Xiang (陳翔)	Flat A, 51/F, Tower 2 Hampton Place No. 11 Hoi Fan Road Kowloon, Hong Kong	Chinese
Ms. Yuan Ping (袁萍)	Flat G, 30/F, Tower 5 Harbour Green, 8 Sham Mong Road Tai Kok Tsui Kowloon, Hong Kong	Chinese
Independent non-executive Directors		
Mr. Wang Qihong (王岐虹)	Flat D, 34/F, Tower One 18 Old Peak Road Hong Kong	Chinese (Hong Kong)
Mr. Wang Guoqi (王國起)	508 Tower A, Kunsha Centre 16 Xinyuanli, Chaoyang District Beijing, PRC	Chinese
Mr. Qiu Guanzhou (邱冠周)	Room 605, Block 11 Jingyi Plaza, Yuelu District Changsha City, Hunan Province, PRC	Chinese

Financial adviser and Sponsor to the Company	**J.P. Morgan Securities (Asia Pacific) Limited** 28/F, Chater House 8 Connaught Road Central Central Hong Kong
Independent Financial Adviser to the Independent Board Committee	**Platinum Securities Company Limited** 22/F, Standard Chartered Bank Building 4 Des Voeux Road Central Hong Kong
Legal advisers to the Company	*as to Hong Kong law:* **Norton Rose Hong Kong** 38/F, Jardine House 1 Connaught Place Central Hong Kong *as to PRC law:* **Zhong Lun Law Firm** 36-37/F, SK Tower 6A Jianguomenwai Avenue Beijing PRC *as to Mongolia law:* **Legal Consulting Law Firm** Suite 605, Altai Building Chinggis Khaan Avenue-8 P.O. Box 2953 Ulaanbaatar, Mongolia-15160 Mongolia *as to Bermuda law:* **Conyers Dill & Pearman** 2901 One Exchange Square 8 Connaught Place Central Hong Kong

PARTIES INVOLVED

Legal advisers to the Sponsor	*as to Hong Kong law:* **Paul Hastings** 21–22/F, Bank of China Tower 1 Garden Road Central Hong Kong *as to PRC law:* **Haiwen & Partners** 21/F, Beijing Silver Tower No.2, Dong San Huan North Road Chaoyang District Beijing 100027 PRC
Reporting accountants	**PricewaterhouseCoopers** *Certified Public Accountants* 22/F, Prince's Building Central Hong Kong
Auditors	**Pan-China (H.K.) CPA Limited** 20/F, Hong Kong Trade Centre 161-167 Des Voeux Road Central Hong Kong
Property valuer	**Jones Lang LaSalle Sallmanns Limited** 6/F, Three Pacific Place 1 Queen's Road East Hong Kong
Independent technical advisers	**Runge Asia Limited** 10/F, Silver Fortune Plaza 1 Wellington Street Central Hong Kong **SRK Consulting China Limited** B1205, COFCO Plaza No. 8 Jianguomennei Dajie Dongcheng District Beijing, 100005 PRC

John T. Boyd Company
Suite 504, 5/F, Sunjoy Mansion
No. 6 Ritan Road
Chaoyang District
Beijing 100020
PRC

Roscoe Postle Associates Inc.
55 University Avenue, Suite 501
Toronto, Ontario M5J 2H7
Canada

中國大冶有色金屬礦業有限公司
China Daye Non-Ferrous Metals Mining Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00661)

Board of Directors:

Executive Directors
Wan Bi Qi *(Chairman)*
Chen Xiang
Yuan Ping

Independent Non-executive Directors
Wang Guoqi
Wang Qihong
Qiu Guanzhou

Company secretary:
Chan Yim Kum

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business:
Unit 2001, World Wide House
19 Des Voeux Road Central
Hong Kong

29 December 2011

To the Shareholders, and for information only, to the holders of the Preference Shares, Existing Convertible Notes and share options issued by the Company

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
(2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION
(3) APPLICATION FOR WHITEWASH WAIVER
(4) PROPOSED GRANT OF SPECIFIC MANDATE
AND
(5) CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

The Acquisition

As announced by the Company on 1 February 2011 and 23 December 2011, the Company, the Parent Company and the Vendors entered into the Acquisition Agreement on 23 January 2011 (as supplemented and amended by the First Supplemental Agreement and the Second Supplemental Agreement). Pursuant to the Acquisition Agreement, the Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Shares (comprising the China Times Sale Shares, the Cinda Sale Shares and the Huarong Sale Shares) at a total consideration of RMB6,100,000,000 or HK$7,207,334,940 (based on the exchange rate of HK$1: RMB0.84636). The total consideration will be satisfied by the allotment and issue by the Company to the Vendors of an aggregate of 12,406,997,784 Ordinary Shares at the Issue Price of HK$0.50 per Consideration Share and (to China Times only) the issue of the China Times Convertible Notes.

Completion of the acquisition of the China Times Sale Shares is conditional upon, among others, completion of the Parent Company Reorganisation. China Times Completion is, however, not conditioned upon Cinda Completion or Huarong Completion. Completion of the acquisition of the Cinda Sale Shares is conditional upon, among others, completion of the Cinda Reorganisation and completion of the acquisition of the China Times Sale Shares. Completion of the acquisition of the Huarong Sale Shares is conditional upon, among others, completion of the Huarong Reorganisation and completion of the acquisition of the China Times Sale Shares. Cinda Completion and Huarong Completion, however, are not inter-conditional upon each other.

It was further announced by the Company on 14 October 2011 that the Company has been informed by Huarong, being one of the Vendors, that it was not able to obtain the regulatory and other approvals required in connection with the Huarong Reorganisation. Hence, as provided in the Reorganisation Agreement, the Huarong Reorganisation will not proceed. As completion of the sale and purchase of the Huarong Sale Shares by Huarong under the Acquisition Agreement is conditional upon completion of the Huarong Reorganisation, Huarong Completion will not take place in accordance with the Acquisition Agreement.

Completion of the sale and purchase of the remaining Sale Shares, comprising the China Times Sale Shares and the Cinda Sale Shares, will remain subject to the conditions set out in the Acquisition Agreement. Some of those conditions have already been fulfilled as at the Latest Practicable Date (please refer to the section headed "Letter from the Board-Conditions Precedent" of this circular). If all of the conditions are fulfilled (or, where applicable, waived) and China Times Completion and Cinda Completion take place in accordance with the Acquisition Agreement, the total consideration payable by the Company pursuant to the Acquisition Agreement will be reduced to RMB5,816,350,000 (or HK$6,872,193,865) (based on the exchange rate of HK$1:RMB0.84636) and the aggregate number of Consideration Shares to be issued by the Company will also be reduced to 11,736,715,634 new Ordinary Shares, as a result of the exclusion of the Huarong Consideration attributable to the Huarong Sale Shares.

Assets to be acquired by the Company

Pursuant to the Acquisition and subject to the fulfillment of the relevant conditions set out in the Acquisition Agreement, the Company will acquire (i) 93.18% of the total issued shares in the Target Company, if only the completion of the acquisition of the China Times Sale Shares takes place; or (ii) 100% of the total issued shares in the Target Company, if both the completion of the acquisition of the China Times Sale Shares and the Cinda Sale Shares take place. As at the Latest Practicable Date, the Target Company held all the issued shares in Daye Hong Kong which, in turn, held a 95.35% equity interest in Daye Metal.

The Target Group is principally engaged in the production and sales of copper cathodes. It also sells gold, silver and suphuric acid. The Target Group holds the mining and/or exploration rights to four mines in the Hubei Province, the PRC, and all of those mines are already in operation. It also owns and operates on-site processing facilities at each of those mines to carry out crushing, screening and milling of copper ore, a smelting plant which undertakes the smelting of copper concentrate and production of sulphuric acid, a precious metal plant which extracts gold and silver from anode slime, and a research and development centre. The Target Group is one of the few copper producers in the PRC who have a vertically integrated operation which extends from the exploration, mining and processing of copper ore to the smelting of copper concentrate and the production of copper cathodes and other precious metals such as gold and silver. Please refer to the section headed "Business of the Target Group" in this circular for further information.

The reorganisation of Daye Metal

Daye Metal was previously owned as to 45.61% by the Parent Company, 6.50% by Cinda, 4.65% by Huarong, 1.94% by Hubei SASAC and 41.30% among the Six Original Daye Shareholders. Pursuant to an approval document issued by Hubei SASAC dated 21 January 2011, the Parent Company acquired a 1.94% equity interest in Daye Metal from Hubei SASAC at no consideration. Pursuant to the Daye Shareholder Transfer Agreements, the Six Original Daye Shareholders sold, and the Parent Company purchased, their aggregate 41.30% equity interest, in Daye Metal. As at the Latest Practicable Date, the transfers by Hubei SASAC and the Six Original Daye Shareholders of their respective equity interests in Daye Metal to the Parent Company have been completed.

Pursuant to the Reorganisation Agreement, the Parent Company, Cinda and Huarong have conditionally agreed to transfer their respective equity interests in Daye Metal to Daye Hong Kong, a wholly-owned subsidiary of the Target Company, in return for the issue and allotment of new shares in the Target Company (such transfers being referred to as the Parent Company Reorganisation, Cinda Reorganisation and Huarong Reorganisation, respectively). Completion of such transfers is subject to the fulfilment of certain conditions, including the obtaining of the approvals of Hubei SASAC and the Ministry of Commerce of the PRC.

As stated above, Huarong was not able to obtain the regulatory and other approvals required in connection with the Huarong Reorganisation and hence, as provided in the Reorganisation Agreement, the Huarong Reorganisation will not proceed. Huarong will, therefore, remain the holder of a 4.65% equity interest in Daye Metal.

As part of the reorganisation of Daye Metal, on 19 August 2011, the Parent Company transferred its 88.85% equity interest in Daye Metal to China Times, and Cinda transferred its 6.50% equity interest in Daye Metal to Cinda HK. Daye Metal was then converted from a joint stock company into a sino-foreign equity joint venture and changed its name to 大冶有色金屬有限責任公司 (Daye Nonferrous Metals Co., Ltd) in September 2011.

On 29 November 2011, China Times and Cinda HK transferred their 88.85% and 6.50% equity interest in Daye Metal, respectively, to Daye Hong Kong pursuant to the Reorganisation Agreement. The Parent Company Reorganisation and the Cinda Reorganisation were thereby completed. As at the Latest Practicable Date, Daye Metal was owned, through Daye Hong Kong, as to 95.35% by the Target Company, which, in turn, was owned as to 93.18% by China Times and 6.82% by Cinda HK. Each of China Times and Cinda HK has agreed to sell all of its shares in the Target Company (being the China Times Sale Shares and Cinda Sale Shares, respectively) to the Company on and subject to the terms and conditions of the Acquisition Agreement, and the Target Company will, on completion of those sales, become a wholly-owned subsidiary of the Company.

For a description of the implications of the Acquisition under the Listing Rules and the Takeovers Code, please refer to the sub-sections headed "Implications under the Listing Rules" and "Implications under the Takeovers Code and application for Whitewash Waiver" in this section.

Proposed grant of Specific Mandate

Under the Acquisition Agreement, the China Times Consideration will be satisfied by the issue of the China Times Consideration Shares and the China Times Convertible Notes by the Company to China Times (or its nominee), and the Cinda Consideration will be satisfied by the issue of the Cinda Consideration Shares by the Company to Cinda (or its nominees).

The China Times Consideration Shares, the Cinda Consideration Shares, the China Times Convertible Notes and the Conversion Shares to be issued upon the conversion of the China Times Convertible Notes will be allotted and issued pursuant to the Specific Mandate proposed to be obtained at the EGM. The China Times Consideration Shares, the Cinda Consideration Shares and the Conversion Shares, when issued, will rank equally among themselves and pari passu in all respects with the Ordinary Shares then in issue, including as to the right to any dividend declared on or after the respective dates of their allotment and issue.

Continuing Connected Transactions

It was announced on 23 December 2011 that the Company entered into the Non-Exempt Continuing Connected Transaction Agreements and the Exempt Continuing Connected Transaction Agreements with the Parent Company, its associates or Daye Labour (as the case may be). Each of the Non-Exempt Continuing Connected Transaction Agreements and the Exempt Continuing Connected Transaction Agreements is conditional upon China Times Completion taking place and all applicable legal and regulatory requirements (including those under the Listing Rules) having been complied with. An ordinary resolution will be proposed at the EGM for the approval of the Non-Exempt Continuing Connected Transaction Agreements and the transactions to be carried out pursuant thereto (including the Annual Caps).

Purpose of this circular

The purpose of this circular is to provide the Shareholders with further information about: (i) the Acquisition; (ii) the Whitewash Waiver; (iii) the proposed grant of the Specific Mandate; and (iv) the Non-Exempt Continuing Connected Transactions, as well as to give notice of the EGM to the Shareholders. This circular also provides additional information on the Target Group as required under the Listing Rules in connection with the new listing application.

THE ACQUISITION AGREEMENT

Date: 23 January 2011 (and 31 January 2011 and 23 December 2011, being the dates of the First Supplemental Agreement and the Second Supplemental Agreement, respectively)

Parties:

(a) the Company (as purchaser of the Sale Shares);

(b) China Times, Cinda and Huarong (as sellers of the China Times Sale Shares, Cinda Sale Shares and Huarong Sale Shares, respectively, and covenantors in respect of the Parent Company Reorganisation, Cinda Reorganisation and Huarong Reorganisation (as the case may be)); and

(c) the Parent Company (as covenantor in respect of the Parent Company Reorganisation and guarantor of the performance by China Times of its obligations).

As at the Latest Practicable Date, China Times, a wholly-owned subsidiary of the Parent Company, was interested in 1,163,236,988 Ordinary Shares, representing approximately 20.80% of the total Ordinary Shares in issue and 5,495 Preference Shares, representing approximately 33.33% of the total Preference Shares in issue. Each of China Times and the Parent Company is, therefore, a substantial shareholder of the Company. On 25 November 2009, China Times' holding of Ordinary Shares fell below 30% as a result of a placing of Ordinary Shares by the Company to Independent Third Parties and hence, it ceased to be a controlling shareholder of the Company within the meaning of the Listing Rules. China Times was wholly-owned by Wang Jian Sheng, who is independent of China Times and the Parent Company, before the Parent Company acquired 49.89% of the then issued share capital of China Times in April 2009. In December 2009, the Parent Company acquired the remaining 50.11% interest in China Times from Wang Jian Sheng, at which point China Times became wholly-owned by the Parent Company.

Cinda, Huarong and their respective ultimate beneficial owners are independent of the Company and its connected persons.

The Parent Company is a state-owned conglomerate in China whose principal business is copper mining and processing. It owns, through the Target Group, one of the five largest raw material production bases of copper in the PRC. It has a fully integrated operation which enables it to undertake the different stages of copper production from mining, processing, smelting and plating, research and development, design to sales and trading. It also produces precious metals such as platinum, molybdenum, selenium, lead, nickel and bismuth.

China Times is an investment holding company.

Cinda and Huarong are both asset management companies wholly-owned by the Ministry of Finance of the PRC. Cinda is principally engaged in the acquisition and management of non-performing assets of financial and non-financial institutions, bankruptcy management, foreign investment, provision of investment and risk management consultancy services and asset valuation. Huarong is principally engaged in the acquisition, disposal and management of non-performing banking assets, debt and corporate restructuring, underwriting, debt issue and asset valuation.

Assets to be acquired by the Company

The Sale Shares.

Conditions precedent

China Times Completion is conditional upon the satisfaction (or, in the case of conditions precedent (c), (h), (l) and (m) as further described below, the waiver by the Company) of the following conditions precedent:

(a) the Parent Company Reorganisation having been completed to the satisfaction of the Company;

(b) the approval of the Shareholders (other than China Times, its associates, persons acting in concert with it, any persons involved or interested in the Acquisition and/or Whitewash Waiver or any other persons who are required to abstain from voting under the Listing Rules or the Takeovers Code) at the EGM convened for the purposes of approving the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the Acquisition, the issue of the Consideration Shares, the China Times Convertible Notes and the Conversion Shares and the Whitewash Waiver;

(c) the Company having completed the due diligence review of the legal, financial and business affairs of the members of the Target Group and the results of such review being satisfactory to the Company;

(d) the independent technical adviser (who is able to meet the requirements for competent persons under Chapter 18 of the Listing Rules determined and engaged by the Company) having completed its report in respect of the mineral reserves/resources owned by the Target Group in accordance with the requirements of the Listing Rules and the content and results of such report being satisfactory to the Company;

(e) the independent professional accountants determined and engaged by the Company having completed the audit of the consolidated financial statements relating to the Target Group in accordance with the requirements of the Listing Rules and the content and results of such audit being satisfactory to the Company;

(f) the independent valuer (who is able to meet the requirements for (i) valuers under Chapter 5 of the Listing Rules and (ii) competent evaluators under Chapter 18 of the Listing Rules determined and engaged by the Company) having completed the valuation of the properties of the Group and the Target Group in accordance with the requirements of the Listing Rules and the valuation of the mining assets (as defined in Chapter 18 of the Listing Rules) of the Target Group in accordance with the requirements of the Listing Rules and the content and results of each of those valuations being satisfactory to the Company;

(g) the independent valuer having completed the valuation of the assets (including the mining assets and the properties) of the Target Group and the content and results of such valuation being satisfactory to the Company;

(h) the net asset value of the Target Group as shown in the valuation report referred to in (g) above amounting to not less than RMB6.1 billion;

(i) all approvals which are required for the Acquisition by the Ministry of Commerce of the PRC, the China Securities Regulatory Commission, Hubei SASAC, the People's Government of Hubei and other government authorities or regulatory authorities in Hong Kong, the PRC or any other jurisdiction, having been obtained and the content of such approvals being satisfactory to the Company;

(j) approval for the listing of, and permission to deal in, the China Times Consideration Shares having been granted by the Stock Exchange and not having been revoked or withdrawn;

(k) the Whitewash Waiver having been granted to China Times and the persons acting in concert with it by the Executive and not having been revoked or withdrawn;

(l) the Company having received an opinion issued by Zhong Lun in respect of the PRC members of the Target Group and other PRC legal issues and the form and content of such opinion being satisfactory to the Company;

(m) all the Warranties being true, accurate and not misleading in all material respects from the date of the Acquisition Agreement to the date of China Times Completion (both days inclusive) by reference to the facts and circumstances subsisting at the date of China Times Completion, and the Vendors having complied with their obligations under the Warranties in all material respects;

(n) valid mining licences relating to the Four Mines having been issued to Daye Metal by the relevant governmental authority and the form and content of such mining licences being satisfactory to the Company;

(o) approval for the listing of, and permission to deal in, the Conversion Shares having been granted by the Stock Exchange and not having been revoked or withdrawn; and

(p) approval in principle by the Listing Committee of the new listing application by the Company having been granted and not having been revoked or withdrawn.

For the purpose of the preparation of the valuation report referred to in condition precedent (g) above, 30 September 2011 has been adopted as the reference date.

The conditions precedent set out in (c), (h), (l) and (m) above may be waived by the Company. None of the other conditions precedent set out above may be waived by any party.

If any of the conditions precedent set out in (a) to (p) above has not been fulfilled (or, if applicable, waived by the Company) on or before 30 June 2012 (or such later date as may be agreed between China Times and the Company), the Acquisition Agreement will terminate with immediate effect.

As at the Latest Practicable Date, the conditions precedent set out in (a), (d), (e), (f), (g), (h), (i), (l) and (n) above have been fulfilled, while the others have yet to be fulfilled. In relation to the condition precedent set out in (i) above, Zhong Lun has also confirmed that all the approvals required under applicable PRC rules and regulations for the China Times Reorganisation, the Cinda Reorganisaton, the Acquisition and the deemed new listing of the Target Group have been obtained from the relevant PRC authorities.

Cinda Completion is conditional upon the satisfaction (or, in the case of condition precedent (d) as further described below, the waiver by the Company) of the following conditions precedent:

(a) the Cinda Reorganisation having been completed to the satisfaction of the Company;

(b) all the conditions precedent for China Times Completion having been satisfied (or if applicable, waived by the Company) and China Times Completion having taken place in accordance with the Acquisition Agreement;

(c) approval for the listing of, and permission to deal in, the Cinda Consideration Shares having been granted by the Stock Exchange and not having been revoked or withdrawn; and

(d) all the Warranties being true, accurate and not misleading in all material respects from the date of the Acquisition Agreement to the date of Cinda Completion (both days inclusive) by reference to the facts and circumstances subsisting at the date of Cinda Completion, and the Vendors having complied with their obligations under the Warranties in all material respects.

The condition precedent set out in (d) above may be waived by the Company. None of the other conditions precedent set out above may be waived by any party.

If any of the conditions precedent set out in (a) to (d) above has not been fulfilled (or, if applicable, waived by the Company) on or before 30 June 2012 (or such later date as may be agreed between Cinda and the Company), the Company's obligation to acquire the Cinda Sale Shares and the terms of the Acquisition Agreement in respect thereof will terminate with immediate effect.

As at the Latest Practicable Date, the condition precedent set out in (a) above have been fulfilled, while the others have yet to be fulfilled.

Huarong Completion is conditional upon the satisfaction (or, in the case of condition precedent (d) as further described below, the waiver by the Company) of the following conditions precedent:

(a) the Huarong Reorganisation having been completed to the satisfaction of the Company;

(b) all the conditions precedent for China Times Completion having been satisfied (or if applicable, waived by the Company) and China Times Completion having taken place in accordance with the Acquisition Agreement;

(c) approval for the listing of, and permission to deal in, the Huarong Consideration Shares having been granted by the Stock Exchange and not having been revoked or withdrawn; and

(d) all the Warranties being true, accurate and not misleading in all material respects from the date of the Acquisition Agreement to the date of Huarong Completion (both days inclusive) by reference to the facts and circumstances subsisting at the date of Huarong Completion, and the Vendors having complied with their obligations under the Warranties in all material respects.

The condition precedent set out in (d) above may be waived by the Company. None of the other conditions precedent set out above may be waived by any party.

If any of the conditions precedent set out in (a) to (d) above has not been fulfilled (or, if applicable, waived by the Company) on or before 31 December 2011 (or such later date as may be agreed between Huarong and the Company), the Company's obligation to acquire the Huarong Sale Shares and the terms of the Acquisition Agreement in respect thereof will terminate with immediate effect.

As stated in the announcement of the Company dated 14 October 2011, the Huarong Reorganisation will not proceed and hence, the condition precedent set out in (a) above will not be fulfilled and Huarong Completion will not take place.

While conditions precedent (c), (h), (l) and (m) to China Times Completion and condition precedent (d) to Cinda Completion are all material, the Company considers it appropriate to retain the right to waive any of those conditions as this allows the Company to retain the flexibility of choosing whether to proceed with completing the Acquisition in the event that any of those conditions is not fully complied with. The Company will only exercise such right if it does not give rise to any material concern, and does not present any material risk, to the Company in any respect. The Directors will be subject to their fiduciary duties to the Company to act in its best interests if and when they have to decide whether the Company should exercise its discretion to waive any of these conditions. On such basis, the Directors consider that the right of the Company to waive any of the conditions precedent (c), (h), (l) and (m) to China Times Completion or condition precedent (d) to Cinda Completion is in the interests of the Company and its shareholders. If the Company were to exercise its right to waive any of those conditions precedent, it will issue an announcement disclosing whether Platinum, the Independent Board Committee and the Sponsor concur (and if so, their bases) with the assessment of the Directors as to the risks and implications of such waiver.

Completion

China Times Completion will take place within 90 Business Days (or such other date as may be agreed in writing by China Times and the Company) after all the conditions precedent to which China Times Completion is subject have been fulfilled (or, if applicable, waived by the Company).

Cinda Completion will take place within 90 Business Days (or such other date as may be agreed in writing by Cinda and the Company) after all the conditions precedent to which Cinda Completion is subject have been fulfilled (or, if applicable, waived by the Company).

As stated above, the sale and purchase of the Huarong Sale Shares will not proceed. Hence, Huarong Completion will not take place.

The Consideration

The China Times Consideration, the Cinda Consideration and the Huarong Consideration are RMB5,419,850,000 (or HK$6,403,717,094), RMB396,500,000 (or HK$468,476,771) and RMB283,650,000 (or HK$335,141,075), respectively (based on the exchange rate of HK$1: RMB0.84636).

The China Times Consideration will be satisfied as to RMB4,570,243,322 (or HK$5,399,881,046) by the allotment and issue of the China Times Consideration Shares at the Issue Price of HK$0.50 per Consideration Share and as to RMB849,606,678 (or HK$1,003,836,048) by the issue of the China Times Convertible Notes by the Company to China Times (or its nominee) at China Times Completion.

The Cinda Consideration will be satisfied by the allotment and issue of the Cinda Consideration Shares at the Issue Price of HK$0.50 per Consideration Share by the Company to Cinda (or its nominee) at Cinda Completion.

As Huarong Completion will not take place, the Huarong Consideration will not be payable.

The Consideration was determined after arm's length negotiations between the Company and the Vendors and was based on various factors, including:

(i) the audited net asset value of Daye Metal of RMB3.33 billion as at 31 December 2009 as shown in the audited consolidated financial statements of Daye Metal for the year ended 31 December 2009 prepared in accordance with the PRC Generally Accepted Accounting Principles;

(ii) the volume, quality and accessibility of the copper reserves and precious metals at the Tongshankou Mine, Chimashan Mine, Tonglvshan Mine and Fengshan Mine and the relative shortage of copper deposits and precious metals comparable in volume, quality and accessibility to the deposits at those mines in the PRC and hence, the potential earnings that may be derived from the deposits at those mines;

(iii) the growth prospects of the Target Group in light of the recent recovery in market demand for copper in the PRC and the upward trend of copper prices both in the PRC and on major international metal markets;

(iv) the enterprise value (being the sum of the claims of all the security-holders: debt-holders, preferred shareholders, minority shareholders, common equity holders of a company, less the value of certain excessive assets of such company, such as cash and investments) to copper resources ratios of each of Jiangxi Copper Company Limited, a company listed in Hong Kong, OZ Minerals Limited, a company listed in Australia, and Equinox Minerals Limited, a company then listed in Canada, all of which were companies primarily engaged in copper mining in a single country. Such ratio is calculated by dividing the enterprise value based on the latest market price and financial information available as at the Last Trading Day by the copper resources of the relevant comparable company. As at the Last Trading Day, the range of enterprise value to copper resources multiple of other comparable listed companies were approximately US$703 per tonne to US$1,666 per tonne with the average being US$1,122 per tonne. The Consideration is approximately valued at enterprise value to copper resources multiple of US$1,110 per tonne, based on the estimated copper resources of the mining assets of the Target Group and Daye Metal's management accounts for the year ended 31 December 2010, both of which were the best available information before signing of the Acquisition Agreement and have not been independently verified by the Company; and

(v) the fact that the Consideration will be satisfied by the allotment and issue of the Consideration Shares and the China Times Convertible Notes which will not involve any immediate cash outlay by the Company.

The audited net asset value of Daye Metal as at 31 December 2009 in accordance with the PRC Generally Accepted Accounting Principles, of RMB3.33 billion was one of the factors that the Company took into account in determining the Consideration. It was derived on the basis of the value of the Four Mines at their respective book values as at such date. The Company did not, however, adopt such net asset value as the only basis for determining the Consideration as the Company did not consider that such net asset value on its own would reflect fully the market value of the assets and business of the Target Group.

The enterprise value over reserves and the enterprise value over resources are the most commonly used market comparable valuation approach for mining companies. Before signing of the Acquisition Agreement, only an estimate of the resources of the Four Mines owned by the Target Group was available and no reserve number was available as the Competent Person's Report on the Four Mines had not yet been prepared, and as such, the use of the enterprise value to resources multiple was the best available comparable valuation approach at the time. Such method allows the Target Group to be benchmarked against similar copper mining companies that are established in the market, by referencing to their respective resources, in an attempt to ensure that estimates are compared in terms of business fundamentals, namely the amount of resources owned. It is a metric commonly used to value mineral companies. Based on the above, the Directors consider that the enterprise value to copper resources ratio is a fair indicator for determining the Consideration on the basis of the information available before the signing of the Acquisition Agreement.

Based on all of the factors set out above, and taking into consideration that completion of the Acquisition is subject to the Company having received (a) a valuation report prepared by the independent valuer showing the net asset value of the Target Group to be not less than the Consideration (the text of such valuation report, prepared by Jones Lang LaSalle Sallmanns Limited, is set out in Appendix VII to this circular); and (b) a competent person's report prepared by the independent technical adviser, the contents and result of which being satisfactory to the Company, the Directors consider that the Consideration is fair and reasonable.

CONSIDERATION SHARES

The China Times Consideration Shares and Cinda Consideration Shares to be allotted and issued by the Company represent, in aggregate (i) approximately 209.91% of the total Ordinary Shares in issue as at the Latest Practicable Date; (ii) approximately 67.73% of the total Ordinary Shares in issue as enlarged by the allotment and issue of the China Times Consideration Shares and Cinda Consideration Shares (without taking into account any Conversion Shares which may be issued pursuant to the China Times Convertible Notes); and (iii) approximately 60.70% of the total Ordinary Shares in issue as enlarged by the allotment and issue of the China Times Consideration Shares, Cinda Consideration Shares and the Conversion Shares (assuming full conversion of the China Times Convertible Notes at the Conversion Price).

The China Times Consideration Shares and Cinda Consideration Shares will be allotted and issued under the Specific Mandate proposed to be obtained at the EGM. The China Times Consideration Shares and Cinda Consideration Shares will rank equally among themselves and pari passu in all respects with the Ordinary Shares in issue on the respective date of their allotment and issue.

CHINA TIMES CONVERTIBLE NOTES

The following is a summary of the principal terms of the China Times Convertible Notes:

Maturity	:	The date falling on the fifth anniversary of the issue of the China Times Convertible Notes
Redemption	:	The Company shall redeem all outstanding China Times Convertible Notes in whole on the Maturity Date at the redemption amount equal to the outstanding principal amount under the China Times Convertible Notes
Interest	:	The outstanding principal amount under the China Times Convertible Notes will not bear any interest
Transferability	:	The China Times Convertible Notes may be transferred and assigned, in whole or in part, at any time before the Maturity Date, subject to the approval of the Stock Exchange (if required) and the consent of the Company
Conversion	:	Upon full conversion of the China Times Convertible Notes at the Conversion Price, an aggregate of 2,007,672,096 Conversion Shares will be issued by the Company (representing (i) approximately 35.91% of the total Ordinary Shares in issue as at the Latest Practicable Date; and (ii) approximately 10.38% of the total Ordinary Shares in issue as enlarged by the allotment and issue of the China Times Consideration Shares, the Cinda Consideration Shares and the Conversion Shares (assuming full conversion of the China Times Convertible Notes at the Conversion Price))
Conversion price	:	HK$0.50 per Conversion Share
Public float	:	The conversion rights of the China Times Convertible Notes shall not be exercised if, immediately following the conversion, the Company will be unable to meet the minimum public float requirement under the Listing Rules
Voting right	:	The China Times Convertible Notes do not carry any voting right

The China Times Convertible Notes and the Conversion Shares will be allotted and issued under the Specific Mandate proposed to be obtained at the EGM. The Conversion Shares, when issued, will rank equally among themselves and pari passu in all respects with the Ordinary Shares in issue on the date of the allotment and issue of the Conversion Shares.

ISSUE PRICE AND CONVERSION PRICE

The Issue Price of HK$0.50 for each Consideration Share and the Conversion Price of HK$0.50 for each Conversion Share were determined after arm's length negotiations between the Company and the Vendors, which represent:

(a) a discount of approximately 15.3% to the closing price of the Ordinary Shares of HK$0.59 per Ordinary Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 15.5% to the average of the closing prices of the Ordinary Shares of approximately HK$0.592 per Ordinary Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including Last Trading Day;

(c) a discount of approximately 14.7% to the average of the closing prices of the Ordinary Shares of approximately HK$0.586 per Ordinary Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;

(d) a discount of approximately 13.3% to the average of the closing prices of the Ordinary Shares of approximately HK$0.577 per Ordinary Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;

(e) a discount of approximately 5.2% to the average of the closing prices of the Ordinary Shares of approximately HK$0.527 per Ordinary Share as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Day;

(f) a discount of approximately 0.4% to the average of the closing prices of the Ordinary Shares of approximately HK$0.502 per Ordinary Share as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day;

(g) a premium of approximately 2.1% to the average of the closing prices of the Ordinary Shares of approximately HK$0.490 per Ordinary Share as quoted on the Stock Exchange for the 120 consecutive trading days up to and including the Last Trading Day;

(h) a premium of approximately 4.5% to the average of the closing prices of the Ordinary Shares of approximately HK$0.478 per Ordinary Share as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Day; and

(i) a premium of approximately 40.8% to the audited net asset value of the Group per Ordinary Share of approximately HK$0.355 as at 30 June 2011.

The Consideration, including the Issue Price and Conversion Price, was determined after arm's length negotiations between the Vendors and the Company and taking into account the factors set out under the paragraph headed "The Consideration" above.

EFFECTS OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following tables set out, for illustrative purpose only, the effect of the Acquisition on the number of Ordinary Shares in issue (a) immediately after China Times Completion (on the basis that Cinda Completion has not taken place); and (b) immediately after the China Times Completion and Cinda Completion *(Note 1)*:

Without taking into account any Conversion Shares which may be issued pursuant to the China Times Convertible Notes

	As at the Latest Practicable Date *(Note 3)*		**Immediately after China Times Completion**		**Immediately after China Times Completion and Cinda Completion**	
	number of Ordinary Shares	*Approximate % of total Ordinary Shares in issue*	*number of Ordinary Shares*	*Approximate % of total Ordinary Shares in issue*	*number of Ordinary Shares*	*Approximate % of total Ordinary Shares in issue*
China Times and persons acting in concert with it	1,163,236,988	20.80%	11,962,999,080	72.99%	11,962,999,080	69.04%
Wang Qihong *(Note 2)*	1,500,000	0.03%	1,500,000	0.01%	1,500,000	0.01%
Wang Guoqi *(Note 2)*	900,000	0.02%	900,000	0.01%	900,000	0.01%
Cinda HK	–	–	–	–	936,953,542	5.41%
Other public shareholders	4,425,558,564	79.15%	4,425,558,564	27.00%	4,425,558,564	25.54%
Total	5,591,195,552	100.00%	16,390,957,644	100.00%	17,327,911,186	100.00%

Taking into account the Conversion Shares to be issued upon conversion of the China Times Convertible Notes

	As at the Latest Practicable Date *(Note 3)*		Immediately after China Times Completion *(Note 4)*		Immediately after China Times Completion and Cinda Completion *(Note 5)*	
	number of Ordinary Shares	*Approximate % of total Ordinary Shares in issue*	*number of Ordinary Shares*	*Approximate % of total Ordinary Shares in issue*	*number of Ordinary Shares*	*Approximate % of total Ordinary Shares in issue*
China Times and persons acting in concert with it	1,163,236,988	20.80%	13,274,275,692	74.99%	13,970,671,176	72.25%
Wang Qihong *(Note 2)*	1,500,000	0.03%	1,500,000	0.01%	1,500,000	0.01%
Wang Guoqi *(Note 2)*	900,000	0.02%	900,000	0.00%	900,000	0.00%
Cinda HK	–	–	–	–	936,953,542	4.85%
Other public shareholders	4,425,558,564	79.15%	4,425,558,564	25.00%	4,425,558,564	22.89%
Total	5,591,195,552	100.00%	17,702,234,256	100.00%	19,335,583,282	100.00%

Notes:

1. *The tables do not include the 16,485 Preference Shares in issue as the Company considers them immaterial in the context of the total issued share capital of the Company and none of those Preference Shares carry any voting right except in the event of the winding up of the Company, a reduction of capital or a variation or abrogation of the rights attaching to such share, or any dividend payable with respect to such share being in arrears for six months or more.*

2. *Mr. Wang Qihong and Mr. Wang Guoqi are both Directors of the Company.*

3. *As at the Latest Practicable Date, China Times held 5,495 Preference Shares. Assuming that all Preference Shares in issue are converted into Ordinary Shares at the current conversion price of HK$0.036 per share, 2,289,583 new Ordinary Shares will be issued upon conversion, of which 763,194 new Ordinary Shares will be issued to China Times. China Times has undertaken to the Company that it will not exercise its right of conversion under the Preference Shares and/or the China Times Convertible Notes if, immediately following the conversion, the Company will be unable to meet the minimum public float requirement under the Listing Rules. Assuming that all the Existing Convertible Notes are converted into Ordinary Shares at the current conversion price of HK0.618 per share, 355,987,055 new Ordinary Shares will be issued upon conversion. Assuming that the share options in issue are exercised in full, 307,700,000 new Ordinary Shares will be issued.*

4. *This scenario assumes that only part of the China Times Convertible Notes are converted, given that under the Acquisition Agreement, the conversion rights of the China Times Convertible Notes may not be exercised if, immediately following the conversion, the Company will be unable to meet the minimum public float requirement under the Listing Rules. Hence, in the case where only China Times Completion occurs, China Times will be able to convert only a maximum of HK$655,638,306 of the aggregate principal amount of the China Times Convertible Notes into 1,311,276,612 Ordinary Shares (assuming that no new Ordinary Shares have been issued by the Company after the Latest Practicable Date and before the date of conversion and conversion is carried out at the Conversion Price) in order to maintain the minimum public float after conversion.*

5. *This scenario assumes full conversion of the China Times Convertible Notes. The Company will still be able to meet the minimum public float requirement under the Listing Rules in such case as, apart from the shareholding of the other public shareholders of 22.89%, the shareholding of Cinda HK of 4.85% will also be counted towards the public float.*

FINANCIAL EFFECTS OF THE ACQUISITION ON THE COMPANY

The financial effects of the Acquisition on the Company (including its effect on the earnings, assets and liabilities of the Company) are illustrated by way of the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular.

INFORMATION ON THE TARGET GROUP

Overview

According to the Antaike Report, Daye Metal was the fifth largest producer of copper cathodes in the PRC by production volume, accounting for approximately 6.7% of the total production of copper cathodes in the PRC in 2010. The major products of the Target Group include copper cathodes, gold, silver and sulphuric acid (which is a by-product derived from the smelting process of copper ore and concentrate). The Target Group sells both copper cathodes, gold and silver produced by itself as well as those sourced by it from third party suppliers or the Parent Group for on-sale to its customers.

Sales of copper cathodes accounted for approximately 73.6%, 71.5%, 77.1% and 76.4% of the total revenue of the Target Group for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively. Approximately 95.5%, 60.1%, 55.6% and 68.5% of the revenue from the sales of copper cathodes for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively, was derived from the sales of copper cathodes produced by the Target Group, while the remainder was derived from the sales of copper cathodes sourced by the Target Group from third party suppliers and the Parent Group for on-sale to its customers. The Target Group also provides copper processing services including the processing of copper concentrates into copper cathodes, but such processing activities accounted for less than 1% of the total revenue of the Target Group over the Track Record Period.

Sales of gold, silver and sulphuric acid, together, accounted for approximately 16.3%, 22.6%, 13.4% and 18.0% of the total revenue of the Target Group for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively. Approximately 100%, 47.7%, 84.7% and 74.8% of the revenue from the sales of gold and silver for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively, was derived from the sales of gold and silver produced by the Target Group, while the remainder was derived from the sales of gold and silver sourced by the Target Group from third party suppliers for on-sale to its customers. The Target Group also sells a small amount of iron concentrate (which is derived from iron ore deposits associated with the copper ore deposits at the Tonglvshan Mine) and other metals recovered during the smelting and refining process of copper concentrate, such as platinum, palladium, and molybdenum. The Target Group sells all of the copper cathodes, gold and silver it produces as well as the copper cathodes it processes for its customers under its "Dajiang" brand.

The Target Group holds the Mining Licences to the Four Mines, all of which are located in the Hubei Province of the PRC. The primary mineral deposit at the Four Mines is copper, with associated deposits of gold and silver. The Target Group also owns and operates on-site processing facilities at each of the Four Mines to carry out crushing, screening and milling of copper ore, the Smelting Plant which undertakes the smelting of copper concentrate and production of sulphuric acid, the Precious Metal Plant which extracts gold and silver from anode slime, and the R&D Centre. The Target Group is one of the few copper producers in the PRC who have a vertically integrated operation which extends from the exploration, mining and processing of copper ore to the smelting of copper concentrate and the production of copper cathodes and other precious metals such as gold and silver.

The supply of copper ore from the Four Mines is currently not sufficient to meet the requirements of the Target Group for its downstream copper cathode production. In addition to the supply from the Four Mines, the Target Group also sources a significant portion of copper concentrates from external suppliers and the Parent Group. The Target Group produced, in aggregate, approximately 20,930 tonnes and approximately 9,800 tonnes of copper concentrates from the copper ore mined from the Four Mines in the year ended 31 December 2010 and the six months ended 30 June 2011, respectively, which accounted for approximately 13.41% and 13.10% of the copper concentrates used by the Target Group for its copper cathode production in those periods, with the remainder being sourced from external suppliers and the Parent Group. The Target Group produced approximately 308,100 tonnes and approximately 167,000 tonnes of copper cathodes in the year ended 31 December 2010 and the six months ended 30 June 2011, respectively.

As production of copper cathodes and other major products by the Target Group is dependent on a stable supply of, among other raw materials, copper concentrates, if there is any shortage in the supply or any fluctuation in the price of copper concentrates, the Target Group's results of operations, financial condition and growth prospects may be materially and adversely affected. Please refer to the section headed "Risk Factors – Risks relating to the business of the Enlarged Group – Fluctuations in price and supply of raw materials could negatively impact our business and financial conditions" in this circular for further information.

Main entities of the Target Group

The Target Company

The Target Company is an investment holding company which was established by China Times for the purpose of holding its investment in Daye Hong Kong. As at the Latest Practicable Date, the Target Company was owned as to 93.18% by China Times and 6.82% by Cinda HK.

Daye Hong Kong

Daye Hong Kong is a wholly-owned subsidiary of the Target Company. Daye Hong Kong is an investment holding company which was established for the purpose of holding its investment in Daye Metal.

Daye Metal

Daye Metal was incorporated in the PRC with limited liability in March 2005. At the time of its incorporation, the Parent Company contributed approximately RMB1.2 billion to the registered capital of Daye Metal. On 21 January 2011, the Parent Company acquired a 1.94% equity interest in Daye Metal from Hubei SASAC at no consideration. In January 2011, the Parent Company acquired a 41.30% equity interest in Daye Metal from the Six Original Daye Shareholders at an aggregate consideration of RMB1,607,463,679.45. As at the Latest Practicable Date, Daye Metal was owned as to 95.35% by Daye Hong Kong and 4.65% by Huarong.

Projects in progress and future plans of the Target Group

Projects in progress

Project	Total estimated investment amount	Investment amount injected as at the Latest Practicable Date	Outstanding investment amount as at the Latest Practicable Date	Status	Expected time of completion	Proposed financing
Access to copper resources at deeper levels of the Four Mines	RMB1,025.52 million	RMB120.75 million	RMB904.77 million	In the process of constructing underground infrastructure	December 2012 (in respect of the Chimashan Mine) June 2014 (in respect of the Tonglvshan Mine and the Tongshankou Mine) December 2014 (in respect of the Fengshan Mine)	Bank facilities

Project	Total estimated investment amount	Investment amount injected as at the Latest Practicable Date	Outstanding investment amount as at the Latest Practicable Date	Status	Expected time of completion	Proposed financing
Construction of waste heat power station at the Smelting Plant	RMB136.54 million	RMB48.40 million	RMB88.14 million	In the process of constructing the infrastructure	April 2012	Bank facilities
Installation of new electrowinning system at the Smelting Plant	RMB1,688.98 million	RMB80.00 million	RMB1,608.98 million	In the process of constructing the main workshop for installation of the electrowinning system	October 2012	Bank facilities
Upgrading of anode furnaces at the Smelting Plant	RMB145.44 million	RMB90.00 million	RMB55.44 million	Construction of the main workshop for installation of anode furnaces completed. Awaiting delivery of major components	August 2012	Bank facilities
Construction of new factory complex for expansion of the Precious Metal Plant	RMB472.75	RMB90.00 million	RMB382.75 million	Construction of one of the major workshops completed. In the process of constructing the remaining three major workshops	June 2012	Bank facilities

Future plans

Project	Total estimated investment amount	Investment amount injected as at the Latest Practicable Date	Outstanding investment amount as at the Latest Practicable Date	Status	Expected time of completion	Proposed financing
Expansion of production capacity of on-site processing facility at the Tongshankou Mine	RMB100 million	Nil	RMB100 million	In the process of preparing the feasibility report	June 2014	Nil

Further information

Further information on the Target Group is set out in the section headed "Business of the Target Group" in this circular.

INFORMATION ON THE GROUP

Existing mines of the Group

The Group holds the mining or exploration rights to two copper mines in Xinjiang, namely, the Sareke Mine and the Hami Mine, one molybdenum mine in Mongolia, namely, the Aleinuer Mine, and two wolfram mines in Mongolia, namely, the Burentsogt Mine and the Sala Mine.

Sareke Mine

新疆滙祥永金礦業有限公司 (Xinjiang Huixiang Yong Jin Mining Company Limited), which is 55%-owned by the Company, currently holds the mining right to the Sareke Mine. The Sareke Mine is a copper mine situated in the Xinjiang Uygur Autonomous Region of the PRC, which occupies an aggregate area of approximately 1.2286 sq. km as stated in its mining licence. According to the Competent Person's Report on the Sareke Mine prepared in accordance with the JORC Code, the Sareke Mine had, as at 30 June 2011, copper mineral resources and probable copper ore reserves of 12.71 million and 7.96 million tonnes, respectively. The Sareke Mine has yet to commence commercial production. The Group is in the process of constructing the underground mining infrastructure at the Sareke Mine and a processing plant on site, which is expected to be completed in October 2013.

The following table sets out a summary of the mineral resources of the Sareke Mine as at 30 June 2011, which has been extracted from the Competent Person's Report on the Sareke Mine set out in Appendix V-C to this circular:

Resource Statement of Sareke Copper Deposit at Cut-off of 0.3%TCu by SRK as at 30 June 2011

Zone	Classification	Resource Tonnage (t)	Average Grade TCu (%)	Copper Metal (t)
North	Indicated	8,398,000	1.03	86,000
	Inferred	4,315,000	0.77	33,300

The following table sets out a summary of the ore reserves of the Sareke Mine as at 30 June 2011, which has been extracted from the Competent Person's Report on the Sareke Mine set out in Appendix V-C to this circular:

Elevation (m)	Probable	
	Tonnage (kt)	Cu (%)
>=2820	870	0.76
2730~2820	2,127	0.97
2640~2730	4,648	1.03
<=2640	311	0.53
Total	7,956	0.96

Notes:

(1) In the above tables, t, m and TCu mean tonne, metre and total copper, respectively. The terms "Indicated" and "Inferred" have the meanings ascribed to them under the JORC Code.

(2) Mineral resources and ore reserves are estimated at a copper cut-off grade of 0.3%.

(3) Mineral resources and ore reserves are estimated using a long-term copper price of RMB42,500 per metric tonne.

(4) A minimum zone width of 2 metres was used for estimating the mineral resources and ore reserves.

(5) The mineral resource and ore reserve estimates are based on drilling information up to 30 June 2011 as confirmed by the Company.

(6) Estimates for mineral resources and ore reserves are updated as at 30 June 2011. Please refer to the Competent Person's Report on the Sareke Mine as set out in Appendix V-C to this circular for details of assumptions and parameters used to calculate these resource and reserve numbers and qualities of metals.

(7) The mineral resources set out in the mineral resource table above are inclusive of the ore reserves set out in the ore reserve table above.

The following table sets out a summary of the principal licences held by the Group in connection with the operation of the Sareke Mine:

Mine	Location	Type of licence or permit	Issuing authority	Activity permitted	Term of licence or permit
Sareke Mine	Ulugqat County, Xinjiang Uyghur Autonomous Region	Exploration licence	Department of Land and Resources of Xinjiang Uygur Autonomous Region	Exploration	26 January 2011 to 26 January 2012
	Ulugqat County, Xinjiang Uyghur Autonomous Region	Mining licence	Department of Land and Resources of Xinjiang Uygur Autonomous Region	Underground and open pit mining of copper and silver	31 May 2011 to 31 May 2013

The following table sets out the projected cash cost per tonne of ore, which has been extracted from the Competent Person's Report on the Sareke Mine set out in Appendix V-C to this circular:

Items	**RMB/t ore**
Mining cost	60.42
Ore Processing cost	34.27
Sales cost	4.41
Accounting cost	5.89
Management cost	6.59
Depreciation for mining	***12.37***
Depreciation for ore processing	***8.16***
Amortization for management	***4.41***
Royalty (Resource compensation fee)	***4.26***
Value Added Tax	***12.93***
Total Cash Cost	***128.77***
Total	**153.71**

The projected production cost per tonne is RMB140.77 (before value added tax), which has been extracted from the Competent Person's Report on the Sareke Mine set out in Appendix V-C to this circular.

Since the Sareke Mine has not commenced production, no depletion charges for the Group were included in the depreciation and amortisation relating to the mining infrastructure and mining rights of the Sareke Mine recorded in the Company's audited consolidated financial statements for the two years ended 30 April 2008 and 2009, the eight months ended 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011.

The estimated annual reserve depletion rate for the Sareke Mine is 1,155 tonne per annum. The estimated total depreciation and amortisation set out in the table above have taken into account the estimated potential depletion charges, which account for more than 90% of the estimated total depreciation and amortization, after the mine commences production. Such information has been extracted from the Competent Person's Report on the Sareke Mine set out in Appendix V-C to this circular.

Hami Mine

新疆同興礦業有限責任公司(Xinjiang Tong Xing Mining Company Limited), which is 80%-owned by the Company, currently holds the exploration right to the Hami Mine. The Hami Mine is a copper mine situated in the Xinjiang Uygur Autonomous Region of the PRC, which occupies an aggregate area of approximately 11.14 sq. km (without taking into account the area affected by the railway right of way). According to the Competent Person's Report on the Hami Mine prepared in accordance with NI 43-101, the Hami Mine had, as at 31 July 2011, copper mineral resources of 22.34 million tonnes (excluding resources located in areas subject to the right of way granted for railway operations).

In July 2010, the Company acquired the entire issued share capital of Qianyi Limited, a company incorporated in BVI, which indirectly owns an 80% equity interest in Tong Xing. Under the various agreements entered into in respect of such acquisition, the parties agreed that if the mining licence of the Hami Mine is not granted to Tong Xing by 31 January 2012 (or such later date as the parties may agree), the vendor shall refund the full amount of the cash consideration paid by the Company and return all the convertible notes (or, if any of the conversion rights attached thereto have been exercised, the Ordinary Shares issued pursuant thereto) issued by the Company as part of the consideration for the acquisition, and the Company shall transfer the entire issued share capital of Qianyi Limited back to the vendor. In the light of the above provision, although the Company became registered as the holder of the entire issued share capital of Qianyi Limited in July 2010, Qianyi Limited and Tong Xing have not been accounted for as subsidiaries of the Company in its financial statements in accordance with the Hong Kong Financial Reporting Standards. The Hami Mine has yet to commence commercial production as the mining licence has yet to be granted.

As disclosed in the announcements of the Company dated 30 December 2010 and 30 August 2011, the Company has been informed by the vendor that the relevant government authorities have announced plans to construct a new railway in the Xinjiang Uygur Autonomous Region, a section of which will be constructed over land located within the area occupied by the Hami Mine. Based on those plans, it is estimated that approximately 7.87% of the controllable mineral resources of copper in the Hami Mine will be affected by the new railway. The Company and the vendor have agreed, among others, that (a) the consideration for the acquisition will be adjusted; (b) the vendor will conduct exploration works at a new mining area of approximately 0.4625 sq. km situated to the east of the Hami Mine to supplement and increase the mining resources of Tong Xing; and (c) the vendor will ensure that the exploration licence of such new mining area will be obtained by 31 January 2012. As at the Latest Practicable Date, the exploration licence of such new mining area has yet to be granted.

The following table sets out a summary of the mineral resources of the Hami Mine (excluding resources located in areas subject to the right of way granted for railway operations) as at 31 July 2011, which has been extracted from the Competent Person's Report on the Hami Mine set out in Appendix V-D to this circular:

	Indicated Resources				Inferred Resources			
Location	**Tonnes**	**Grade**	**Copper Content**	**Copper Content**	**Tonnes**	**Grade**	**Copper Content**	**Copper Content**
	(Mt)	*(% Cu)*	*(Mlb)*	*(tonnes)*	*(Mt)*	*(% Cu)*	*(Mlb)*	*(tonnes)*
Main Lens	14.15	0.75	234	106,000	7.79	0.72	124	56,200
Other Lenses					0.4	0.61	5	2,300
TOTAL	14.15	0.75	234	106,000	8.19	0.71	129	58,500

Notes:

(1) In the above table, the terms mt, cu, mlb mean million tonnes, copper and million pounds, respectively and National Instrument 43-101 (NI43-101) and CIM (Canadian Institute of Mining, Metallurgy and Petroleum) definitions are followed for Mineral Resources, Indicated Resources and Inferred Resources.

(2) As mineralisation is present in four separate lenses in the Hami Mine, the largest lens or zone of mineralisation where the majority of the mineral resources are contained is described as the "Main Lens", and the three other lenses are collectively described as the "Other Lenses" in the above table.

(3) Mineral Resources are estimated at a cut-off grade of 0.5% copper within a mineralized envelope defined at 0.3% copper.

(4) Mineral Resources are estimated using an average long-term copper price of US$2.50 per pound, and a US$ to Canadian dollar exchange rate of 1.04.

(5) A minimum zone width of 5 metres was used.

(6) The Mineral Resource estimate is based on drilling information up to 31 July, 2011 as confirmed by GobiMin Inc. and the Company.

(7) Estimates for mineral resources are updated as at 31 July 2011. Please refer to the Competent Person's Report on the Hami mine as set out in Appendix V-D to this circular for details of the assumptions and parameters used to calculate these resource numbers and qualities of metals.

The following table sets out a summary of the principal licence held by the Group in connection with the operation of the Hami Mine:

Mine	Location	Type of licence or permit	Issuing authority	Activity permitted	Term of licence or permit
Hami Mine	Hami City, Xinjiang Uygur Autonomous Region	Exploration licence	Department of Land and Resources of Xinjiang Uygur Autonomous Region	Exploration	6 August 2010 to 6 August 2012

Roscoe has not reviewed any information relating to the forecast cash cost and the forecast production cost, and such information is not available in the Competent Person's Report on Hami Mine set out in Appendix V-D to this circular.

Aleinuer Mine

Reservoir Moly is a joint venture company established in Mongolia which is 55%-owned by CRML and 45%-owned by the Mongolian JV Partner. CRML, in turn, is 51%-owned by the Company. Reservoir Moly currently holds the mining right to the Aleinuer Mine. The mining right was transferred to Reservoir Moly at the time of its establishment by the Mongolian JV Partner by way of its capital contribution. The Aleinuer Mine is a molybdenum mine situated in Sukhbaatar, Mongolia, which occupies an aggregate area of approximately 2.27 sq. km as stated in its mining licence. According to the Competent Person's Report on the Aleinuer Mine prepared in accordance with the JORC Code, the Aleinuer Mine had, as at 1 July 2011, inferred molybdenum mineral resources of approximately 10 million tonnes (based on an assumed long-term molybdenum price of US$15 per pound and a 0.06% of molybdenum content cutoff). The Aleinuer Mine has yet to commence commercial production. As at the Latest Practicable Date, exploration works at the Aleinuer Mine have been completed.

As announced by the Company on 7 October 2011, the Aleinuer Mine was the subject of arbitration proceedings initiated in Mongolia by the Mongolian JV Partner against CRML. Pursuant to the proceedings, the Mongolian JV Partner claimed that CRML had acted in breach of contract in failing to develop the Aleinuer Mine in accordance with various prior agreements and sought to recover the mining right from Reservoir Moly. An arbitral award was made by the Mongolian Arbitration Center, pursuant to which it was ruled that the mining right to the Aleinuer Mine had to be returned by Reservoir Moly to the Mongolian JV Partner. On 12 October 2011, CRML lodged an appeal to the Court of Appeal of Mongolia against the arbitral award. The appeal was heard by the Court of Appeal of Mongolia, which ruled on 21 November 2011 that the arbitral award issued by the Mongolian Arbitration Center be annulled on the basis of procedural regularities and directed the dispute to be re-heard by the Mongolian Arbitration Center. No further appeal is possible under Mongolian law with respect to this decision of the Court of Appeal of Mongolia. Pending the outcome of the re-hearing by the Mongolian Arbitration Center, the mining right to the Aleinuer Mine remains vested in Reservoir Moly. It is not expected that commercial production will commence at the Aleinuer Mine in the near term. Please refer to the section headed "Other Information - Litigation" in Appendix X to this circular for further details.

The following table sets out a summary of the inferred mineral resources of the Aleinuer Mine as at 1 July 2011, which has been extracted from the Competent Person's Report on the Aleinuer Mine set out in Appendix V-B to this circular:

Concentrate Selling Price (Note 1) ($/t)	Market Price ($/lb Mo)	Cut-off (% Mo)	Mineralization (t-000)	Average Grade (% Mo)	Contained Metal (t Mo)	Waste (t-000)	Stripping Ratio (Note 2) (t/t)
8,500	10.00	0.097	78	0.210	200	551	7.10
11,100	12.50	0.074	2,553	0.110	2,900	7,640	2.99
13,800	15.00	0.060	10,039	0.090	8,900	20,413	2.03
16,400	17.50	0.050	20,278	0.080	15,400	34,906	1.72
19,000	20.00	0.043	31,454	0.070	21,300	46,669	1.48
21,700	22.50	0.038	38,772	0.060	24,500	52,721	1.36
24,300	25.00	0.034	49,610	0.060	29,500	80,065	1.61
27,000	27.50	0.030	55,075	0.060	31,500	86,344	1.57
29,600	30.00	0.028	59,132	0.060	32,800	88,893	1.50
32,300	32.50	0.025	62,777	0.050	33,900	94,429	1.50
34,900	35.00	0.023	65,804	0.050	34,800	97,546	1.48
37,600	37.50	0.022	69,478	0.050	35,800	104,606	1.51
40,200	40.00	0.020	71,904	0.050	36,400	110,160	1.53

Notes:

(1) 48% molybdenum is contained in molybdenum sulfide found in the molybdenum concentrate at the Aleinuer Mine.

(2) Stripping ratio refers to the average mass of waste rock required to be removed for each tonne of ore mined.

(3) In the above table, Mo, t, t-000, lb mean molybdenum, tonne, thousand tonnes and pounds, respectively and all market prices of molybdenum are expressed in terms of US Dollars. The term mineralization means inferred mineral resources, which has the meaning ascribed to it under the JORC Code.

(4) Mineral resources are estimated at selected molybdenum cut-off grades ranging from 0.020% molybdenum to 0.097% molybdenum within a mineralized envelop defined at 0.02% molybdenum.

(5) Mineral resources are estimated using a long-term molybdenum price ranging from US$10 to US$40 per pound. By way of illustration, at a long-term molybdenum price of US$15 per pound, there is an inferred mineral resources of approximately 10 million tonnes.

(6) The mineral resource estimate is based on drilling information up to 1 July 2011 as confirmed by the Company.

(7) Estimates for mineral resources are updated as at 1 July 2011. Please refer to the Competent Person's Report on the Aleinuer Mine as set out in Appendix V-B to this circular for details of the assumptions and parameters used to calculate these resource numbers and qualities of metals.

The following table sets out a summary of the mining licence held by the Group in connection with the operation of the Aleinuer Mine:

Mine	Location	Type of licence or permit	Issuing authority	Activity permitted	Term of licence or permit
Aleinuer Mine	Sukhbaatar, Mongolia	Mining licence	Department of Geology and Mining Cadastre of the Minerals Affairs Agency of Government	Open pit mining of molybdenum	23 January 2007 to 15 January 2037

On an ore tonne basis, the projected operating cash costs for the Aleinuer Project for mining, processing and other operating expenses through delivery to the Chinese border (excluding value added tax) for the first five years of project operation are shown below, which have been extracted from the Competent Person's Report on Aleinuer Mine set out in Appendix V-B to this circular:

	Year 3	Year 4	Year 5	Year 6	Year 7
Ore Output Tonnes ('000)	1,403	1,650	1,650	1,650	1,650
Category	**US$/Ore Tonne**				
Mining Cost	6.90	5.87	5.87	5.87	5.87
Processing Cost	11.80	10.97	10.97	10.97	10.97
Management Cost	1.45	1.23	1.23	1.23	1.23
Selling Cost	0.07	0.10	0.10	0.08	0.08
Total Cash Cost	20.22	18.17	18.17	18.15	18.15

Note:

Year refers to number of years from start of project development.

Operating cost projections do not include production royalty payments that may be incurred by the mine operator. Mongolian resource development fees are projected at 5% of the selling price. Providing for US$3.75/tonne of ore for depreciation and amortization, the production cost in years 4 to 7, ranges from US$21.90 to US$21.92 per tonne of ore output. Such information has been extracted from the Competent Person's Report on Aleinuer Mine set out in Appendix V-B to this circular.

Since the Aleinuer Mine has not commenced production, no depletion charges for the Group were included in the depreciation and amortisation relating to the mining infrastructure and mining rights of the Aleinuer Mine recorded in the Company's audited consolidated financial statements for the two years ended 30 April 2008 and 2009, the eight months ended 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011.

Since no reserves are recognised for the Aleinuer Mine, John T. Boyd is not able to estimate the mine operation life of the Aleinuer Mine and therefore not able to estimate the depletion charges in relation to the depreciation and amortization of the mining infrastructure and mining rights over the mine operation life. For further details relating to the depletion of the Aleinuer Mine, please refer to the subsection headed "6.3.5 Operating Cost Forecast (Ore Basis)" in the Competent Person's Report on Aleinuer Mine set out in Appendix V-B to this circular.

Burentsogt Mine and Sala Mine

Reservoir Moly currently holds the mining right to the Burentsogt Mine. Reservoir Mongolia LLC, which is 51%-owned by the Company, currently holds the mining right to the Sala Mine. The Burentsogt Mine and Sala Mine are wolfram mines situated in Munkhkhaan and Sukhbaatar, Mongolia, respectively. It is not the Company's intention to develop those mines as, given the insignificant amount of the wolfram deposits projected by the technical studies which have previously been conducted by the technical staff of CRML and the mining engineers of the Parent Company, the Company does not consider it economical to incur substantial costs in the construction of infrastructure facilities to develop those mines. The Company is currently actively exploring opportunities for the disposal of the Burentsogt Mine and Sala Mine. If in the unlikely event that the Company decides to develop the Burentsogt Mine or Sala Mine in the future, it will disclose such change of intention by way of an announcement. In such instance, the Company will also engage a competent person to prepare a competent person's report on the resources of the relevant mine in accordance with the requirements of Chapter 18 of the Listing Rules and publish such report for shareholders' information. Update of the resources in accordance with Rule 18.15 of the Listing Rules and the progress of the development of the relevant mine will also be included in the Company's annual reports.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 18.05(1) of the Listing Rules to prepare a competent person's report in respect of the resources of each of the Burentsogt Mine and Sale Mine. Please refer to the section headed "Waivers from Strict Compliance with the Listing Rules" in this circular for further details.

Please refer to the competent person's report on each of the Four Mines, Sareke Mine, Hami Mine and Aleinuer Mine set out in Appendix V to this circular for further information on the resources and/or reserves of those mines. Since the effective date of each of the competent person's reports set out in Appendix V to this circular, no material change has occurred to the mineral resources and/or reserves covered by such reports.

Project in progress of the Group

Project	Total estimated investment amount	Investment amount injected as at the Latest Practicable Date	Outstanding investment amount as at the Latest Practicable Date	Status	Expected time of completion	Proposed financing
Development of the Sareke Mine	RMB495 million	RMB80 million	RMB415 million	In the process of constructing underground infrastructure	October 2013	Bank facilities and shareholder's loan from the Company

Continuing obligation on publication of resources and reserves

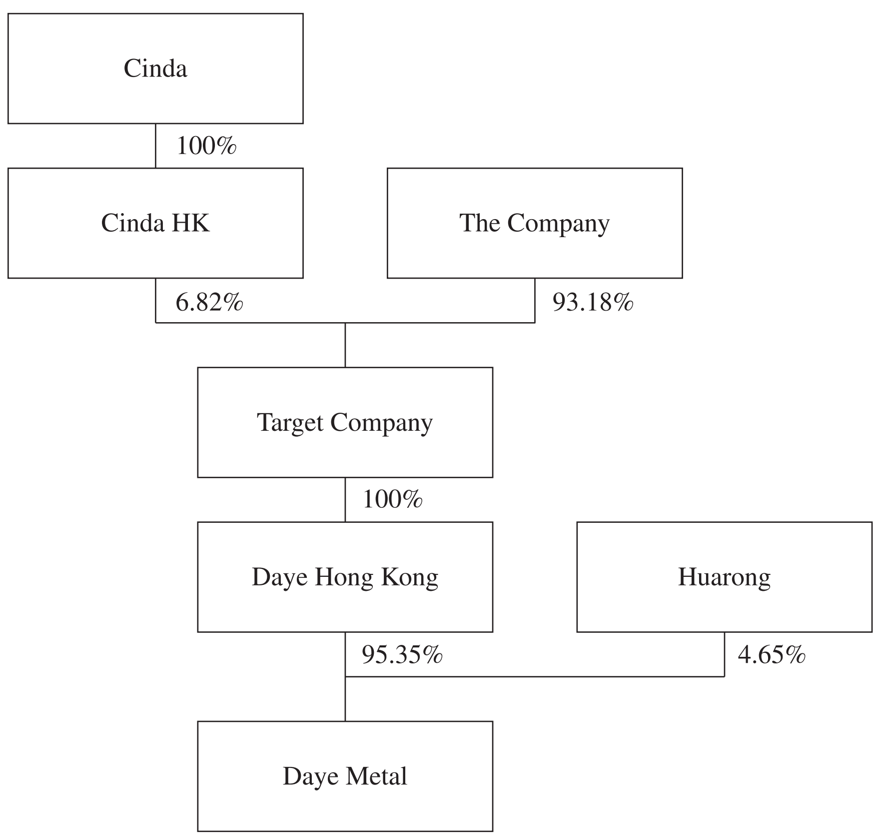
The Company will include an update of the reserves and resources of the Four Mines after the completion of the Acquisition, as well as an update of the resources and/or reserves of the Sareke Mine, the Hami Mine and the Aleinuer Mine, once a year in its annual reports in accordance with Rule 18.15 of the Listing Rules.

INFORMATION ON THE ENLARGED GROUP

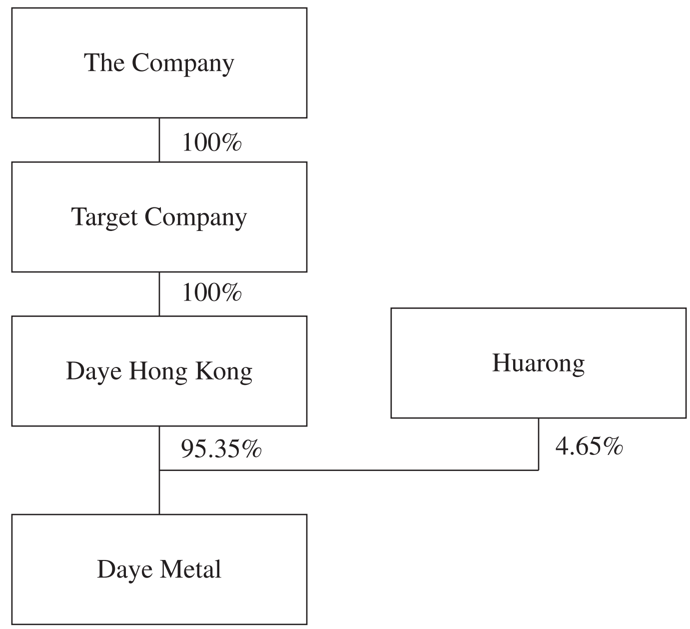
Corporate structure

The corporate structures of the Enlarged Group in the two scenarios where only China Times Completion takes place and both China Time Completion and Cinda Completion take place are shown below:

If only China Times Completion takes place



If both China Times Completion and Cinda Completion take place



Pro forma financial information

The unaudited pro forma financial information of the Enlarged Group, which has been prepared in compliance with Rule 4.29 of the Listing Rules for the purpose of illustrating the financial effects of the Acquisition, is set out in Appendix III to this circular.

Industry overview

Certain Information concerning the copper, gold and silver industry in the PRC is set out in the section headed "Industry Overview" in this circular.

Risk factors

Certain risks are involved in the operations of the Enlarged Group. These risks can be categorised as: (i) risks relating to the Acquisition; (ii) risks relating to the business of the Enlarged Group; (iii) risks relating to the mining industry; and (iv) risks relating to conducting business in the PRC. Further details on those risks are set out in the section headed "Risk Factors" in this circular.

Working capital

The following table sets out the estimated working capital requirements of the Enlarged Group and the source of funding for the 18 months ending 31 December 2012:

	HK$'million
Net cash inflow from operating activities	1,171.7
Finance costs paid	(392.3)
Working capital surplus/(requirement) *(Note 1)*	779.4
Cash outflows for capital expenditures	(3,238.6)
Working capital requirements plus other capital expenditures	(2,459.2)
Net proceeds from borrowings	1,801.2
Decrease in restricted and term deposits	591.6
Cash inflow from financing activities *(Note 2)*	2,392.8
Cash and cash equivalents at 30 June 2011	961.8
CASH AND CASH EQUIVALENTS, END OF PERIOD	895.4

Notes:

(1) This figure represents the total working capital requirements of the Enlarged Group for the 18 months ending 31 December 2012. It is expected that the Enlarged Group will generate positive cash flow from its operating activities including the finance cost, which resulting a working capital surplus for the 18 months ending 31 December 2012.

(2) It is expected that the sources of funding of the Enlarged Group mainly from working cash generated from operation, net increase in bank borrowings, and the cash and cash equivalent and restricted and term deposits on hand.

The Directors are of the opinion that, taking into consideration the financial resources available to the Enlarged Group after completion of the Acquisition, including its operating cash flows and available banking facilities, the Enlarged Group will have sufficient working capital for 125% of its present requirements, that is for at least the next 12 months from the date of this circular.

Mining assets

Upon completion of the Acquisition, the Enlarged Group will own and operate the Four Mines currently held by the Target Group as further described in the section headed "Business of the Target Group - Mines and Processing Facilities" in this circular as well as the various mines currently held by the Group as further described in the sub-section headed "Information on the Group - Existing mines of the Group" in this section.

Principal strengths

The Directors believe that the principal strengths of the Enlarged Group will include the following:

The Enlarged Group will have a significant portfolio of high-grade copper reserves and resources and associated metals

The Group currently holds the mining right to the Sareke Mine and the exploration right to the Hami Mine, both of which are copper mines located in the Xinjiang Uygur Autonomous Region of the PRC. According to the Competent Person's Report on the Sareke Mine prepared in accordance with the JORC Code, the Sareke Mine is estimated to have copper mineral resources of 12.71 million tonnes as at 30 June 2011. According to the Competent Person's Report on the Hami Mine prepared in accordance with NI 43-101, the Hami Mine is estimated to have copper mineral resources of 22.34 million tonnes as at 31 July 2011 (excluding resources located in areas covered by any right-of-way granted for railway operations).

The Target Group holds the mining rights to the Four Mines, all of which are located in the Hubei Province, PRC. According to the Competent Person's Report on the Four Mines prepared in accordance with the JORC Code, those mines are estimated to have, in aggregate, ore reserves of approximately 33,885,000 tonnes as at 30 September 2011 with an average copper grade of 0.90%. The Tonglvshan Mine, being one of the Four Mines, is a copper mine with a rich variety of associated metals in addition to its abundant copper reserves. Principal associated metals discovered in the Tonglvshan Mine include gold and silver, both of which are also important sources of revenue for the Target Group.

Following completion of the Acquisition, the Enlarged Group will have the combined copper reserves and resources of the Sareke Mine and the Hami Mine currently operated by the Group and the Four Mines operated by the Target Group, which will provide the Enlarged Group with a significant portfolio of high-grade copper reserves and resources.

The Directors believe that the Enlarged Group will be able to capitalise on the expertise and experience of the management and technical teams as well as the income stream of the Target Group for the ongoing development of the Sareke Mine and Hami Mine and the management of their future operations. Due to the considerable distance between the Four Mines of the Target Group located in the Hubei Province, the PRC and the Sareke Mine and Hami Mine of the Group located in the Xinjiang Uygur Autonomous Region of the PRC, it is expected that separate processing and production facilities will be constructed at the Sareke Mine and Hami Mine at appropriate stages of their development.

The Directors believe that there will continue to be a consistent increase in the demand for copper ore due to the rapid expansion of smelting capacity in the PRC copper industry and a limited domestic supply. The significant portfolio of high-grade copper reserves and resources of the Enlarged Group will, therefore, provide it with a stable and assured supply of copper concentrates (which is produced from copper ore) and help reduce its exposure to the effects of fluctuations in the price of copper concentrates.

The Enlarged Group will be one of the largest producers of copper cathodes in the PRC by production volume

According to the Antaike Report, Daye Metal was the fifth largest producer of copper cathodes in the PRC by production volume, accounting for approximately 6.7% of the total production of copper cathodes in the PRC in 2010.

For the year ended 31 December 2010, the Target Group produced 308,100 tonnes of copper cathodes. The new Ausmelt furnace at the Smelting Plant, which is manufactured in Australia, is one of the most advanced smelting furnaces. It commenced operation in December 2010. In addition, the Target Group is currently building a new electrowinning system at the Smelting Plant, which is expected to be completed in October 2012. For further details, please refer to the sub-section headed "Projects in progress and future plans of the Target Group" in this section.

The new electrowinning system, together with the Ausmelt furance, is expected to increase the annual production capacity of copper cathodes at the Smelting Plant to 640,000 tonnes when operating at full capacity. Based on the Target Group's current and expected increase in production capacity of copper cathodes, the Directors believe that the Enlarged Group will, upon completion of the Acquisition, become one of the largest producers of copper cathodes in the PRC by production volume.

The Enlarged Group will be one of the few copper producers in the PRC to have a vertically integrated operation

The Target Group is one of the few copper producers in the PRC who have a vertically integrated operation which extends from the exploration, mining and processing of copper ores to the smelting of copper concentrates and the production of copper cathodes. Upon completion of the Acquisition, the Enlarged Group will have the benefit of and be able to build on the Target Group's vertically integrated operation.

The supply of copper ore from the Four Mines is currently not sufficient to meet the requirements of the Target Group for its downstream copper cathode production. Hence, in addition to the supply from the Four Mines, the Target Group has to source copper concentrates from external suppliers and the Parent Group. The Directors expect that when the Enlarged Group begins to develop the combined copper reserves and resources of the Group and the Target Group, it will be able to gradually reduce the quantity of copper concentrates it has to source from external suppliers and the Parent Group over time. The expected increase in the supply of copper ore and concentrates from the development of those reserves and resources will also allow the Enlarged Group to better control its production cost and utilise its smelting and downstream processing capabilities.

By having a vertically integrated operation, the Enlarged Group will be able to benefit from a stable and assured supply of copper ore, which is critical to its downstream production. It will help reduce the Enlarged Group's exposure to the risks of market fluctuations in both the supply and price of copper which it would otherwise be subject to if it had to rely on purchasing copper concentrates from third party suppliers to meet all or a material part of its downstream production requirements. The ability to control the different stages of the production process will also allow the Enlarged Group to exercise better control over both production costs and product quality, which in turn, will, the Directors believe, help further improve the profitability and competitiveness of the Enlarged Group.

The Enlarged Group will benefit from the favourable locations of its mines and production facilities

The Four Mines, which will form the principal mining assets of the Enlarged Group after completion of the Acquisition, and the smelting and other production facilities are all located in Hubei Province in the PRC, along the Yangtze River. The production facilities are also located close to a number of small scale copper mines and the majority of the sulphuric acid customers of the Target Group. The small scale copper mines provide the Target Group with a convenient source of copper concentrates, while proximity to the sulphuric acid customers provides the Target Group with the added advantage of lower transportation and delivery costs. The Target Group's production facilities also have convenient access to water transport on the Yangtze River as well as rail and road transport, which, after completion of the Acquisition, the Enlarged Group will continue to be able to rely on as reliable and cost-effective means of delivering its products to customers and taking delivery of raw materials from suppliers.

The Enlarged Group will benefit from the continued growth in the copper cathode market in the PRC, which has been one of the high-grown copper markets in the world

Currently, the Target Group sells the almost all of its products to customers in the PRC. In the year ended 31 December 2010, customers in the PRC accounted for approximately 99.5% of the sales of the Target Group. As the principal mining assets of the Enlarged Group will be in the PRC, the Directors expect that the Enlarged Group will continue to derive a significant portion of its revenue from customers in the PRC.

From 2008 to 2010, China ranked first in terms of total copper cathode consumption in the world, accounting for, on average, approximately 33.51%, of the world's total copper consumption each year. The volume of copper cathode consumption in China increased by approximately 33.33% over the three-year period from 2008 to 2010, which represented one of the highest growth rates in copper cathode consumption worldwide during that period. According to the Antaike Report, the volume of copper cathode consumption in China is projected to continue to grow at a rate of 6% to 8% over the next two years to 2013, which is expected to outpace increase in the domestic supply of copper cathodes for the same period. The price of copper has also recovered by a significant margin since the beginning of the global economic downturn in 2008, with the weighted annual average of the three-month generic copper futures price quoted on SHFE rising by 10% from 2008 to 2010.

The Directors believe that the Enlarged Group will be best placed to benefit from the continued growth of the copper cathode market in the PRC and the favourable market conditions brought about by such growth.

The Enlarged Group will have strong research and development capabilities

The R&D Centre has been established by the Target Group since 1960. It received the ISO/IEC 17025:2005 certification in 2009 and the Accreditation of Testing and Calibration Laboratories from China National Accreditation Service for Conformity Assessment in 2009.

The research and development work being conducted at the R&D Centre focuses on improvement of mining and processing technologies, recovery of economic metals from scrap metal and slag as well as improvement in environment preservation and pollution control by reducing waste water discharge and gas emission in the production process.

The Target Group was able to draw on the expertise of its research and development team at the R&D Centre to successfully develop technical knowhow for the extraction of a wide range of valuable metals such as platinum, palladium and molybdenum from anode slime generated in the course of the copper cathode production process, which have since become additional sources of revenue. The R&D Centre has also helped reduce the production cost at the Four Mines through technological improvements. As a result of the efforts of the R&D Centre, the smelting process at the Smelting Plant has also been significantly upgraded through the introduction of the new Ausmelt furnace.

Upon completion of the Acquisition, the Enlarged Group will have the benefit of the technical expertise of the R&D Centre, which in addition to the Four Mines, could also be utilised in connection with the development of the existing mines of the Group.

The Enlarged Group will have an experienced management team with extensive industry expertise

The senior management team of the Enlarged Group is expected to be made up of existing senior management members of both the Group and the Target Group. The majority of the executive Directors and senior management of the Enlarged Group will have more than 20 years of experience in the copper mining, smelting and refining industries in the PRC. The management team will also include mining and smelting experts and prominent members of the business and academic communities of the mining industry in the PRC. The Directors consider that the extensive experience and expertise of the senior management team will be an important factor in helping the Enlarged Group to maintain its competitiveness against the other leading copper cathode producers in the PRC.

Business strategies

Continue to expand portfolio of mining assets

The Enlarged Group will continue to expand its portfolio of mining assets both through identifying suitable opportunities to acquire new mines as well as continuous exploration of new mineral resources and reserves at the mines currently operated by the Target Group and the Group.

As the Four Mines occupy an extensive area of approximately 9.27 sq.km. in aggregate, the Target Group has been actively engaged in exploring potential new mineral resources in locations outside the areas which are currently being mined. The Directors expect the Enlarged Group to continue with such exploration activities at the Four Mines. The Target Group is also in the course of constructing infrastructures to access copper resources at deeper levels at each of the Four Mines.

The Enlarged Group may consider entering into strategic cooperation agreements with regional mining companies and governmental authorities in the PRC and overseas to engage in the joint development of mines and sharing of operational and technical know-how.

Continue to upgrade production facilities

The Target Group has over the Track Record Period upgraded its various production facilities. This included the purchase of a new Ausmelt furnace, which is one of the most advanced smelting equipment, for use at the Smelting Plant and the installation of a new system for the production of sulphuric acid in September 2011, which is expected to increase the existing production capacity of sulphuric acid at the Smelting Plant from 424,000 tonnes to 979,400 tonnes per annum.

To further enhance the production capabilities of the Smelting Plant, the Target Group has formulated plans to replace or further upgrade production equipment and to install new equipment at the plant. Those plans include the construction of a power station that utilizes waste heat from the production process at the Smelting Plant for power generation, the upgrading of existing anode furnaces and the installation of a new electrowinning system. For further details, please refer to the sub-section headed "Projects in progress and future plans of the Target Group" in this section. Upon completion of the Acquisition, the Directors expect that the Enlarged Group will continue with the implementation of those plans to improve the production facilities at the Smelting Plant and will also continue to improve its other production facilities with a view of enhancing production efficiency and product quality.

Improve operational efficiency, enhance strategic planning and reduce operating costs through centralized management

The Enlarged Group will, through centralising the management structure of the Group and the Target Group, seek to improve operational efficiency, enhance strategic planning and reduce operating costs. The Enlarged Group will seek to minimize wastage and maximize efficiency in the allocation of financial, human and other resources. The Directors expect the Enlarged Group will be able to seek to improve operational efficiency in areas such as centralising procurement, combining processing, research and development capabilities and creating an integrated sales and marketing platform.

Further strengthen research and development capabilities and improve production technology

The Enlarged Group will continue to build on its strong research and development capabilities. The R&D Centre operated by the Target Group has been engaged in a wide range of research and development projects covering areas such as smelting and acid-making processes. The R&D Centre has been engaged in both its own research and development work as well as projects or programmes undertaken jointly with universities and research institutes in the PRC in areas such as energy saving and recycling as well as metal recovery technology, which could be applied in the Target Group's mining and metal recovery processes. The research on recycling technology has, for instance, enabled the Target Group to increase the volume of recycled water that can be used in its production process, while improvement in recovery technology has enabled it to expand the variety of other metals such as platinum, palladium and molybdenum recovered from anode slime, which is a by-product generated during the copper cathode production process.

With the combined resources of the Target Group and the Group, the Directors expect that the Enlarged Group will continue to invest in its research and development capabilities and to undertake research and development projects that focus on improving its production technology, production efficiency and product quality.

Explore opportunities of expansion into rare earth mining and production

Apart from the production and sales of copper cathodes and other non-ferrous metals, the Directors expect that the Enlarged Group will also actively explore opportunities to acquire or otherwise develop rare earth mining assets as a means of diversifying its business. Rare earth metals are scarce in supply but of wide applications. As China has rich rare earth resources and the demand for rare earth across the world has been strong in recent years, the Directors believe that expansion into rare earth mining and production would help the Enlarged Group to diversify its income base and provide additional opportunities for its future development. As rare earth mining and production require substantially similar sets of skills and techniques as copper mining and production with respect to the mining and processing activities, the Directors believe that by capitalizing on the extensive experience of the directors and senior management of Daye Metal, the Enlarged Group will possess the relevant skills and experience required for expansion into rare earth mining and production after completion of the Acquisition.

As at the Latest Practicable Date, the aggregate outstanding investment amount for (i) the project in progress of the Group and (ii) the projects in progress and future plans of the Target Group set out above amounted to approximately RMB415 million and approximately RMB3,140.08 million, respectively.

REASONS FOR THE ACQUISITION

The Group is principally engaged in corporate investment and trading in securities, mineral exploitation and trading in non-ferrous metals.

In the light of the gradual recovery of the global economy, the Board expects that there will be increasing demand for mineral resources. The Board considers that this is the right opportunity for the Group to further invest in the development and expansion of its copper mining business. One of the development objectives of the Group is to increase its reserve of non-ferrous metal resources. In this connection, the Company has identified the Target Group as an appropriate acquisition target and considers that the Acquisition would allow the Group to significantly increase its copper reserve and expand its copper business. The Directors consider that the Acquisition is an opportune investment for the Group and expect that the Acquisition will present the Group with favourable long term prospects.

None of the Directors has a material interest in the Acquisition. The Directors are of the opinion that the terms of the Acquisition Agreement, including the Consideration, the terms of the China Times Convertible Notes and the Issue Price, are fair and reasonable and the Acquisition is in the interest of the Company and the Shareholders as a whole.

The Company has no intention, nor has it entered into any agreement, understanding or arrangement, to dispose of or discontinue its existing business.

The Parent Company and China Times have confirmed to the Company that it is their intention for the Group to continue its existing business after completion of the Acquisition. Other than the introduction of the business of the Target Group, the Parent Company and China Times have also confirmed to the Company that they do not intend to introduce any major change to the Group's business (including any re-deployment of the Group's fixed assets) nor do they intend to terminate the employment of any of the Group's employees after completion of the Acquisition.

The Company has been informed by the Parent Company and China Times that they may nominate new members to the Board after completion of the Acquisition, but no decision has been made as to the nominees or the timing of appointment as at the Latest Practicable Date. The Company will comply with the relevant requirements of the Listing Rules and the Takeovers Code if there is any change to the composition of the Board.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Upon completion of the Acquisition, the Enlarged Group will continue to expand its portfolio of mining assets both through identifying suitable opportunities to acquire new mines as well as continuous exploration of new mineral resources and reserves at the mines currently operated by the Target Group and the Group, to upgrade its production facilities, to build on its research and development capabilities, to improve its production technology and to diversify its product portfolio by expanding into the mining and production of rare earths. By centralizing the management of the Target Group and the Group, it is expected that the Enlarged Group will benefit from improvement in operational efficiency. The Directors believe that the Enlarged Group will be able to enhance its core competitiveness, to strengthen and enlarge its upstream production of copper ore, and to expand sales of its products, thereby optimizing the value and the return to the Shareholders.

IMPLICATIONS UNDER THE LISTING RULES

Very substantial acquisition and connected transaction

As the Relevant Ratios exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, each of the Parent Company and China Times was a substantial shareholder of the Company and therefore constitutes a connected person of the Company. Hence, the Acquisition also constitutes a connected transaction of the Company under the Listing Rules.

The Acquisition, the terms of which include the allotment and issue of the China Times Consideration Shares, Cinda Consideration Shares, China Times Convertible Notes and Conversion Shares, is therefore subject to the approval by the Independent Shareholders at the EGM. Resolutions will be proposed at the EGM for the Independent Shareholders to approve, among others, (i) the terms of the Acquisition Agreement, the First Supplemental Agreement and the Second Supplemental Agreement and the transactions contemplated under those agreements; (ii) a specific mandate to the Directors to allot and issue the China Times Consideration Shares, Cinda Consideration Shares, China Times Convertible Notes and Conversion Shares; and (iii) authorizations to the Directors to do all acts or things for and on behalf of the Company as they may consider necessary or desirable in connection with (i) and (ii) above.

China Times, its associates, persons acting in concert with it and any person who is involved or interested in the Acquisition and/or the Whitewash Waiver are required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. As at the Latest Practicable Date, China Times, its associates, persons acting in concert with it and any person who is involved or interested in the Acquisition and/or the Whitewash Waiver were interested in 1,163,236,988 Ordinary Shares, representing approximately 20.80% of the total Ordinary Shares in issue and 5,495 Preference Shares, representing approximately 33.33% of the total Preference Shares in issue. Your attention is drawn to pages EGM-1 to EGM-2 of this circular where you will find a notice of the EGM to be held at Harbour View Ballroom III, Level 4, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Monday, 16 January 2012, at 10:00 a.m..

Reverse takeover and deemed new listing

Since the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and the issue of the China Times Consideration Shares to China Times at China Times Completion will result in a change in control (as defined in the Takeovers Code) of the Company, the Acquisition also constitutes a reverse takeover for the Company under Rule 14.06 (6)(a) of the Listing Rules. Under Rule 14.54 of the Listing Rules, the Company will be treated as if it were a new listing applicant and the Acquisition is therefore subject to, among other conditions, the approval by the Listing Committee of the new listing application made by the Company. The Enlarged Group or the Target Group must be able to meet the requirements of Rule 8.05 of the Listing Rules and the Enlarged Group must also be able to meet all the other basic conditions set out in Chapter 8 and Chapter 18 of the Listing Rules. Neither the Target Group nor the Enlarged Group is, however, able to meet the profit requirement under Rule 8.05(1) of the Listing Rules, but the Enlarged Group is able to satisfy the capitalisation and revenue requirements under Rule 8.05(3) of the Listing Rules. On 14 October 2011, the Company made a new listing application to the Stock Exchange under Rule 8.05(3) of the Listing Rules and the Listing Committee has given its approval in principle of the new listing application of the Company.

Chapter 18 of the Listing Rules

As the Acquisition constitutes a very substantial acquisition and reverse takeover for the Company under Chapter 14 of the Listing Rules, and the principal assets of the Target Group to be acquired by the Company pursuant to the Acquisition constitute Mineral Assets under Chapter 18 of the Listing Rules, the Acquisition is also subject to the requirements of Chapter 18 of the Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, China Times and persons acting in concert with it were interested in approximately 20.80% of the total Ordinary Shares in issue.

If only China Times Completion takes place, China Times and persons acting in concert with it will, immediately following China Times Completion, be interested in approximately 72.99% of the total Ordinary Shares in issue as enlarged by the issue of the China Times Consideration Shares (but without taking into account any Conversion Shares which may be issued pursuant to the China Times Convertible Notes).

If both China Times Completion and Cinda Completion take place, China Times and persons acting in concert with it will, immediately following China Times Completion and Cinda Completion, be interested in approximately 69.04% of the total Ordinary Shares in issue as enlarged by the issue of the China Times Consideration Shares and Cinda Consideration Shares (but without taking into account any Conversion Shares which may be issued pursuant to the China Times Convertible Notes).

If only China Times Completion takes place and on the basis that the China Times Convertible Notes are converted into Conversion Shares at the Conversion Price but only to the extent that the Company will be able to maintain its minimum public float required under the Listing Rules, China Times and persons acting in concert with it will, immediately following China Times Completion, be interested in, approximately 74.99% of the total Ordinary Shares in issue as enlarged by the issue of the China Times Consideration Shares and such Conversion Shares.

If both China Times Completion and Cinda Completion take place and on the basis that the China Times Convertible Notes are fully converted into Conversion Shares at the Conversion Price, China Times and persons acting in concert with it will, immediately following China Times Completion and Cinda Completion, be interested in 72.25% of the total Ordinary Shares in issue as enlarged by the issue of the China Times Consideration Shares, Cinda Consideration Shares and such Conversion Shares.

As such, China Times would be required to make a mandatory general offer for all the issued shares of the Company not already owned or agreed to be acquired by China Times and persons acting in concert with it under Rule 26.1 of the Takeovers Code unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

China Times made an application to the Executive on 14 October 2011 for the granting of the Whitewash Waiver. The Whitewash Waiver, if granted, would be subject to the approval of the Independent Shareholders. China Times, its associates, persons acting in concert with it and any person involved or interested in the Acquisition and/or the Whitewash Waiver are required to abstain from voting on the relevant resolution to be proposed at the EGM to approve the Acquisition and the Whitewash Waiver.

As a result of China Times Completion and the allotment and issue of the China Times Consideration Shares and Conversion Shares (assuming conversion of the China Times Convertible Notes at the Conversion Price, but only to the extent that the Company will be able to maintain its minimum public float required under the Listing Rules), China Times and persons acting in concert with it will have a holding of more than 50% of the voting rights of the Company. Hence, China Times and persons acting in concert with it may increase their holding of voting rights in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer. However, any changes in the make-up of the group comprising China Times and persons acting in concert with it that effectively result in a new group being formed or the balance of the group being changed significantly, may trigger an obligation to make a general offer under Rule 26.1 of the Takeovers Code.

PROPOSED GRANT OF SPECIFIC MANDATE

Under the Acquisition Agreement, the China Times Consideration will be satisfied by the issue of the China Times Consideration Shares and the China Times Convertible Notes by the Company to China Times (or its nominee), and the Cinda Consideration will be satisfied by the issue of the Cinda Consideration Shares by the Company to Cinda (or its nominee). The China Times Consideration Shares, the Cinda Consideration Shares, the China Times Convertible Notes and the Conversion Shares to be issued upon conversion of the China Times Convertible Notes will be allotted and issued under the Specific Mandate proposed to be obtained at the EGM. The China Times Consideration Shares, the Cinda Consideration Shares and the Conversion Shares, when issued, will rank equally among themselves and pari passu in all respects with the Ordinary Shares then in issue, including as to the right to any dividend declared on or after the respective dates of their allotment and issue.

CONTINUING CONNECTED TRANSACTIONS

It was announced on 23 December 2011 that the Company entered into the Non-Exempt Continuing Connected Transaction Agreements and the Exempt Continuing Connected Transaction Agreements with the Parent Company, its associates or Daye Labour (as the case may be).

Each of the Non-Exempt Continuing Connected Transaction Agreements is conditional upon China Times Completion taking place and all applicable legal and regulatory requirements (including those under the Listing Rules) having been complied with. An ordinary resolution will be proposed at the EGM for the approval by the Independent Shareholders of the Non-Exempt Continuing Connected Transaction Agreements and the transactions to be carried out pursuant thereto (including the Annual Caps).

Further information on the Non-Exempt Continuing Connected Transactions and the Exempt Continuing Connected Transactions is set out in the section headed "Continuing Connected Transactions" in this circular.

EGM

Your attention is hereby drawn to pages EGM-1 to EGM-2 of this circular where you will find a notice of the EGM to be held at Harbour View Ballroom III, Level 4, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Monday, 16 January 2012, at 10:00 a.m.. At the EGM, resolutions will be proposed to approve, among other things: (1) the Acquisition; (2) the Whitewash Waiver; (3) the proposed grant of the Specific Mandate; and (4) the Non-Exempt Continuing Connected Transactions (including the Annual Caps).

China Times, its associates, persons acting in concert with it and any person who is involved or interested in the Acquisition and/or the Whitewash Waiver will abstain from voting on the resolutions for the approval of the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps) to be proposed at the EGM.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

FINANCIAL ADVISER AND SPONSOR

J.P. Morgan has been appointed as the financial adviser to the Company in relation to the Acquisition and the sponsor to the new listing application of the Company.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Wang Qihong, Mr. Wang Guoqi and Mr. Qiu Guanzhou, being all the independent non-executive Directors, have been formed to advise the Independent Shareholders in relation to the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps).

INDEPENDENT FINANCIAL ADVISER

Platinum Securities has been appointed as Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps).

RESPONSIBILITY STATEMENTS

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group and the Target Group.

The Directors collectively and individually accept full responsibility for this circular (other than the information in relation to the Parent Group, the holding company of the Parent Company and the subsidiaries of such holding company, Cinda, Huarong and the Target Group contained in this circular) and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this circular (other than the information in relation to the Parent Group, the holding company of the Parent Company and the subsidiaries of such holding Company, Cinda, Huarong and the Target Group) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The directors of the Parent Company collectively and individually accept full responsibility for this circular with respect to the information in relation to the Parent Group, the holding company of the Parent Company and the subsidiaries of such holding company, Cinda, Huarong and the Target Group contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this circular in relation to the Parent Group, the holding company of the Parent Company and the subsidiaries of such holding company, Cinda, Huarong and the Target Group is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATIONS

The Independent Board Committee, having considered the terms of the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps) as well as the advice and recommendations of the Independent Financial Adviser set out in the section headed "Letter from the Independent Financial Adviser" in this circular, considers that (i) the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its shareholders as a whole; (ii) the Acquisition and the proposed grant of the Specific Mandate are on normal commercial terms; and (iii) the Non-Exempt Continuing Connected Transactions (including the Annual Caps) will be on normal commercial terms and in the usual and ordinary course of business of the Enlarged Group.

As such, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the ordinary resolutions in respect of the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps) to be proposed at the EGM. The "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser" are set out on pages 112 to 113 and pages 114 to 211 of this circular, respectively.

On the basis of the information set out in this circular, the Directors (including members of the Independent Board Committee) consider that the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors, therefore, recommend that the Shareholders vote in favour of the resolutions set out in the notice of EGM at the end of this circular.

FURTHER INFORMATION

Your attention is drawn to other sections of and appendices to this circular, which contain further information on the Target Group, the Enlarged Group and other information required to be disclosed under the Takeovers Code and the Listing Rules.

By order of the Board
China Daye Non-Ferrous Metals Mining Limited
Wan Bi Qi
Chairman

中國大冶有色金屬礦業有限公司
China Daye Non-Ferrous Metals Mining Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00661)

To the Independent Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

(2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION

(3) APPLICATION FOR WHITEWASH WAIVER

(4) PROPOSED GRANT OF SPECIFIC MANDATE

AND

(5) CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 29 December 2011 issued by the Company, of which this letter forms part (the "**Circular**"). Unless otherwise specified, capitalised terms defined in the Circular shall have the same meanings when used herein.

The Independent Board Committee has been formed to advise you in respect of the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps), details of which are set out in the Letter from the Board contained in the Circular. Platinum Securities has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. The text of the letter of advice from the Independent Financial Adviser containing their recommendation and the principal factors they have taken into account in arriving at their recommendation are set out on pages 114 to 211 of the Circular.

Having considered the terms of the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps) as well as the advice and recommendations of Platinum Securities set out in its letter of advice, we consider that (i) the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its shareholders as a whole; (ii) the Acquisition and the proposed grant of the Specific Mandate are on normal commercial terms; and (iii) the Non-Exempt Continuing Connected Transactions (including the Annual Caps) will be on normal commercial terms and in the usual and ordinary course of business of the Enlarged Group. On this basis, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions in respect of the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps) to be proposed at the EGM.

Yours faithfully,
for an on behalf of
the Independent Board Committee
China Daye Non-Ferrous Metals Mining Limited
Wang Qihong
Wang Guoqi
Qiu Guanzhou
Independent non-executive Directors

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.

PLATINUM Securities Company Limited

22/F Standard Chartered Bank Building
4 Des Voeux Road Central
Hong Kong
Telephone (852) 2841 7000
Facsimile (852) 2522 2700
Website www.platinum-asia.com

29 December 2011

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION (2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION (3) APPLICATION FOR WHITEWASH WAIVER (4) PROPOSED GRANT OF SPECIFIC MANDATE AND (5) CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to the announcement of the Company dated 1 February 2011 (the "Announcement"). On 29 December 2011, the Company dispatched a circular (the "Circular") in relation to the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions, of which this letter forms part. Details of the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions are contained in the section headed "Letter from the Board" in this circular and the appendices in this circular, which you should read carefully.

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether: (i) the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its shareholders as a whole; (ii) the Acquisition and the proposed grant of the Specific Mandate are on normal commercial terms; and (iii) the Non-Exempt Continuing Connected Transactions (including the Annual Caps) will be on normal commercial terms and in the usual and ordinary course of business of the Enlarged Group. Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

We are independent from and are not connected with the Company or any other party to the Acquisition and the Non-Exempt Continuing Connected Transactions or any of their respective associates, connected persons or parties acting in concert with any of them and accordingly, are considered eligible to give independent advice to the Independent Board Committee.

We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps). Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Acquisition and the Non-Exempt Continuing Connected Transactions or any of their respective associates, connected persons or parties acting in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied to us by the Company. We have reviewed, among other things: i) the Acquisition Agreement; ii) the Competent Person's Report on the Four Mines; iii) the Valuation report on the mining assets of the Target Group; iv) the Valuation report on the net assets value of the Target Group (the "Net Asset Valuation Report"); v) the annual reports and audited consolidated financial statements of the Company for the two financial years ended 31 December 2010 and the audited interim financial reports of the Company for the six months ended 30 June 2011; vi) the financial information of the Target Group for the three financial years ended 31 December 2010 and for the six months ended 30 June 2011; vii) the unaudited pro forma financial statements of the Enlarged Group; viii) the Sales Framework Agreement; ix) the Services Framework Agreement; x) the Purchase and Production Services Framework Agreement; xi) Hubei Gold Purchase Framework Agreement; xii) the Daye Transportation Purchase Framework Agreement; xiii) the Combined Ancillary Services Framework Agreement; and xiv) the Tonghua Hotel Services Framework Agreement.

We have also discussed with management of the Company about their plans and the business prospects of the Group.

We have assumed that all information, facts, opinions and representations provided and expressed by the Directors and management of the Company, contained in this circular are true, complete, accurate and valid at the time they were made and given and continue to be true and valid as at the Latest Practicable Date in all material respects and we have relied on the same. We will notify Shareholders of any material changes as soon as possible. The Directors have confirmed that they take full responsibility for the contents of this circular, other than those in relation to the Parent Group, the holding company of the Parent Company and the subsidiaries of such holding company, Cinda, Huarong and the Target Group have made all reasonable inquiries that no material facts have been omitted from the information supplied to us. According to Appendix X-1 in this circular, the directors of the Parent Company jointly and severally accept full responsibility for the accuracy of the information in relation to the Parent Group, the holding company of the Parent Company and the subsidiaries of such holding company, Cinda, Huarong and the Target Group contained in this circular, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement contained in this circular misleading.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in this circular and of the information and representations provided to us by the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Company and/or the Directors which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions.

The Independent Board Committee comprising Mr. Wang Qihong, Mr. Wang Guoqi and Mr. Qiu Guanzhou, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps). We, Platinum Securities Company Limited, with the approval of the Independent Board Committee, have been appointed by the Board on 30 May 2011 to advise the Independent Board Committee and the Independent Shareholders in this regard.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have considered the following principal factors and reasons:

I. The Acquisition

1. Information on the Group

1.1 Business overview of the Group

The Company is the first state-owned enterprise in Hubei Province to achieve a listing status on the Main Board of the Stock Exchange. It serves as a platform for the Parent Company to tap the international capital market. The Group specializes in the exploration and development of non-ferrous mines. As at the Latest Practicable Date, the Parent Company holds 20.80% stake in the Company.

The Group currently owns five copper, molybdenum and wolfram mines, which are respectively located in the Republic of Mongolia and the Xinjiang Uyghur Autonomous Region.

1.2 Business strategy of the Group

The Group has always sought to expand its reach into sectors with growth potential. In view of today's demands for more natural resources as a result of industrialisation and urbanisation in the PRC and around the globe, the Group has set a new course to proactively and prudently deploy a host of targeted business strategies. Since 2007, the Group has actively expanded the Group's operations to include natural mineral resources investment and development. The Group has also acquired a number of non-ferrous metals mines in Uluqat County, Xinjiang Uygnur Autonomous Region, along with various non-ferrous metals mines in the Republic of Mongolia. Through the dedicated efforts of the management of the Company, natural mineral resources investment and development have become a core business, laying a solid foundation for the Group's long-term development.

The management of the Company believes that the leadership role of Daye Metal will help the Group upgrade its ore exploration, mining and operational management capabilities. In addition, it will also help create key synergies with various parties and is an ideal match with Daye Metal's development strategy.

According to the management of the Company, the Group is confident in capturing new opportunities that exist amidst the huge potential growth of the natural resources industry. The Group will actively explore these opportunities to expand the Group's business development and position the Group to become a leading metal resources listed company with abundant natural resource reserves, advanced production facilities and outstanding financial performance.

1.3 Prospect of the Group

To further enhance the Group's business and provide satisfactory returns to its investors, the Group will take full advantage of the support in respect of management, talents, resources and technology provided by the Parent Group. The development plan of the Group for the coming three to five years is to: i) increase the Group's operating income by developing the international trading business; ii) speed up development and construction of current resources project to become a stream of profit growth of the Group; and iii) identify potential non-ferrous metal resources and increase the Group's resources reserves.

1.4 Financial results and position of the Group

Table 1 below is the summary of the annual results of the Group for the two financial years ended 31 December 2010 and the interim results of the Group for the six months ended 30 June 2011.

Table 1 – Key financials of the Group

	1 May 2009 to 31 December 2009	**1 January 2010 to 31 December 2010**	**Six months ended 30 June 2011**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	1,672	954,314	50,283
Loss attributable to Shareholders for the year/period	(91,168)	(23,073)	(21,723)
Loss per Share attributable to Shareholders for the year/period	(1.76) cents	(0.41) cents	(0.39) cents
Total Assets	2,518,909	2,656,360	2,643,336
Total Liabilities	552,071	647,661	657,525
NAV	1,966,838	2,008,699	1,985,811
NAV attributable to Shareholders for the year/period	1,094,809	1,098,352	1,077,643

Note: The Group has changed the financial year from the year ended 30 April to 31 December in 2009.

Source: 2010 annual report and 2011 interim report of the Company

2. Information on the Target Group

2.1 The Target Company

The Target Company is an investment holding company which was established by China Times for the purpose of holding its investment in Daye Hong Kong. As at the Latest Practicable Date, the Target Company was owned as to 93.18% by China Times and 6.82% by Cinda HK.

2.2 Daye Hong Kong

Daye Hong Kong is a wholly-owned subsidiary of the Target Company. Daye Hong Kong is an investment holding company which was established for the purpose of holding its investment in Daye Metal.

2.3 Daye Metal

Daye Metal was incorporated in the PRC with limited liability in March 2005. At the time of its incorporation, the Parent Company contributed approximately RMB1.2 billion to the registered capital of Daye Metal. On 21 January 2011, the Parent Company acquired a 1.94% equity interest in Daye Metal from Hubei SASAC at no consideration. In January 2011, the Parent Company acquired a 41.30% equity interest in Daye Metal from the Six Original Daye Shareholders at an aggregate consideration of RMB1,607,463,679.45. As at the Latest Practicable Date, Daye Metal was owned as to 95.35% by Daye Hong Kong and 4.65% by Huarong.

2.4 Business overview

According to the Antaike Report, Daye Metal was the fifth largest producer of copper cathodes in the PRC by production volume, accounting for approximately 6.7% of the total production of copper cathodes in the PRC in 2010. The major products of the Target Group include copper cathodes, gold, silver and sulphuric acid (which is a by-product derived from the smelting process of copper ore and concentrate). The Target Group sells both copper cathodes, gold and silver produced by itself as well as those sourced by it from third party suppliers or the Parent Group for on-sale to its customers.

The Target Group holds the Mining Licences to the Four Mines, all of which are located in the Hubei Province of the PRC. The primary mineral deposit at the Four Mines is copper, with associated deposits of gold and silver. The Target Group also owns and operates on-site processing facilities at each of the Four Mines to carry out crushing, screening and milling of copper ore, namely, the Smelting Plant, which undertakes the smelting of copper concentrate and production of sulphuric acid, the Precious Metal Plant, which extracts gold and silver from anode slime, and the R&D Centre. The Target Group is one of the few copper producers in the PRC that has a vertically integrated operation which extends from the exploration, mining and processing of copper ore to the smelting of copper concentrate and the production of copper cathodes and other precious metals such as gold and silver.

The supply of copper ore from the Four Mines is currently not sufficient to meet the requirements of the Target Group for its downstream copper cathode production. In addition to the supply from the Four Mines, the Target Group also sources a significant portion of copper concentrates from external suppliers and the Parent Group. The Target Group produced, in aggregate, approximately 20,930 tonnes and approximately 9,800 tonnes of copper concentrates from the copper ore mined from the Four Mines in the year ended 31 December 2010 and the six months ended 30 June 2011, respectively, which accounted for approximately 13.41% and 13.10% of the copper concentrates used by the Target Group for its copper cathode production in those periods, respectively, with the remainder being sourced from external suppliers and the Parent Group. The Target Group produced approximately 308,100 tonnes and approximately 167,000 tonnes of copper cathodes in the year ended 31 December 2010 and the six months ended 30 June 2011, respectively.

As production of copper cathodes and other major products by the Target Group is dependent on a stable supply of, among other raw materials, copper concentrates, if there is any shortage in the supply or any fluctuation in the price of copper concentrates, the Target Group's results of operations, financial condition and growth prospects may be materially and adversely affected. Please refer to the section headed "Risk Factors – Risks related to the business of the Enlarged Group – Fluctuations in price and supply of raw materials could negatively impact our business and financial conditions" in this circular for further information.

The summary financial information of the Target Group for the Track Record Period below in Table 2 is extracted from Appendix I in this circular.

Table 2 – Key financials of the Target Group

	Year ended 31 December			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
	(audited)	*(audited)*	*(audited)*	*(audited)*
Revenue *(RMB million)*	14,867	18,485	26,020	13,672
Gross profit *(RMB million)*	349	877	833	539
Gross profit margin *(%) (unaudited)*	2.4	4.7	3.2	3.9
Net (loss)/profit attributable to the owners of the Target Company *(RMB million)*	(95)	61	128	94
Net asset value attributable to the owners of the Target Company *(RMB million)*	1,605	1,911	2,225	3,553

Source: Circular

Table 3 below sets out the breakdown of the total revenue of the Target Group by product for the Track Record Period:

Table 3 – Revenue of the Target Group by product for the Track Record Period

	Year ended 31 December						Six months ended 30 June	
	2008		2009		2010		2011	
	(RMB million)	*(% of total revenue)*	*(RMB million)*	*(% of total revenue)*	*(RMB million)*	*(% of total revenue)*	*(RMB million)*	*(% of total revenue)*
Metals								
Copper cathodes	10,939	73.6	13,220	71.5	20,066	77.1	10,445	76.4
Gold	1,058	7.1	3,372	18.2	2,100	8.1	1,414	10.3
Silver	867	5.8	756	4.1	1,219	4.7	947	6.9
Total for metals:	12,864	86.5	17,348	93.8	23,385	89.9	12,806	93.6
Chemical products								
Sulphuric acid	502	3.4	61	0.3	163	0.6	114	0.8
Total for chemical products:	502	3.4	61	0.3	163	0.6	114	0.8
Other products and services *(Note)*	1,501	10.1	1,076	5.9	2,472	9.5	752	5.6
Total revenue:	14,867	100	18,485	100	26,020	100	13,672	100

Source: Circular

Note:

Revenue from other products and services includes revenue derived from processing of copper concentrate into copper cathodes, and sales of other products such as iron concentrate, and other products containing copper, gold and silver.

Sales of copper cathodes accounted for approximately 73.6%, 71.5%, 77.1% and 76.4% of the total revenue of the Target Group for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively. Approximately 95.5%, 60.1%, 55.6% and 68.5% of the revenue from the sales of copper cathodes for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively, was derived from the sales of copper cathodes produced by the Target Group, while the remainder was derived from the sales of copper cathodes sourced by the Target Group from third party suppliers and the Parent Group for on-sale to its customers. The Target Group also provides copper processing services including the processing of copper concentrates into copper cathodes, but such processing services accounted for less than 1% of the total revenue of the Target Group over the Track Record Period.

Sales of gold, silver and sulphuric acid, together, accounted for approximately 16.3%, 22.6%, 13.4% and 18.0% of the total revenue of the Target Group for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively. Approximately 100%, 47.7%, 84.7% and 74.8% of the revenue from the sales of gold and silver for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively, was derived from the sales of gold and silver produced by the Target Group, while the remainder was derived from the sales of gold and silver sourced by the Target Group from third party suppliers for on-sale to its customers. The Target Group also sells a small amount of iron concentrate (which is derived from iron ore deposits associated with the copper ore deposits at the Tonglvshan Mine) and other metals recovered during the smelting and refining process of copper concentrate, such as platinum, palladium, and molybdenum. The Target Group sells all of the copper cathodes, gold and silver it produces as well as the copper cathodes it processes for its customers under its "Dajiang" brand.

2.5 Mines and processing facilities

The principal assets of the Target Group consist of the Four Mines, namely: i) Tonglvshan Mine; ii) Fengshan Mine; iii) Tongshankou Mine; and iv) Chimashan Mine; the Smelting Plant and the Precious Metal Plant (both of which are located not more than 90 km from the Four Mines).

Details are set out in the section headed "Business of the Target Group" in this circular.

3. Directors and senior management

The senior management team of the Enlarged Group is expected to be made up of existing senior management members of both the Group and the Target Group. The majority of the directors and senior management of the Enlarged Group will have more than 20 years of experience in the copper mining, smelting and refining industries in the PRC. The management team will also include mining and smelting experts and prominent members of the business and academic communities of the mining industry in the PRC. The Directors consider that the extensive experience and expertise of the senior management team will be an important factor in helping the Enlarged Group to maintain its competitiveness against the other leading copper cathode producers in the PRC.

As described in the section headed "Directors and Senior Management of the Group and Daye Metal – Directors and Senior Management of Daye Metal" in this circular, we note that: (i) 7 out of the 10 directors of Daye Metal have more than 20 years of experience in the mining industry; and (ii) 5 out of 6 of the senior management of Daye Metal have more than 20 years of experience in the mining industry or the non-ferrous metals industry. We are of the view that the existing directors and senior management of Daye Metal, as at the date of this circular, have extensive experience in the mining industry or the non-ferrous metals industry in the PRC.

The Parent Company and China Times have confirmed to the Company that it is their intention for the Group to continue its existing business after completion of the Acquisition. Other than the introduction of the business of the Target Group, the Parent Company and China Times have also confirmed to the Company that they do not intend to introduce any major change to the Group's business (including any re-deployment of the Group's fixed assets) nor do they intend to terminate the employment of any of the Group's employees after completion of the Acquisition.

The Company has been informed by the Parent Company and China Times that they may nominate new members to the Board after completion of the Acquisition, but no decision has been made as to the nominees or the timing of appointment as at the Latest Practicable Date. The Company will comply with the relevant requirements of the Listing Rules and the Takeovers Code if there is any change to the composition of the Board.

None of the Directors is a director of or holds any position in any member of the Parent Group. The senior management of the Company is also independent of the Parent Group since there is no overlap between the senior management of the Company and that of the Parent Group. The Directors expect that the business of the Enlarged Group will be managed independently of the Parent Company after completion of the Acquisition.

The Directors consider that the Enlarged Group will be capable of carrying on its business independently of the Parent Company on the basis of: (i) management independence; (ii) operational independence; and (iii) financial independence. For details, please refer to the section headed "Relationship with the Parent Company" in this circular.

The following sets out the biographical details of the Directors and senior management of the Company immediately following the completion of the Acquisition:

3.1 Directors

(a) Executive Directors

Mr. Wan Bi Qi, aged 46, is the Chairman and an executive Director of the Company. Mr. Wan was appointed as a Director of the Company in April 2009. Mr. Wan is primarily responsible for the overall strategies, planning and business development of the Group. Mr. Wan currently holds directorships in 6 subsidiaries of the Company and was a director of China Times from April 2009 to June 2011. He was previously the general manager of the investment banking division of Fortune Securities Co., Ltd. and of Wanlian Securities Co., Ltd. and the deputy general manager of Flying Pace Investment Limited in Hong Kong from 2002 to 2008. Mr. Wan was the assistant to the manager of the Parent Company and the financial controller of Daye Metal from November 2008 to June 2011. Mr. Wan possesses experience in mergers and acquisitions, reorganisation, financing through listing and financing for listed companies. He obtained a bachelor's degree in science (exploration engineering) from Central South University (formerly Central South Industrial University) in 1987, a master's degree in philosophy and a doctorate degree in economics from Wuhan University in 1992 and 1998, respectively. Mr. Wan did not hold any directorship in any other listed public companies in the last three years.

Mr. Chen Xiang, aged 42, is the Chief Executive Officer and an executive Director of the Company. Mr. Chen was appointed as a Director of the Company in April 2009. Mr. Chen currently holds directorships in 10 subsidiaries of the Company. Mr. Chen is responsible for major investments and fund raisings, mergers and acquisitions, contract management, dispute management as well as providing legal advice with respect to material operating decisions of the Group's senior management. Mr. Chen obtained a qualified PRC lawyer certificate from the Ministry of Justice of the PRC in August 1996 and he obtained a mid-level economist certificate in business administration from the Ministry of Human Resources and Social Security (formerly the Ministry of Personnel) of the PRC in November 2004. Prior to joining the Company, he was a deputy director of the legal department of the Parent Company and secretary to the board of directors of Daye Metal from November 2006 to December 2009. Mr. Chen has experience in corporate management, investment and legal affairs. Mr. Chen obtained a master's degree in law from Wuhan University in 2003. Mr. Chen also obtained a corporation lawyer's licence from the Ministry of Justice of the PRC in September 2004. Mr. Chen did not hold any directorship in any other listed public companies in the last three years.

Ms. Yuan Ping, aged 42, is an executive Director of the Company. Ms. Yuan was appointed as a Director of the Company in April 2009. Ms. Yuan currently holds directorships in 7 subsidiaries of the Company. Ms. Yuan is responsible for the general corporate and accounting affairs of the Group. Prior to joining the Company, Ms. Yuan was the chief financial officer of Changzhou Dajiang Copper Industry Co., Ltd., a subsidiary of the Parent Company, from 2006 to 2008, and deputy officer of the finance department of the Parent Company from January 2009 to May 2009. Ms. Yuan has 21 years of experience in financial management and investment. Ms. Yuan graduated in accounting from Zhongnan University of Economics and Law in 2004. Ms. Yuan obtained a qualified accountant certificate from the Ministry of Finance of the PRC in May 1997. She did not hold any directorship in any other listed public companies in the last three years.

(b) Independent Non-executive Directors

Mr. Wang Qihong, aged 59, is an independent non-executive Director of the Company. Mr. Wang was appointed as a Director of the Company in January 2006. Mr. Wang is experienced in the postal and telecommunications field in the PRC. Prior to joining the Company, Mr. Wang was a deputy manager of Town Khan Limited from 1992 to 2001. Mr. Wang graduated in foreign language from Liaoning University in the PRC in 1976. He did not hold any directorship in any listed public companies in the last three years.

Mr. Wang Guoqi, aged 51, is an independent non-executive Director of the Company. Mr. Wang was appointed as a Director of the Company in January 2006. Mr. Wang qualified as a certified accountant in the PRC accredited by the Ministry of Finance of the PRC in June 1997. Mr. Wang has extensive experience in accounting and finance in different industries. Currently, he is the managing partner of Hua-Ander Certified Public Accountants in the PRC. Mr. Wang obtained a bachelor's degree in financial accounting and a master's degree in economics from Renmin University of China in 1982 and 1985, respectively, and a doctorate degree in philosophy from the University of London in the United Kingdom in 1994. He did not hold any directorship in any listed public companies in the last three years.

Mr. Qiu Guanzhou, aged 62, is an independent non-executive Director of the Company. Mr. Qiu was appointed as a Director of the Company in May 2009. Mr. Qiu has gained extensive and practical experience during his term of service as an officer responsible for administration and technology on the front line of a copper smelting enterprise. Mr. Qiu has been focusing on the teaching of and scientific research on mining engineering in Central South University since 1987. Since 1990, he has acted as head of the Department of Mining Engineering and vice-president of Central South University. Mr. Qiu is a renowned expert, professor and supervisor of doctorate students in the field of mining engineering in China. He obtained his master's and doctorate degree of engineering from Central South University in 1982 and 1987, respectively. Mr. Qiu did not hold any directorship in any listed public companies in the last three years.

3.2 Senior management

Mr. Wang Da Zhao, aged 41, is the vice president of the Company. Mr. Wang joined the Company in October 2010. Mr. Wang is responsible for business development. Mr. Wang has experience in the finance industry in the PRC. Prior to joining the Company, Mr. Wang was the chief investment officer of an investment consulting firm and he has also served various positions at other companies and securities firms in the PRC. Mr. Wang graduated in international finance from Tianjin University of Finance and Economics in 1993, and obtained a master's degree in investment management from the Graduate School of Chinese Academy of Social Sciences in 1998. Mr. Wang did not hold any directorship in any other listed public companies in the past three years.

3.3 Non-competition

Each of the Directors has confirmed that he or she is not engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of the Enlarged Group.

4. Industry outlook

4.1 Copper industry in the PRC

Since 2000, the copper market in the PRC in general has experienced significant growth. The key drivers of this trend were the increasing level of urbanization and the continued industrial growth in China, which saw consumption more than quadruple from 1999 to 2009, adding nearly 5 million tonnes to global annual demand for copper. From 2000 to 2010, China's annual consumption and annual production of copper cathodes increased by approximately 263.6% and 233.9%, respectively. In comparison, the global annual consumption and annual production of copper cathodes increased by 22.2% and 25.5%, respectively during the same period.

The mid-south region, where the Target Group's mines and production facilities (including the Smelting Plant, the Precious Metal Plant and the Four Mines) are located, is close to two of the largest copper consumption regions in Eastern and Southern China. The mid-south region is also China's third largest copper cathode production base, accounting for approximately 10% of copper cathode production capacity in 2010.

4.2 Copper smelting industry in China

Over the past ten years, China's production of copper cathodes increased by an annual average of 12.8%, accounting for 85% of total growth in global refined production. China's refining capacity (which is equivalent to the ability to produce copper cathodes) is expected to continue to grow in the next five years, largely through capacity expansion at existing smelters, and in particular, by the leading copper cathode producers. According to the Antaike Report, the aggregate annual refining capacity of the top four copper cathode producers in terms of production volume in China amounted to 1.80 million tonnes by the end of 2006, which has increased to 2.86 million tonnes by the end of 2010, representing an increase of approximately 58.9%. Based on the rapid expansion in the refining capacity of these largest producers in the past five years, the expansion plan of other existing producers as well as the entry of new producers, in each case, taking into account their ramp up schedules, Antaike projects that the annual refining capacity in China will reach 9.28 million tonnes by 2015. However, China's production of copper cathodes will be dependent on the ability of smelters to secure raw materials (both scrap and concentrate), as growth in domestic production of concentrates and blister copper is expected to be slower.

Treatment charges ("TC") and refining charges ("RC", together with TC, "TC/RC") for copper concentrates, which are what copper smelters charge to smelt copper concentrates for the production of copper cathodes, have been low over the past 4 years as a result of a tight copper concentrates market. TC/RCs typically fall when the supply of copper concentrates falls or when operating smelting capacity increases, which has been the case in China for the past 4 years. For example, at their lowest levels, TC/RCs were at US$46.5 per tonne for TC and 4.65 US cents per pound for RC (which were equivalent to a combined 11.96 US cents per pound of copper processing costs) in 2010 which were just about the level of actual costs of production. China's non-integrated copper smelters (who do not operate their own mines) suffer from low profit margins and profitability from downstream processing such as smelting when TC/RCs are low. Nevertheless, with relatively high price for sulphuric acid, being a by-product produced in the course of copper cathode production, these copper smelters were able to apply the profit from sales of sulphuric acid to compensate for the lower TC/RCs.

Since the second half of 2010, however, TC/RC spot rates have been moving upwards, driven by increase in consumption demand in different end markets and more aggressive negotiations between copper concentrate producers and copper smelters. Increasing concentration of the copper smelting industry in China helps smelters to gain more negotiation power. In addition, the earthquake in Japan in March 2011 has caused and may in the short term continue to cause disruption to the production of Japanese copper smelters due to power shortage and other factors, which may lead to an increase in demand for the smelters operating in China. Going forward in 2012 and 2013, the supply deficit of copper concentrate is likely to continue to increase as the growth in demand for copper concentrate continues to outpace the increase in supply as a result of the rapid expansion of the smelting capacity (which is equivalent to the ability to process copper concentrates). China experienced a supply deficit in copper concentrates during the period from 2008 to 2010 where domestic supply fell short of domestic demand by 1.53 million tonnes, 1.73 million tonnes, and 1.54 million tonnes, respectively. Antaike forecasts that such trend will continue in the near term, which will create downward pressure on TC/RC.

4.3 Copper pricing and exchanges

As in the case of all commodities, the price of copper cathodes is primarily affected by the balance between supply and demand (production consumption) of copper cathodes, as well as existing inventory levels. To a lesser degree (though their significance has increased in recent years), the price of copper cathodes is also affected by the demand of financial investors and metal exchanges.

The international benchmark price for copper is the price at which copper cathodes are traded on LME, quoted in terms of US$ per tonne. The two other main exchanges where copper cathode is traded are the CME Group Inc.'s Comex and SHFE.

SHFE is the only futures exchange in the PRC which trades copper futures. Domestic prices of copper cathode typically follow international trends but copper cathodes are often traded at a premium (or discount) to LME price, plus import duties and taxes, depending on the level of supply of copper cathodes in the local market.

Prices of copper cathodes have experienced significant fluctuations in the past. Similar to other commodities, the period from 2005 to 2007 witnessed the most substantial increase in prices of copper cathodes since the late 1980s. The increase in price over this period was primarily driven by the emergence of China as a major consumer of copper cathodes and Chinese domestic demand between 2003 and 2008.

In China, the prices of copper cathodes reached the highest point of RMB85,550 per tonne in May 2006, roughly in line with prices in the international markets. The global financial crisis which began in 2008 caused prices of copper cathodes to fall sharply after the peak throughout 2008 until the first quarter of 2009. Since then, prices of copper cathodes have recovered strongly. The average 3-month forward SHFE price rebounded from RMB41,389 per tonne in 2009 to RMB59,296 per tonne in 2010, representing an increase of 43%. On LME, the average 3-month forward rebounded from US$5,171 per tonne in 2009 to US$7,550 per tonne in 2010, representing an increase of 46.01%, according to the Antaike Report.

Prices of copper cathodes in China have averaged RMB67,711 per tonne on SHFE during January to October in 2011, representing an increase of 16.9% compared to the same period last year. The introduction of the copper exchange traded fund at the end of 2010 further strengthened copper's financial attributes, and the implementation of relaxed monetary policies also provides additional support for copper prices around the globe. On the other hand, the potential negative impact that the European Union debt crisis may have on the world economy and other economic uncertainties may exert downward pressure on the price of copper cathodes.

5. Reasons for and benefits of the Acquisition

The Group is principally engaged in corporate investment and trading in securities, mineral exploitation and trading in non-ferrous metals.

In light of the gradual recovery of the global economy, the Board expects that there will be increasing demand for mineral resources. The Board considers that this is the right opportunity for the Group to further invest in the development and expansion of its copper mining business. One of the development objectives of the Group is to increase its reserve of non-ferrous metal resources. In this connection, the Company has identified the Target Group as an appropriate acquisition target and considers that the Acquisition would allow the Group to significantly increase its copper reserve and expand its copper business. The Directors consider that the Acquisition is an opportune investment for the Group and expect that the Acquisition will present the Group with favourable long term prospects.

In addition, the Directors believe that the principal strengths of the Enlarged Group will include: i) the Enlarged Group will have a significant portfolio of high-grade copper reserves and resources and associated metals; ii) the Enlarged Group will be one of the largest producers of copper cathodes in the PRC by production volume; iii) the Enlarged Group will be one of the few copper producers in the PRC to have a vertically integrated operation; iv) the Enlarged Group will benefit from the favourable locations of its mines and production facilities; v) the Enlarged Group will benefit from the continued growth in the copper cathode market in the PRC, which has been one of the high-grown copper markets in the world; vi) the Enlarged Group will have strong research and development capabilities; and vii) the Enlarged Group will have an experienced management team with extensive industry expertise.

Details of the principal strengths of the Enlarged Group are set out in the section headed "Letter from the Board" in this circular.

6. Principal terms of the Acquisition Agreement

6.1 The Acquisition Agreement

Date: 23 January 2011 (and 31 January 2011 and 23 December 2011, being the dates of the First Supplemental Agreement and the Second Supplemental Agreement, respectively)

Parties:

(a) the Company (as purchaser of the Sale Shares);

(b) China Times, Cinda and Huarong (as sellers of the China Times Sale Shares, Cinda Sale Shares and Huarong Sale Shares, respectively, and covenantors in respect of the Parent Company Reorganisation, Cinda Reorganisation and Huarong Reorganisation (as the case may be)); and

(c) the Parent Company (as covenantor in respect of the Parent Company Reorganisation and guarantor of the performance by China Times of its obligations).

As at the Latest Practicable Date, China Times, a wholly-owned subsidiary of the Parent Company, was interested in 1,163,236,988 Ordinary Shares, representing approximately 20.80% of the total Ordinary Shares in issue and 5,495 Preference Shares, representing approximately 33.33% of the total Preference Shares in issue. Each of China Times and the Parent Company is, therefore, a substantial shareholder of the Company. On 25 November 2009, China Times' holding of Ordinary Shares fell below 30% as a result of a placing of Ordinary Shares by the Company to Independent Third Parties and hence, it ceased to be a controlling shareholder of the Company within the meaning of the Listing Rules. China Times was wholly-owned by Wang Jian Sheng, who is independent of China Times and the Parent Company, before the Parent Company acquired 49.89% of the then issued share capital of China Times in April 2009. As at the Latest Practicable Date, Wang Jian Sheng held 10,990 Preference Shares. In December 2009, the Parent Company acquired the remaining 50.11% interest in China Times from Wang Jian Sheng, at which point China Times became wholly-owned by the Parent Company.

Cinda, Huarong and their respective ultimate beneficial owners are independent of the Company and its connected persons.

The Parent Company is a state-owned conglomerate in China whose principal business is copper mining and processing. It owns, through the Target Group, one of the five largest raw material production bases of copper in the PRC. It has a fully integrated operation which enables it to undertake the different stages of copper production from mining, processing, smelting and plating, research and development, design to sales and trading. It also produces precious metals such as platinum, molybdenum, selenium, lead, nickel and bismuth.

China Times is an investment holding company.

Cinda and Huarong are both asset management companies wholly-owned by the Ministry of Finance of the PRC. Cinda is principally engaged in the acquisition and management of non-performing assets of financial and non-financial institutions, bankruptcy management, foreign investment, provision of investment and risk management consultancy services and asset valuation. Huarong is principally engaged in the acquisition, disposal and management of non-performing banking assets, debt and corporate restructuring, underwriting, debt issue and asset valuation.

Assets to be acquired by the Company

The Sale Shares.

The Consideration

The China Times Consideration, the Cinda Consideration and the Huarong Consideration are RMB5,419,850,000 (or HK$6,403,717,094), RMB396,500,000 (or HK$468,476,771) and RMB283,650,000 (or HK$335,141,075), respectively (based on the exchange rate of HK$1: RMB0.84636).

The China Times Consideration will be satisfied as to RMB4,570,243,322 (or HK$5,399,881,046) by the allotment and issue of the China Times Consideration Shares at the Issue Price of HK$0.50 per Consideration Share and as to RMB849,606,678 (or HK$1,003,836,048) by the issue of the China Times Convertible Notes by the Company to China Times (or its nominee) at China Times Completion.

The Cinda Consideration will be satisfied by the allotment and issue of the Cinda Consideration Shares at the Issue Price of HK$0.50 per Consideration Share by the Company to Cinda (or its nominee) at Cinda Completion.

As Huarong Completion will not take place, the Huarong Consideration will not be payable.

The Consideration was determined after arm's length negotiations between the Company and the Vendors and was based on various factors, including:

(i) the audited net asset value of Daye Metal of RMB3.33 billion as at 31 December 2009 as shown in the audited consolidated financial statements of Daye Metal for the year ended 31 December 2009 prepared in accordance with the PRC Generally Accepted Accounting Principles;

(ii) the volume, quality and accessibility of the copper reserves and precious metals at the Tongshankou Mine, Chimashan Mine, Tonglvshan Mine and Fengshan Mine and the relative shortage of copper deposits and precious metals comparable in volume, quality and accessibility to the deposits at those mines in the PRC and hence, the potential earnings that may be derived from the deposits at those mines;

(iii) the growth prospects of the Target Group in light of the recent recovery in market demand for copper in the PRC and the upward trend of copper prices both in the PRC and on major international metal markets;

(iv) the enterprise value (being the sum of the claims of all the security-holders: debt-holders, preferred shareholders, minority shareholders, common equity holders of a company, less the value of certain excessive assets of such company, such as cash and investments) to copper resources ratios of each of Jiangxi Copper Company Limited, a company listed in Hong Kong, OZ Minerals Limited, a company listed in Australia, and Equinox Minerals Limited, a company then listed in Canada, all of which were companies primarily engaged in copper mining in a single country. Such ratio is calculated by dividing the enterprise value based on the latest market price and financial information available as at the Last Trading Day by the copper resources of the relevant comparable company. As at the Last Trading Day, the range of enterprise value to copper resources multiple of other comparable listed companies were approximately US$703 per tonne to US$1,666 per tonne with the average being US$1,122 per tonne. The Consideration is approximately valued at enterprise value to copper resources multiple of US$1,110 per tonne, based on the estimated copper resources of the mining assets of the Target Group and Daye Metal's management accounts for the year ended 31 December 2010, both of which were the best available information before signing of the Acquisition Agreement and have not been independently verified by the Company; and

(v) the fact that the Consideration will be satisfied by the allotment and issue of the Consideration Shares and the China Times Convertible Notes which will not involve any immediate cash outlay by the Company.

Consideration Shares

The China Times Consideration Shares and Cinda Consideration Shares to be allotted and issued by the Company represent, in aggregate: (i) approximately 209.91% of the total Ordinary Shares in issue as at the Latest Practicable Date; (ii) approximately 67.73% of the total Ordinary Shares in issue as enlarged by the allotment and issue of the China Times Consideration Shares and Cinda Consideration Shares (without taking into account any Conversion Shares which may be issued pursuant to the China Times Convertible Notes); and (iii) approximately 60.70% of the total Ordinary Shares in issue as enlarged by the allotment and issue of the China Times Consideration Shares, Cinda Consideration Shares and the Conversion Shares (assuming full conversion of the China Times Convertible Notes at the Conversion Price).

The China Times Consideration Shares and Cinda Consideration Shares will be allotted and issued under the Specific Mandate proposed to be obtained at the EGM. The China Times Consideration Shares and Cinda Consideration Shares will rank equally among themselves and pari passu in all respects with the Ordinary Shares in issue on the respective date of their allotment and issue.

China Times Convertible Notes

The following is a summary of the principal terms of the China Times Convertible Notes:

Maturity	:	The date falling on the fifth anniversary of the issue of the China Times Convertible Notes
Redemption	:	The Company shall redeem all outstanding China Times Convertible Notes in whole on the Maturity Date at the redemption amount equal to the outstanding principal amount under the China Times Convertible Notes
Interest	:	The outstanding principal amount under the China Times Convertible Notes will not bear any interest

Transferability	:	The China Times Convertible Notes may be transferred and assigned, in whole or in part, at any time before the Maturity Date, subject to the approval of the Stock Exchange (if required) and the consent of the Company
Conversion	:	Upon full conversion of the China Times Convertible Notes at the Conversion Price, an aggregate of 2,007,672,096 Conversion Shares will be issued by the Company (representing (i) approximately 35.91% of the total Ordinary Shares in issue as at the Latest Practicable Date; and (ii) approximately 10.38% of the total Ordinary Shares in issue as enlarged by the allotment and issue of the China Times Consideration Shares, the Cinda Consideration Shares and the Conversion Shares (assuming full conversion of the China Times Convertible Notes at the Conversion Price))
Conversion price	:	HK$0.50 per Conversion Share
Public float	:	The conversion rights of the China Times Convertible Notes shall not be exercised if, immediately following the conversion, the Company will be unable to meet the minimum public float requirement under the Listing Rules
Voting right	:	The China Times Convertible Notes do not carry any voting right

The China Times Convertible Notes and the Conversion Shares will be allotted and issued under the Specific Mandate proposed to be obtained at the EGM. The Conversion Shares, when issued, will rank equally among themselves and pari passu in all respects with the Ordinary Shares in issue on the date of the allotment and issue of the Conversion Shares.

Details of the conditions and completion of the Acquisition Agreement are set out in the section headed "Letter from the Board" in this circular.

We note that the conditions precedent set out in (c), (h), (l) and (m) to China Times Completion and condition precedent (d) to Cinda Completion may be waived by the Company as set out in the section headed "Letter from the Board" in this circular. We have discussed this issue with the management of the Company, while the aforesaid conditions are all material, we understand that the Company considers it appropriate to retain the right to waive any of those conditions as this allows the Company to retain the flexibility of choosing whether to proceed with completing the Acquisition in the event that any of those conditions is not fully complied with, and the management of the Company has indicated that the Company would only exercise such right, where such non-compliance does not give rise to any material concern and hence, does not present any material risk to the Company in any aspect. We also understand that the Directors are fully aware of their fiduciary duty to the Company to act in its best interests if any of those conditions to be waived at the Board's discretion. As such, we are of the view that the right of the Company to waive any of the conditions precedent (c), (h), (l) and (m) to China Times Completion or condition precedent (d) to Cinda Completion is reasonable and in the interests of the Company and its shareholders.

Detailed analysis of terms of the China Times Consideration Shares and Cinda Consideration Shares and the China Times Convertible Notes are set out in the sub-section headed "Analysis of the Issue Price of the China Times Consideration Shares and the Cinda Consideration Shares and the Conversion Price of the China Times Convertible Notes and the Conversion Shares" below.

6.2 Evaluation of the Consideration

6.2.1 Basis of the Consideration

Pursuant to the Acquisition Agreement, the Consideration excluding the Huarong Consideration of approximately RMB5,816,350,000 (or HK$6,872,193,865) was determined after arm's length negotiations between the Company and the Vendors and was based on the factors as set out under the paragraph headed "The Consideration" above.

6.2.2 Analysis of the Consideration

(i) Comparable companies analysis

In assessing whether the Consideration is fair and reasonable, we have first looked at the Target Group against a number of comparable companies by examining a number of methodologies as follows:

(a) price-to-earnings ratio ("P/E");

(b) enterprise value-to-sales ratio ("EV/S");

(c) price-to-net asset value ratio ("P/NAV");

(d) enterprise value-to-copper reserve ratio ("EV/Copper reserve ratio"); and

(e) enterprise value-to-copper resources ratio ("EV/Copper resources ratio").

Our selection criteria for each of the comparable companies are as follows:

(a) listed on the main board of the Stock Exchange;

(b) principally engaged in the copper mining industry in the PRC;

(c) have all of their mining assets located in the PRC; and

(d) have more than 300,000 tonnes probable copper reserves.

The criteria for having a minimum of 300,000 tonnes of probable copper reserves is based on the probable copper reserve of the Target Group (approximately 305,970 tonnes) as disclosed in Appendix V-A in this circular.

As such, in accordance with our selection criteria above, we have reviewed the following five comparable companies (the "Comparable Companies"), namely, Jiangxi Copper Company Limited ("Jiangxi Copper"), Zijin Mining Group Company Limited ("Zijin"), Minmetals Resources Limited ("Minmetals"), Xinjiang Xinxin Industrial Co., Ltd., ("Xinxin") and China Gold International Resources Corp. Ltd. ("China Gold"). The list of Comparable Companies is an exhaustive list of companies selected based on our above-mentioned selection criteria.

Table 4 – Comparable Companies analysis

Company Name	Stock code	P/E	EV/S	P/NAV	EV/ Copper reserve ratio (US$/ton)	EV/ Copper resources ratio (US$/ton)
		Note 1, 2	*Note 2, 9*	*Note 1, 2*	*Note 7, 9*	*Note 7, 9*
Jiangxi Copper	358	21.6	1.5	3.1	1,148	N/A
Zijin	2899	19.9	3.7	4.4	1,475	N/A
Minmetals	1208	4.9	0.8	4.2	2,707	820
Xinxin	3833	27.2	7.4	1.8	3,738	2,021
China Gold	2099	74.8	14.1	1.6	2,135	478
Average		29.7	5.5	3.0	2,241	1,106
Maximum		74.8	14.1	4.4	3,738	2,021
Minimum		4.9	0.8	1.6	1,148	478
The Target Group *(Note 3, 4, 5, 6, 8)*		47.7	0.4	2.7	5,707	1,870

Source: Circular, Stock Exchange, the respective companies' latest annual reports and Bloomberg

Exchange rates of HK$1.00=RMB0.84636 and US$1=HK$7.8 are applied in the analysis.

Note: 1) Stock price and market capitalisation information is extracted from Bloomberg, as at 21 January 2011; 2) financial information of the Comparable Companies is extracted from information in their respective latest annual reports; 3) market capitalisation of the Target Group refers to the Consideration of approximately RMB5.8 billion (equivalent to approximately HK$6.9 billion) on a 100% basis, i.e., RMB6.1 billion (or HK$7.2 billion); 4) attributable earnings of the Target Group refers to the audited net profit attributable to shareholders for the financial year ended 31 December 2010; 5) sales of the Target Group refers to the audited sales figures for the financial year ended 31 December 2010; 6) attributable NAV of the Target Group refers to the audited net asset value attributable to shareholders for the financial year ended 31 December 2010; 7) copper reserve and copper resources of Comparable Companies are extracted from respective company's latest annual report, the copper resources of Jiangxi Copper and Zijin are not available in its respective company's latest annual report; 8) copper reserve and copper resources of the Target Group is extracted from the ITR in Appendix V-A in this circular; and 9) EV of the Comparable Companies and the Target Group refers to the claims of all the security-holders: common equity holders (the Consideration), debt-holders, preferred shareholders, minority shareholders, less the value of cash of the Comparable Companies and the Target Group extracted from the financial analysis from Bloomberg, as at 21 January 2011 and the Appendix I in this circular respectively.

As shown in Table 4, (i) the P/E of the Comparable Companies ranged from approximately 4.9 to 74.8 ("P/E Range") with an average of approximately 29.7 ("P/E Average"); (ii) the EV/S of the Comparable Companies ranged from approximately 0.8 to 14.1 ("EV/S Range") with an average of approximately 5.5 ("EV/S Average"); (iii) the P/NAV of the Comparable Companies ranged from approximately 1.6 to 4.4 ("P/NAV Range") with an average of approximately 3.0 ("P/NAV Average"); (iv) the EV/Copper reserve ratio of the Comparable Companies ranged from approximately US$1,148 per ton to US$3,738 per ton ("EV/Copper reserve ratio Range") with an average of approximately US$2,241 per ton ("EV/Copper reserve ratio Average"); and (v) the EV/Copper resources ratio of the Comparable Companies ranged from approximately US$478 per ton to US$2,021 per ton ("EV/Copper resources ratio Range") with an average of approximately US$1,106 per ton ("EV/Copper resources ratio Average").

We note that: (i) the P/E of the Target Group of approximately 47.7 is above the P/E Average, nevertheless, it is within the P/E Range; (ii) the EV/S of the Target Group of approximately 0.4 is below the EV/S Average and below the EV/S Range; (iii) the P/NAV of the Target Group of approximately 2.7 is below the P/NAV Average and within the P/NAV Range; (iv) the EV/Copper reserve ratio of the Target Group of approximately US$5,707 per ton is above the EV/Copper reserve ratio Average and the EV/Copper reserve ratio Range; and (v) the EV/Copper resources ratio of the Target Group of approximately US$1,870 per ton is above the EV/Copper resources ratio Average, nevertheless, it is within the EV/Copper resources ratio Range.

Although the Comparable Companies may have differences including location of mines, mine life, metals, business models, risk associated with the type of mineralization and extraction, markets and customers as compared with the Target Group, we consider that the Comparable Companies, in general, serves as fair and representative samples for the purpose of comparison with the Target Group because: (i) the principal businesses and the locations of the mining assets of the Comparable Companies are similar to that of the Target Group, in that the Comparable Companies and the Target Group both encounter similar market conditions and exposures to government regulations; and (ii) the criteria for having a minimum of 300,000 tonnes of probable copper reserves is based on the probable copper reserve of the Target Group (approximately 305,970 tonnes) as disclosed in Appendix V-A in this circular. The analysis of the five ratios as shown in Table 4 is for reference purpose only and our assessment on the Consideration is largely based on the fairness and reasonableness of the assumptions, the bases and the methodology for the Net Asset Valuation Report as set out in the section below.

(ii) Chapter 18 valuation and market valuation of the Mineral Assets

The Company has appointed Runge, trading as Minarco-MineConsult ("MMC") of Hong Kong ("the Competent Person") to carry out an Independent Technical Review of the mineral resources and ore reserves of the Tongshankou Mine, Chimashan Mine, Tonglvshan Mine and Fengshan Mine ("the Mineral Assets").

We understand that MMC has conducted its review and preparation of the Independent Technical Review and Competent Person's Report "Hubei Polymetallic Projects, China" (the "ITR") dated 29 December 2011 in accordance with the requirements of Chapter 18 of the Listing Rules. The report is also in compliance with the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the "JORC Code") 2004 edition that is suitable for public reporting and meets the reporting standards of Chapter 18 of the Listing Rules and the "Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports" (the "VALMIN Code").

In accordance with Rule 18.09 (3) of the Listing Rules, a mineral company proposing to acquire or dispose of assets which are solely or mainly mineral or petroleum assets as part of a relevant notifiable transaction must produce a valuation report in the case of a major (or above) acquisition, which must form part of the relevant circular, on the mineral or petroleum assets being acquired as part of the relevant notifiable transaction. As such, the Company has appointed Jones Lang LaSalle Sallmanns Limited ("JLLS"or "Independent Valuer") as the competent evaluator to prepare an independent opinion on 95.35% of the fair market value of the Mineral Assets as at 1 October 2011 (the "Valuation Date"). The valuation has been carried out by JLLS in association with an independent competent specialist Global Resource and Infrastructure of Melbourne, Victoria and Robert G Adamson Consultants of Sydney, Australia.

We understand that the valuation report prepared by JLLS has been prepared in accordance with Chapter 18 of the Listing Rules and the guidelines set out in the VALMIN Code.

The valuation is carried out on a fair market value basis. Fair market value is defined as "the amount of money (or the cash equivalent of some other consideration) determined by the expert in accordance with the provisions of the VALMIN Code for which the mineral or petroleum asset or security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an arm's length transaction, with each party acting knowledgeably, prudently and without compulsion".

The valuation contains calculations and forecasts based substantially on data contained in the ITR dated 29 December 2011, prepared by MMC of Hong Kong, as well as those provided directly by the Company.

The fair market value of the 95.35% interest in the Mineral Assets is RMB2,800 million as at the Valuation Date.

We have reviewed and discussed with the Independent Valuer the methodology, the basis and the assumptions adopted for the valuation of the Mineral Assets. We understand that the Independent Valuer has considered three possible valuation approaches namely: i) the discounted cash flow ("DCF"); ii) comparable transactions; and iii) orderly realisation of assets in valuing the Mineral Assets. The Independent Valuer is of the view that the adoption of comparable transactions approach was not appropriate as it requried the valuer to look to transactions recently completed on an arm's length basis where the subject business is sufficiently similiar to that being valued. It was however, often difficult to find comparable assets and to obtain full details of such transactions as all relevant information may not be in the public domain. Also, they were not aware of any suitable comparable transactions. The adoption of orderly realisation of assets approach was also not appropriate in valuing operating assets where the Mineral Assets are reasonably expected to have operating lives extending over five to fifteen years and possibly more. As such, the Independent Valuer has adopted the DCF approach as the most appropriate method in valuing the Mineral Assets on a separate stand-alone operation in a view that the DCF technique is particularly appropriate for mineral properties having defined resources and is the usual approach to the valuation of operating mines and of mineral properties having defined mineral resources. In addition, the Mineral Assets are currently operating and well established mines that have been in continuous operation for periods of 30 to 50 years. The Independent Valuer considered that established and ongoing mining operations having long term mineral inventories are particulary suited to valuation on an income basis using DCF methodology.

The DCF methodology involves the calculation of the net present values by discounting expected future cash flows. Project cash flows are discounted to present values using discount rates that take into account the time value of money and risks associated with the cash flows. The DCF methodology is appropriate for assets such as mineral assets where reserves are depleted over time and where significant capital expenditures are required. It is the primary method of valuation in the mining industry.

The DCF valuation method is based on the premise that the value of a business is the net present value of its future cash flows. In the mining industry, this approach requires assessment of: i) mineral resources, ore reserves and potential resources; ii) the appropriate mining and processing methods to exploit and market those reserves; and iii) an analysis of future production, production costs, market prices, cash flows, capital requirements and capital costs for the life of the potential reserves.

Moreover, we have also discussed with the Independent Valuer regarding the major assumptions made, in particular, with respect to: a) ore reserves and mineral resources estimates; b) capital costs forecast; and c) discount rate in valuing the Mineral Assets.

a) Ore reserves and mineral resources estimates

As stated in Appendix VI in this circular, the Mineral Assets comprise principally their respective and entire mineral resource and ore reserve inventories where the critical assessment of these inventories and their availability to support mine management's five year production forecasts and extended production scenarios (as disclosed in the ITR) underpins the valuation.

To conduct the valuation, having regard to Rule 18.30 (3) of the Listing Rules that inferred resources are not considered in valuation, the Independent Valuer estimated the likely years of operation at the production rates as set out in the ITR based upon the present probable reserves together with estimates of nominally mineable material that under reasonable mining industry assumptions regarding technical and operational parameters are expected to arise from the remaining indicated resources. Such estimates are a tool used in the process of deriving income-based valuations in the mining industry. In this valuation, nominally mineable material estimated that is expected to develop from conversion of indicated resources is termed "notional ore". This is an informal term and the notional ore tonnages and grades considered in the valuation report have relevance only to this valuation. The ore reserves are a subset of resources and are estimated taking into account mine plans, mining losses and dilution and other factors, the estimation of notional ore is necessarily an approximation requiring elements of professional experience and judgement.

Approximately 33,595,000 tonnes of the current indicated resources (accounting for approximately 50%) were not classified as ore reserves as stated in the ITR pursuant to JORC valuation. The Independent Valuer compared the tonnage of probable ore relative to the tonnage of indicated resources for each mine. Except for Tonglvshan where the Independent Valuer considered that there is limited potential for further conversions since the reserve tonnage is approximately 77% of the indicated resource tonnage, the comparable tonnage percentages for the other three mines are rather less in which there is a high probability that additional ore reserves will in time arise from conversion of the current indicated resources under similar geology. The Independent Valuer assumed that up to 60% conversion from current indicated resources to reserve for each of the other three mines is a reasonable expectation and therefore, they derived the notional ore tonnages based on the difference between the existing probable reserves to indicated resources ratio (as a percentage) and 60%. Under this basis, the Independent Valuer estimated a total of approximately 11,645,000 tonnes (accounting for approximately 17% of the current indicated resources) of "notional ore" is potentially available from the current indicated resources.

In light of the above, we consider, the assumption that approximately 17% of the current indicated resource classified as "notional ore" as potentially available from the current indicated resources, is reasonable.

b) Capital cost forecasts

As stated in Appendix VI in this circular, capital costs used in the DCF model are those presented as project forecast capital expenditures set out in section 10 of the ITR. The capital cost forecasts (2011-2015 period) for each of the Mineral Assets, being one of the parameters in DCF model, have been provided by the Target Group and the Competent Person was unable to review these forecasts in detail.

The Independent Valuer has also assumed there will be capital expenditure requirements (sustaining capital) in the operating years beyond 2015 and have allowed continuing annual amounts that are a function of the lowest annual expenditure forecast by the Target Group in the 2011-2015 period.

As advised by the Independent Valuer, it is beyond the scope of the Independent Valuer's commission to carry out a full and complete technical and financial audit on the capital cost forecasts provided by the Target Group.

Nevertheless, we understand that the Independent Valuer's has examined the effect of variations in capital costs in the Independent Valuer's sensitivity analysis and has concluded that the valuation of the Mineral Assets was not materially affected.

We have discussed with the Competent Person, the Independent Valuer and the management of the Company regarding the major assumptions made in estimating the capital cost forecasts. We understand that the capital cost forecasts (2011-2015 period) for each of the Four Mines were estimated on a stand-alone basis where detailed breakdown of major expenditure items of each mine were disclosed in Appendix V-A in this circular.

For the Tonglvshan and Tongshankou projects, we note that majority of expenditures were related to expansion capital expenditures on new mine development and respective expansion of processing plant and tailing storage facility. The estimated capital expenditures were based on reference to the feasibility studies of the respective mine.

For the Fengshan and Chimashan projects, we note that the capital expenditures were related to planned capital development to maintain the production capacity at the existing mine.

As for capital cost forecasts beyond 2015, the Independent Valuer considered that there are no further expansion capacities for the Mineral Assets, as such, the capital costs for each of the Mineral Assets were all related to maintenance capital expenditures which were estimated based on the minimum capital expenditure requirements to sustain the operation of the Mineral Assets over their respective remaining mine lives and certain adjustments based on the professional judgment of the Independent Valuer.

In addition, we also understand that the Competent Person has performed a benchmark checking on the estimated capital costs of each of the Mineral Assets against the other mines in the PRC with similar capacity and concluded that the estimated capital costs for 2011-2015 period are reasonable

In light of the above, we consider that, the use of capital cost forecasts provided by the Target Group, being the best available information, and the major assumptions made to construct the DCF model in valuing the Mineral Assets, are reasonable.

c) Discount rate

As stated in Appendix VI in this circular, in selecting the appropriate discount rate to be applied, the Independent Valuer has taken into account a number of factors including the risk considered inherent in the operations, their knowledge of discount rates commonly applied in valuing mining projects using the DCF method and considerations of the current cost of finance.

The Independent Valuer has selected a discount rate of 10% for the Tonglvshan, Fengshan and Tongshankou projects as appropriate for the risks involved in these long established mature mining operations. The Chimashan project is a small -capacity and relatively high cost operation that is assumed to be within five years of closure. As such, it is the lowest margin of the Mineral Assets and the most sensitive to fluctuations in cash flow streams; therefore, variations in mining conditions or copper and gold prices could precipitate early closure. To compensate for the high level of operational risk inherent in Chimashan, a discount rate of 12% is applied in recognition of such risks.

Based on our discussion with the Independent Valuer, we note that a discount rate of 10% is commonly used in performing the valuation in the mining industry where the respective companies have long established mature mining operations. In addition, we also note that the Independent Valuer has taken into account certain macro-economic factors including interest rate, industry risk and country risk and capital structure of the Target Group, etc., in estimating the discount rate. The inflation rate has not been taken into account since the DCF was expressed in real terms.

We consider that the discount rates of 10% for Tonglvshan, Fengshan and Tongshankou are appropriate in light of: 1) the fact that these three mines are long-established and have prospective operating lives of 15 or more years; 2) the Independent Valuer's experience in the mining industry and in comparable listed companies in other jurisdictions; 3) the commonly used discount rate in performing the valuation in the mining industry where the respective companies have long established mature mining operations; and 4) the Independent Valuer's consideration of the relevant risk factors and other macro-economic factors. We also consider that a discount rate of 12% for Chimashan is considered appropriate in order to reflect the project's specific risks, due to it being of a much smaller mining scale and that it has a likely life of only five years (or less) based on the professional judgement of the Independent Valuer. As such, we consider that the use of 10% for Tonglvshan, Fengshan and Tongshankou and 12% for Chimashan is reasonable.

Given that the valuation approach is commonly adopted and the most appropriate method in valuing the Mineral Assets, and that the major assumptions made in connection with the valuation approach are appropriate and reasonable, we consider that the methodology, the basis and the assumptions made in the valuation of the Mineral Assets are fair and reasonable.

(iii) Valuation of the net assets value of the Target Group

As stated in the section headed "Letter from the Board" in this circular, the asset to be acquired by the Company is the China Times Sale Shares and Cinda Sale Shares of the Target Group, which owns 95.35% interest of Daye Metal.

The Target Group engages in mining, smelting, refining and processing of copper, precious metals, iron ore and sulphide. The Target Group owns four copper mines (i.e. the Mineral Assets as mentioned above), two plants, two branch companies, three subsidiary companies and one business department.

Pursuant to the Acquisition Agreement, China Times Completion is conditional upon the satisfaction of the two of the following condition precedents: i) the independent valuer having completed the valuation of the assets (including the mining assets and the properties) of the Target Group and the content and results of such valuation being satisfactory to the Company; and ii) the net asset value of the Target Group as shown in valuation report referred to (i) amounting to no less than RMB5.8 billion (being 95.35% of RMB6.1 billion since Huarong Completion will not take place), as such, the Company has appointed JLLS to prepare an independent opinion of the net assets value of the Target Group as at 30 September 2011 (the "Valuation Date").

The valuation was carried out with reference to a fair value basis. Fair value is defined as "the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction".

The valuation has been conducted with reference to the International Valuation Standards issued by the International Valuation Standards Committee.

The net assets value of the Target Group as at 30 September 2011 of approximately RMB6,150,000,000 is higher than the total consideration payable of RMB5,816,350,000. The consideration is at a discount of approximately 5% to the valuation under the Net Asset Valuation Report.

We note that one of the key assumptions that have been made by the Independent Valuer in determine the net assets value of the Target Group is that, for the purpose of calculating the net assets value of the Target Group, in valuing those properties without title document, the Independent Valuer has assumed that such properties will be occupied continuously by the Target Group for production use in foreseeable period. After discussions between us and the Independent Valuer, we understand the basis of making this assumption is that the Target Group has occupied 75% of such properties for over 6 years. In addition, we have discussed with the Company's PRC lawyer and understand that although the defects in the property titles may restrict such properties to be sold or transferred in the market, they do not prevent such properties to be occupied continuously by the Target Group for production use in foreseeable period and the Directors of the Target Group has confirmed that the Target Group will continuously occupy such properties for production use. As such, after taking into consideration that the Target Group has occupied 75% of such properties for over 6 years and that defects in property titles do not prevent the Target Group to continuously occupy such properties for production use from the PRC legal perspective, we are of the view that the assumption that such properties will be occupied continuously by the Target Group for production use in foreseeable period is fair and reasonable.

As disclosed in Appendix VII – Valuation Report on the overall assets of the Target Group in this circular, the net assets value of the Target Group as at 30 September 2011 was RMB6,150,000,000 while the unaudited net book value of the Target Group as at 30 September 2011 was RMB3,778,780,000.

We have reviewed and discussed with the Independent Valuer the valuation approach and the methodology adopted in valuing different class of assets and liabilities, in particular: 1) fixed assets (mainly include land and buildings); 2) inventories; and 3) intangible assets – mining rights where the book values and net assets values of these assets are different.

In terms of fixed assets (mainly include land and buildings), the book value of such assets was RMB4,423,784,000 while the net assets value was RMB4,724,706,000. We understand that the difference between the two values was mainly due to: i) the Parent Company injected certain parcels of land by way of capital contribution to Daye Metal in 2005, when the land price was much lower at that time; ii) the land transaction policy and the property market in China have changed dramatically since 2007, and ever since the price of land increased significantly which caused a great value increment of land parcels in their value; and iii) in valuing buildings using the depreciated replacement cost method, we note that since buildings in the mining industry are of specific nature and comparable transactions are not easily accessible in the open market, as such, the major assumptions made in valuing the buildings were based on references to the market rate of construction cost such as labour rates, material prices, equipment rental prices and finance costs deemed to replace the same building at the same location at the Valuation Date since most of the buildings of the Target Group were constructed before 1990's.

In terms of inventories, we understand that the book value of RMB3,445,341,000 is stated at the lower of cost and net realizable value. The net assets value of RMB3,973,091,000 was derived by multiplying the quantities of these inventories (as provided by Daye Metal) with their corresponding market prices at the Valuation Date or the date closest to the Valuation Date for which the relevant data is available. Since majority of the inventories related to copper cathodes and copper concentrates, the major assumptions made in valuing the inventories were based on the latest transaction price of the copper cathodes and copper concentrates at the Valuation Date or the date closest to the Valuation Date for which the relevant data is available, and such computation was based on the International Valuation Standards.

In terms of intangible assets – mining rights, we understand that the book value of RMB565,388,000, which includes the application fee, exploration costs and other related historical costs, is stated at cost less amortization and impairment. While the net assets value of RMB2,229,000,000 was valued through the application of an income approach technique known as the "Multi-Period Excess Earnings" method with reference to International Valuation Standard – 210 Intangible Assets Issued by the International Valuation Standards Committee. Under this method, based on the Competent Person Report provided by Runge, the Independent Valuer first calculated the estimated respective after-tax cash flows to Daye Metal as the results of owning the subject intangible assets. Respective contributory asset charges are then netted from the after-tax cash flows to arrive at the respective residual after-tax cash flows. These respective benefits are capitalized at a respective discount rate which reflects all business risks including intrinsic and extrinsic uncertainties in relation to the subject intangible assets. The valuation of Mineral Assets as stated in section 6.2.2(ii) above does not include the valuation of mining rights because the valuation of mining rights differs from the valuation report on the Mineral Assets since they are valuing different things, thereby requiring different methods. The mining rights are valued as an intangible asset, and so have been calculated using the Multi-Period Excess Earnings method; this is the value of the rights to mine the mineral resources. Whereas the Mineral Assets valued in the valuation report are valued as an on-going business concern, and so have been calculated using the DCF method; this is the value of the mines themselves.

As opposed to "Mining Rights", "Mineral Assets" are defined according to the VALMIN Code as: "all property including but not limited to real property, intellectual property, mining and exploration tenements held or acquired in connection with the exploration of, the development of, and production from those tenements together with all plant, equipment, and infrastructure owned or acquired for the development, extraction, and processing of minerals in connection with those tenements."

Given the valuation approach is commonly adopted and well recognized methodology in valuing the net assets value of the Target Group, and the major assumptions made in connection with the valuation approach are reasonable, we are of the view that the basis and assumptions, the valuation approach and methodology are appropriate and reasonable. As such, we consider that the valuation of the net assets value of the Target Group as at 30 September 2011 is fair and reasonable.

In light of:

(i) the methodology, the assumptions and the basis for the valuation of the Mineral Assets under Chapter 18 Valuation and Market Valuation are fair and reasonable; and

(ii) the basis and assumptions, the valuation approach and methodology for the valuation of the net assets value of the Target Group as at 30 September 2011 is fair and reasonable,

we are of the view that the Consideration is fair and reasonable.

6.2.3 Analysis of the Issue Price of the China Times Consideration Shares and the Cinda Consideration Shares and the Conversion Price of the China Times Convertible Notes and the Conversion Shares

Pursuant to the Acquisition Agreement, the China Times Consideration and the Cinda Consideration shall be satisfied by procuring the Company to issue a total of 11,736,715,634 new Ordinary Shares at HK$0.50 for each new Ordinary Shares to China Times and Cinda and a total of 2,007,672,096 Conversion Shares at HK$0.50 for each Conversion Share to China Times at Completion.

The Issue Price of HK$0.50 for each Consideration Share and the Conversion Price of HK$0.50 for each Conversion Share were determined after arm's length negotiations between the Company and the Vendors, which represent:

(a) a discount of approximately 15.3% to the closing price of the Ordinary Shares of HK$0.59 per Ordinary Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 15.5% to the average of the closing prices of the Ordinary Shares of approximately HK$0.592 per Ordinary Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including Last Trading Day;

(c) a discount of approximately 14.7% to the average of the closing prices of the Ordinary Shares of approximately HK$0.586 per Ordinary Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;

(d) a discount of approximately 13.3% to the average of the closing prices of the Ordinary Shares of approximately HK$0.577 per Ordinary Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;

(e) a discount of approximately 5.2% to the average of the closing prices of the Ordinary Shares of approximately HK$0.527 per Ordinary Share as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Day;

(f) a discount of approximately 0.4% to the average of the closing prices of the Ordinary Shares of approximately HK$0.502 per Ordinary Share as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day;

(g) a premium of approximately 2.1% to the average of the closing prices of the Ordinary Shares of approximately HK$0.490 per Ordinary Share as quoted on the Stock Exchange for the 120 consecutive trading days up to and including the Last Trading Day;

(h) a premium of approximately 4.5% to the average of the closing prices of the Ordinary Shares of approximately HK$0.478 per Ordinary Share as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Day; and

(i) a premium of approximately 40.8% to the audited net asset value of the Group per Ordinary Share of approximately HK$0.355 as at 30 June 2011.

The 11,736,715,634 new Ordinary Shares represent: (a) approximately 209.91% of the total Ordinary Shares in issue as at the Latest Practicable Date; (b) approximately 67.73% of the total Ordinary Shares in issue as enlarged by the allotment and issue of the China Times Consideration Shares and Cinda Consideration Shares (without taking into account any Conversion Shares which may be issued pursuant to the China Times Convertible Notes); and (c) approximately 60.70% of the total Ordinary Shares in issue as enlarged by the allotment and issue of the China Times Consideration Shares, Cinda Consideration Shares and the Conversion Shares (assuming full conversion of the China Times Convertible Notes at the Conversion Price). The 2,007,672,096 Conversion Shares represent: (a) approximately 35.91% of the total Ordinary Shares in issue as at the Latest Practicable Date; and (b) approximately 10.38% of the total Ordinary Shares in issue as enlarged by the allotment and issue of the China Times Consideration Shares, Cinda Consideration Shares and the Conversion Shares (assuming full conversion of the China Times Convertible Notes at the Conversion Price).

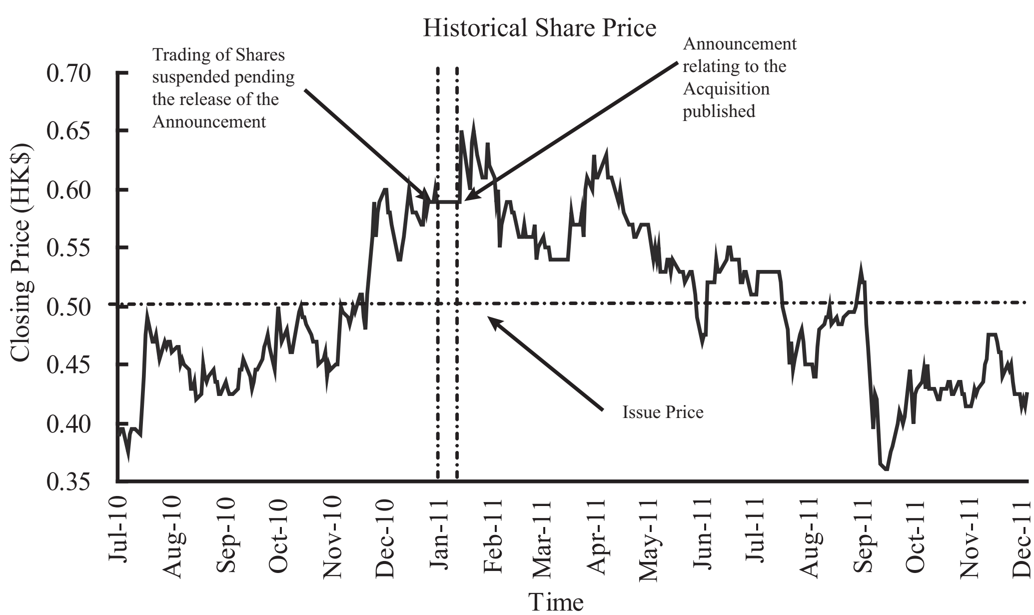
As discussed with the management of the Company, we note that the issue of 11,736,715,634 new Ordinary Shares and 2,007,672,096 Conversion Shares to satisfy the China Times Consideration and the Cinda Consideration has the benefit of preserving the internal resources of the Company while maintaining the 25% minimum public float requirement under the Listing Rules. As such, the management of the Company considers that the issue of the China Times Consideration Shares, Cinda Consideration Shares and the Conversion Shares will strengthen the capital base of the Company and hence will be beneficial to the future development and expansion of the Group.

In light of the above, we are of the view that the mixture of the issue of 11,736,715,634 new Ordinary Shares and 2,007,672,096 Conversion Shares to satisfy the China Times Consideration and Cinda Consideration is fair and reasonable.

(i) Analysis of Share price

Set out below is the Share price performance for the six months before the Last Trading Day up to and including the Latest Practicable Date (the "Review Period"):

Table 5 – Historical Share Price movement of the Group



Source: Stock Exchange and Bloomberg

Prior to the announcement of the Acquisition, the Share price has generally been trading below the Issue Price. The lowest closing Share price was approximately HK$0.38 recorded on 26 July 2010.

The Share price started to rise from 1 December 2010 with an average closing Share price of approximately HK$0.56 prior to the Last Trading Day.

After the announcement of the Company dated 1 February 2011 in respect of the Acquisition, the Share price reached its peak at approximately HK$0.65 on 2 February 2011 and 9 February 2011 respectively. Thereafter, the Share price has generally been trading on a falling trend and trading below the Issue Price starting from 5 August 2011 up to Latest Practicable Date, with an average closing Share price of approximately HK$0.45 which is consistent with the stock market performance.

In addition, the Issue Price/Conversion Price was trading at a premium of approximately 19% to the closing price of the Ordinary Shares of approximately HK$0.42 per Ordinary Shares as quoted on the Stock Exchange on the Latest Practicable Date.

(ii) Comparable transactions analysis

In order to assess the reasonableness of the Issue Price/Conversion Price, we have reviewed the exhaustive list of transactions announced by companies listed on the Stock Exchange which: (i) constituted very substantial acquisitions under the Listing Rules; and (ii) involved the issuance of consideration shares and convertible notes/bonds (the "Issuance Comparables") during the period of three months immediately prior to the Last Trading Day.

According to Rule 14.06 (5) of the Listing Rules, an acquisition or a series of acquisitions (aggregated under Rules 14.22 and 14.23 of the Listing Rules) of assets by a listed issuer where any percentage ratio is 100% or more is considered as a very substantial acquisition. According to Rule 14.07 of the Listing Rules, the percentage ratios are the figures, expressed as percentages resulting from the calculation of assets ratio, profits ratio, revenue ratio, consideration ratio and equity capital ratio.

We note that for acquisitions that constitute very substantial acquisitions, the size of the acquisitions, regarding the percentage ratios, are 100% or above which implies the respective considerations accounted for a substantial amount to the size of the respective companies. We also note that it is a common practice for these respective companies to issue consideration shares and/or convertible notes/bonds as part of the settlement of the respective considerations. As such, we consider that the Issuance Comparables, which is the exhaustive list of transactions as mentioned above, are acquisitions that constitute very substantial acquisitions and of similar nature to the Acquisition.

As the Issuance Comparables involve the issuance of consideration shares and convertible notes/bonds as part of the consideration, we believe these Issuance Comparables would provide a benchmarking comparison for our analysis as factors taken into account in determining the issue price of the consideration shares and convertible notes/bonds issued under such transactions provide an indication of the premium over/discount to the market price of the relevant shares. In addition, according to the historical price movement of the Hang Seng Index ("HSI") during the three months immediately prior to the Last Trading Day, HSI was traded in a steady range (from 22,000 to 25,000). Hence, this three months period provides a history of market movements for the purpose of our analysis because these Issuance Comparables were transacted at the time close to the signing of the Acquisition Agreement under the similar market conditions and investment sentiments. We note that although the companies involved in the Issuance Comparables are not engaged in similar businesses as the Company or the Target Group and the terms of issuance of the consideration shares of each of the transactions may be subject to their respective circumstances such as different financial standing or business performance, we are of the view that the Issuance Comparables would provide a reference basis as they could reflect recent market trends of the terms used in issuing consideration shares as consideration for a very substantial acquisition (as defined under the Listing Rules). As such, we consider that the Issuance Comparables are fair and representative samples.

Table 6 – Comparable transactions for the prior three months

Date of announcement	Company name	Stock code	Premium/ (Discount) of the issue price over/(to) closing price on last trading day prior to/ on the date of the relevant announcements	Premium/ (Discount) of the issue price over/ (to) closing price on last 5 consecutive trading days prior to/ on the date of the relevant announcements	Premium/ (Discount) of the issue price over/ (to) closing price on last 10 consecutive trading days prior to/ on the date of the relevant announcements
4-Nov-10	King Stone Energy Group Limited	663	(14.53)	(10.31)	(7.75)
12-Nov-10	Mayer Holdings Limited	1116	3.77	(0.36)	0.73
3-Dec-10	Catic Shenzhen Holdings Limited	161	(3.43)	1.10	2.23
14-Dec-10	Golden Resorts Group Limited	1031	(3.61)	14.60	17.99
6-Jan-11	China Post E-Commerce (Holdings) Limited	8041	(19.35)	(10.18)	(9.64)
19-Jan-11	Mascotte Holdings Limited	136	(14.89)	(11.50)	(5.88)
		Maximum	**3.77**	**14.60**	**17.99**
		Minimum	**(19.35)**	**(11.50)**	**(9.64)**
		Average	**(8.67)**	**(2.78)**	**(0.39)**
		The Issue Price/Conversion Price	**(15.30)**	**(15.50)**	**(14.70)**

Source: Website of the Stock Exchange

As indicated from Table 6 above, the issue prices of the Issuance Comparable ranged from: (i) a discount of approximately 19.35% to a premium of approximately 3.77% to the respective closing prices of their shares on the last trading days (the "Market Range I"); (ii) a discount of 11.50% to a premium of 14.60% to the respective average closing prices of their shares on the last five consecutive trading days (the "Market Range II"); and (iii) a discount of 9.64% to a premium of 17.99% to the average closing prices of their shares on the last ten consecutive trading days (the "Market Range III"), prior to/on the date of the relevant announcements, respectively.

We also note that the issue prices of the Issuance Comparable were on average at (i) a discount of approximately 8.67% to the respective closing prices of their shares on the last trading day; (ii) a discount of approximately 2.78% to the respective average closing prices of their shares on the last five consecutive trading days; and (iii) a discount of approximately 0.39% to the average closing prices of their shares on the last ten consecutive trading days, prior to/on the date of the relevant announcements, respectively (the "Market Averages").

The Issue Price/Conversion Price of the Company is at a discount higher than the Market Averages, and falls outside of the Market Range II and Market Range III as a result of its historical share price movement as mentioned in Table 5 above where the Share price started to rise from 1 December 2010 with average closing Share price of approximately HK$0.56 prior to the Last Trading Day. Nevertheless, it is within the Market Range I.

We note that the Issue Price/Conversion Price of the Company is at a discount higher than the Market Averages, nevertheless, the Consideration, which was determined after arm's length negotiations between the Company and the Vendors, is at a discount of approximately 5% to the valuation under the Net Asset Valuation Report.

In light of:

(i) the Issue Price/Conversion Price was trading at a premium of approximately 19% to the closing price of the Ordinary Share of approximately HK$0.42 per Ordinary Shares as quoted on the Stock Exchange on the Latest Practicable Date; and

(ii) the Issue Price/Conversion Price of the Company is at a discount higher than the Market Averages, nevertheless, the Consideration is at a discount of approximately 5% to the valuation under the Net Asset Valuation Report,

we are of the view that the Issue Price/Conversion Price is fair and reasonable.

6.3 Non-competition with the Parent Group

We note that the core copper-related business of the Parent Company (including exploration, mining and processing of copper ore, smelting of copper concentrate and sales of copper cathodes, which is currently being carried out by the Daye Metal Group) will be transferred to the Group upon China Times Completion the Parent Company will, however, retain certain copper, silver and gold related business after China Times Completion. Please refer to the section headed "Relationship with the Parent Company – Retained Business" in this circular for details.

We have also considered details of the non-competition undertaking as set out in the section headed "Relationship with the Parent Company – Non-competition undertaking" in this circular.

In light of the above, we are of the view that the core business of the Enlarged Group and the Parent Group will not be in significant direct competition in the future because: (i) the core copper-related business of the Parent Company, currently being carried out by Daye Metal, will be transferred to the Group upon China Times Completion; (ii) the retained business of the Parent Group mainly engages in the midstream to downstream business (i.e. processing of coarse copper into anode plates, production and sales of copper rods and copper tubes, etc.) while the core business of the Enlarged Group mainly engages in the upstream to midstream business (i.e. exploration, mining and processing of copper ore, smelting of copper concentrates and sales of copper cathodes, etc.); (iii) for any future sales or disposal of any of the Existing Businesses or any of the New Mines and Related Facilities by the Parent Group and its related parties, the Company will be first offered the purchase of such business, mine and facility subject to such terms and conditions as may be agreed between the Parent Company and the Company; and (iv) the trading business (which the Parent Company will retain upon China Times Completion) will not be the core business of the Enlarged Group. As such, we consider the Acquisition is fair and reasonable and in the interest of the shareholders as a whole.

7. Financial effects of the Acquisition to the Group

7.1 Effect on NAV and NAV per Share

As at 30 June 2011, the Group's NAV attributable to the Shareholders amounted to approximately HK$1,078 million, or approximately HK19.27 cents per Share. Upon China Times and Cinda Completion, the Target Group will become wholly-owned subsidiaries of the Company and, accordingly, the assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group.

Set out below is the NAV and pro forma NAV attributable to the Shareholders, including on a per Share basis, of the Group and of the Enlarged Group as at 30 June 2011 respectively, based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix III in this circular:

Table 7 – NAV and NAV per Share of the Group and the Pro forma Enlarged Group

	The Group	**Pro forma Enlarged Group** *(Note)*
Equity attributable to the Shareholders *(HK$'000)*	1,077,643	6,721,390
Total number of Shares in issue	5,591,195,552	19,335,583,282
Equity attributable to the Shareholders per Share *(HK cents)*	19.27	34.76
Changes to equity attributable to the Shareholders per Share	–	80.4%

Note: Pro forma Enlarged Group represents the Enlarged Group immediately after China Times Completion, Cinda Completion and the full conversion of China Times Convertible Notes.

As shown in Table 7 above, the NAV attributable to the Shareholders would increase substantially from approximately HK$1,078 million to HK$6,721 million and the NAV per share attributable to the Shareholders would be increased by 80.4% to approximately HK34.76 cents.

As such, we consider that the Acquisition has a positive effect on the NAV and NAV per Share of the Enlarged Group.

7.2 Effect on earnings and earnings per Share

Upon China Times and Cinda Completion, the Target Group will become wholly-owned subsidiaries of the Company and, accordingly, the financial results of the Target Group will be consolidated into the financial statements of the Group.

Set out below is the earnings and pro forma earnings, including on a per Share basis, of the Group and of the Enlarged Group for the financial year ended 31 December 2010 respectively, based on the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group as set out in Appendix III in this circular:

Table 8 – Earnings and Earnings per Share of the Group and the Pro forma Enlarged Group

	The Group	**Pro forma Enlarged Group** *(Note)*
Loss for the period attributable to the Shareholders *(HK$'000)*	(23,073)	(887)
Total number of Shares in issue	5,591,195,552	19,335,583,282
Earnings per Share *(HK cents)*	(0.41)	(0.005)

Note: Pro forma Enlarged Group represents the Enlarged Group immediately after China Times Completion, Cinda Completion and the full conversion of China Times Convertible Notes.

As shown in Table 8 above, earnings would be improved significantly from a net loss of approximately HK$23.1 million to a net loss of approximately HK$887,000 while earnings per Share immediately after Completion would be improved from a negative of approximately HK0.41 cents per Share to a negative of approximately HK0.005 cents per Share.

As such, we consider that the Acquisition has a positive effect on the earnings and earnings per Share of the Enlarged Group.

7.3 Effect on net gearing and working capital

As at 30 June 2011, the Group had a net cash position of approximately HK$190 million and did not have any bank borrowings. Accordingly, the Group's gearing ratio (defined as total borrowings less cash (including term deposits, restricted deposits and cash and cash equivalent) divided by total equity) is nil.

Set out below is the gearing of the Group and of the Enlarged Group as at 30 June 2011 based on the unaudited pro forma consolidated statement of financial position as set out in Appendix III in this circular:

Table 9 – Net gearing and working capital of the Group and the Pro forma Enlarged Group

	The Group	**Pro forma Enlarged Group** *(Note)*
Total borrowings less cash and bank deposits *(HK$'000)*	Net cash	3,690,358
Total equity *(HK$'000)*	1,985,811	7,150,271
Net gearing ratio *(times)*	–	0.52

Note: Pro forma Enlarged Group represents the Enlarged Group immediately after China Times Completion, Cinda Completion and the full conversion of China Times Convertible Notes.

Total cash (including term deposits, restricted cash and cash and cash equivalent) of the Enlarged Group would increase to approximately HK$3,102 million while total borrowings would increase to approximately HK$6,792 million. Accordingly, as shown in Table 9 the net gearing of the Enlarged Group would increase to approximately 0.52 times.

As at 30 June 2011, the Group had a net working capital, being current assets less current liabilities, of approximately HK$394 million. Based on the pro forma consolidated statement of financial position of the Enlarged Group, the working capital position would be increased by 21.6% to approximately HK$479 million. Given the relatively strong net cash flow of approximately HK$303 million generated from operating activities for the financial year ended 31 December 2010 as shown in the unaudited pro forma consolidated statement of cash flows of the Enlarged Group as shown in Appendix III in this circular and also the Acquisition will be settled by issuing Consideration Shares and Conversion Shares which would not have a material impact on the Enlarged Group's working capital, we consider that the liquidity of the Enlarged Group is healthy.

In light of:

(i) the positive effect on the NAV and NAV per Share of the Enlarged Group;

(ii) the positive effect on the earnings and earnings per Share of the Enlarged Group; and

(iii) no material impact on the working capital of the Enlarged Group despite of the negative impact on the net gearing of the Enlarged Group,

we are of the view that, on balance, the Acquisition will have an overall positive financial effect on the Enlarged Group and is in the interests of the Company and the Shareholders as a whole.

8. Potential Dilution effect

The 11,736,715,634 new Ordinary Shares shall be issued to the China Times and Cinda or their respective nominees upon China Times Completion and Cinda Completion. The China Times Consideration Shares and Cinda Consideration Shares represent (a) approximately 209.91% of the total Ordinary Shares in issue as at the Latest Practicable Date; (b) approximately 67.73% of the total Ordinary Shares in issue as enlarged by the allotment and issue of the China Times Consideration Shares and Cinda Consideration Shares (without taking into account any Conversion Shares which may be issued pursuant to the China Times Convertible Notes); and (c) approximately 60.70% of the total Ordinary Shares in issue as enlarged by the allotment and issue of the China Times Consideration Shares, Cinda Consideration Shares and the Conversion Shares (assuming full conversion of China Times Convertible Notes at the Conversion Price). The 2,007,672,096 Conversion Shares represents approximately 10.38% of the total Ordinary Shares in issue as enlarged by the allotment and issue of the China Times Consideration Shares, Cinda Consideration Shares and the Conversion Shares (assuming full conversion of China Times Convertible Notes at the Conversion Price).

As at the Latest Practicable Date, the Shareholders other than China Times and persons acting in concert with it, Wang Qihong and Wang Guoqi ("other public shareholders"), were interested in approximately 79.15% of the total Ordinary Shares in issue. If the Acquisition is approved and becomes unconditional, the Company will issue 11,736,715,634 new Ordinary Shares to China Times and Cinda and the China Times Convertible Notes which are convertible into a total of 2,007,672,096 Conversion Shares to China Times. It is one of the terms of the China Times Convertible Notes that the conversion rights of the China Times Convertible Notes shall not be exercised if, immediately following the conversion, the Company will be unable to meet the minimum public float requirement under the Listing Rules.

Assuming China Times Completion and Cinda Completion taking place and upon the allotment and issue of the China Times Consideration Shares, Cinda Consideration Shares and full conversion of China Times Convertible Notes at the Conversion Price, the shareholding position of the other public shareholders will be affected as follows:

Table 10 – Shareholding structure of the Group and potential dilution

	As at the Latest Practicable Date *(Note 3)*		**Immediately after China Times Completion** *(Note 4)*		**Immediately after China Times Completion and Cinda Completion** *(Note 5)*	
	number of Ordinary Shares	*Approximate % of total Ordinary Shares in issue*	*number of Ordinary Shares*	*Approximate % of total Ordinary Shares in issue*	*number of Ordinary Shares*	*Approximate % of total Ordinary Shares in issue*
China Times and persons acting in concert with it	1,163,236,988	20.80%	13,274,275,692	74.99%	13,970,671,176	72.25%
Wang Qihong *(Note 2)*	1,500,000	0.03%	1,500,000	0.01%	1,500,000	0.01%
Wang Guoqi *(Note 2)*	900,000	0.02%	900,000	0.00%	900,000	0.00%
Cinda HK	–	–	–	–	936,953,542	4.85%
Other public shareholders	4,425,558,564	79.15%	4,425,558,564	25.00%	4,425,558,564	22.89%
Total	5,591,195,552	100.00%	17,702,234,256	100.00%	19,335,583,282	100.00%

Notes:

1. The tables do not include the 16,485 Preference Shares in issue as the Company considers them immaterial in the context of the total issued share capital of the Company and none of those Preference Shares carry any voting right except in the event of the winding up of the Company, a reduction of capital or a variation or abrogation of the rights attaching to such share, or any dividend payable with respect to such share being in arrears for six months or more.

2. Mr. Wang Qihong and Mr. Wang Guoqi are both Directors of the Company.

3. As at the Latest Practicable Date, China Times held 5,495 Preference Shares. Assuming that all Preference Shares in issue are converted into Ordinary Shares at the current conversion price of HK$0.036 per share, 2,289,583 new Ordinary Shares will be issued upon conversion, of which 763,194 new Ordinary Shares will be issued to China Times. China Times has undertaken to the Company that it will not exercise its rights of conversion under the Preference Shares and/or the China Times Convertible Notes if, immediately following the conversion, the Company will be unable to meet the minimum public float requirement under the Listing Rules. Assuming that all the Existing Convertible Notes are converted into Ordinary Shares at the current conversion price of HK0.618 per share, 355,987,055 new Ordinary Shares will be issued upon conversion. Assuming that the share options in issue are exercised in full, 307,700,000 new Ordinary Shares will be issued.

4. This scenario assumes that only part of the China Times Convertible Notes are converted given that under this Acquisition Agreement, the conversion rights of the China Times Convertible Notes may be exercised if, immediately following the conversion, the Company will be unable to meet the minimum public float requirement under the Listing Rules. Hence, in the case where only China Times Completion occurs, China Times will be able to convert only a maximum of HK$655,638,306 of the aggregate principal amount of the China Times Convertible Notes into 1,311,276,612 Ordinary Shares (assuming that no new Ordinary Shares have been issued by the Company after the Latest Practicable Date and before the date of conversion and conversion is carried out at the Conversion Price) in order to maintain the minimum public float after conversion.

5. This scenario assumes full conversion of the China Times Convertible Notes. The Company will still be able to meet the minimum public float requirement under the Listing Rules in such case as, apart from the shareholding of the other public shareholders of 22.89%, the shareholding of Cinda HK of 4.85% will also be counted towards the public float.

Based on Table 10 above, the shareholding of the other public shareholders is expected to be diluted from approximately 79.15% to 22.89% upon the allotment and issue of the China Times Consideration Shares, Cinda Consideration Shares and full conversion of China Times Convertible Notes at the Conversion Price. We consider that the dilution is inevitable in the case of a substantial acquisition of this type which is being financed without incurring any cash outlay or additional liabilities to satisfy the consideration.

Given the aforementioned potential benefits of the Acquisition to the Group and the terms of the Acquisition Agreement being fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned, we are of the view that the potential dilution effect is acceptable.

9 Risk disclosure

9.1 Fluctuations in price and supply of raw materials could negatively impact the business and financial conditions of the Enlarged Group

As stated in the section headed “Risk Factors” in this circular, we understand that the adverse economic developments in the PRC could have a negative impact on the revenues, cash flow and profitability of the Enlarged Group.

China has been the main driver of global demand for minerals and metals over the last few years. Sales to PRC customers have accounted for a substantial portion of the total turnover of the Target Group during the Track Record Period. Any slowdown in the growth of the PRC economy or its manufacturing industry could lead to a decline in demand for the products of the Enlarged Group, resulting in lower revenues, cash flow and profitability.

According to the National Bureau of Statistics of China, the producer price index ("PPI") has been in the positive region since December 2009. The PPI index has been increasing with an average record of 5.92 between December 2009 and October 2011. Although the PRC government has imposed several monetary tightening policies to tackle the increasing inflation concern in the PRC, the economic growth is still significant. The PRC government has a substantial investment on the infrastructure and affordable housing. These are all included in the twelfth five-year plan of the PRC. Both infrastructure and affordable housing demand a lot of minerals and metals. Companies in the metals mining and processing industry are going to benefit from the PRC's five-year plan, including the Enlarged Group.

In light of the above, we consider the likelihood of the adverse economic developments to take place in the PRC is low.

9.2 Possible failure to renew operational licence and permits

As stated in the section headed "Risk Factors" in this circular, we understand that the changes in economic, political and social conditions and government policies in the PRC could have an adverse impact on the Enlarged Group.

As the major mining assets and operations of the Enlarged Group will be located in the PRC and the majority of its revenue will be derived from the PRC, the business operations and prospects of the Enlarged Group will, to a large extent, subject to the economic, political and legal developments in the PRC. The PRC economy is different from the economies of most developed countries in a number of respects, including structure, degree of government control, level of development, control of capital investment, growth rate, control of foreign exchange and allocation of resources. Although the PRC economy has been changing from a planned economy to a more market oriented economy since the late 1970s with the adoption of the "open door" reform policy under which increasing emphasis has been placed on the utilization of market forces in the development of the PRC economy, the PRC government continues to exercise significant control over economic growth through numerous channels such as allocation of resources, controlling of incurrence and payment of foreign currency denominated obligations, monetary policy and preferential treatment to certain industries or companies. In recent years, the PRC government has also undertaken reform campaigns in the economic system and government structure of the PRC. There is no assurance whether these changes and reforms will have any adverse effect on the business, financial condition or results of operations of the Enlarged Group.

As stated in the section headed "Relationship with the Parent Company" in this circular, the Parent Company is a company incorporated in the PRC with limited liability and wholly owned by Hubei SASAC. As the Parent Company is a state-owned enterprise, it is unlikely for the PRC government to not to permit or grant the renewal of the licenses or permits to the Enlarged Group.

In light of the above, we consider the likelihood of failing to renew the operational licence and permits is low.

9.3 Some of the operational licences and permits have expired or will expire soon

As stated in the section headed "Summary" in this circular, some of the operational licences and permits have expired or will expire soon. Based on our discussion with the Company's PRC lawyer, we understand that the Target Group will apply for new licences and permits when the licences and permits are about to expire. In addition, we understand that the Target Group has already applied for the operational licences and permits which have expired. The licences and permits are pending for the relevant government authority's approval. The Company's PRC lawyer is of the view that the likelihood for the relevant government authority to approve the licences and permits is high.

Furthermore, according to the Company's PRC lawyer, in general, the renewal of licences and permits from the relevant government authority depends heavily on the safety standard set by each company. Given the safety track record of the Target Group, the Company's PRC lawyer considers that it is highly likely for the Target Group to renew the licences and permits.

In light of the above, we are of the view that the likelihood of failing to renew the operational licences and permits is low.

9.4 Possible unavailability of funds to implement the future plans of the Target Group

As stated in the section headed "Letter from the Board" in this circular, we note that, as at the Latest Practicable Date, the aggregate outstanding investment amount for the projects in progress and future plans of the Target Group amounted to approximately RMB3,140.08 million, representing approximately 84% of the net asset value of the Target Group as at 30 June 2011. As discussed with the management of the Company, we understand that the outstanding investment amount of approximately RMB3,140.08 million is expected to be financed by bank borrowings and the internal resources of the Enlarged Group. The Target Group had unutilised credit facilities granted by independent banks in the aggregate amount of up to RMB7.6 billion to meet its working capital and trading requirements as at 30 June 2011 as disclosed in the section headed "Financial Information of the Target Group" in this circular. In addition, total cash (including term deposits, restricted deposits and cash and cash equivalent) of the unaudited pro forma financial information of the Enlarged Group would increase to approximately HK$3,102 million as disclosed in Appendix III in this circular.

Given the Target Group has significant amount of unutilised credit facilities in the aggregate amount of up to RMB7.6 billion as at 30 June 2011 and the unaudited pro forma financial information of the Enlarged Group has a strong cash position of HK$3,102 million, we consider that the Enlarged Group would be able to obtain sufficient financing to finance the outstanding investment amount for the projects in progress and future plans of the Target Group.

While the exact financing proportion to fund for the projects in progress and future plans of the Target Group has not been determined at this stage, we understand from the discussion with the management of the Company, that the proposed financing plan might increase the level of indebtedness, the interest payment and the leverage of the Enlarged Group. Nevertheless, the implementation of the future plans of the Target Group would increase the output and in turn, increase the future operating cash flows, profits and the net asset value of the Target Group, and on balance, outweigh the effect of the corresponding increase of the interest payment and the leverage of the Enlarged Group.

9.5 Mongolian arbitration proceedings against Reservoir Moly

As stated in the section headed "Letter from the Board" in this circular, we note that the Aleinuer Mine is owned by Reservoir Moly, a joint venture company established in Mongolia which is 55%-owend by CRML and 45%-owend by the Mongolian JV Partner. CRML, in turn, is 51%-owned by the Company. The mining rights of the Aleinuer Mine is subject to the outcome of the Mongolian arbitration proceedings, as further described in the section headed "Other Information – Litigation" in Appendix X in this circular. As discussed with the management of the Company, we understand that pending the outcome of the re-hearing by the Mongolian Arbitration Center, as advised by the Company's Mongolian legal advisers, the mining right to the Aleinuer Mine remains vested in Reservoir Moly. Given the outstanding litigation is related to the Group and considering the fact that commercial production at the Aleinuer Mine has not yet begun and the Group does not derive any revenue or profit from the Aleinuer Mine and that Reservoir Moly currently has no material assets other than the mining right to the Aleinuer Mine or liabilities, we consider that the outstanding litigation does not have an impact on the Target Group and the Acquisition.

10. Indebtedness of the Target Group

As stated in Appendix I in this circular, we note that the Target Group had indebtedness in the amount of RMB5.7 billion and RMB5.6 billion for the financial year ended 31 December 2010 and for the six months ended 30 June 2011, respectively. As discussed with the management of the Company, we understand that the bank borrowings are mainly used for expansion capital expenditures which would increase the output and in turn, increase the future operating cash flows, and on balance, outweigh the effect of corresponding increase of interest payment. In addition, we also note that the valuation under the Net Asset Valuation Report, being one of the main factors in assessing the Consideration, has taken into account the capital structure of the Target Group when assessing the net assets value of the Target Group.

II. The Proposed Grant of the Specific Mandate

Under the existing general mandate granted by the Shareholders at the annual general meeting of the Company held on 2 June 2011 (the "Share Issue Mandate"), the Directors have been authorized to allot, issue or deal with additional Ordinary Shares of not exceeding 20% of the aggregate nominal amount of the issued ordinary share capital of the Company as at 2 June 2011 (i.e. maximum of 1,118,239,110 additional Ordinary Shares). As at the Latest Practicable Date, the total number of Ordinary Shares in issue remained 5,591,195,552 and unchanged since the last annual general meeting of the Company.

As stated in the section headed "Letter from the Board" in this circular, under the Acquisition Agreement (as supplemented and amended by the First Supplemental Agreement and the Second Supplemental Agreement), the 11,736,715,634 new Ordinary Shares to be allotted and issued by the Company represent (i) approximately 209.91% of the total Ordinary Shares in issue as at the Latest Practicable Date; (ii) approximately 67.73% of the total Ordinary Shares in issue as enlarged by the allotment and issue of the China Times Consideration Shares and Cinda Consideration Shares (without taking into account any Conversion Shares which may be issued pursuant to the China Times Convertible Notes); and (iii) approximately 60.70% of the total Ordinary Shares in issue as enlarged by the allotment and issue of the China Times Consideration Shares, Cinda Consideration Shares and the Conversion Shares (assuming full conversion of the China Times Convertible Notes at the Conversion Price). The 2,007,672,096 Conversion Shares represent approximately 10.38% of the total Ordinary Shares in issue as enlarged by the allotment and issue of the China Times Consideration Shares, Cinda Consideration Shares and the Conversion Shares (assuming full conversion of China Times Convertible Notes at the Conversion Price).

Since the total number of the China Times Consideration Shares, Cinda Consideraion Shares and Conversion Shares to be issued upon the conversion of the China Times Convertible Notes will exceed the 20% threshold under the Share Issue Mandate, the Board proposes to seek a Specific Mandate from the Independent Shareholders at the EGM to issue the China Times Consideration Shares, Cinda Consideration Shares and Conversion Shares.

Given the aforementioned potential benefits of the Acquisition to the Group and the terms of the Acquisition Agreement being fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned, we are of the view that the proposed grant of the Specific Mandate is fair and reasonable, on normal commercial terms and should be granted at the EGM.

III. Whitewash waiver

As at the Latest Practicable Date, China Times and persons acting in concert with it were interested in approximately 20.80% of the total Ordinary Shares in issue.

Without taking into account any Conversion Shares which may be issued pursuant to the China Times Convertible Notes, immediately following China Times Completion (and assuming that Cinda Completion has not taken place), China Times and persons acting in concert with it will be interested in approximately 72.99% of the total Ordinary Shares in issue as enlarged by the issue of the China Times Consideration Shares, whereas immediately following China Times Completion and Cinda Completion, China Times and persons acting in concert with it will be interested in approximately 69.04% of the total Ordinary Shares in issue as enlarged by the issue of the China Times Consideration Shares and Cinda Consideration Shares.

Assuming the China Times Convertible Notes are partly converted at the Conversion Price to maintain the minimum public float of the Company required under the Listing Rules, immediately following China Times Completion (and assuming that Cinda Completion has not taken place), China Times and persons acting in concert with it will be interested in, approximately 74.99% of the total Ordinary Shares in issue as enlarged by the issue of the China Times Consideration Shares and Conversion Shares.

Assuming the China Times Convertible Notes are fully converted at the Conversion Price, immediately following China Times Completion and Cinda Completion, China Times and persons acting in concert with it will be interested in 72.25% of the total Ordinary Shares in issue as enlarged by the issue of the China Times Consideration Shares, Cinda Consideration Shares and Conversion Shares.

As such, China Times would be required to make a mandatory general offer for all the issued shares of the Company not already owned or agreed to be acquired by China Times and persons acting in concert with it under Rule 26.1 of the Takeovers Code unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

An application has been made on 14 October 2011 to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM on a vote taken by poll.

The Acquisition is conditional on, among other things, the approval of the Whitewash Waiver by the Independent Shareholders at the EGM. If the Whitewash Waiver is not approved, the Acquisition will not proceed and no general offer obligation will be triggered. In the event the Acquisition cannot proceed, the Group and the Shareholders will not be able to enjoy the benefits that would arise from the Acquisition as discussed in the section headed "Letter from the Board" in this circular, in particular, the prospects of the Enlarged Group as one of the largest producers of copper cathodes in the PRC by production volume of copper cathodes and the enhancement in the Group's net asset value and earnings capability as discussed above.

Given the aforementioned potential benefits of the Acquisition to the Group and the terms of the Acquisition Agreement being fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned, we are of the view that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Acquisition, is in the interests of the Company and its shareholders as a whole.

IV. Continuing Connected Transactions

On 23 December 2011, the Company entered into the following Non-Exempt Continuing Connected Transaction Agreements with the Parent Company or its associates (as the case may be), all of which constitute continuing connected transactions of the Company within the meaning of the Listing Rules:

(a) the Sales Framework Agreement;

(b) the Services Framework Agreement;

(c) the Purchase and Production Services Framework Agreement;

(d) the Hubei Gold Purchase Framework Agreement;

(e) the Daye Transportation Purchase Framework Agreement;

(f) the Combined Ancillary Services Framework Agreement; and

(g) the Tonghua Hotel Services Framework Agreement.

Each of the above Non-exempt Continuing Connected Transaction Agreements is conditional upon China Times Completion taking place and all applicable legal and regulatory requirements (including those under the Listing Rules) having been complied with.

1. Background of the Non-Exempt Continuing Connected Transaction Agreements

A. Sales Framework Agreement

Pursuant to the Sales Framework Agreement, the Company will and will procure that other members of the Enlarged Group will supply certain products and materials to the Parent Company and its subsidiaries.

1. Date

23 December 2011

2. Parties

(a) the Company

(b) the Parent Company

3. Term

From the date on which the Sales Framework Agreement takes effect in accordance with its terms until 31 December 2013.

4. Termination

The Sales Framework Agreement shall terminate upon the occurrence of the following events:

(i) consent by both parties to terminate the agreement;

(ii) occurrence of any force majeure event which renders it impossible to achieve the purpose of the agreement;

(iii) breach of the agreement by either party, which is not remedied within 30 days upon request by the non-defaulting party;

(iv) the agreement being declared invalid by the court or other competent authority;

(v) shares of the Company ceasing to be listed on the Stock Exchange; or

(vi) the Parent Company ceasing to constitute a connected person of the Company.

We understand from the management of the Company that the conditions for the termination of the Sales Framework Agreement are in line with the market practice.

5. Products and materials to be supplied by the Enlarged Group

Copper cathodes, scrap copper, silver, silver extracts, water (to be procured by members of the Enlarged Group from Independent Third Party suppliers for onward supply to subsidiaries of the Parent Company), electricity (to be procured by members of the Enlarged Group from Independent Third Party suppliers for onward supply to subsidiaries of the Parent Company, or spare electricity generated from the Enlarged Group's production process), raw materials, auxiliary equipment, supporting materials, components, production equipment and tools.

6. Pricing mechanism

Depending on the products or materials to be supplied by the Enlarged Group, the price at which each transaction under the Sales Framework Agreement is to be conducted will be determined on the following basis: (i) according to the government-prescribed price; or (ii) if there is no applicable government-prescribed price, with reference to the market price.

7. Time and method of payment

The time and method of payment for each transaction under the Sales Framework Agreement will be determined with reference to market practice.

8. Historical transaction amounts

Members of the Daye Metal Group had been supplying products and materials similar to those set out in the Sales Framework Agreement to the subsidiaries of the Parent Company in the three financial years ended 31 December 2008, 2009, 2010 (respectively, "FY2008", "FY2009" and "FY2010") and the six months ended 30 June 2011. The aggregate amount paid by the subsidiaries of the Parent Company to members of the Daye Metal Group for such products and materials amounted to approximately RMB1,954,980,000, RMB1,698,490,000, RMB1,540,360,000 and RMB1,113,030,000 for FY2008, FY2009, FY2010 and the six months ended 30 June 2011, respectively.

9. Reasons for entering into the Sales Framework Agreement

The Directors consider that the entering into of the Sales Framework Agreement will broaden the revenue base of the Company and allow it to leverage on the sales network of the Parent Company and its subsidiaries in Shanghai and Hong Kong. As such, we consider that the entering into of the Sales Framework Agreement will be in the usual and ordinary course of business of the Enlarged Group.

In light of

(i) the conditions for the termination of the Sales Framework Agreement are in line with the market practice;

(ii) the pricing of the Sales Framework Agreement will be determined on the basis of the government-prescribed price or if there is no applicable government-prescribed price, with reference to the market price; and

(iii) the time and method of payment for each transaction under the Sales Framework Agreement will be determined with reference to market practice,

we are of the view that the terms of the Sales Framework Agreement will be on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

B. Services Framework Agreement

Pursuant to the Services Framework Agreement, the Company will and will procure that other members of the Enlarged Group will provide certain services to the Parent Company and its subsidiaries.

1. Date

23 December 2011

2. Parties

(a) the Company
(b) the Parent Company

3. Term

From the date on which the Services Framework Agreement takes effect in accordance with to its terms until 31 December 2013.

4. Termination

The Services Framework Agreement shall terminate upon the occurrence of the following events:

(i) consent by both parties to terminate the agreement;

(ii) occurrence of any force majeure event which renders it impossible to achieve the purpose of the agreement;

(iii) breach of the agreement by either party, which is not remedied within 30 days upon request by the non-defaulting party;

(iv) the agreement being declared invalid by the court or other competent authority;

(v) shares of the Company ceasing to be listed on the Stock Exchange; or

(vi) the Parent Company ceasing to constitute a connected person of the Company.

We understand from the management of the Company that the conditions for the termination of the Services Framework Agreement are in line with the market practice.

5. Services to be provided by the Enlarged Group

Design services, surveying services, labour services for construction projects, provision of environment monitoring services, provision of examination of equipment and machineries services.

6. Pricing mechanism

The price at which each transaction under the Services Framework Agreement is to be conducted will be determined with reference to the market price of such services.

7. Time and method of payment

The time and method of payment for each transaction under the Services Framework Agreement will be determined with reference to market practice.

8. Historical transaction amounts

Members of the Daye Metal Group had been providing services similar to those set out in the Services Framework Agreement to the Parent Company and its subsidiaries in FY2008, FY2009 and FY2010 and the six months ended 30 June 2011. The aggregate amount paid by the Parent Company and its subsidiaries for such services amounted to approximately RMB2,060,000, RMB1,250,000, RMB7,430,000 and RMB2,130,000 for FY2008, FY2009, FY2010 and the six months ended 30 June 2011, respectively.

9. Reasons for entering into the Services Framework Agreement

The Directors consider that the entering into of the Services Framework Agreement will broaden the revenue base of the Enlarged Group. Given the close proximity of the respective operations of the Enlarged Group and the Parent Company and its subsidiaries, the Services Framework Agreement will also enable convenient and cost-efficient sharing of the various services under that agreement between the Enlarged Group and the Parent Company and its subsidiaries. As such, we consider that the entering into of the Service Framework Agreement will be in the usual and ordinary course of business of the Enlarged Group.

In light of

(i) the conditions for the termination of the Services Framework Agreement are in line with the market practice;

(ii) the pricing of the Services Framework Agreement will be determined with reference to the market price; and

(iii) the time and method of payment for each transaction under the Services Framework Agreement will be determined with reference to market practice,

we are of the view that the terms of the Services Framework Agreement will be on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

C. Purchase and Production Services Framework Agreement

Pursuant to the Purchase and Production Services Framework Agreement, the Parent Company will and will procure that its subsidiaries will supply certain products and materials and provide certain production services to members of the Enlarged Group.

1. Date

23 December 2011

2. Parties

(a) the Company
(b) the Parent Company

3. Term

From the date on which the Purchase and Production Services Framework Agreement takes effect in accordance with its terms until 31 December 2013.

4. Termination

The Purchase and Production Services Framework Agreement shall terminate upon the occurrence of the following events:

(i) consent by both parties to terminate the agreement;

(ii) occurrence of any force majeure event which renders it impossible to achieve the purpose of the agreement;

(iii) breach of the agreement by either party, which is not remedied within 30 days upon request by the non-defaulting party;

(iv) the agreement being declared invalid by the court or other competent authority;

(v) shares of the Company ceasing to be listed on the Stock Exchange; or

(vi) the Parent Company ceasing to constitute a connected person of the Company.

We understand from the management of the Company that the conditions for the termination of the Purchase and Production Services Framework Agreement are in line with the market practice.

5. Products and materials to be supplied to the Enlarged Group

Copper concentrates, copper cathodes, coarse copper, scrap copper, mechanically processed products, natural gas, steam, fume, raw materials, auxiliary equipment, supporting materials, components, production equipment and tools.

6. Production services to be provided to the Enlarged Group

Processing of coarse copper to anode plates, transportation services, construction of production site and installation of related facilities, and sinking and drifting engineering and other related production services.

7. Pricing mechanism

Depending on the products or materials to be supplied to the Enlarged Group and the production services to be provided to the Enlarged Group, the price at which each transaction under the Purchase and Production Services Framework Agreement is to be conducted will be determined on the following basis: (i) according to government-prescribed price (ii) if there is no applicable government-prescribed price, with reference to the market price; or (iii) if no such market price is available, the cost incurred by the relevant party in providing the products or materials or services plus a charge not exceeding 15% of such cost.

8. Time and method of payment

The time and method of payment for each transaction under the Purchase and Production Services Framework Agreement will be determined with reference to market practice.

9. Historical transaction amounts

The Parent Company and its subsidiaries had been supplying products and materials and providing production services similar to those set out in the Purchase and Production Services Framework Agreement to members of the Daye Metal Group in FY2008, FY2009, FY2010 and the six months ended 30 June 2011. The aggregate amount paid by members of the Daye Metal Group to the Parent Company and its subsidiaries for such products, materials and services amounted to approximately RMB608,660,000, RMB685,960,000, RMB1,653,230,000 and RMB771,930,000 for FY2008, FY2009, FY2010 and the six months ended 30 June 2011, respectively.

10. Reasons for entering into the Purchase and Production Services Framework Agreement

The products and materials and production services to be provided under the Purchase and Production Services Framework Agreement will be important to the Enlarged Group's operations. Given the long-term relationship of the Parent Company, its subsidiaries and the Enlarged Group and the close geographical proximity of their respective operations, the Directors consider that the entering into of the Purchase and Production Services Framework Agreement will allow the Enlarged Group to secure a cost effective, timely and stable source of supply of those products and materials and production services, and also to benefit from the procurement network of the Parent Company. As such, we consider that the entering into of the Purchase and Production Services Framework Agreement will be in the usual and ordinary course of business of the Enlarged Group.

In light of

(i) the conditions for the termination of the Purchase and Production Services Framework Agreement are in line with the market practice;

(ii) the pricing of the Purchase and Production Services Framework Agreement will be determined according to government-prescribed price, or if there is no applicable government-prescribed price, with reference to the market price, or if no such market price is available, the cost incurred by the relevant party in providing the products or materials or services plus a charge not exceeding 15% of such cost; and

(iii) the time and method of payment for each transaction under the Purchase and Production Services Framework Agreement will be determined with reference to market practice,

we are of the view that the terms of the Purchase and Production Services Framework Agreement will be on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

D. Hubei Gold Purchase Framework Agreement

Pursuant to the Hubei Gold Purchase Framework Agreement, Hubei Gold will supply copper concentrates to members of the Enlarged Group.

1. Date

23 December 2011

2. Parties

(a) the Company
(b) Hubei Gold

Hubei Gold is a limited liability company established in the PRC. As at the Latest Practicable Date, it was owned as to 40.2% by the Parent Company and one of its wholly-owned subsidiaries, and therefore constitutes an associate of the Parent Company and a connected person of the Company. Hubei Gold is principally engaged in the mining, production and sales of gold, gold concentrates and copper concentrates.

3. Term

From the date on which the Hubei Gold Purchase Framework Agreement takes effect in accordance with its terms until 31 December 2013.

4. Termination

The Hubei Gold Purchase Framework Agreement shall terminate upon the occurrence of the following events:

(i) consent by both parties to terminate the agreement;

(ii) occurrence of any force majeure event which renders it impossible to achieve the purpose of the agreement;

(iii) breach of the agreement by either party, which is not remedied within 30 days upon request by the non-defaulting party;

(iv) the agreement being declared invalid by the court or other competent authority;

(v) shares of the Company ceasing to be listed on the Stock Exchange; or

(vi) Hubei Gold ceasing to constitute a connected person of the Company.

We understand from the management of the Company that the conditions for the termination of the Hubei Gold Purchase Framework Agreement are in line with the market practice.

5. Products to be supplied to the Enlarged Group

Copper concentrates

6. Pricing mechanism

The price at which each transaction under the Hubei Gold Purchase Framework Agreement is to be conducted will be determined with reference to the market price.

7. Time and method of payment

The time and method of payment for each transaction under the Hubei Gold Purchase Framework Agreement will be determined with reference to market practice.

8. Historical transaction amounts

Hubei Gold had been supplying copper concentrates to members of the Daye Metal Group in FY2009 and FY2010 and the six months ended 30 June 2011. The aggregate amount paid by members of the Daye Metal Group to Hubei Gold for copper concentrates amounted to approximately RMB49,720,000, RMB83,810,000 and RMB27,790,000 for FY2009, FY2010 and the six months ended 30 June 2011, respectively.

9. Reasons for entering into the Hubei Gold Purchase Framework Agreement

The copper concentrates to be provided under the Hubei Gold Purchase Framework Agreement will be important to the Enlarged Group's production of copper cathodes. Given the close geographical proximity of the respective operations of Hubei Gold and the Enlarged Group, the Directors consider that the entering into of the Hubei Gold Purchase Framework Agreement will allow the Enlarged Group to secure a cost effective, timely and stable source of supply of copper concentrates. As such, we consider that the entering into of the Hubei Gold Purchase Framework Agreement will be in the usual and ordinary course of business of the Enlarged Group.

In light of

(i) the conditions for the termination of the Hubei Gold Purchase Framework Agreement are in line with the market practice;

(ii) the pricing of the Hubei Gold Purchase Framework Agreement will be determined with reference to the market price; and

(iii) the time and method of payment for each transaction under the Hubei Gold Purchase Framework Agreement will be determined with reference to market practice,

we are of the view that the terms of the Hubei Gold Purchase Framework Agreement will be on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

E. Daye Transportation Purchase Framework Agreement

Pursuant to the Daye Transportation Purchase Framework Agreement, Daye Transportation will supply certain products to members of the Enlarged Group.

1. Date

23 December 2011

2. Parties

(a) the Company
(b) Daye Transportation

Daye Transportation is a limited liability company established in the PRC. As at the Latest Practicable Date, it was owned as to 41.01% by a wholly-owned subsidiary of Hubei Jinge which, in turn, is a 66.88%-owned subsidiary of the Parent Company, and therefore constitutes an associate of the Parent Company and a connected person of the Company. Daye Transportation is principally engaged in the provision of transportation services.

3. Term

From the date on which the Daye Transportation Purchase Framework Agreement takes effect in accordance with its terms until 31 December 2013.

4. Termination

The Daye Transportation Purchase Framework Agreement shall terminate upon the occurrence of the following events:

(i) consent by both parties to terminate the agreement;

(ii) occurrence of any force majeure event which renders it impossible to achieve the purpose of the agreement;

(iii) breach of the agreement by either party, which is not remedied within 30 days upon request by the non-defaulting party;

(iv) the agreement being declared invalid by the court or other competent authority;

(v) shares of the Company ceasing to be listed on the Stock Exchange; or

(vi) Daye Transportation ceasing to constitute a connected person of the Company.

We understand from the management of the Company that the conditions for the termination of the Daye Transportation Purchase Framework Agreement are in line with the market practice.

5. Products and materials to be supplied to the Enlarged Group

Tyres, automobile parts and components, petrol and diesel oil.

6. Pricing mechanism

Depending on the products or materials to be supplied to the Enlarged Group, the price at which each transaction under the Daye Transportation Purchase Framework Agreement is to be conducted will be determined with reference to the market price.

7. Time and method of payment

The time and method of payment for each transaction under the Daye Transportation Purchase Framework Agreement will be determined with reference to market practice.

8. Historical transaction amounts

Daye Transportation had been supplying products and materials similar to those set out in the Daye Transportation Purchase Framework Agreement to members of the Daye Metal Group in FY2009, FY2010 and the six months ended 30 June 2011. The aggregate amount paid by members of the Daye Metal Group to Daye Transportation for such products and materials amounted to approximately RMB3,530,000, RMB3,260,000 and RMB110,000 for FY2009, FY2010 and the six months ended 30 June 2011, respectively.

Historically, members of the Daye Metal Group purchased products and materials from Daye Transportation in the second half of each year and made payment to Daye Transportation at the time of delivery of those products and materials. It is also the case for the year ending 31 December 2011. As at 30 September 2011, the aggregate amount paid by members of the Daye Metal Group to Daye Transportation amounted to approximately RMB1,480,000. As such, the total amount of RMB110,000 which has already been paid to Daye Transportation for the six months ended 30 June 2011 is not representative of the aggregate amount to be paid for the entire year of 2011.

9. Reasons for entering into the Daye Transportation Purchase Framework Agreement

Daye Transportation is principally engaged in the provision of transportation services and therefore has access to the supply channels for automobile-related products and materials. The Directors consider that the entering into of the Daye Transportation Purchase Framework Agreement will allow the Enlarged Group to secure a cost effective and stable source of supply of those automobile-related products and materials. As such, we consider that the entering into of the Daye Transportation Purchase Framework Agreement will be in the usual and ordinary course of business of the Enlarged Group.

In light of

(i) the conditions for the termination of the Daye Transportation Purchase Framework Agreement are in line with the market practice;

(ii) the pricing of the Daye Transportation Purchase Framework Agreement will be determined with reference to the market price; and

(iii) the time and method of payment for each transaction under the Daye Transportation Purchase Framework Agreement will be determined with reference to market practice,

we are of the view that the terms of the Daye Transportation Purchase Framework Agreement will be on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

F. Combined Ancillary Services Framework Agreement

Pursuant to the Combined Ancillary Services Framework Agreement, the Parent Company will and will procure that its subsidiaries will provide certain ancillary services to members of the Enlarged Group.

1. Date

23 December 2011

2. Parties

(a) the Company
(b) the Parent Company

3. Term

From the date on which the Combined Ancillary Services Framework Agreement takes effect in accordance with its terms until 31 December 2013.

4. Termination

The Combined Ancillary Services Framework Agreement shall terminate upon the occurrence of the following events:

(i) consent by both parties to terminate the agreement;

(ii) occurrence of any force majeure event which renders it impossible to achieve the purpose of the agreement;

(iii) breach of the agreement by either party, which is not remedied within 30 days upon request by the non-defaulting party;

(iv) the agreement being declared invalid by the court or other competent authority;

(v) shares of the Company ceasing to be listed on the Stock Exchange; or

(vi) the Parent Company ceasing to constitute a connected person of the Company.

We understand from the management of the Company that the conditions for the termination of the Combined Ancillary Services Framework Agreement are in line with the market practice.

5. Ancillary services to be provided to the Enlarged Group

Medical services, employee training services, property management services, building maintenance services, telecommunication and related maintenance services, utility services (including water and electricity) and other related ancillary services.

6. Pricing mechanism

Depending on the ancillary services to be provided by the Parent Company and its subsidiaries, the price at which each transaction under the Combined Ancillary Services Framework Agreement is to be conducted will be determined on the following basis: (i) according to the government-prescribed price; or (ii) if there is no applicable government-prescribed price, with reference to the market price.

7. Time and method of payment

The time and method of payment for each transaction under the Combined Ancillary Services Framework Agreement will be determined with reference to market practice.

8. Historical transaction amounts

The Parent Company and its subsidiaries had been providing ancillary services similar to those set out in the Combined Ancillary Services Framework agreement to members of the Daye Metal Group in FY2008, FY2009, FY2010 and the six months ended 30 June 2011. The aggregate amount paid by members of the Daye Metal Group for such ancillary services amounted to approximately RMB43,180,000, RMB282,270,000, RMB302,250,000 and RMB144,400,000 for FY2008, FY2009, FY2010 and the six months ended 30 June 2011, respectively.

9. Reasons for entering into the Combined Ancillary Services Framework Agreement

The Group or the Target Group currently does not have the capability of providing the ancillary services set out in the Combined Ancillary Services Framework Agreement. The Combined Ancillary Services Framework Agreement will allow the Enlarged Group to obtain the use of a wide range of support services that it or its employees will require on a day-to-day basis. The provision of such services to the Enlarged Group will allow the Enlarged Group to concentrate its resources on its core production operations. As such, we consider that the entering into of the Combined Ancillary Services Framework Agreement will be in the usual and ordinary course of business of the Enlarged Group.

In light of

(i) the conditions for the termination of the Combined Ancillary Services Framework Agreement are in line with the market practice;

(ii) the pricing of the Combined Ancillary Services Framework Agreement will be determined with reference to the market price; and

(iii) the time and method of payment for each transaction under the Combined Ancillary Services Framework Agreement will be determined with reference to market practice,

we are of the view that the terms of the Combined Ancillary Services Framework Agreement will be on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

G. Tonghua Hotel Services Framework Agreement

Pursuant to the Tonghua Hotel Services Framework Agreement, the Tonghua Hotel will provide certain ancillary services to members of the Enlarged Group.

1. Date

23 December 2011

2. Parties

(a) the Company
(b) Tonghua Hotel

Tonghua Hotel is a limited liability company established in the PRC. As at the Latest Practicable Date, it was owned as to 45% by the Parent Company and therefore constitutes an associate of the Parent Company and a connected person of the Company. Tonghua Hotel is principally engaged in the catering and hotel business.

3. Term

From the date on which the Tonghua Hotel Services Framework Agreement takes effect in accordance with its terms until 31 December 2013.

4. Termination

The Tonghua Hotel Services Framework Agreement shall terminate upon the occurrence of the following events:

(i) consent by both parties to terminate the agreement;

(ii) occurrence of any force majeure event which renders it impossible to achieve the purpose of the agreement;

(iii) breach of the agreement by either party, which is not remedied within 30 days upon request by the non-defaulting party;

(iv) the agreement being declared invalid by the court or other competent authority;

(v) shares of the Company ceasing to be listed on the Stock Exchange; or

(vi) Tonghua Hotel ceasing to constitute a connected person of the Company.

We understand from the management of the Company that the conditions for the termination of the Tonghua Hotel Services Framework Agreement are in line with the market practice.

5. Services to be provided to the Enlarged Group

Hotel services, catering services and business conference services.

6. Pricing mechanism

The price at which each transaction under the Tonghua Hotel Services Framework agreement is to be conducted will be determined with reference to the market price of such services.

7. Time and method of payment

The time and method of payment for each transaction under the Tonghua Hotel Services Framework Agreement will be determined with reference to market practice.

8. Historical transaction amounts

Tonghua Hotel had been providing ancillary services similar to those set out in the Tonghua Hotel Services Framework Agreement to members of the Daye Metal Group in FY2009, FY2010 and the six months ended 30 June 2011. The aggregate amount paid by members of the Daye Metal Group for such ancillary services amounted to approximately RMB1,690,000, RMB3,400,000 and RMB1,300,000 for FY2009, FY2010 and the six months ended 30 June 2011, respectively.

9. Reasons for entering into the Tonghua Hotel Services Framework Agreement

Given the close geographical proximity of Tonghua Hotel and members of the Enlarged Group, the Directors consider that the entering into of the Tonghua Hotel Services Framework Agreement will allow the Enlarged Group to secure cost effective hotel accommodation and catering and business conference service for its business functions. As such, we consider that the entering into of the Tonghua Hotel Services Framework Agreement will be in the usual and ordinary course of business of the Enlarged Group.

In light of

(i) the conditions for the termination of the Tonghua Hotel Services Framework Agreement are in line with the market practice;

(ii) the pricing of the Tonghua Hotel Services Framework Agreement will be determined with reference to the market price; and

(iii) the time and method of payment for each transaction under the Tonghua Hotel Services Framework Agreement will be determined with reference to market practice,

we are of the view that the terms of the Tonghua Hotel Services Framework Agreement will be on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2. Annual caps

A. Sales Framework Agreement

1. Historical transaction amounts

As mentioned in the section headed "Continuing Connected Transactions" in this circular, the aggregate amount paid by the subsidiaries of the Parent Company to members of the Daye Metal Group for such products and materials amounted to approximately RMB1,954,980,000, RMB1,698,490,000, RMB1,540,360,000 and RMB1,113,030,000 for FY2008, FY2009, FY2010 and the six months ended 30 June 2011, respectively.

2. Proposed annual caps

As stated in the section headed "Continuing Connected Transactions" in this circular, the Company proposes to adopt the following annual caps for transactions to be entered into pursuant to the Sales Framework Agreement for each of the two financial years ending 31 December 2012 and 2013 (respectively, "FY2012" and "FY2013"):

Table 11 – Proposed Annual Caps of Sales Framework Agreement

Annual Cap For the year ending 31 December 2012	Annual Cap For the year ending 31 December 2013
RMB2,532,300,000	RMB2,744,010,000

Source: Circular

The above annual caps have been determined with reference to (i) the existing purchase orders placed by subsidiaries of the Parent Company; (ii) projected increase in the products to be sold to the subsidiaries of the Parent Company as a result of the expected growth in the business of the Parent Company and its subsidiaries and the expansion of the Enlarged Group's production capacity as a result of the upgrading of its production facilities; and (iii) the expected increase in the price of raw materials and labour costs in the next few years.

We also note that the proposed annual caps for FY2012 and FY2013 will be increased by approximately 8.4% (year-on-year), as we understand from the discussion with the management of the Company, such 8.4% year-on-year increase is determined on the basis of the historical price of raw materials. We consider that the annual increase in purchasing price of non-ferrous metals is a good reference for estimating the potential increase for such expenses and costs. We have reviewed the 2011 China Statistical Yearbook and note that within the index of purchasing prices of raw materials, fuels and power in the PRC, the non-ferrous metals sub-index had increased by approximately 8.9% year-on-year on average from 2006 to 2010, which is in line with the increase in proposed annual caps of FY2012 and FY2013.

In light of the above, we are of the view that the basis for determining the proposed annual caps of FY2012 and FY2013 for the Sales Framework Agreement is fair and reasonable.

B. Services Framework Agreement

1. Historical transaction amounts

As mentioned in the section headed "Continuing Connected Transactions" in this circular, the aggregate amount paid by the Parent Company and its subsidiaries for such services amounted to approximately RMB2,060,000, RMB1,250,000, RMB7,430,000 and RMB2,130,000 for FY2008, FY2009, FY2010 and the six months ended 30 June 2011, respectively.

2. Proposed annual caps

As stated in the section headed "Continuing Connected Transactions" in this circular, the Company proposes to adopt the following annual caps for transactions to be entered into pursuant to the Services Framework Agreement for each of FY2012 and FY2013:

Table 12 – Proposed Annual Caps of Services Framework Agreement

Annual Cap	
For the year ending 31 December 2012	**For the year ending 31 December 2013**
RMB9,640,000	RMB10,610,000

Source: Circular

The above annual caps have been determined with reference to (i) the expected increase in the services to be provided to the Parent Company and its subsidiaries as a result of the expected growth in their business; and (ii) the expected increase in the services fees to be received by the Enlarged Group in the next few years.

As stated in Table 12, the proposed annual caps for FY2012 and FY2013 are expected to increase by approximately 10% (year-on-year) on average. As discussed with the management of the Company, we note that approximately 50% of the service fees are attributable to cost in general goods and services, and the other 50% of the service fees are attributable to the labour cost. We consider that the consumer price index released by the National Bureau of Statistics of China (the "CPI") and the average wage indices in Hubei Province released by the Bureau of Statistics of Hubei Province (the "Hubei Wage Index"), which represent the general increase in the prices of goods and services and the increase in the labour cost in Hubei Province respectively, are good references for estimating the potential increase for such expenses and costs. We note that the average CPI from January 2006 to October 2011 is approximately 3.3% and the average Hubei Wage Index from 2006 to 2010 is approximately 16.1%, as such, the weighted average increase of the CPI and the Hubei Wage Index is approximately 9.7%, which is in line with the increase of the proposed annual caps of the Services Framework Agreement.

In light of the above, we are of the view that the basis for determining the proposed annual caps of FY2012 and FY2013 for the Service Framework Agreement is fair and reasonable.

C. Purchase and Production Services Framework Agreement

1. Historical transaction amounts

As mentioned in the section headed "Continuing Connected Transactions" in this circular, the aggregate amount paid by members of the Daye Metal Group to the Parent Company and its subsidiaries for such products, materials and services amounted to approximately RMB608,660,000, RMB685,960,000, RMB1,653,230,000 and RMB771,930,000 for FY2008, FY2009, FY2010 and the six months ended 30 June 2011, respectively.

2. Proposed annual caps

As stated in the section headed "Continuing Connected Transactions" in this circular, the Company proposes to adopt the following annual caps for transactions to be entered into pursuant to the Purchase and Production Services Framework Agreement for each of FY2012 and FY2013:

Table 13 – Proposed Annual Caps of Purchase and Production Services Framework Agreement

Annual Cap **For the year ending 31 December 2012**	 **For the year ending 31 December 2013**
RMB4,797,980,000	RMB5,336,080,000

Source: Circular

The annual cap for FY2012 represents an increase of approximately 190% from the aggregate amount paid by members of the Daye Metal Group to the Parent Company and its subsidiaries for the year ended 31 December 2010. Such estimated increase has been determined on the basis of (i) the aggregate amount of RMB1,204,120,000 already paid by members of the Daye Metal Group to the Parent Company and its subsidiaries for the nine months ended 30 September 2011 and the projected amount to be paid for the remaining three months of 2011, taking into account the existing purchase orders placed by the Daye Metal Group; (ii) the projected increase in the amount of materials and services required as a result of the increased production capacity of copper cathodes of the Enlarged Group upon operation of both the new Ausmelt furnace and the new electrowinning system at the Smelting Plant in 2012, which are expected to increase the annual production capacity of copper cathodes to 640,000 tonnes when operating at full capacity; (iii) the expected growth in the Enlarged Group's business operations; and (iv) the expected increase in the price of raw material and services fees to be paid by the Enlarged Group.

The annual cap for FY2013 represents an increase of approximately 11% from the annual cap for the previous year. Such estimated increase has been determined on the basis of (i) the expected growth in the Enlarged Group's business operations; and (ii) the expected increase in the price of raw material and services fees to be paid by the Enlarged Group.

As stated in Table 13 above, the proposed annual caps for FY2012 are expected to be increased by approximately 190% from the aggregate amount paid by members of the Daye Metal Group to the Parent Company and its subsidiaries for the year ended 31 December 2010. As discussed with the management of the Company, we understand that the Target Group has upgraded the existing capacity of the Smelting Plant by purchasing the new Ausmelt furnace which is manufactured in Australia and is one of the most advanced smelting furnaces. The Ausmelt furnace commenced operation in December 2010. In addition, the Target Group is currently building a new electrowinning system at the Smelting Plant, which will commence operation by the third quarter of 2012. The annual production capacity of copper cathodes of the Enlarged Group is expected to be increased to 640,000 tonnes upon operation of both the new Ausmelt furnance and the new electrowinning system at the Smelting Plant in 2012 at full capacity. As such, the Directors consider that demand for raw materials is expected to increase significantly for FY2012.

The proposed annual caps for FY2013 will be increased by approximately 11% with reference to the expected increase of CPI in the next few years. As we have discussed in section 2.B.2 above, we consider that the CPI, which represents the general increase in the prices of goods and services, is a good reference for estimating the potential increase for such expenses and costs.

In light of the above, we are of the view that the basis for determining the proposed annual caps for:

i. FY2012 which is determined based on the expected significant increase of the demand for raw materials as a result of the expected increase of annual production capacity of copper cathodes of the Enlarged Group to 640,000 tonnes upon operation of both the new Ausmelt furnance and the new electrowinning system at the Smelting Plant in 2012 at full capacity; and

ii. FY2013 which is determined based on with reference to the expected increasing rate of the CPI in the next few years,

the Purchase and Production Services Framework Agreement is fair and reasonable.

D. Hubei Gold Purchase Framework Agreement

1. Historical transaction amounts

As mentioned in the section headed "Continuing Connected Transactions" in this circular, the aggregate amount paid by members of the Daye Metal Group to Hubei Gold for copper concentrates amounted to approximately RMB49,720,000, RMB83,810,000 and RMB27,790,000 for FY2009, FY2010 and the six months ended 30 June 2011, respectively.

2. Proposed annual caps

As stated in the section headed "Continuing Connected Transactions" in this circular, the Company proposes to adopt the following annual caps for transactions to be entered into pursuant to the Hubei Gold Purchase Framework Agreement for each of FY2012 and FY2013:

Table 14 – Proposed Annual Caps of Hubei Gold Purchase Framework Agreement

Annual Cap	
For the year ending 31 December 2012	**For the year ending 31 December 2013**
RMB96,810,000	RMB106,500,000

The above annual caps have been determined with reference to (i) the expected increase in the requirement of the Enlarged Group for copper concentrates; and (ii) the expected increase in the prices of copper concentrates.

As stated in Table 14 above, the proposed annual caps for FY2012 and FY2013 will be increased by approximately 10%. We consider the average annual increase in purchasing price of non-ferrous metals is a good reference for estimating the potential increase for such expenses and costs. Furthermore, we note that the annual increase of the proposed annual caps in FY2012 and FY2013 is in line with the average annual increase of the purchasing price of non-ferrous metals as mentioned in section 2.A.2 above.

In light of the above, we are of the view that the basis for determining the proposed annual caps of FY2012 and FY2013 for the Hubei Gold Purchase Framework Agreement is fair and reasonable.

E. Daye Transportation Purchase Framework Agreement

1. Historical transaction amounts

As mentioned in the section headed "Continuing Connected Transactions" in this circular, the aggregate amount paid by members of the Daye Metal Group to Daye Transportation for such products and materials amounted to approximately RMB3,530,000, RMB3,260,000 and RMB110,000 for FY2009, FY2010 and the six months ended 30 June 2011, respectively.

2. Proposed annual caps

As stated in the section headed "Continuing Connected Transactions" in this circular, the Company proposes to adopt the following annual caps for transactions to be entered into pursuant to the Daye Transportation Purchase Framework Agreement for each of FY2012 and FY2013:

Table 15 – Proposed Annual Caps of Daye Transportation Purchase Framework Agreement

Annual Cap	
For the year ending 31 December 2012	**For the year ending 31 December 2013**
RMB3,950,000	RMB4,350,000

Source: Circular

The above annual caps have been determined on the basis of (i) the aggregate amount of RMB1,480,000 already paid by members of the Daye Metal Group to Daye Transportation for the nine months ended 30 September 2011 and the projected amount to be paid for the remaining three months of 2011; (ii) the expected increase in the requirement of the Enlarged Group for tyres, automobile parts and components, petrol and diesel oil; and (iii) the expected increase in the prices of those products and materials.

As stated in Table 15 above, the proposed annual caps for FY2012 and FY2013 will be increased by approximately 10%. As discussed with the management of the Company, we understand that such 10% year-on-year increase is determined on the basis of the historical fuel and power price. In addition, we have reviewed the 2011 China Statistical Yearbook and note that within the index of purchasing prices of raw materials, fuels and power in the PRC, the fuel and power sub-index had increased by approximately 8.5% year-on-year on average from 2006 to 2010, which is in line with the increase in the proposed annual caps for FY2012 and FY2013.

In light of the above, we are of the view that the basis for determining the proposed annual caps of FY2012 and FY2013 for the Daye Transportation Purchase Framework Agreement is fair and reasonable.

F. Combined Ancillary Services Framework Agreement

1. Historical transaction amounts

As mentioned in the section headed "Continuing Connected Transactions" in this circular, the aggregate amount paid by members of the Daye Metal Group for such ancillary services amounted to approximately RMB43,180,000, RMB282,270,000, RMB302,250,000 and RMB144,400,000 for FY2008, FY2009, FY2010 and the six months ended 30 June 2011, respectively.

2. Proposed annual caps

As stated in the section headed "Continuing Connected Transactions" in this circular, the Company proposes to adopt the following annual caps for transactions to be entered into pursuant to the Combined Ancillary Services Framework Agreement for each of FY2012 and FY2013:

Table 16 – Proposed Annual Caps of Combined Ancillary Services Framework Agreement

Annual Cap	
For the year ending 31 December 2012	**For the year ending 31 December 2013**
RMB501,720,000	RMB660,780,000

Source: Circular

The above annual caps have been determined with reference to (i) the historical amounts paid by members of Daye Metal Group for similar ancillary services to the Parent Company and its subsidiaries; (ii) the expected increase in the services to be provided; and (iii) the expected increase in the services fees to be paid by the Enlarged Group in the next few years.

As stated in Table 16 above, the proposed annual caps for FY2012 and FY2013 will be increased by approximately 32%. As discussed with the management of the Company, we note that the amount is determined based on the expected large demand for ancillary services with the significant increase of labour of the Enlarged Group as a result of the Acquisition and increase of number of training courses/seminars given to the employees.

In light of the above, we are of the view that the basis for determining the proposed annual caps of FY2012 and FY2013 for the Combined Ancillary Services Framework Agreement is fair and reasonable

G. Tonghua Hotel Services Framework Agreement

1. Historical transaction amounts

As mentioned in the section headed "Continuing Connected Transactions" in this circular, the aggregate amount paid by members of the Daye Metal Group for such ancillary services amounted to approximately RMB1,690,000, RMB3,400,000 and RMB1,300,000 for FY2009, FY2010 and the six months ended 30 June 2011, respectively.

2. Proposed annual caps

As stated in the section headed "Continuing Connected Transactions" in this circular, the Company proposes to adopt the following annual caps for transactions to be entered into pursuant to the Tonghua Hotel Services Framework Agreement for each of FY2012 and FY2013:

Table 17 – Proposed Annual Caps of Tonghua Hotel Services Framework Agreement

Annual Cap	
For the year ending 31 December 2012	**For the year ending 31 December 2013**
RMB4,110,000	RMB4,530,000

Source: Circular

The above annual caps have been determined with reference to (i) the historical amounts paid by members of the Daye Metal Group for similar services provided by Tonghua Hotel; (ii) the projected increase in the services to be provided; and (iii) the expected increase in the services fees to be paid by the Enlarged Group in the next few years as a result of increase in labour costs.

As stated in Table 17 above, the proposed annual caps for FY2012 and FY2013 will be increased by approximately 10% each year. As discussed with the management of the Company, we note that the amount of the annual caps is mainly determined with reference to the historical figure of CPI and labour cost as approximately 50% of the service fees of the Tonghua Hotel Services Framework Agreement are attributable to the cost in general goods and services, and the other 50% are attributable to the labour cost. Furthermore, we note that the approximately 10% increase of the proposed annual caps is in line with the weighted average increase of the CPI and the Hubei Wage Index as mentioned in section 2.B.2 above.

In light of the above, we are of the view that the basis for determining the proposed annual caps of FY2012 and FY2013 for Tonghua Hotel Services Framework Agreement is fair and reasonable.

V. Conclusion

We have considered the risk relating to the Acquisition in the section headed "Risk Factors" in this circular and we have taken into account the following principal factors and reasons in arriving at our opinion:

(i) regarding the Group's business focus and strategy, the Acquisition is in line with the Group's development strategies and business plans;

(ii) regarding the Consideration, having considered that: a) the assumptions, the basis and the methodology for the valuation of the Mineral Assets under Chapter 18 Valuation and market valuation are fair and reasonable; b) the basis and assumptions, the valuation approach and methodology for the valuation of the net assets value as at 30 September 2011 of the Target Group are fair and reasonable; we are of the view that the Consideration is fair and reasonable;

(iii) regarding the issue price of the China Times Consideration Shares and the Cinda Consideration Shares and the Conversion price of the China Times Convertible Notes and the Conversion Share, having considered that: a) the mixture of the issue of 11,736,715,634 new Ordinary Shares and 2,007,672,096 Conversion Shares to satisfy the China Times Consideration and Cinda Consideration is fair and reasonable; b) the Issue Price/ Conversion Price was trading at a premium of approximately 19% to the closing price of the Ordinary Shares of approximately HK$0.42 per Ordinary Share as quoted on the Stock Exchange on the Latest Practicable Date; and c) the Issue Price/Conversion Price of the Company is at a discount higher than the Market Averages, nevertheless the Consideration is at a discount of approximately 5% to the valuation under the Net Asset Valuation Report, we are of the view that the Issue Price/Conversion Price is fair and reasonable;

(iv) regarding the financial effects of the Acquisition to the Group, having considered that: a) the Acquisition has a positive effect on the NAV and NAV per Share of the Enlarged Group; b) the Acquisition has a positive effect on the earnings and earnings per Share of the Enlarged Group; and c) the Acquisition has no material impact on the working capital of the Enlarged Group despite the negative impact on the net gearing of the Enlarged Group, we are of the view that, on the balance, the Acquisition will have an overall positive financial effect on the Enlarged Group and is in the interests of the Company and the Shareholders as a whole;

(v) regarding the potential dilution effect, having considered that: a) the dilution is inevitable in the case of a substantial acquisition of this type which is being financed without incurring any cash outlay or additional liabilities to satisfy the Consideration; and b) the aforementioned potential benefits of the Acquisition to the Group and the terms of the Acquisition Agreement being fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned, we are of the view that the potential dilution effect is acceptable;

(vi) regarding the proposed grant of the Specific Mandate, having considered that the aforementioned potential benefits of the Acquisition to the Group and the terms of the Acquisition Agreement being fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned, we are of the view that the Specific Mandate is fair and reasonable, on normal commercial terms and should be granted at the EGM;

(vii) regarding the Whitewash waiver, having considered that the aforementioned potential benefits of the Acquisition to the Group and the terms of the Acquisition Agreement being fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned, we are of the view that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Acquisition, is in the interest of the Company and its Shareholders as a whole; and

(viii) regarding the Non-exempt Continuing Connected Transactions, having considered that the terms and the basis for determining the proposed annual caps for: a) the Sales Framework Agreement; b) the Services Framework Agreement; c) the Purchase and Production Services Framework Agreement; d) Hubei Gold Purchase Framework Agreement; e) the Daye Transportation Purchase Framework Agreement; f) the Combined Ancillary Services Framework Agreement; and g) the Tonghua Hotel Services Framework Agreement are fair and reasonable, we are of the view that the Non-exempt Continuing Connected Transactions (including the related proposed Annual Caps) are fair and reasonable, will be on normal commercial terms and in the usual and ordinary course of business of the Enlarged Group.

RECOMMENDATION

Based on the above principal factors and reasons, we consider (i) the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions (including the Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its shareholders as a whole; (ii) the Acquisition and the proposed grant of the Specific Mandate are on normal commercial terms; and (iii) the Non-Exempt Continuing Connected Transactions (including the Annual Caps) will be on normal commercial terms and in the usual and ordinary course of business of the Enlarged Group. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition, the Whitewash Waiver, the proposed grant of the Specific Mandate and the Non-Exempt Continuing Connected Transactions.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited

Ian Ramsay	**Lenny Li**
Director and Head of Corporate Finance	*Director*

The exploration for and development of metals and mineral resources is a speculative activity that involves a high degree of risk. Investors should note that the Enlarged Group's mineral resources and/or reserves may not ultimately be extracted at a profit. Therefore, investors are cautioned not to assume that all or any part of these resources and/or reserves exist, or that they can be legally and economically mined. In addition to the other information contained in this circular, shareholders and investors of the Company should take into account the following risks in considering the Acquisition. If any of the possible events described below occurs, the business or financial condition of the Enlarged Group could be materially and adversely affected

There are certain risks involved in relation to the Acquisition and the operations of the Enlarged Group. These risks can be categorised as: (i) risks relating to the Acquisition; (ii) risks relating to business of the Enlarged Group; (iii) risks relating to the mining industry; and (iv) risks relating to conducting business in the PRC.

RISKS RELATING TO THE ACQUISITION

Completion of the Acquisition is subject to satisfaction of the conditions under the Acquisition Agreement and there is no assurance that all of those conditions will be satisfied

Completion of the acquisition of the Sale Shares under the Acquisition Agreement is subject to the satisfaction of the conditions set out in the Acquisition Agreement (or in the case of a limited number of those conditions, the waiver by the Company if any of them is not satisfied). Details of those conditions are set out in the section headed "Letter from the Board – Conditions Precedent" in this circular.

The fulfillment of certain of the conditions set out in the Acquisition Agreement is dependent on the decision of government or regulatory authorities with respect to which none of the Company, the Parent Company or Cinda will be able to exercise any control.

There is no assurance that all of those conditions will be fulfilled within the deadline specified in the Acquisition Agreement or at all. If any of those conditions is not satisfied (and if it is capable of being waived by the Company as provided under the Acquisition Agreement, so waived by the Company), completion of the acquisition of the Sale Shares will not proceed.

The mineral resources and ore reserves and mineralized potential of the Target Group are estimated based on assumptions and the actual recovery of minerals may be lower than expected.

One of the conditions which completion of the Acquisition is subject to as set out in the Acquisition Agreement is that the independent technical adviser has completed its report with respect to the mineral resources and ore reserves of the Target Group in accordance with the requirements of the Listing Rules and the contents and result of such report are satisfactory to the Company. A copy of the Competent Person's Report on the Four Mines so compiled by Runge is set out in Appendix V-A to this circular.

The mineral resources and ore reserves and mineralized potential of the Target Group as set out in the Competent Person's Report on the Four Mines are estimated in accordance with the JORC Code or based on standard evaluation methods generally used in the international mining industry. Such estimations involve qualitative measurements such as the intrinsic economic value and the prospects for eventual economic extraction of minerals. In addition, the recovery percentage is estimated based on the results of small-scale test works conducted in laboratory and there is no assurance that the estimated level of recovery will be realized or tonnages or grades will be achieved, or that the anticipated mineral resources and ore reserves or mineralized potential can be mined or processed economically when the operations are scaled up to the level comparable to those of the Target Group. As mineral resources and ore reserves estimates are inherently prone to variability, the ultimate recovery rate would depend on a number of factors such as production costs, market sentiment and commodity price. As such, the stated mineral resources and ore reserves and mineralized potentials should not be regarded as an indication of the economic viability or be associated with the financial performance of the Target Group (and hence, of the Enlarged Group after completion of the Acquisition). Should the proportion of copper and other valuable minerals recovered from the ore reserves falls short of the anticipated level of recovery, the Enlarged Group may need to adjust its mining plans in a way that may adversely affect its business, financial condition and results of operations.

The shareholdings of the existing Shareholders will be substantially diluted immediately following the China Times Completion and the Cinda Completion

Pursuant to the Acquisition Agreement, the Company will allot and issue the China Times Consideration Shares and the China Times Convertible Notes to China Times, and the Cinda Consideration Shares to Cinda HK, upon China Times Completion and Cinda Completion, respectively. As at the Latest Practicable Date, the aggregate shareholding of the existing Shareholders (other than China Times and persons acting in concert with it) amounted to approximately 79.20%. The aggregate shareholding of the existing Shareholders (other than China Times and persons acting in concert with it) will be substantially diluted, upon issue of the China Times Consideration Shares, to approximately 27.01% and, upon the further issue of the Cinda Consideration Shares, to 25.55%. If the Conversion Shares to be issued upon conversion of the China Times Convertible Notes (but subject to the restriction on conversion by China Times under the Acquisition Agreement in order to maintain the minimum public float of the Company) are taken into account, the aggregate shareholding of the existing Shareholders (other than China Times and persons acting in concert with it) will be diluted to 25.01% upon China Times Completion and to 22.90% if Cinda Completion also takes place. Please refer to the section headed "Letter from the Board - Effects of the Acquisition on the shareholding structure of the Company" for further details. Any value enhancement of the Ordinary Shares resulting from the Acquisition may not necessarily be reflected in their market price and may not offset the dilution effect to the existing Shareholders.

RISKS RELATING TO THE BUSINESS OF THE ENLARGED GROUP

The Enlarged Group may face significant challenges in integrating the business operations of the Group with those of the Target Group and to establish a centralized management structure and failure to achieve successful integration may adversely affect the business and operations of the Enlarged Group

The Group's mining assets comprise, among others, the Aleinuer Mine in Mongolia and the Sareke Mine and Hami Mine in the Xinjiang Uygur Autonomous Region of the PRC. The Four Mines, being the principal mining assets owned and operated by the Target Group, are located in Hubei Province, the PRC. While the mines owned by the Group are all in their early stages of development and have yet to commence commercial production, those owned by the Target Group have been mined and in commercial production for over 30 years.

Upon completion of the Acquisition, the business operations of the Group and the Target Group will have to be integrated and a centralized management structure will have to be established. The Enlarged Group may face significant challenges in doing so, particularly taking into account the different geographical locations of the mining assets of the Group and the Target Group and the different stages of development at which the mines of the Target Group and those of the Group are operating. Adjustments or changes required to be made to, among others, management personnel, financial and management information systems may not be successfully implemented. As such, there can be no assurance that the Enlarged Group will be able to achieve a successful integration of the business operations of the Group with those of the Target Group and any material delay or obstacle encountered during such integration process may adversely affect the business operations, results of operations, financial condition and growth prospects of the Enlarged Group.

The growth prospects of the Enlarged Group are dependent upon continual and successful exploration and development of its mining assets

Mining exploration is unpredictable in nature. The success of any mining project depends on a wide range of factors such as: (i) whether ore bodies can be located; (ii) whether the location of ore bodies are economically feasible to mine; (iii) whether appropriate metallurgical processes can be developed and appropriate mining and processing facilities can be economically constructed; and (iv) whether necessary government permits, mining and exploration licences and consents can be obtained and renewed.

The growth prospects of the Enlarged Group are dependent upon a stable supply of copper ore at an economically viable price, which in turn is dependent on the successful exploration and development of both the mines which are already in commercial production and those which have yet to commence commercial production. Notwithstanding that each of the Four Mines has been in commercial production for more than 25 years, the Target Group has continued to discover new copper ore deposits through, in particular, exploration carried out at deeper levels underground and in the peripheral areas of the mining sites. There is no assurance that the Enlarged Group will, after completion of the Acquisition, continue to be able to discover new copper ore deposits of any significant scale at any of the Four Mines or that any deposits so discovered would be economically viable for mining and commercial production.

In addition to continuing with exploration activities at the existing mines, the Enlarged Group also intends to seek to increase its mineral resources and reserves by acquiring, exploring and developing new mines in the PRC and overseas. However, exploration and development of new mines involve a wide range of risks relating to (i) the location of ore bodies, (ii) development of appropriate mining processes, (iii) the availability and cost of leaching and smelting arrangements, (iv) the availability of utilities, auxiliary materials and other supplies and the accessibility of transportation and other infrastructure, (v) the availability of funds to finance construction and production activities, (vi) procurement of all necessary government approvals, changes in government policies or development plans, and (vii) construction of mining facilities and processing plants and recruitment of technical and mining staff. As such, not all exploration and development incentives of the Enlarged Group would result in new commercial mining operations or extend the life of any of the existing mining operations, and even if such incentives did result in new commercial mining operations, there could be no assurance that such operations would be successful. If such exploration activities or mining operations fail, the costs of such developments could not be recovered, and this could materially and adversely affect the Enlarged Group's business, financial conditions and operation results.

Fluctuations in price and supply of raw materials could negatively impact our business and financial conditions

The Target Group currently purchases a significant proportion of copper concentrates required for its downstream production of copper cathodes from third party suppliers and the Parent Group as the supply of copper ore from the Four Mines is currently not sufficient to meet such production requirements.

While the Directors expect that after completion of the Acquisition, as the Enlarged Group begins to develop the combined copper reserves and resources of the Group and the Target Group, it will be able to reduce the quantity of copper concentrates it has to source from external suppliers and the Parent Group over time, it will still have to rely on external suppliers and the Parent Group for the supply of a significant portion of the copper concentrates required for its downstream copper cathode production in the near term.

The Enlarged Group's production requires a stable supply of key raw materials including copper concentrates, anode plates and scrap copper at economical prices. Due to the intensive capital requirement of mining activities, the growth in the supply of raw ore (in particular, copper ore) in the PRC and around the world is generally unable to keep up with the expansion of production capacity in metal processing. Stable supply at commercially acceptable terms may not be maintained. Any shortages in the supply of copper concentrates or the other key raw materials could disrupt the Enlarged Group's operations and could have a material adverse effect on its business, results of operations and financial condition.

Failure to achieve production estimates could have a material adverse effect on the business, financial condition and results of operations of the Enlarged Group

Estimates of future production for the mining, ore processing, smelting and refining operations of the Target Group, the Group or the Enlarged Group are subject to change and are based on, among other things, reserve estimates, assumptions regarding ground conditions and physical characteristics of ores, utilization of production facilities, costs of production and conditions of the industry and general economy. Actual production figures from the mining, ore processing, smelting and refining operations of the Target Group, the Group or the Enlarged Group (as the case may be) may vary from estimates for a variety of reasons, including risks and hazards of the types discussed elsewhere in this circular, and as set out below:

- actual ore mined varying from estimates in grade, tonnage, and metallurgical and other characteristics;
- encountering of unusual or unexpected geological conditions;
- industrial accidents;
- equipment failures;
- severe weather conditions and natural disasters;
- changes in power costs and potential power shortages;
- shortages of principal raw materials and supplies needed for operation, including but not limited to copper concentrates, anode plates, explosives, fuels and equipment parts;
- failure to renew or obtain the necessary licences and permits; and
- restrictions imposed by government authorities.

Such occurrences could result in damage to mines or processing facilities, interruptions in production, injury or death to persons, damage to the Enlarged Group's properties or the properties of others, monetary losses and legal liabilities. Although neither the Group nor the Target Group has encountered any of the above factors which has materially and adversely disrupted or affected its operations or production plans in the past, these factors may cause an operation that has been profitable in the past to become unprofitable.

Estimates of production from mines or processing facilities not yet in production or from operations that are to be expanded are based on similar factors (including in some instances, feasibility studies prepared by personnel and/or external consultants of the Target Group or the Group). It is possible that actual cash operating costs and economic returns will differ significantly from those estimated. There is no assurance any production estimates will be achieved. Failure to achieve production estimates could have a material and adverse effect on the business, financial condition and results of operations of the Enlarged Group.

Impairment losses relating to the mining rights of the Target Group may adversely affect the results of operations of the Enlarged Group

In accordance with the accounting policies of the Target Group, amortization of mining rights of the Four Mines is calculated using the units-of-production method and based on the estimated proven and probable mineral reserves of the Four Mines. In determining proven and probable mineral reserves, reliance is placed on engineering estimates derived from qualitative measurements such as intrinsic economic value and prospects for eventual economic extraction. As engineering estimates are inherently imprecise and represent only approximate amounts because of the subjective judgments involved in developing such information, such estimations could have an impact on the recognition of the extent of impairment losses relating to mining rights. If the value of the mining rights of the Four Mines is over-estimated, the over-estimated amounts will be recognized as impairment losses which, in turn, may have a material adverse effect on the results of operations of the Enlarged Group after completion of the Acquisition.

Adverse economic developments in the PRC could have a negative impact on the revenues, cash flow and profitability of the Enlarged Group

China has been the main driver of global demand for minerals and metals over the last few years. Sales to PRC customers have accounted for a substantial portion of the total turnover of the Target Group during the Track Record Period. Any slowdown in the growth of the PRC economy or its manufacturing industry could lead to a decline in demand for the products of the Enlarged Group, resulting in lower revenues, cash flow and profitability.

The operations of the Enlarged Group are governed by extensive and increasingly stringent environmental, health and safety laws and regulations, the violation of which might adversely affect the business of the Enlarged Group

The operations of the Enlarged Group will involve the use, handling, discharge and disposal of hazardous materials into the environment and the use of natural resources, which are subject to extensive environmental, health and safety laws and regulations in the PRC and Mongolia relating to, among other things, air and water quality, waste management, public health and safety. To comply with those laws and regulations, the Enlarged Group may have to incur significant costs associated with its production facilities and production process, and the installation of pollution control equipment and safety facilities in future. The Enlarged Group will also be subject to inspections by relevant environmental and other government authorities in the PRC and Mongolia from time to time and will need to maintain various environmental and production safety permits. Failure to comply with environmental, health and safety laws and regulations in the PRC and Mongolia may expose the Enlarged Group to litigation, investigation or the imposition of penalties, which may include fines and suspension of operations, all of which may adversely affect the Enlarged Group's business and results of operations.

In addition, recent changes in environmental, health and safety laws and regulations in the PRC and Mongolia where the Enlarged Group will be operating, have seen the introduction of stricter standards, more stringent requirements and increased fines and penalties for any non-compliance activities. It is possible that the introduction of more laws and regulations governing operations and activities of mining companies, such as the imposition of new or stricter requirements for the issue or renewal of environmental or safe production permits, or more aggressive enforcement of laws and regulations by regulatory authorities may lead to an increase in compliance costs, capital expenditure and production costs, reduction in production output or abandonment or delay in development of new mining properties.

The Enlarged Group may not have adequate insurance coverage against operation risks and hazards inherent in the nature of the mining business, which could adversely affect its business

The Enlarged Group will face numerous operation risks and hazards that are inherent in the nature of the mining business, which cannot be eliminated despite the implementation of preventive measures. The Enlarged Group's insurance policies will not cover every potential risk relating to its operations and adequate coverage at reasonable costs may not be obtainable. Further, the available insurance cover in the PRC is relatively limited and many forms of insurance for mining companies are not yet generally available in the PRC. As such, losses flowing from unforeseen accidents may not be covered by the insurance maintained by the Enlarged Group or the insurance coverage may be inadequate, and the Enlarged Group may have to pay out of its resources for financial and other losses, damages and liabilities not covered by its insurance. This could have a material and adverse effect on the business, financial conditions and results of operations of the Enlarged Group.

The Enlarged Group may not achieve optimal result in future acquisitions or may encounter difficulties in integrating and developing the acquired assets or business successfully

As part of its expansion plans, the Enlarged Group may increase its mineral resources through selected acquisitions of companies with existing exploration rights and additional mining assets. The Enlarged Group does not, however, have any specific timetable for the implementation of any such expansion plans, and there is no assurance that it will be able to identify suitable companies or mining assets for acquisition. It may encounter intense competition during the expansion process and it may fail to identify acquisition targets appropriately. In addition, any such acquisition may be subject to the requirement for government or regulatory approvals and/or permits to be obtained and there is no assurance that any such approvals or permits will be obtained in a timely manner or at all. The Enlarged Group may not be able to obtain any approvals and/or permits that may be required to undertake the development of the mineral resources comprised in any such mining assets.

Further, acquisitions may also involve a number of risks, undisclosed issues or legal liabilities. For example, future acquisitions may involve potential risks such as failure by the Enlarged Group to integrate any acquired business into its operations successfully, diversion of management attention from its existing business, potential loss of its key employees or the key employees of any acquired business, unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition, and decline in the value of the acquired assets, especially in light of the considerable time lapse that may arise between the signing of agreement and completion of the acquisition due to the time that may be required for obtaining any government, regulatory or other approval for such acquisition. These and other risks related to the acquisition, integration and operation of acquired assets and companies could cause the Enlarged Group not to realize the benefits expected to result from such acquisition, and could have a material adverse effect on the further development and growth of its business and on its financial condition and results of operations.

Hedging activities may limit the Enlarged Group's participation in commodity price increases and increase its exposure to counterparty credit risk

The Enlarged Group is expected to periodically enter into hedging activities to manage its exposure to copper price volatility. To the extent that it engages in price risk management activities to protect itself from commodity price declines, it may be prevented from fully realizing the benefits of commodity price increases above the prices established by its hedging contracts. For instance, in 2010 and the six months ended 30 June 2011, the Target Group incurred loss on changes in the fair value of commodity futures contracts it entered into due to price fluctuations of copper. In addition, its hedging arrangements may also expose it to the risk of financial loss in certain other circumstances, such as where the counterparties to its hedging contracts fail to perform their obligations under those contracts.

Exposure to financial losses resulting from hedging arrangements may also be increased by the ongoing European sovereign debt crisis and possible changes to the European Union's monetary policies which may lead to more volatility in LME benchmarked copper prices.

The risk management and internal control systems of the Enlarged Group may not be adequate or effective

The Directors, together with the senior management of the Enlarged Group, will be responsible for overseeing its internal control policies and procedures. After completion of the Acquisition, the Enlarged Group will establish such risk management and internal control systems consisting of relevant organizational framework policies, procedures and risk management methods that the Directors may consider appropriate for its business operations. However, there is no assurance that any such systems will be sufficiently effective in identifying and preventing all risks. As the effectiveness of any risk management and internal control systems so adopted will also depend on the implementation by the employees of the Enlarged Group, there is no assurance that such implementation will not involve any human errors or mistakes. If the Enlarged Group fails to implement its internal control policies and procedures in a timely manner or fails to adequately identify risks that may affect its business, its business, financial condition and results of operations could be materially and adversely affected.

Changes in government policies, including, but not limited to, the imposition of new taxes or cancellation of preferential tax treatment currently enjoyed by the Group or the Target Group may adversely affect the results of operations of the Enlarged Group

Each of the Group and the Target Group currently enjoys a number of preferential tax treatments in the PRC. For example, the Target Group currently enjoys the benefit of exemption from income tax in respect of part of its income derived from the sale of certain products. The loss of the benefits associated with such preferential tax treatments may have an adverse impact on the business and results of operations of the Enlarged Group. Further, certain of the preferential tax treatments may be subject to renewal and confirmation at prescribed intervals by the PRC tax authorities. Any failure to renew or maintain these preferential tax treatments or any change in the criteria adopted for determining eligibility for these treatments may impose additional burdens and costs on the Enlarged Group. Any change in government regulations or policies in a manner that is unfavourable to the Enlarged Group may materially and adversely affect its profitability.

Severe weather conditions may prevent or hinder the mining activities of the Enlarged Group

Severe weather conditions may require the Enlarged Group to evacuate its personnel and curtail its operations and cause damages to its mines, mining infrastructure, equipment and facilities. Temporary or prolonged suspension of operations would result in a decrease in productivity. Moreover, severe weather conditions may also lead to closure of highways, waterways and railways leading to delay in delivery of products or supplies and damages to the power infrastructures, which could materially and adversely affect the Enlarged Group's business, financial conditions and results of operations.

Failure of transport infrastructure may adversely affect the operations of the Enlarged Group

Both the Group and the Target Group have relied on and after completion of the Acquisition, the Enlarged Group will continue to rely on mainly water, rail and road transport for the delivery of products to customers as well as the delivery of raw materials from its suppliers. There is no assurance that the Enlarged Group will have unlimited access to ports, waterway and railway capacity to transport its supplies and products in a timely manner. Any failure to transport supplies to the mining areas could curtail production and any failure to deliver products to warehouses or to customers could have a negative effect on customer relationships, both of which could have a material adverse impact on the business, results of operations, future development and prospects of the Enlarged Group.

If the ruling of the Mongolian Arbitration Center at the re-hearing is unfavourable to CRML, the Group's business and operations may be adversely affected

As announced by the Company on 7 October 2011, the Aleinuer Mine was the subject of arbitration proceedings initiated in Mongolia by the Mongolian JV Partner against CRML. An arbitral award was made by the Mongolian Arbitration Center, pursuant to which it was ruled that the mining right to the Aleinuer Mine had to be returned by Reservoir Moly to the Mongolian JV Partner. On 12 October 2011, CRML lodged an appeal to the Court of Appeal of Mongolia against the arbitral award. The appeal was heard by the Court of Appeal of Mongolia, which ruled on 21 November 2011 that the arbitral award issued by the Mongolian Arbitration Center be annulled on the basis of procedural regularities and directed the dispute to be re-heard by the Mongolian Arbitration Center. No further appeal is possible under Mongolian law with respect to this decision of the Court of Appeal of Mongolia. Please refer to the section headed "Other Information - Litigation" in Appendix X to this circular for further details.

The outcome of the re-hearing remains uncertain and it is possible that the Mongolian Arbitration Center may still make an award in favour of the Mongolian JV Partner and may, as part of such award, give direction as to how the mining right to the Aleinuer Mine is to be dealt with. Further, the re-hearing would result in extra costs being incurred by the Group and management resources and attention being diverted from the Group's operation and business. While the Aleinuer Mine has yet to commence commercial production and has, therefore, not been generating any revenue, if the Mongolian Arbitration Center did rule against CRML at the re-hearing, the Group's business and operations could be adversely affected.

Title defects to the owned and leased properties of the Target Group may adversely affect its right to use such properties

There are certain title defects to the properties that are owned, leased or occupied by the Target Group. Please refer to the section headed "Business of the Target Group – Properties" in this circular and the property valuation report of the Enlarged Group set out in Appendix IV to this circular for further information.

The Target Group has certain parcels of land for which it has not yet obtained the relevant land use right certificates. As of the Latest Practicable Date, there were three parcels of land which occupied an aggregate site area of approximately 52,329.47 sq.m. with respect to which the Target Group has yet to obtain land use right certificates in its name. Two of those three parcels of land are newly acquired and the land use rights certificate in respect of the third parcel of land was issued under the name of a wholly-owned subsidiary of Daye Metal, which had already been dissolved in 2009. The two parcels of land which has been newly acquired will be used for office purpose. The third parcel of land is mainly occupied by staff dormitories.

There were also 116 properties which, together, occupy a total gross floor area of approximately 71,723.36 sq.m. for which building ownership certificates have not yet been obtained by the Target Group. Those properties are being used as staff dormitories, ancillary production facilities, offices and warehouses.

There was one parcel of land leased by the Target Group which occupies a total site area of approximately 38,000 sq.m., for which the land use rights certificate has yet to be obtained by the lessor. None of the production or processing facilities of the Target Group are situated on this parcel of land. For further details, please refer to the section headed "Business of the Target Group - Properties" in this circular.

The right of the Target Group (and after completion of the Acquisition, the Enlarged Group) to use and occupy the land and properties referred to above may be subject to disputes or claims from government or regulatory bodies or third parties. If any such dispute or claim occurs, the Target Group (and after completion of the Acquisition, the Enlarged Group) may not be able to continue to carry on its operations or continue to occupy those parcels of land and properties in future and may have to incur costs to relocate its facilities to an alternative site. In addition, these fines or other penalties may be imposed by government authorities and/or any legal proceedings or claims may be initiated by third parties for compensation in respect of any illegal and/or unauthorized use of such land and properties, which may have a material adverse effect on the business, financial condition and results of operations of the Target Group (and after completion of the Acquisition, the Enlarged Group).

Failure to retain key management and personnel could adversely affect the Enlarged Group's business and operations

The success of the Enlarged Group will largely depend on its senior management team, as well as its technical team, comprising highly qualified engineers and skilled workers. While the Group and the Target Group have established long-term employment relationships with their respective senior management and key personnel, there can be no certainty that they will continue in their present capacities with the Enlarged Group and for any particular period of time. Loss of any of the key management or the technical staff may not be followed by an immediate and appropriate replacement at an appropriate cost. This could adversely affect the business and operations of the Enlarged Group. Failure to retain its present staff and attract talented personnel by providing competitive employment package could also endanger the Enlarged Group's operation stability and performance.

The global financial crisis which commenced in 2008, and recently aggravated by the European sovereign debt crisis, may have further negative impact on the results of operations and prospects of the Enlarged Group

The global financial crisis which commenced in the second half of 2008 caused substantial volatility in the capital markets and a downturn in the global and PRC copper industry, resulting in the slowdown in the growth of global consumption of copper cathodes. As a result, the average selling price of the copper cathodes produced by the Target Group has also been subject to significant fluctuations, resulting in a decline in its gross profit margin in 2010, compared to 2009. Recent instability of the European financial markets also poses a threat to the stability of the global economy. As the international benchmark price for copper is the price at which copper cathodes are traded on LME, possible changes to the European Union's monetary policies may also affect overall market sentiment and lead to deflated copper prices. Any such development, together with a decrease in global consumption of and demand for copper cathodes, could lead to a corresponding fall in sales and profit margin of the Enlarged Group. As a result, the business, financial condition, results of operations and prospects of the Enlarged Group may be materially and adversely affected.

Higher energy costs or energy shortage would adversely affect the business of the Enlarged Group

Mining operation is energy-intensive. Energy costs are a significant component of the production cost of both the Target Group and the Group and are expected to remain as such for the Enlarged Group. Shortage of energy or fluctuations in energy prices may lead to disruption of the Enlarged Group's production operations and increase its operation costs, which in turn may lead to suspension of exploration and production or reduction in production volume or recovery rate.

Failure to compete successfully against other PRC copper producers could materially and adversely affect the business and prospects of the Enlarged Group

Competition in the PRC copper industry is based on many factors, including, among others, price, production capacity, product quality and characteristics, geographical proximity to customers, transportation capability, cost and brand name. In addition to competition posed by the few leading producers in the copper industry, the Directors expect that the Enlarged Group will also be facing competition from medium-scale copper producers who may be focusing more on price competition due to their lower cost structure. Increased competition in the future may compel the Enlarged Group to lower the price of its products, which in turn could reduce its profit margin and may materially and adversely affect its results of operations and financial condition.

There is no assurance that competitors will not develop products comparable or superior to those of the Enlarged Group or adapt more quickly to evolving trends and changing market requirements than the Enlarged Group. There is no assurance that the Enlarged Group's efforts to remain competitive will be effective.

The reported mineral resources of the Enlarged Group may not be successfully converted to ore reserves, which may affect the future profitability of the Enlarged Group and its expansion potential

Mineral resources are minerals with reasonable prospects for eventual economic extraction. The reported mineral resources of the Four Mines of the Target Group and the Aleinuer Mine, Sareke Mine and Hami Mine of the Group have to be converted to ore reserves which are economically mineable in order to generate revenue for the Enlarged Group. In order to convert or upgrade mineral resources to ore reserves, further feasibility studies and test work such as ore processing tests are required to be carried out to ascertain the amount of mineral resources that could be economically exploited. There is no assurance that favourable results will be obtained. Failure to convert the reported mineral resources of the Enlarged Group to ore reserves may affect the future profitability of the Enlarged Group and its expansion potential.

The Enlarged Group may not be able to obtain or renew the mining licences and/or concessions, permits, approvals and registrations required for its operations

Both the Group and the Target Group are required, under PRC and Mongolian law, to obtain exploration and mining licences to undertake exploration and mining activities at the mines currently operated by them in the PRC and Mongolia. Those licences are subject to fixed expiry dates and may specify terms such as the mining or exploration area and/or impose conditions such as the maximum production amount or level of discharge of pollutants. Further regulatory approvals may be required should there be any changes to the terms and conditions imposed by those licences. The Group and the Target Group also need to obtain safe production permits and certain other authorisations, licences, permits and registrations from government or other regulatory bodies, which may also be subject to fixed expiry dates or periodic review or renewal. There is no assurance that any such authorizations, licences, permits and registrations will be granted and if granted, will not be revoked, withdrawn or be made subject to onerous conditions or terms, whether as a result of changes in government policies, laws or regulations or the exercise of discretion by the relevant authorities, over which the Enlarged Group will not have any control, or any act or omission or violation on the part of the Group or the Target Group (or after completion of the Acquisition, the Enlarged Group) of any terms or conditions on and subject to which any such authorizations, licences, permits and registrations may have been granted. There is no assurance that after completion of the Acquisition, the Enlarged Group will be able to obtain or renew any such authorizations, licences, permits and registrations or additional regulatory approvals required for amending the terms and conditions of such licences or permits, or new conditions will not be imposed in connection with their renewal. Any failure to obtain or any delay in obtaining or renewing any required government approvals, permits, licences and registrations may lead to a wide range of administrative penalties or other government actions imposed on the Enlarged Group which could adversely affect its business and operation.

Reliance on the Parent Group may adversely affect the business and operations of the Enlarged Group

As at the Latest Practicable Date, the Parent Company, through China Times, was interested in approximately 20.80% of the total Ordinary Shares in issue, and will, immediately following China Times Completion, be interested in more than 30% of the total Ordinary Shares in issue, and hence, be the controlling shareholder of the Company.

During the Track Record Period, the Daye Metal Group purchased certain materials and products and received certain production services from, and sold certain materials and products to, members of the Parent Group. The Parent Company has also provided guarantees for certain bank borrowings of Daye Metal. Such arrangements are expected to continue after completion of the Acquisition. Please refer to the sections headed "Relationship with Parent Company" and "Continuing Connected Transactions" in this circular for further information.

Throughout the Track Record Period, the total amount of purchases of materials and products and production services from the Parent Company and its subsidiaries amounted to not more than 6.2% of the total cost of sales of Daye Metal Group, while the total amount of products and materials sold and services provided to the Parent Company and its subsidiaries amounted to not more than 13.32% of the total revenue of Daye Metal Group. Should the purchases from or sales to the Parent Group discontinue, the Daye Metal Group may need to secure supply from alternate suppliers and find new customers for its products, failing which its production may be disrupted and its profitability may be adversely affected.

As at 30 June 2011, the outstanding amount of the bank borrowings of Daye Metal which were guaranteed by the Parent Company amounted to RMB620 million. If the Parent Company ceases to provide such guarantees, Daye Metal may be required to repay the bank borrowings so guaranteed. There is no assurance that the Parent Group will continue the above arrangements with the Daye Metal Group. Discontinuation of any of those arrangements after completion of the Acquisition may materially and adversely affect the operations, financial condition and business of the Enlarged Group.

In addition, the Parent Company will have substantial influence over the Enlarged Group and its business, including management decisions, business strategies, expansion plans, proposed mergers and acquisitions and declaration of dividend. As the interests of the Parent Company may not always align with the interests of the other shareholders of the Company, there is no assurance that the Parent Company will always exercise its voting rights or its influence in the best interests of all shareholders.

RISKS RELATING TO THE MINING INDUSTRY

The mining industry is exposed to cyclical changes of the global economy and requires significant investments of capital

Copper, gold and silver are sold in an active global market and traded on commodity exchanges, such as SHFE, LME and The New York Mercantile Exchange, Inc.. Prices for these metals are subject to significant fluctuations and are affected by many factors, including actual and expected global macro-economic and political conditions, global and domestic supply, prevailing and expected level of demand, investments by commodity funds and actions of participants in the commodity markets. Any significant decrease in the prices of copper, gold and silver could have a material adverse effect on the prices of the principal products of the Enlarged Group and hence its business, financial condition and results of operations.

Also, as the prices for the supply of copper cathodes, gold and silver are usually negotiated with customers annually at the beginning of the year, inaccurate prediction of the price trends of copper, silver and gold for the following year may lead to such products being sold at agreed prices which are lower than prevailing market prices during the year and hence, the Enlarged Group failing to maximize the premium that may be derived from those products.

Investment in mining requires a substantial amount of funds in order to replenish reserves, expand production capacity, build and maintain production facilities and comply with various environmental and other regulations. The ability of the Enlarged Group to continue such significant investment, to raise additional financing and to maintain ongoing operations, and the financial condition and results of operations of the Enlarged Group are all directly related to the demand for, and price of, its mineral and metals products.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in economic, political and social conditions and government policies in the PRC could have an adverse impact on the Enlarged Group

As the major mining assets and operations of the Enlarged Group will be located in the PRC and the majority of its revenue will be derived from the PRC, the business operations and prospects of the Enlarged Group will, to a large extent, subject to the economic, political and legal developments in the PRC. The PRC economy is different from the economies of most developed countries in a number of respects, including structure, degree of government control, level of development, control of capital investment, growth rate, control of foreign exchange and allocation of resources. Although the PRC economy has been changing from a planned economy to a more market-oriented economy since the late 1970s with the adoption of the "open door" reform policy under which increasing emphasis has been placed on the utilization of market forces in the development of the PRC economy, the PRC government continues to exercise significant control over economic growth through numerous channels such as allocation of resources, controlling of incurrence and payment of foreign currency denominated obligations, monetary policy and preferential treatment to certain industries or companies. In recent years, the PRC government has also undertaken reform campaigns in the economic system and government structure of the PRC. There is no assurance whether these changes and reforms will have any adverse effect on the business, financial condition or results of operations of the Enlarged Group.

The business of the Enlarged Group could be negatively affected by uncertainties in the PRC legal system

The PRC legal system is based on a civil law system. Unlike the common law system, prior court decisions may not be used for reference and have limited precedential value. Since 1979, a series of PRC laws and regulations have been promulgated and have enhanced protection to various forms of foreign investments in the PRC. The PRC government has also established a commercial law system and made significant progress in regulating economic affairs and matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, as many of these laws and regulations are relatively new, the implementation and interpretation of these laws and regulations are not always uniform and this has undermined the available legal protection. In addition, PRC courts and other administrative authorities have been given significant discretion in interpreting and applying statutory provisions as well as contractual terms and this creates additional uncertainty in assessing the outcome of these administrative or court proceedings and the outcome of legal disputes. As a result, the Enlarged Group may enjoy relatively less protection than that provided in a more developed legal system and a much higher level of difficulty and uncertainty in enforcing. All such uncertainties may affect the Enlarged Group's legal rights.

Changes in PRC tax laws and regulations could materially and adversely affect the Enlarged Group's business and results of operations

The Enlarged Group will be subject to, among others, enterprise income tax, business tax, resources tax, value-added tax, city maintenance and construction tax, and property tax under PRC laws and regulations. The PRC government increased the resources tax rates for copper, lead and zinc with effect from 1 August 2007 and the resources tax rate for gold with effect from 1 May 2006. There is no assurance that the PRC government will not increase the rates of resources tax or any of the other taxes which the Enlarged Group may be subject to in connection with its business operations. Any increase in any of those tax rates could materially and adversely affect the Enlarged Group's results of operations.

PRC governmental control of currency conversion and fluctuations in the value of Renminbi could have an adverse effect on the financial results of the Enlarged Group

After completion of the Acquisition, the Directors expect that the Enlarged Group will continue to purchase part of its raw materials (including its major raw material, copper concentrates) from overseas suppliers, which are paid for in US dollars. The Enlarged Group will therefore be subject to foreign exchange risks arising from government control on currency conversion and fluctuations in the exchange rates of Renminbi against US Dollars. The value of Renminbi depends on the PRC government's policies, which in turn is affected by domestic and international economic and political development, and the supply and demand in the local currency market. Any change in these policies affecting the Renminbi valuation could adversely affect the ability of the Enlarged Group to pay for its purchases in US dollars.

The Enlarged Group will also be exposed to additional foreign currency exchange risks as Renminbi is not a freely convertible currency. Under the current PRC foreign exchange control regime, foreign exchange transactions under current account, including payment of dividends, trade and service-related foreign exchange transactions can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange by complying with certain requirements under the PRC laws and regulations. Nevertheless, foreign exchange transactions under the capital account, such as overseas investments and loans must be approved by the State Administration of Foreign Exchange or its competent local branches in advance. In addition, approvals from appropriate government authorities including the State Administration of Foreign Exchange is also required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the Enlarged Group fails to comply with these requirements, its capital expenditure plans may be disrupted and the liquidity, business and financial results of the Enlarged Group may be materially and adversely affected.

The Enlarged Group will be subject to restrictions on foreign investment in the PRC mining industry

In the PRC, foreign companies have in the past been, and are currently, required to operate within a regulatory framework that is different from that imposed on domestic PRC companies. However, the PRC government has provided opportunities for foreign investment in certain mining projects following the PRC's accession into the World Trade Organisation. Should the PRC government reverse such policy by minimizing or eliminating the opportunities for foreign investment in mining projects, impose greater restrictions on foreign companies, or seek to nationalize foreign-owned or invested mining operations or assets, the business and results of operations of the Enlarged Group could be materially and adversely affected.

Under the PRC Enterprise Income Tax Law, the Company may be considered a PRC "resident enterprise". As a result, it may be subject to 25% PRC income tax on its worldwide income, and holders of the Ordinary Shares may be subject to PRC tax on dividends paid by it and gains realized on their transfer of the Ordinary Shares.

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), or the EIT Law, and its implementing rules, both effective from 1 January 2008, any enterprise established outside of the PRC with "de facto management bodies" within the PRC is considered a "resident enterprise" and will be subject to enterprise income tax at the rate of 25% on its worldwide income. The implementing rules define the term "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise."

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or Circular 82, issued by the State Administration of Taxation (國家稅務總局) on 22 April 2009 provides certain specific criteria, all of which must be met, for determining whether the "de facto management body" of a Chinese-controlled offshore incorporated enterprise is located in the PRC. The criteria include whether: (i) the senior management responsible for the enterprise's day-to-day operations and management is primarily based in China, (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in the PRC, (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC, and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC.

As of the Latest Practicable Date, the Company has not been notified by the relevant tax authorities that it is to be treated as a PRC resident enterprise. However, since substantially all of the management and operations of the Enlarged Group is expected to be in the PRC in the future, there is no assurance that the Company will not be considered a "resident enterprise" under the EIT Law. Further, as at the Latest Practicable Date, the Parent Company was, through China Times, interested in approximately 20.80% of the total Ordinary Share in issue, and will, through China Times, be interested in approximately 72.99% and 69.04% of the then total Ordinary Share in issue upon China Times Completion and Cinda Completion, respectively, without taking into account any Conversion Shares which may be issued pursuant to the China Times Convertible Notes. Circular 82 does not set out clearly whether it would apply to any indirect investment or shareholding interest in any offshore enterprise by a PRC company or a group of PRC companies. In addition, the meaning of "control" under Circular 82 is unclear and there has been no formal interpretation of its meaning to date. Therefore, it remains uncertain whether the Company would be regarded as an offshore entity "controlled" by a PRC company or a group of PRC companies for the purpose of Circular 82. If the Company were subject to the enterprise income tax at the rate of 25% on its worldwide income under the EIT Law, its tax burden may increase significantly which could materially and adversely affect the cash flow and profitability of the Enlarged Group.

Subject to any treaty or similar arrangement between the PRC and the places of incorporation of the shareholders of the Company, under applicable PRC tax laws, dividends paid by a Chinese company to its non-PRC resident individual shareholder and gains realized by such individual shareholder upon sale or other disposition of his shares in such Chinese company are subject to PRC individual income tax at a rate of 20%, and such dividends paid to, and gains realized by, a non-PRC resident enterprise shareholder are subject to PRC enterprise income tax at the rate of 10%. In the case of dividends, relevant income tax is withheld at source. If the Company was considered a "resident enterprise" in the PRC, holders of the Ordinary Shares would be subject to the above income tax and the Company may be required to withhold the tax from any dividends paid to its non-PRC shareholders. If the Company was not considered a "resident enterprise" in the PRC, dividends paid by its PRC subsidiaries (including Daye Metal) to it or its offshore subsidiaries that directly hold equity interest in its PRC subsidiaries and gains realized by it or such offshore subsidiaries upon sale or other disposition of their equity interest in the relevant PRC subsidiaries would be subject to the 10% enterprise income tax. Imposition of any of these taxes on it or on the Shareholders may materially and adversely affect the value of their investment in the Ordinary Shares.

Pursuant to the EIT Law, the State Administration of Taxation and the Ministry of Finance, on 30 April 2009, jointly issued the "Notice on Issues Concerning Process of Enterprise Income Tax"(《關於企業重組業務企業所得稅處理若干問題的通知》), or Circular 59. On 10 December 2009, the State Administration of Taxation issued the "Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer"(《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》), or Circular 698. Both Circular 59 and Circular 698 have retrospective effect since 1 January 2008. The State Administration of Taxation further issued a number of rules to clarify the ambiguous areas under these circulars. By promulgating and implementing these circulars, the PRC tax authorities have tightened their scrutiny over direct and indirect transfers of equity interests in PRC resident enterprises by non-PRC resident enterprises. For example, pursuant to Circular 698, except for the purchase and sale of equity through a public securities market, where a non-PRC resident indirectly transfers the equity of a PRC resident enterprise by disposing of the equity of an overseas holding company ("**Indirect Transfer**") located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5%, or (ii) does not tax its residents on their foreign income, the non-PRC resident shall report the Indirect Transfer to the competent PRC tax authority within 30 days from the date when the equity transfer agreement was made. If the PRC tax authority, upon examining the nature of the Indirect Transfer, deems that the Indirect Transfer has no reasonable commercial purpose other than to avoid or defer PRC tax, the PRC tax authority may disregard the existence of the overseas holding company that is used for tax planning purposes and re-characterize the Indirect Transfer. Therefore, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. As a result, a non-PRC resident may be required to report Indirect Transfer(s) of the equity interest in any of the Company's PRC subsidiaries when it sells the Ordinary Shares, and gains derived from such Indirect Transfer(s) by such non-PRC resident may be subject to the PRC enterprise income tax.

This section and other sections of this circular contain information relating to the PRC economy and the industry in which the Group and the Target Group operate. Certain information and data contained in this section have been derived partly from publicly available government and official sources. Certain other information and statistics set forth in this section have been extracted from the Antaike's Report commissioned by the Company from Antaike, an independent industry consultant, for inclusion in this circular. Unless otherwise stated, the information contained in this section of the circular has been extracted from the Antaike's Report. The Directors believe that these sources are appropriate sources for such information and have taken reasonable care in selecting and identifying the sources, in compiling, extracting, and reproducing such information, and in ensuring no material omission of such information. The Directors have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified directly or indirectly by the Company or the Sponsor, or any of their respective affiliates, directors, employees, agents or advisers. Such information may not be consistent with other information compiled within or outside China. Neither the Company nor the Sponsor makes any representation as to the completeness, accuracy, or fairness of such information, and accordingly, such information should not be unduly relied upon.

COPPER

Introduction

Copper has high electrical and thermal conductivity and good workability, allowing the metal to be used in a wide range of applications, the most prevalent of which is in the manufacture of wires, cables and other electrical products. Copper is extensively used in electrical and electronic products, building and construction, transportation, industrial machinery and equipment, and consumer and general products, accounting for approximately 42%, 28%, 12%, 9% and 9%, respectively of global annual consumption in 2009. The consumption of copper for these purposes is affected by various factors, including trends in the world economy and market competition with other metals and materials.

Copper production

Copper can be produced as either a primary product or as a co-product of other metals, including gold, lead, zinc, nickel or silver. The rock is first drilled and blasted with explosives. After blasting, it is loaded and transported to the primary crushers from the mine, where the ore is crushed and screened, with the fine sulfide ore being transported to froth flotation cells for recovery of copper.

Copper cathode production

There are two basic methods of copper cathode production, depending on the type of ore minerals (oxide or sulfide). The first, and by far the more prevalent, is the electro-refining method. This involves the mining and processing of copper concentrates, which are smelted to form blister and refined to form cathode. The three stages can be carried out at different locations, although it is typical for smelting and refining to be carried out at the same location. Scrap enters the process chain at both the smelting and refining stages.

The alternative method of production is by leaching and electro-winning (a hydro-metallurgical process). This method (called SX-EW leaching) involves a solvent extraction process and the copper cathode so produced is known as SX/EW copper, which accounted for around 17.8% of global production of copper cathodes in 2010.

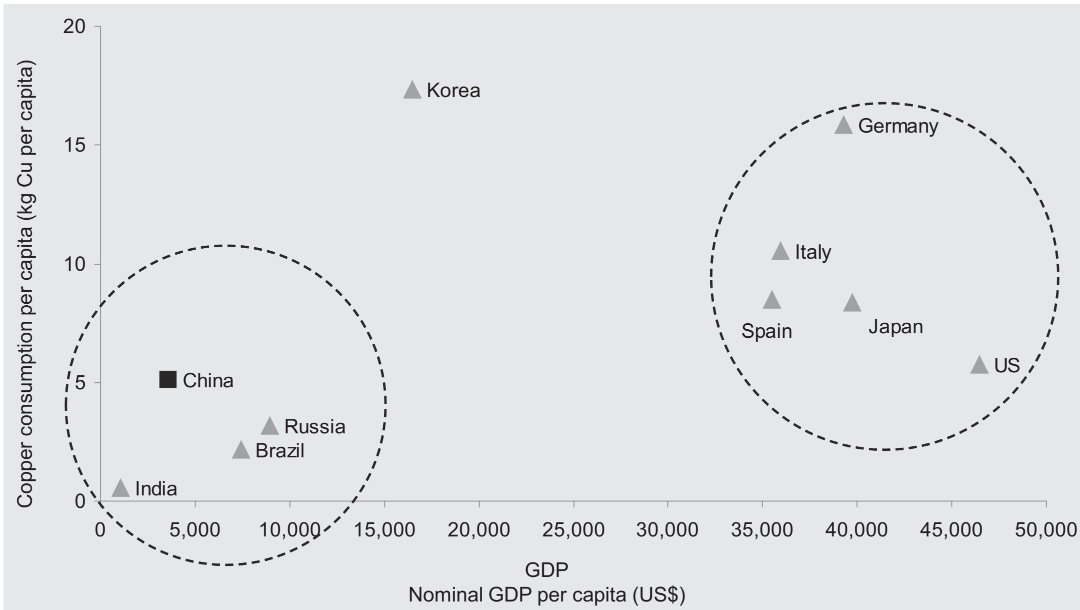
As copper cathode production by the traditional electro-refining method is a multi-stage process, there are a series of inter-linked "copper markets" which form part of the process chain. These markets are in copper concentrates, copper blister or anodes and cathodes. Imbalances along the process chain emerge as a result of imperfect matches between capacity and requirements at different stages of the process. The existence of markets for copper concentrates and copper blister or anodes is important to non-integrated copper producers, who do not have the full capacity to mine and concentrate their own ore, to smelt such concentrate into copper blister and then to smelt and refine copper blister into copper cathodes.

Copper cathodes with grading over 99.9% may be delivered to downstream copper processers. Copper cathodes may also be cast into wire, rod, billets, cakes or ingots, as pure copper ("**processed copper products**") or alloyed with other metals. Secondary materials can also be used directly in the production of these products.

Demand for copper cathodes

With broad end-use markets, copper cathode consumption has been particularly influenced by GDP growth, industrial development and consumer spending. The chart below summarizes the positive correlation between per capita consumption of copper cathode and GDP per capita in countries at different levels of economic development. As illustrated in the chart below, developing countries (bottom left-hand quadrant) generally, on a per capita basis, consume less copper cathode than developed countries (top right-hand quadrant) on a per capita basis in 2010. As the GDP per capita of developing countries in the lower left quadrant, such as China, India and Brazil, increases, the consumption of copper cathode on a per capita basis is expected to increase. Demand for copper cathodes in these developing countries, therefore, has strong growth potential.

Copper cathode consumption and GDP per capita



Source: Antaike

Note: Population and GDP are based on 2009 data and copper cathode consumption is based on 2010 data

Global demand for copper cathodes

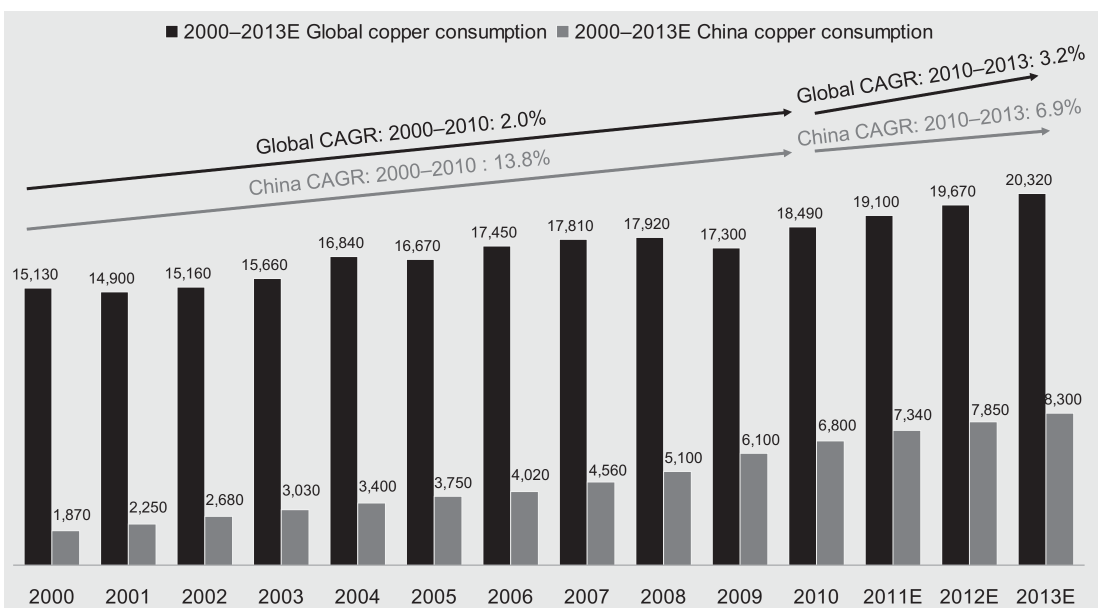
According to the Antaike Report, global demand for copper cathodes grew at a CAGR of 2.0% from 2000 to 2010, reaching 18.49 million tonnes in 2010, mainly driven by consumption growth in China. Global demand for copper cathodes is expected to grow at a CAGR of 3.2% from 2010 to 2013, representing a consumption increase from 18.49 million tonnes to 20.32 million tonnes. In the near term, Antaike forecasts a steady growth in demand in the emerging markets, including China and Brazil, and a gradual recovery in demand in the United States and Europe. In the first half of 2011, global copper cathode demand was 9.5 million tonnes, representing an increase of 3.0% compared to the same period last year.

The top three countries in terms of copper cathode consumption in 2010 were China, United States and Germany with a total consumption of approximately 6.80 million tonnes, 1.77 million tonnes and 1.31 million tonnes, respectively. China now accounts for roughly 36.8% of the world's copper cathode consumption, and is by far the largest copper cathode consumer globally. However, on a per capita basis, China's copper cathode consumption is still lower than most of the major developed countries. Increase in demand for copper cathodes in China, brought about by strong economic growth and rapid industrialization and urbanization, has been the main driver to the global consumption growth.

China's demand for copper cathodes

According to the Antaike Report, China's demand for copper cathodes grew at a CAGR of 13.8% from 2000 to 2010, reaching 6.8 million tonnes in 2010. In 2009 and 2010, the growth in copper demand in the PRC was closely linked to government stimulus spending. In the aftermath of the global financial crisis which began in 2008, the PRC government introduced a RMB586 billion stimulus package, aimed at countering the effects of the global economic slow-down on the Chinese economy. This boosted demand across the different end markets for copper products. Investments in major new infrastructure projects, relaxation of control over bank financing for major real estate projects, and introduction of consumer-focused stimuli leading to increased consumption in passenger cars and home electrical appliances all helped stimulate demand for copper products. For instance, under the "electrical appliances for rural households" scheme, which was introduced in February 2009, a 13% subsidy was provided by the PRC government on the purchase of various types of home electrical appliances by residents in rural areas.

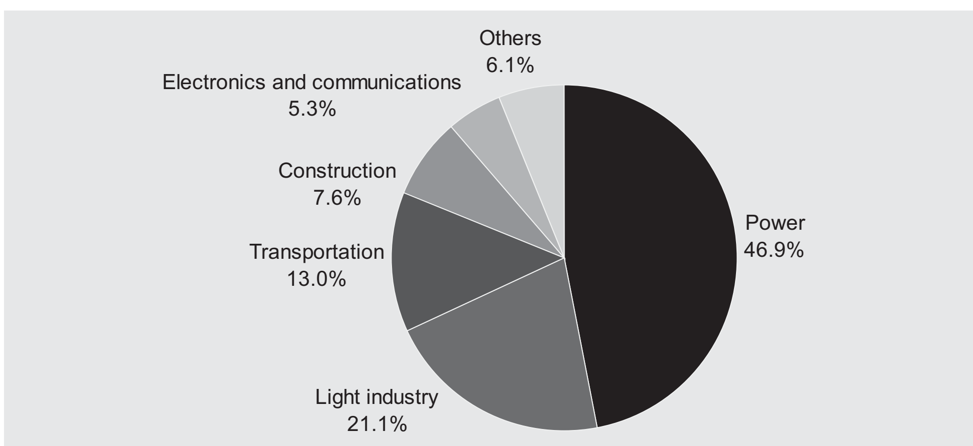
2000 – 2013E Global/China copper cathode consumption (thousand tonnes)



*Sources: World Bureau of Metal Statistics ("**WBMS**"), International Copper Study Group ("**ICSG**"), Antaike*

The major end consumption markets for processed copper products in the PRC are in the power generation facilities and cable industry, home electrical appliances industry, construction and real estate industry, transportation and industrial machinery and equipment sectors. According to a report on China's 12th Five-Year Development Plan of Power Industry released by China Electricity Council on 21 December 2010, China plans to invest RMB5.3 trillion (equivalent to approximately US$794 billion) in the power sector over the next five years, an increase of 68% over the five-year period from 2006 to 2010. Around RMB2.75 trillion is to be spent on power generation facilities, and the rest to be spent on grid development. As such, the main drivers for the demand for copper cathodes in China in the near term are (i) the planned expansion of the power industry as evidenced by the planned investment under the aforesaid China's 12th Five-Year Plan of Power Industry released on 21 December 2010, (ii) construction of more affordable housing resulting in the increase in the use of copper construction materials, and (iii) increased consumption of household electrical appliances in rural areas in China, leading to the increased usage of copper in the light industry.

Domestic processed copper products consumption by end markets in 2010



Source: Antaike

Supply of copper cathodes

The supply of copper cathodes depends to a large extent, on the supply of copper concentrates. Through the electro-refining method, copper ore is processed into concentrates or recovered from the leach solution, and further processed into copper cathodes. Copper reserves are copper resources that can be mined economically.

Global supply of copper cathodes

From 2000 to 2010, global production of copper cathodes grew at an annual average rate of 2.3%, from 14.76 million tonnes in 2000 to 18.53 million tonnes in 2010. The main driving force behind such growth came from Asia and in particular, China. Supply of copper cathodes grew by 12.8% in China from 2000 to 2010, outpacing the growth of mine production supply of 6.8% in the same period.

2003 – 2010 Global and selected countries' copper cathode production (thousand tonnes)

	2003	2004	2005	2006	2007	2008	2009	2010
China	1,836	2,199	2,600	3,006	3,497	3,739	4,123	4,578
Chile	2,902	2,837	2,824	2,811	2,936	3,058	3,272	3,220
Japan	1,430	1,380	1,395	1,532	1,577	1,540	1,440	1,549
USA	1,306	1,306	1,255	1,250	1,311	1,280	1,161	1,096
Russia	842	919	935	951	949	862	874	893
Others	6,959	7,294	7,572	7,741	7,664	7,722	7,212	7,197
World total	**15,275**	**15,935**	**16,581**	**17,291**	**17,934**	**18,201**	**18,082**	**18,533**

Sources: WBMS, ICSG, Antaike

Global supply of copper reserves and copper concentrates

According to the USGS-Mineral Commodity Summaries dated January 2011, as at the end of 2010, total recoverable copper reserves around the world were estimated to amount to 630 million tonnes, primarily concentrated in North America, Latin America and Middle Africa. Chile and Peru have most of the world's copper reserves, accounting for approximately 38% in aggregate.

2003 – 2010 Global and selected countries' copper concentrates production (thousand tonnes)

	2003	2004	2005	2006	2007	2008	2009	2010
Chile	3,287	3,814	3,778	3,669	3,725	3,357	3,277	3,293
China	604	742	762	873	928	931	961	1,140
Peru	863	1,036	1,010	875	1,018	1,108	1,113	1,082
Indonesia	1,004	843	1,065	817	789	651	995	873
Australia	840	854	916	822	829	833	830	811
Others	7,159	7,305	7,390	5,109	5,192	5,567	5,480	5,453
World	13,757	14,594	14,921	12,165	12,481	12,447	12,656	12,652

Sources: WBMS, ICSG, Antaike

The copper mining industry is highly concentrated in the world's top five copper producers. Chile National Copper Corporation ("**Codelco**"), Freeport McMoRan, BHP Billiton, Xstrata, and Rio Tinto, collectively, control approximately 39.2% of the total supply of mined copper.

Global top 10 mined copper producers (thousand tonnes) (Note)

Rank	Company Name	2008	% of Total	2009	% of Total	2010	% of Total
1	Codelco	1,546	10.0	1,782	11.2	1,700	10.7
2	Freeport McMoRan	1,514	9.7	1,520	9.6	N/A	11.1
3	BHP-Billiton	1,380	8.9	1,207	7.6	1,075	6.7
4	Xstrata	952	6.1	907	5.7	913	5.7
5	Rio Tinto	700	4.5	805	5.1	678	4.3
6	Anglo American	640	4.1	670	4.2	623	3.9
7	Grupo Mexico	488	3.1	496	3.1	688	4.3
8	KGHM	429	2.8	439	2.8	425	2.7
9	Norilsk Nickel	410	2.6	410	2.6	389	2.4
10	Kazakhmys	340	2.2	320	2.0	335	2.1
	Top 10 total	**8,399**	**54.1**	**8,556**	**53.9**	**N/A**	**53.9**

*Source: Raw Materials Group ("**RMG**"), News release, Company Annual Reports*

Note: Producer of copper concentrates and copper cathodes with self-owned copper mines

China's supply of copper cathodes

China remained to be the largest producer of copper cathodes in the world from 2006 to 2010. Since 2005, China's production of copper cathodes has increased by approximately 12.0% per annum on average, and in 2010, China's production of copper cathodes was approximately 4.58 million tonnes, representing an increase of approximately 11.0% compared to the preceding year. Major copper producers have continued to expand their production scale in recent years and industry concentration is increasing. Some of the world's largest smelters are located in China, and the top five copper cathode producers in China include:

China's top 5 copper cathode producers (thousand tonnes)

Rank	**Company**	**2008**	**2009**	**2010**	**Market share in 2010**
1	Jiangxi Copper	702	802	902	19.7%
2	Tongling Non-ferrous	647	719	812	17.8%
3	Jinchuan Group	284	357	379	8.3%
4	Yunan Copper	385	289	325	7.1%
5	Daye Metal	264	270	308	6.7%
	Other	1,497	1,686	1,852	40.4%
	China	**3,779**	**4,123**	**4,578**	**100.0%**

Source: Antaike

2006 – 2010 China and selected provinces' copper cathode output (thousand tonnes)

	2006	**2007**	**2008**	**2009**	**2010**
Total in China	3,003	3,497	3,779	4,123	4,578
Jiangxi	507	646	782	816	936
Shandong	310	378	466	564	591
Anhui	420	486	524	539	573
Gansu	276	324	367	419	478
Yunnan	384	414	312	300	341

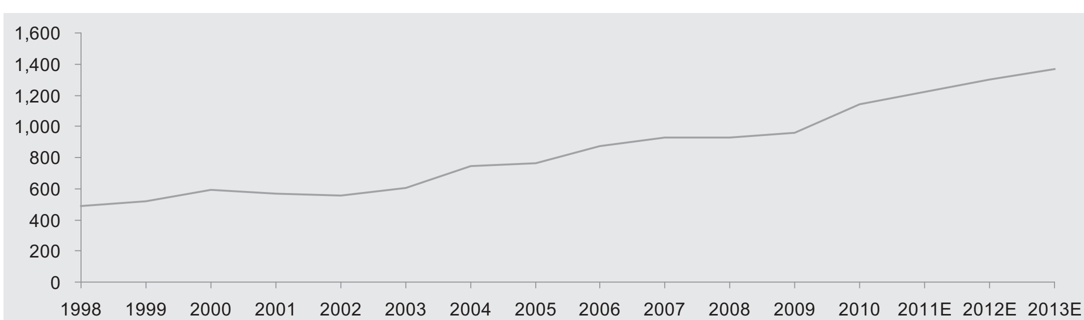
Sources: 中國有色金屬工業協會 (China Non-ferrous Metals Industry Association) ("CNIA"), Antaike

China's supply of copper reserves and copper concentrates

According to the USGS-Mineral Commodity Summaries dated January 2011 and the Antaike Report, China ranked sixth in the world in 2010 in terms of copper reserves with an estimated 30 million tonnes of copper reserves. The identified copper resources in China are mainly located in Jiangxi, Tibet, Yunnan, Inner Mongolia, Shanxi and Anhui. The top ten provinces or autonomous regions in the PRC have, in aggregate, an estimated 39.87 million metric tonnes of resources, accounting for 78.6% of the national volume of total identified copper resources. The largest copper miners in operation in PRC include Dexing, Wunugetushan, Ashele, Dongguashan, Deerni, Dahongshan, Huogeqi, Tongkuangyu, and etc.

China as a whole does not have sufficient copper resource to support its rising domestic consumption demand. With an increasing consumption of copper products in China, the growth of the downstream processing and smelting operations are occurring at a much faster pace than the growth in the upstream mining operations, and hence, the market for copper concentrates (being the main raw material for further processing at the smelters) continues to tighten. In 2010, China copper industry had a self-sufficiency rate of approximately 31.9%, leaving the country largely dependent on import of copper concentrates and scrap copper.

1998 – 2013E China's mined copper production (thousand tonnes)



Sources: CNIA, Antaike

2005-2010 China's copper concentrate production of major Chinese producers (Unit: 000' tonne)

Ranking		**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
1	Jiangxi Copper	158	158	156	159	167	172
2	Yunnan Copper	72	72	76	90	95	97
3	Zijin Copper	8	20	47	57	71	80
4	Tongling Non-ferrous	37	46	47	51	54	62
5	Jinchuan Group	44	49	33	35	45	45
6	West Mining	–	–	25	28	20	26
7	Zhongtiaoshan Non-ferrous	22	28	28	24	17	24
8	**Daye Metal**	**21**	**21**	**20**	**21**	**20**	**21**
9	China Gold Group	11	11	10	13	13	17
	Total	**37.3**	**40.5**	**44.2**	**47.8**	**50.2**	**54.4**
	% of China in total	**49.0**	**46.4**	**47.6**	**51.3**	**52.2**	**47.7**
	China total	**76.2**	**87.3**	**92.8**	**93.1**	**96.1**	**114.0**

Source: CNIA, Antaike

Inventory and stocks of copper cathodes

Global inventory and stocks

Copper cathode inventories, reported and unreported, are generally held by consumers, producers, trading houses, government organizations and speculators. Stocks of copper cathode at LME, being one of the major metal exchanges for trading in copper cathodes, have been declining since 2003. The copper cathode stock at LME declined drastically from 980,000 tonnes in May 2002 to less than 50,000 tonnes in mid 2005, and has remained at a low level of under 200,000 tonnes prior to 2008. From 2008 to 2010, stocks of copper cathode at LME increased but the levels were maintained at between 300,000 tonnes to 500,000 tonnes.

China's inventory and stocks

To ensure that there is sufficient supply and to prevent a slow down in its industrial production plans, which require, among others, vast consumption of copper cathodes, the PRC government maintains stocks of copper cathodes through the State Reserve Bureau of the PRC. The volume of this stockpile varies in magnitude from several hundred thousand tonnes to over a million tonnes of copper cathodes. Prior to 2009, China's supply of and demand for copper cathodes were more or less balanced. However, since the start of the global financial crisis in 2009, China has been taking advantage of adjustments in the prices of copper cathodes to increase purchase of copper cathodes, which led to a surge in China's import of copper cathodes between 2009 and 2010 and a significant increase in China's inventory of copper cathodes (estimated at a level that exceeds one million tonnes). This inventory is held mainly by the State Reserve Bureau of the PRC, financial traders and private investors. In the first half of 2011, China experienced significantly weakened import and increased export of copper cathodes, indicating that the inventory level of copper cathodes of the PRC has been declining.

Copper pricing and exchanges

As in the case of all commodities, the price of copper cathodes is primarily affected by the balance between supply and demand (production consumption) of copper cathodes, as well as existing inventory levels. To a lesser degree (though their significance has increased in recent years), the price of copper cathodes is also affected by the demand of financial investors and metal exchanges.

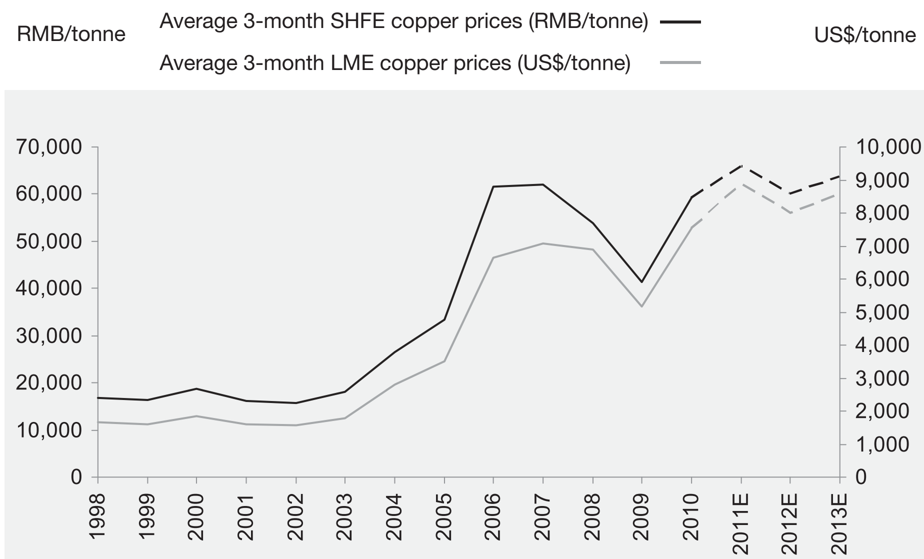
The international benchmark price for copper is the price at which copper cathodes are traded on LME, quoted in terms of US$ per tonne. LME official prices are commonly used as a benchmark for daily prices and form the basis for most physical contracts.

The two other main exchanges where copper cathodes are traded are the CME Group Inc.'s Comex and SHFE. The Comex offers futures contracts with monthly deliveries going forward 23 months as well as American options on them. Prices are quoted in terms of cents per pound and the contract size is 25,000 pounds.

SHFE is the only futures exchange in the PRC which trades copper futures. Futures are available on a monthly basis going forward 12 months, and the contract size is 5 tonnes, quoted in terms of RMB per tonne. Domestic prices of copper cathode typically follow international trends but copper cathodes are often traded at a premium (or discount) to LME price, plus import duties and taxes, depending on the level of supply of copper cathodes in the local market. SHFE does not offer options.

Prices of copper cathodes have experienced significant fluctuations in the past. The following chart sets forth copper cathode average 3-month forward LME price and average 3-month forward SHFE price from 1998 to date, and the forecasted copper cathode average 3-month forward LME and SHFE prices for 2011 to 2013.

1998 – 2013E Average 3-month LME and SHFE copper cathode prices



Sources: LME, SHFE, Antaike

Note: Average 3-month forward SHFE copper cathode prices forecast is based on the exchange rate of US$1=RMB6.55

Similar to other commodities, the period from 2005 to 2007 witnessed the most substantial increase in prices of copper cathodes since the late 1980s. The increase in price over this period was primarily driven by the emergence of China as a major consumer of copper cathodes and Chinese domestic demand between 2003 and 2008.

In China, the prices of copper cathodes reached the highest point of RMB85,550 per tonne in May 2006 roughly in line with prices in the international markets. The global financial crisis which began in 2008 caused prices of copper cathodes to fall sharply after the peak throughout 2008 until the first quarter of 2009. Since then, prices of copper cathodes have recovered strongly. The average 3-month forward SHFE price rebounded from RMB41,389 per tonne in 2009 to RMB59,296 per tonne in 2010, an increase of 43%. On LME, the average 3-month forward rebounded from US$5,171 per tonne in 2009 to US$7,550 per tonne in 2010, an increase of 46.01%, according to the Antaike Report.

During the period from January 2011 to July 2011, 3-month forward copper on LME averaged US$9,440 per tonne, representing an increase of 33% year-on-year. Assuming that there is no material deterioration in the world economy, Antaike forecasts that the 3-month forward copper price for 2011 to 2013 will, on average, be US$8,900 per tonne, US$8,000 per tonne and US$8,600 per tonne, respectively. Prices of copper cathodes in China have averaged RMB67,711 per tonne on SHFE during January to October in 2011, an increase of 16.9% compared to the same period last year. According to the Antaike Report, prices of copper cathode are expected to fall throughout 2011 and 2012, and to increase slightly in 2013 with SHFE prices forecasted to be an average of RMB66,000 per tonne in 2011, RMB60,000 per tonne in 2012 and RMB63,700 per tonne in 2013. With demand for copper cathodes rebounding, a worldwide shortage in supply of copper cathodes is expected for the period from 2011 to 2013, which is expected to provide support for the prices of copper cathodes. The introduction of the copper exchange traded fund at the end of 2010 further strengthened copper's financial attributes, and the implementation of relaxed monetary policies also provides additional support for copper prices around the globe. On the other hand, the potential negative impact that the European Union debt crisis may have on the world economy and other economic uncertainties may exert downward pressure on the price of copper cathodes.

Market outlook

According to Antaike, global prices of copper cathodes are expected to remain at relatively high levels in the near term due to supply constraints across the world and specifically in China, with SHFE prices forecasted to be around RMB66,000 per tonne on average in 2011 or an increase of 11.3% compared to 2010. Global prices of copper cathodes are significantly influenced by demand and supply in China given that it accounted for approximately 35.3% and 36.8% of the world's total consumption of copper cathodes in 2009 and 2010, respectively. As such, Antaike forecasts that the global prices of copper cathodes will remain at relatively high levels as it expects supply deficit in copper cathodes in China to continue in the near term. China experienced a supply deficit in copper cathodes from 2008 to 2010 where domestic supply fell short of domestic demand by 1.36 million tonnes, 1.98 million tonnes, and 2.22 million tonnes, respectively. The shortage of supplies in China has been, and will continue to be, satisfied by imported copper cathodes. It is expected that insufficient domestic supply, and a high level of import in China, which is forecasted to remain at above 2 million tonnes per annum from 2011 to 2013, will be among the key factors supporting the global prices of copper cathodes.

The tight supply of copper concentrates is expected to remain the bottleneck in the supply chain and any deficit will have to be satisfied by imports. Shortage of copper concentrates has had a large impact on smelter returns – treatment charges ("**TC**") and refining charges ("**RC**", together with TC, collectively, "**TC/RC**") for 2010, agreed between the major copper miners and major Japanese and PRC smelters, were once near their lowest level ever. However, the earthquake which hit Japan in March 2011 caused operational disruptions at some of the smelters there. The market supply of copper concentrates became relatively abundant. Currently spot prices for TC and RC are stable at levels above US$100 per tonne and 10 US cents per pound, respectively (which are equivalent to a combined TC/RC of 25.73 US cents per pound of copper). Forward (long term) contract prices for the second half of 2011 for TC and RC are US$90 per tonne and 9 US cents per pound, respectively (which are equivalent to TC/RC of 23.16 US cents per pound of copper), about 25% higher than the price level of the first half of 2011.

In the medium term, the market is expected to be more balanced with expected new supply of copper concentrates entering the market, meeting the demand for copper cathodes. Prices for copper cathodes are expected to be robust, as growth in demand is expected to continue to outpace growth in supply.

The positive price outlook for copper cathodes is further supported by demand from strong economic growth in China. Except for the period falling immediately after the global financial crisis in 2009, this has been the central theme of the copper market since early 2000s and is likely to remain the case throughout this decade with continued increase in the level of urbanization and improvements in macroeconomic conditions.

2000 – 2013E Global/China supply and demand forecast of copper cathode (thousand tonnes)

	2000		**2001**		**2002**		**2003**		**2004**		**2005**		**2006**	
	World	**China**	**World**	**China**	**World**	**China**	**World**	**China**	**World**	**China**	**World**	**China**	**World**	**China**
Production	14,760	1,371	15,580	1,523	15,270	1,630	15,230	1,836	15,920	2,199	16,570	2,600	17,290	3,006
Growth *(%)*	1.9	16.8	5.6	10.9	(2.0)	7.2	(0.3)	12.9	4.5	19.6	4.1	18.2	4.3	15.8
Consumption	15,130	1,870	14,900	2,250	15,160	2,680	15,660	3,030	16,840	3,400	16,670	3,750	17,450	4,020
Growth *(%)*	7.8	20.6	(1.5)	20.3	1.7	19.1	3.3	13.1	7.5	12.2	(1.0)	10.3	4.7	7.2
Balance	**(370)**	**(499)**	**680**	**(727)**	**110**	**(1,050)**	**(430)**	**(1,194)**	**(920)**	**(1,201)**	**(100)**	**(1,150)**	**(160)**	**(1,014)**

	2007		**2008**		**2009**		**2010**		**2011E**		**2012E**		**2013E**	
	World	**China**	**World**	**China**	**World**	**China**	**World**	**China**	**World**	**China**	**World**	**China**	**World**	**China**
Production	17,930	3,497	18,200	3,739	18,080	4,123	18,530	4,578	18,690	4,950	19,630	5,540	20,240	5,890
Growth *(%)*	3.7	16.3	1.5	6.9	(0.7)	10.2	2.5	11.2	0.9	8.1	5.0	11.9	3.1	6.3
Consumption	17,810	4,560	17,920	5,100	17,300	6,100	18,490	6,800	19,100	7,340	19,670	7,850	20,320	8,300
Growth *(%)*	2.1	13.4	0.6	11.8	(3.5)	19.6	6.9	11.5	3.3	7.9	3.0	6.9	3.3	5.7
Balance	**120**	**(1,063)**	**280**	**(1,361)**	**780**	**(1,977)**	**40**	**(2,222)**	**(410)**	**(2,390)**	**(40)**	**(2,310)**	**(60)**	**(2,410)**

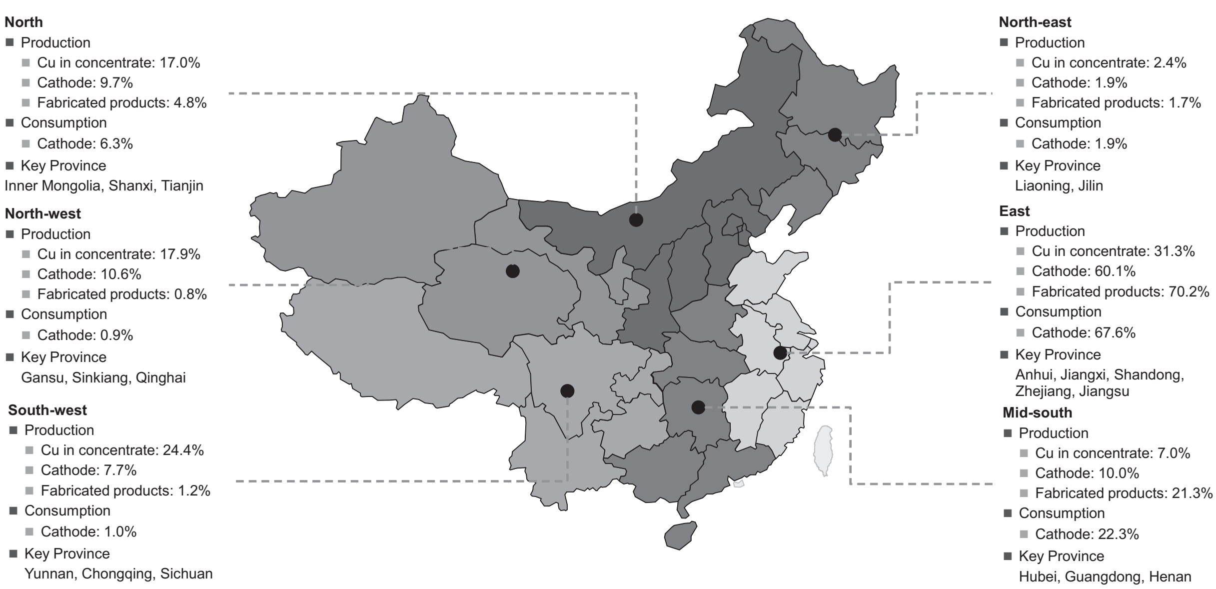
Source: Antaike

Copper industry in the PRC

Since 2000, the copper market in the PRC in general has experienced significant growth. The key drivers of this trend were the increasing level of urbanization and the continued industrial growth in China, which saw consumption more than quadruple from 1999 to 2009, adding nearly 5 million tonnes to global annual demand for copper. From 2000 to 2010, China's annual consumption and annual production of copper cathodes increased by approximately 263.6% and 233.9%, respectively. In comparison, the global annual consumption and annual production of copper cathodes increased by 22.2% and 25.5%, respectively during the same period.

The map below shows the geographical distribution of copper production and consumption in China in 2010 (as percentages of total production, consumption, and downstream fabricated products produced in China). The mid-south region, where the Target Group's mines and production facilities (including the Smelting Plant and the Precious Metal Plant and the Four Mines) are located, is close to two of the largest copper consumption regions in Eastern and Southern China. The mid-south region is also China's third largest copper cathode production base, accounting for approximately 10% of copper cathode production capacity in 2010.

Geographical distribution of copper production and consumption in China in 2010



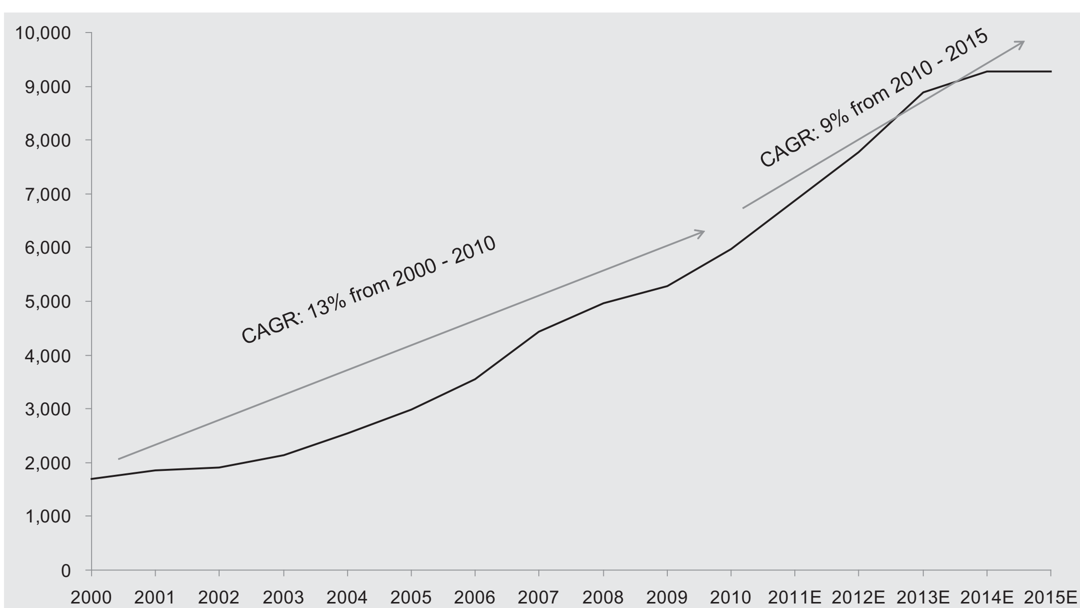
Notes: Classification of regions adopted by Antaike as follows:

East region – Shandong, Jiangsu, Anhui, Zhejiang, Jiangxi, Fujian and Shanghai
North-east region – Heilongjiang, Jilin and Liaoning
Mid-south region – Henan, Hubei, Hunan, Guangdong, Guangxi, Hainan
South-west region – Sichuan, Yunnan, Guizhou, Chongqing, Tibet
North-west region – Shaanxi, Gansu, Qinghai, Ningxia, Sinkiang
North region – Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia

Copper smelting industry in China

Over the past ten years, China's production of copper cathodes increased by an annual average of 12.8%, accounting for 85% of total growth in global refined production. China's refining capacity (which is equivalent to the ability to produce copper cathodes) is expected to continue to grow in the next five years, largely through capacity expansion at existing smelters, and in particular, by the leading copper cathode producers. According to the Antaike Report, the aggregate annual refining capacity of the top four copper cathode producers in terms of production volume in China amounted to 1.80 million tonnes by the end of 2006, which has increased to 2.86 million tonnes by the end of 2010, representing an increase of approximately 58.9%. Based on the rapid expansion in the refining capacity of these largest producers in the past five years, the expansion plan of other existing producers as well as the entry of new producers, in each case, taking into account their ramp up schedules, Antaike projects that the annual refining capacity in China will reach 9.28 million tonnes by 2015. However, China's production of copper cathodes will be dependent on the ability of smelters to secure raw materials (both scrap and concentrate), as growth in domestic production of concentrates and blister copper is expected to be slower.

2000 – 2015E China copper cathode refining capacity (Unit: 000'tonnes)



Source: Antaike

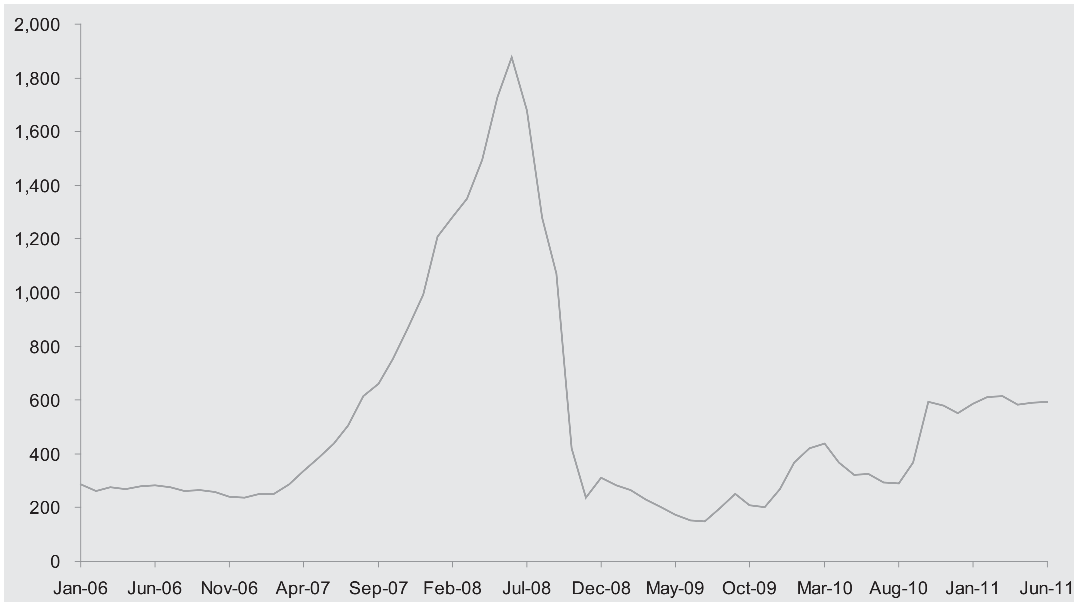
Imports from international markets help to supply a large portion of concentrate demand from Chinese smelters (Copper concentrate balance in China, thousand tonnes)

	2007	**2008**	**2009**	**2010**	**2011E**	**2012E**	**2013E**
Production	930	930	960	1,140	1,220	1,300	1,370
Consumption	2,200	2,460	2,690	2,680	3,030	3,360	3,700
Balance	**(1,270)**	**(1,530)**	**(1,730)**	**(1,540)**	**(1,810)**	**(2,060)**	**(2,330)**
Net import	1,350	1,560	1,720	1,750	–	–	–
Balance	**90**	**30**	**(20)**	**200**	**–**	**–**	**–**

Sources: Antaike

TC/RCs for copper concentrates, which are what copper smelters charge to smelt copper concentrates for the production of copper cathodes, have been low over the past 4 years as a result of a tight copper concentrates market. TC/RCs typically fall when the supply of copper concentrates falls or when operating smelting capacity increases, which has been the case in China for the past 4 years. For example, at their lowest levels, TC/RCs were at US$46.5 per tonne for TC and 4.65 US cents per pound for RC (which were equivalent to a combined 11.96 US cents per pound of copper processing costs) in 2010 which were just about the level of actual costs of production. China's non-integrated copper smelters (who do not operate their own mines) suffer from low profit margins and profitability from downstream processing such as smelting when TC/RCs are low. Nevertheless, with relatively high price for sulphuric acid, being a by-product produced in the course of copper cathode production, these copper smelters were able to apply the profit from sales of sulphuric acid to compensate for the lower TC/RCs.

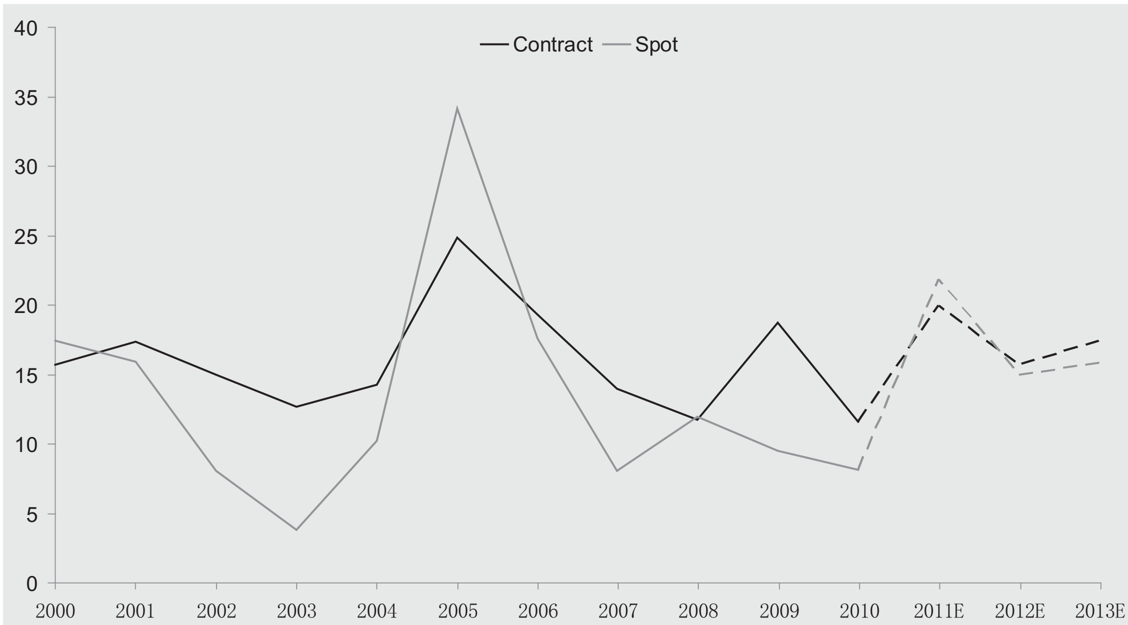
2006-2011 China sulphuric acid price (RMB per tonne)



Source: Antaike

Since the second half of 2010, however, TC/RC spot rates have been moving upwards, driven by increase in consumption demand in different end markets and more aggressive negotiations between copper concentrate producers and copper smelters. Increasing concentration of the copper smelting industry in China helps smelters to gain more negotiation power. In addition, the earthquake in Japan in March 2011 has caused and may in the short term continue to cause disruption to the production of Japanese copper smelters due to power shortage and other factors, which may lead to increase in demand for the smelters operating in China. Going forward in 2012 and 2013, the supply deficit of copper concentrate is likely to continue to increase as the growth in demand for copper concentrate continues to outpace the increase in supply as a result of the rapid expansion of the smelting capacity (which is equivalent to the ability to process copper concentrates). China experienced a supply deficit in copper concentrates during the period from 2008 to 2010 where domestic supply fell short of domestic demand by 1.53 million tonnes, 1.73 million tonnes, and 1.54 million tonnes, respectively. Antaike forecasts that such trend will continue in near term, which will create downward pressure on TC/RC.

TC/RC trends since 2000 (US Cent/lb Cu) and forecasts to 2013



Sources: Bloomberg, Antaike

Note: According to Antaike, copper processing costs, TC/RC=TC/(30%-1.15%) +RC TC/RC is calculated assuming 30% grade of standard copper concentrates and a 1.15% wear (which brings down the grade of copper)

Major producers

The copper smelting industry in China is becoming increasingly concentrated. The largest copper producers of copper cathodes, which include Jiangxi Copper, Tongling Non-ferrous, Jinchuan Group, Yunnan Copper and Daye Metal, together, accounted for 59.5% of the total copper cathode production in China in 2010.

2005 – 2010 production and sufficiency level for China's major copper producers (Unit: 000'tonnes Cu)

		2005	2006	2007	2008	2009	2010
Jiangxi Copper	Copper cathode production	422	443	554	703	802	902
	Copper concentrate production	158	158	156	159	167	172
	Self-sufficiency rate	37.5%	35.6%	28.2%	22.6%	20.8%	19.1%
Tongling Non-ferrous	Copper cathode production	448	534	624	649	719	812
	Copper concentrate production	37	46	47	51	54	62
	Self-sufficiency rate	8.3%	8.6%	7.5%	7.9%	7.5%	7.6%
Yunnan Copper	Copper cathode production	320	378	452	385	287	325
	Copper concentrate production	72	72	76	90	95	97
	Self-sufficiency rate	22.5%	19.0%	16.8%	23.4%	33.1%	29.8%
Daye Metal	**Copper cathode production**	**178**	**205**	**250**	**265**	**271**	**308**
	Copper concentrate production	**21**	**21**	**20**	**21**	**20**	**21**
	Self-sufficiency rate	**11.8%**	**10.0%**	**8.1%**	**7.8%**	**7.6%**	**6.8%**
Xiangguang Copper	Copper cathode production	–	–	4	92	180	240
	Copper concentrate production	–	–	–	–	–	–
	Self-sufficiency rate	0%	0%	0%	0%	0%	0%
Dongying Fangyuan Copper	Copper cathode production	75	140	180	181	204	207
	Copper concentrate production	–	–	–	–	–	–
	Self-sufficiency rate	0%	0%	0%	0%	0%	0%
Yantai Penghui Copper	Copper cathode production	62	72	103	87	111	101
	Copper concentrate production	–	–	–	–	–	–
	Self-sufficiency rate	0%	0%	0%	0%	0%	0%
Baiyin Non-ferrous	Copper cathode production	78	76	71	77	50	89
	Copper concentrate production	8	7	6	8	6	7
	Self-sufficiency rate	10.7%	9.2%	8.5%	10.4%	12.0%	7.9%
Zhongtiaoshan Non-ferrous	Copper cathode production	27	56	91	91	65	79
	Copper concentrate production	22	28	28	24	17	24
	Self-sufficiency rate	80.9%	50.2%	30.8%	26.3%	26.1%	30.4%

Sources: CNIA, Antaike

Note: 1. Self mined copper concentrate production level

2. Ranking based on production of copper cathodes

GOLD

Introduction

Gold is a dense, soft, malleable and ductile metal, with good electric and thermal conductivity as well as fairly strong chemical corrosion resistance and anti-tarnish property. It is diamagnetic, but gold mixed with a certain amount of manganese has extremely high magnetic susceptibility and gold mixed with a large amount of iron, nickel and cobalt also acquires a high level of magnetic susceptibility. Moreover, the chemical stability of gold is fairly high and it is rather stable in lye and various kinds of acid fluid. Gold hardly oxidizes or changes color when exposed to air.

Gold has long been used for the maintenance of financial reserves and as currency and jewellery. In terms of industrial application, gold is mainly used in the manufacture of precision instrument and meters as well as in the electronics industry.

Gold is mainly produced by independent gold mines and from the smelting of non-ferrous metals such as copper.

Demand and supply of gold

Global supply of gold increases relatively slowly. In 2010, global supply of gold reached 4,108 tonnes, which amounted to an increase of only 2.2% from 2000. The increase in gold supply has mainly come from scrap gold. Global output of scrap gold reached 1,653 tonnes in 2010, representing an increase of 166.6% from 620 tonnes in 2000. Meanwhile, output of mined gold has remained basically stagnant.

The use of gold for the manufacture of jewellery has been one of the most important sources of demand for gold. However, demand in this sector has declined in the past ten years. The jewellery industry accounted for approximately 2,060 tonnes of the global demand for gold in 2010, a decrease of 35.7% from 2000. The industry's demand for gold also decreased from 79.8% in 2000 to 50.1% in 2010. Due to global inflation and continual rise in gold prices, the demand for investment in gold (i.e. bullion investments) has increased significantly (especially at times of economic uncertainty, as gold is typically regarded as a "safe haven" investment and inflation hedge). Bullion investment demand reached 1,429 tonnes in 2009, accounting for one third of the total gold demand.

2000-2010 Global Gold Supply and Demand (Unit: tonnes)

	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Total supply	**4,018**	**3,915**	**4,038**	**4,228**	**3,866**	**4,115**	**3,981**	**3,939**	**3,957**	**4,287**	**4,108**
Mined	2,620	2,646	2,618	2,623	2,494	2,549	2,483	2,473	2,409	2,572	2,659
Gold recovered from scrap metal	620	749	874	986	881	902	1,133	982	1,316	1,674	1,653
Official sector sales	479	520	547	620	479	663	365	484	232	41	(87)
Other	299	–	(1)	(1)	12	1	–	–	–	–	(117)
Total demand	**4,018**	**3,915**	**4,038**	**4,228**	**3,866**	**4,115**	**3,981**	**3,939**	**3,957**	**4,287**	**4,108**
Jewelley	3,205	3,009	2,662	2,484	2,616	2,718	2,298	2,417	2,193	1,759	2,060
Industry and dentistry	451	363	358	382	414	433	462	465	439	373	–
Gold bar hoarding	242	261	264	180	257	264	235	236	386	187	–
Others	120	262	534	422	579	241	621	652	609	539	
Implied net investment *(Note)*	**–**	**20**	**220**	**760**	**–**	**459**	**365**	**169**	**330**	**1,429**	**–**

Source: GFMS Limited ("GFMS")

Note: the implied net investment reflects the amount invested by investors in gold. In case where a positive implied net investment is recorded, this means that the demand of investors for gold is greater than the supply of gold, and vice versa.

China is an important gold producer. From 2000 to 2010, gold output in China underwent a constant and significant increase. It reached 341 tonnes in 2010, an increase of 92.7% from 2000. This is mainly due to the rise in gold prices and rapid expansion of copper smelters.

2000-2010 Gold Output in China (Unit: tonnes)

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
177	182	190	201	212	224	240	270	282	314	341

Source: China Gold Association

Gold pricing and exchanges

Gold prices, unlike many other commodities, are not affected solely by supply and demand, but also other factors such as global inflation, currency devaluation and fund flow. Gold prices have generally been on the rise in the past decade. The average price of gold on the London Bullion Market Association ("**LBMA**") market in 2010 reached US$1,227 per ounce, representing an increase of 339.8% from 2000. Chinese domestic gold spot price in 2010 reached RMB265 per gram, an increase of 268.1% from 2001. The price increase in the PRC market is smaller than that in the international market mainly due to appreciation in the Renminbi. From January to July in 2011, Chinese domestic gold spot price averaged RMB310 per gram, an increase of 21.3% compared to the same period last year.

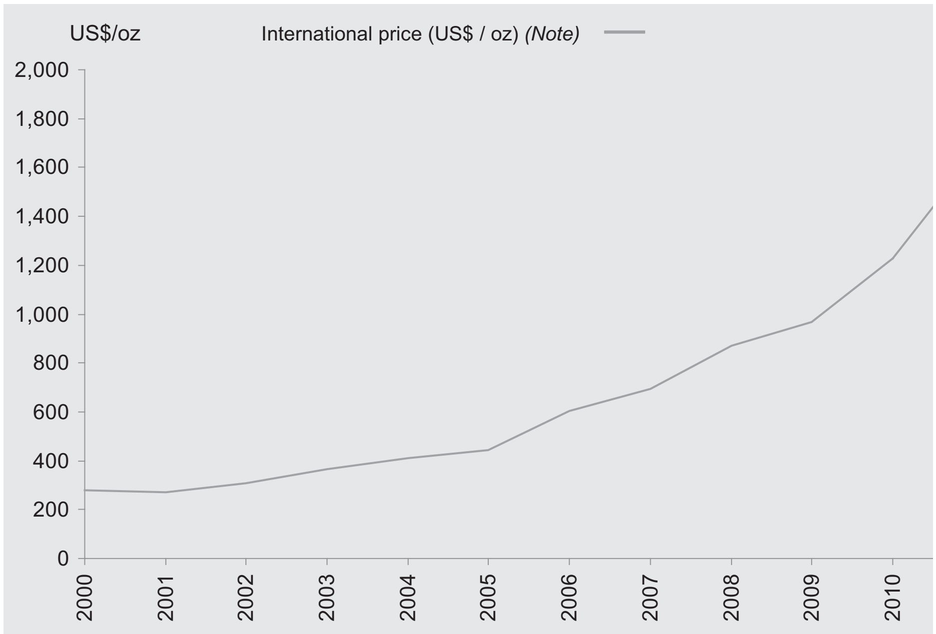
Towards the end of August 2011, gold price once rose to above US$1,900 per ounce, an increase of 45% from the US$1,310 per ounce level in January 2011. Domestic gold price also increased by over 37% from RMB284 per gram, at its lowest level in January 2011 (though still high by historical standards), to over RMB390 per gram in late August. From January to July in 2011, LBMA gold price averaged US$1,463 per ounce, an increase of 26.3% compared to the same period last year.

The Antaike Report forecasts that in the context of a sustained low interest rate environment in the US and global inflation, gold price will continue to rise steadily in the near term.

International and Domestic Annual Average Price of Gold (International price: US Dollar per ounce; Domestic price: RMB per gram)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
International price *(US$/oz)*	279	271	310	364	410	445	604	696	872	972	1,227
Domestic price *(RMB/g)*	–	72	81	95	110	117	155	171	196	214	265

2000 – 2010 international gold price (in US dollar per ounce)



Sources: Antaike, Bloomberg

The major factors influencing gold price include production, demand (including but not limited to demand from the jewellery industry and other industrial applications, investment and speculation demand), changes in state or central bank gold reserves, changes in monetary policies in major countries, fluctuations in exchange rates, inflation and outlook, international trade deficit, international political environment, war, terrorist events and fluctuations in oil prices.

SILVER

Introduction

Silver is a white and shiny metal. It is soft, flexible and ductile with a Mohs hardness of 3.25 degrees, and has excellent electric and thermal conductivity. Silver has relatively stable chemical properties and does not react with oxygen at normal temperature.

As its attributes is suitable for monetary use, silver served as a currency like gold for a long period in human history. In addition to coinage, silver is also widely applied in various industrial sectors such as electronic and electrical usage, photography, solar energy and medicine.

Silver is mainly produced from the smelting of non-ferrous metal such as copper, lead and zinc.

Demand and supply of silver

During the period from 2000 to 2010, the total global silver supply remained basically stable within the range of 27,000 to 28,500 tonnes annually, reaching 28,537 tonnes in 2010. The output of mined silver has increased steadily and reached 23,524 tonnes in 2010, representing an increase of 28.0% from 2000. During the same period, the output of scrap silver decreased from 5,620 tonnes to 4,855 tonnes.

In 2010, global consumption of silver for industrial use was 11,605 tonnes, accounting for 40.7% of the total silver demand. In the same year, jewellery consumption reached 4,768 tonnes, accounting for 16.7% of the total demand, while coinage and photography accounted for 10.0% and 6.2% of the total demand, respectively. Demand for physical silver by global manufacturing totalled 22,889 tonnes, accounting for 80.2% of the total silver demand. Investment demand for silver reached 4,852 tonnes, accounting for 17.0% of total demand.

The 2000-2010 Global Silver Supply and Demand (Unit: tonne)

	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Total supply	**28,587**	**27,088**	**26,534**	**27,038**	**27,004**	**28,500**	**28,217**	**27,642**	**27,629**	**27,651**	**28,537**
Of the total:											
Mined silver	18,382	18,855	18,472	18,556	19,066	19,807	19,934	20,665	21,297	22,071	23,524
Scrap silver	5,620	5,683	5,832	5,720	5,714	5,785	5,847	5,655	5474	5,154	4,855
Governmental net underselling amount	1,876	1,960	1,841	2,759	1,925	2,050	2,432	1,322	858	426	159
Other	2,709	590	389	3	299	858	4	–	–	–	–
Total demand	**28,587**	**27,088**	**26,534**	**27,038**	**27,004**	**28,500**	**28,217**	**27,642**	**27,629**	**27,651**	**28,537**
Of the total:											
Silver used for industrial purposes	11,639	10,438	10,578	10,911	11,434	12,659	13,281	14,186	13,791	10,955	11,605
Photography	6,790	6,628	6,354	6,000	5,561	4,986	4,429	3,882	3,263	2,578	1,782
Jewellery	5,306	5,421	5,253	5,574	5,437	5,406	5,173	5,085	4,924	4,871	4,768
Silverware	2,998	3,300	2,597	2,610	2,090	2,099	1,897	1,816	1,770	1,851	1,894
Silver coin and seal	998	949	983	1110	1319	1244	1238	1235	2,028	2,448	2,840
Total amount for manufacturing usage	**27,735**	**26,730**	**25,763**	**26,202**	**25,841**	**26,398**	**26,015**	**26,205**	**25,772**	**22,699**	**22,889**
Other	852	3	771	649	–	–	211	753	358	694	796
Implied net investment demand	**–**	**355**	**–**	**187**	**1,163**	**2,103**	**1,991**	**684**	**1,499**	**4,258**	**4,852**

Source: GFMS

Silver pricing and exchanges

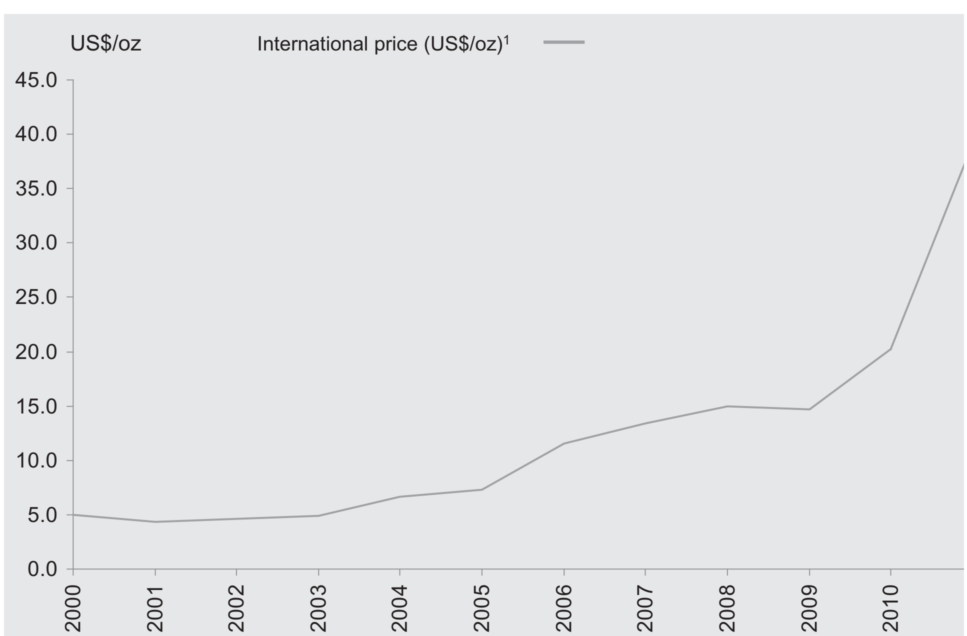
During the period from 2000 to 2010, similar to gold, silver prices generally maintained a continuous upward trend. In particular, with the rise of investment demand in recent years, the price of silver has increased faster. The international trading markets for silver are mainly located in London, New York, Chicago and Tokyo, and the benchmarks are London (LBMA) and New York prices. Silver prices on LBMA in 2010 reached US$20.19 per ounce, an increase of 307.7% from 2000. Domestic spot silver price in 2010 reached RMB4,547 per kilogram, an increase of 114.5% from 2005. From January to July in 2011, LBMA silver spot price and Chinese domestic silver spot price averaged US$35.35 per ounce and RMB7,828 per kilogram, an increase of 100.1% and 90.1%, respectively compared to the same period last year.

International and Domestic Annual Average Price of Silver (International price: US dollar per ounce; Domestic price: RMB per kilogram)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
International price *($/oz)*	4.95	4.37	4.60	4.88	6.66	7.31	11.55	13.38	14.93	14.67	20.19
Chinese domestic price *(RMB/kg)*	–	–	–	–	–	2,120	3,266	3,544	3,560	3,269	4,547

Source: Antaike

2000 – 2010 international silver spot price (in US$ dollar per ounce)



Sources: Antaike, Bloomberg

SOURCES OF INFORMATION

Antaike

The Company has engaged Antaike, an experienced consultant in the metals and mining industry, to prepare the Antaike Report for use in whole or in part in this circular. Unless otherwise specified, the data presented in this Industry Overview was primarily based on, or derived from the Antaike Report.

Established in 1992, Antaike is owned as to 42.61% by the Information Center of China National Nonferrous Metals Industry (also known as the Nonferrous Metals Techno-Economic Research Institute), whose operations are overseen by the China Nonferrous Metals Industry Association. Antaike is the first company to receive recognition from the Beijing Science and Technology Consultant Association and was also awarded the title of "Advanced Youth Group" by the PRC central government. It is therefore a leading institution for research on the metals industry in the PRC. In compiling information to prepare the Antaike Report, a team of industry specialists and consultants was assembled to observe and analyze market trends and to conduct research

The Antaike Report was prepared based on Antaike's internal database, research, study and analyses drawn from information obtained from both official and unofficial sources, among others, reports prepared by the Independent Third Parties and publicly available data from government agencies and reputable industry organizations. Where necessary, Antaike contacts companies operating in the industry to gather and synthesise information about market, prices and other relevant information. In preparation of the Antaike Report, Antaike has assumed the completeness and accuracy of the information or data that it has relied on. Antaike has confirmed that it is not aware of anything which could possibly lead it to believe that this assumption is unfair, unreasonable or incomplete.

Projected data in the Antaike Report was prepared based on historical data analysis plotted against macroeconomic data as well as specific industry-related drivers, assuming social, economic, political environment of the PRC is expected to remain stable in the forecasted period so as to contribute to increasing purchasing power and urbanization. Such forecasts and assumptions are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including, without limitation, the actions of government, individuals, third parties and competitors. Specific factors that could cause actual results to differ materially include, among others, commodity prices, utility costs, risks inherent in the mining industry, financing risks, labour risks, uncertainty of mineral reserve and resource estimates, equipment and supply risks, regulatory risks and environmental concerns.

Antaike has provided part of the statistical and graphical information contained in the Industry Overview. Antaike has advised that (i) some information in its database is derived from estimates from industry sources or subjective adjustments; and (ii) the information in the database of other metals and mining data collection agencies or of other industry consultants may differ from information in Antaike's database. The information contained herein has been obtained from sources believed by Antaike to be reliable, but there can be no assurance as to the accuracy or completeness of any such information.

Antaike received a total fee of HK$500,000 for the research and preparation of the Antaike Report. Such payment was not contingent upon the approval of the new listing application made by the Company nor on the results delivered.

Others

Data prepared by, Bloomberg, China Gold Association, CNIA, GFMS, ICSG, LBMA, LME, RMG, SHFE, USGS and WBMS, all of whom are Independent Third Parties, and quoted in this Industry Overview was not commissioned by the Company, Antaike, China Times or the Parent Company.

- Bloomberg, Bloomberg L.P., is a leading provider of global business and financial information.
- China Gold Association (中國黃金協會) is a nation-wide, non-profit and autonomic organization in the PRC for the enterprises of gold exploration, operation, processing, logistics, research institutes and other institutions in relation to gold industry.
- CNIA (中國有色金屬工業協會) is a nation-wide, non-profit and industrial organization in the PRC for enterprises, institutions and other social entities in relation to the non-ferrous metals industry.
- GFMS is one of the world's leading economics consultancies in precious metals, specialising in research into the global gold, silver, platinum and palladium markets. It is also a leading provider of top quality research on base metals and steel.
- ICSG is an intergovernmental organization that serves to increase copper market transparency and promote international discussions and cooperation on issues related to copper.
- LBMA is the London-based trade association that represents the wholesale over-the-counter market for gold and silver in London.

- LME is the world's premier non-ferrous metals market which offers futures and options contracts for aluminium, copper, tin, nickel, zinc, lead, aluminium alloy and North American special aluminium alloy contract, steel billet, cobalt and molybdenum.

- RMG is a global provider of compiled and analyzed data in relation to the mining industry.

- SHFE（上海期貨交易所）, regulated by the China Securities Regulatory Commission (CSRC), serves as a trading platform for futures contracts of, among others, gold, copper, aluminum, lead, steel rebar, steel wire rod, natural rubber, fuel oil and zinc.

- USGS, the United States Geological Survey, is a science organization providing information in relation to ecosystems and environment.

- WBMS is an information provider in relation to the global metal industry.

OVERVIEW

The copper industry in the PRC forms part of the nation's non-ferrous metals industry, an industry highly regulated by the PRC government. The regulatory regime supervises activities in various domains including investment, exploration, exploitation, mining and production. Non-ferrous metals operations are also subject to safety and environmental protection regulations in the form of administrational measures, compensation levies and tax levies.

In recent years, the PRC government has tightened its regulation on the PRC mining industry. In August 2005, the State Council of the PRC (the "**State Council**") issued the "Notice on Comprehensively Starting the Consolidation and Regulation of Mineral Resource Developments" (關於全面整頓和規範礦產資源開發秩序的通知) to counter illegal exploration and mining activities, with a view to closing down all mining operations which fail to comply with the requisite environmental protection and production safety standards. This notice requires the Ministry of Land and Resources of the PRC (the "**MLR**") to impose more stringent standards to eradicate and eliminate non-compliant activities in relation to unauthorised exploration and mining, environmental pollution and safe production. Further measures were jointly announced by MLR, the National Development and Reform Commission of the PRC (the "**NDRC**"), the Ministry of Public Security of the PRC, the Ministry of Supervision of the PRC, the Ministry of Finance of the PRC (the "**Ministry of Finance**"), the Ministry of Commerce of the PRC, the State Administration of Industry and Commerce of the PRC, the Ministry of Environmental Protection of the PRC (formerly known as the State Administration of Environmental Protection of the PRC) (the "**MEP**") and the State Administration of Work Safety of the PRC (the "**SAWS**") in February 2008 under the "Notice on Looking aback Campaign for Consolidation and Regulation of Mineral Resources Developments" (關於開展整頓和規範礦產資源開發秩序「回頭看」行動的通知), which directed governments at provincial level, in the autonomous regions and municipalities to investigate such incidents of non-compliance in their respective regions.

In June 2006, the NDRC issued a directive on "Entry Conditions for the Copper Smelting Industry" (銅冶煉行業准入條件) which raised the entry thresholds for the copper smelting industry. The directive sets out revised requirements on investment, technology and equipment, energy consumption and environmental protection for the establishment of copper smelting operations in the PRC. It also stipulates a number of other qualifications that must be met for entry, such as the requirement that the proportion of self-owned raw materials must not be less than 25% of the total amount of raw materials to be used in the production or the proportion of self-owned raw materials and raw materials obtained from mines operated on a joint venture basis with a contract period of over five years must exceed 40% of the total amount of raw materials being used in the production, and the requirement that the proportion of self-funded capital expenditure for a smelting project must account for more than 35% of the total capital expenditure. The main objective of the directive is to regulate investments in the copper smelting industry and prevent over-investment and expansion.

In May 2009, the State Council released the "Adjustment and Revitalization Plan for the Nonferrous Metal Industry"(有色金屬產業調整和振興規劃) to stimulate the development of the non-ferrous metal industry with a specific focus on the restructuring of the industry and technological innovation. The main objectives of such plan are the elimination of obsolete capacity, energy conservation and emission reduction, promotion of corporate restructuring, promotion of innovation and improvement of self-sufficiency.

The main regulatory bodies overseeing the PRC non-ferrous metals industry include:

- NDRC: it formulates and implements major policies concerning the economic and social development of the PRC, reviews and approves investment projects exceeding a certain scale and in specified sectors of the economy, including in the mining industry;

- MLR: it supervises exploration for and exploitation of mineral resources in the PRC. It is responsible for granting land-use right certificates, exploration and mining licences, approving transfers and leases of exploration rights and mining rights, and reviewing fees payable for exploration rights, and mining rights;

- SAWS: it supervises and provides guidance on work safety practices for non-coal mining enterprises in the PRC. It is responsible for formulating work safety management regulations and investigating work safety-related accidents.

- Ministry of Human Resources and Social Security of the PRC: together with SAWS, it is responsible for supervising and managing mine-related safety and conducting inspections of safety facilities at mining sites; and

- MEP: it is responsible for supervising and monitoring compliance with environmental protection laws and regulations and monitoring anti-pollution systems implemented by, among others, mining enterprises.

PRC LAWS AND REGULATIONS RELATING TO EXPLORATION AND MINING OF MINERAL RESOURCES

Mineral Resources Law of the PRC and its implementation provisions

Pursuant to the "Mineral Resources Law of the PRC"(中華人民共和國礦產資源法) (the "**Mineral Resources Law**") promulgated on 19 March 1986, which became effective on 1 October 1986 and was amended on 29 August 1996 and the "Rules of the Implementation of the Mineral Resources Law"(中華人民共和國礦產資源法實施細則) (the "**Implementation Rules**") promulgated on 26 March 1994, all mineral resources in the PRC are owned by the State. The department of geology and mineral resources of each province or autonomous region or the bureau of geology and mineral resources of each municipality directly under the supervision of the PRC central government (collectively, "**DGMs**") operates a licensing regime under which it grants exploration licences and mining licences. An enterprise that intends to explore and exploit mineral resources shall apply for separate exploration and mining rights according to the relevant PRC laws, regulations and policies, and is required to undergo the application process for each of the exploration and mining rights. Where an enterprise intends to apply for a variation in the terms of the licence, or an extension or renewal of the exploration or mining licence, it must prepare and submit a mineral resources exploration and/or mining feasibility study together with the review opinion issued by a DGM nominated authorised body or expert in respect of such study.

The PRC government adopts a unified licensing system for mineral exploration and mining activities. Any enterprise engaged in the exploration for and mining of minerals must apply for exploration and mining licences before commencing operation, unless such enterprise intends to conduct exploration operations for its own production within the mining area with respect to which it has previously obtained mining rights.

A mining licence confers on its holder the following rights, among others: (i) the right to conduct mining activities within the area and time period prescribed in the mining licence; (ii) the right to set up necessary production and accommodation facilities within the designated area; (iii) the right to conduct exploration activities and production within the area and time period designated in the mining licence; (iv) the right to sell the mined minerals and products, except for mineral products which shall only be sold to designated parties as prescribed by the State Council; (v) the right to apply for land use rights in respect of the designated mining area; (vi) the right to transfer the mining right to any third party, whether directly or as a result of any merger, consolidation, division, joint venture, partnership, disposal of assets or other changes in the ownership of assets which leads to a change in the ownership of the mining right, subject to obtaining relevant government approvals for the transfer or offer. A holder of a mining licence is subject to certain obligations including, among others, the obligation to (i) conduct reasonable mining activities, and protect and fully utilize the mineral resources; (ii) pay the prescribed resources tax and compensation levies; and (iii) submit regular reports on the mining of mineral resources or reserves to the relevant government authorities for approval.

An exploration licence confers on its holder the following rights, among others, (i) the right to conduct exploration activities within the area and time period prescribed in the exploration licence; (ii) the right to enter the prescribed exploration area and peripheral area; (iii) priority to obtain the mining rights in respect of the mineral resources within the designated area; (iv) the right to transfer the exploration rights to any third party, subject to the satisfaction of the minimum investment requirement by the original holder and obtaining relevant government approvals; and (v) the right to sell the mineral products recovered from the surface of the prescribed exploration area except for recovered products which could only be sold to designated parties as prescribed by the State Council. A holder of an exploration licence is subject to certain obligations including, among others, the obligation to (i) commence and complete exploration activities within the designated time period; and (ii) submit regular reports on the exploration activities to the relevant government authorities for approval.

PRC LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

General

Pursuant to "Environmental Protection Law of the PRC"(中華人民共和國環境保護法), all entities whose operations involve the emission of pollutants or other environmentally hazardous materials are required to compile environmental protection plans in relation to their operations and establish an environmental protection system. They are mainly required to adopt effective measures to control and prevent pollution arising from waste gases, waste water, waste residue, dust, malodorous gases, radioactive substances and noise, electromagnetic radiation in the course of their production or other activities.

Such enterprises are required to file and register an environmental impact assessment report with the relevant environmental protection administration authority for approval before undertaking construction of any new production facility, major expansion or renovation of any existing production facility. The pollution control facilities are required to be designed, constructed and operated at the same time as the major facilities under construction. The construction project will not be permitted to commence operations unless and until the relevant environmental protection administration authority which approved the environmental impact assessment report is satisfied that that the facilities are in compliance with the applicable environmental protection laws and regulations.

Geological environmental protection

Pursuant to the "Provisions on the Protection of the Geologic Environment of Mines"(礦山地質環境保護規定) promulgated on 2 March 2009, which became effective on 1 May 2009 and the "Hubei Province's Regulation on the Administration of Geological Environment"(湖北省地質環境管理條例) promulgated on 31 May 2001 and effective on 1 August 2001, when applying for a mining licence, the applicant has to compile a plan for the protection and restoration of the geological environment mainly within the mining site and submit the plan to the relevant land and resources authority for approval. In the event that the geological environment mainly within the mining site is likely to be damaged due to any mining activity, the holder of the mining licence shall include the related restoration costs in the plan. Enterprises engaged in mining or exploration activities are required to pay a deposit as security for restoration of geological environment into a designated account, which is monitored by the relevant authority in accordance with relevant provisions formulated by each province, autonomous region and municipality.

Waste disposal fees

Pursuant to the "Administrative Regulation on the Levy and Use of Disposal Fees"(排污費徵收使用管理條例) issued by the State Council on 2 January 2003, which became effective on 1 July 2003, the "Measures for Administration of Levy of Disposal Fees"(排污費徵收標準管理辦法) jointly promulgate, among others, by NDRC, MEP and the Ministry of Finance, which became effective on 1 July 2003, and the "Administrative Regulations on Levy and Utilization of Disposal Fee"(排污費資金收繳使用管理辦法) jointly promulgated, by MEP and the Ministry of Finance, which became effective on 1 July 2003, direct disposal of pollutants is subject to the payment of disposal fees. The type and amount of disposal fees payable are determined by the environmental protection administration department of the local people's government above county level as authorized by MEP.

PRC LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY AND PREVENTION OF OCCUPATIONAL DISEASES

Production safety

Pursuant to the "Production Safety Law of the PRC"(中華人民共和國安全生產法) promulgated on 29 June 2002 which became effective on 1 November 2002 and the "Law on Mine Safety of the PRC"(中華人民共和國礦山安全法) and its related implementation rules, which were promulgated on 7 November 1992 and 30 October 1996, respectively and became effective on 1 May 1993 and 30 October 1996, respectively, safety facilities in mining projects under construction must be designed, constructed and put into operation at the same time as the commencement of the principal parts of the projects. Further, the design of a mine must comply with safety rules and standards introduced and/or approved by the relevant authorities from time to time.

Pursuant to the "Regulations on Work Safety Licences"(安全生產許可證條例) promulgated on 13 January 2004 and the "Measures for the Implementation of Work Safety Licences for Non-coal Mine Enterprises"(非煤礦礦山企業安全生產許可證實施辦法) (as amended) which became effective on 8 June 2009, mining operations and production may only commence after the completion of relevant safety check and approval processes and the issue of the work safety licence by the safety production bureau at or above provincial level.

Prevention and Control of Occupational Diseases

Pursuant to the "Prevention and Control of Occupational Diseases Law of the PRC"(中華人民共和國職業病防治法) promulgated on 27 October 2001, which became effective on 1 May 2002, appropriate protective facilities and measures are required to be adopted for any construction project which may lead to the development of occupational diseases of the employees. A preliminary assessment report must be submitted to the health administrative department at the time when the feasibility study is prepared and an assessment of the effectiveness of the protective measures adopted must be completed before the application for inspection and acceptance of the project is made. Once the protective facilities have passed the inspection by the public health administration department, such mining projects may be put into formal operation.

PRC LAWS AND REGULATIONS RELATING TO RESOURCES TAX AND COMPENSATION LEVY

Resources tax

Pursuant to the Provisional Regulations on Resources Tax of the PRC (中華人民共和國資源稅暫行條例) promulgated by the State Council on 25 December 1993, which became effective on 1 January 1994, all enterprises engaged in the exploitation of minerals within the territory of the PRC are required to pay a resources tax. Applicable resources tax rates are determined by the Ministry of Finance in consultation with the relevant departments of the State Council based on the resource amount of the taxable products exploited by the enterprise.

Currently, copper resources tax is collected based on the tonnage of copper mined in the PRC. In December 1993, the State Council announced the "Interim Implementation Regulations of the PRC on Resources Tax"(中華人民共和國資源稅暫行條例實施細則), which imposes a resources tax on raw ores of non-ferrous metals. During the period from 1996 to 2006, the PRC government reduced the rate of the resources tax on raw ores of non-ferrous metals by 30%, but the reduced tax rate ceased to apply since January 2006. On 5 July 2007, the Ministry of Finance and the State Administration of Taxation jointly issued a "Notice on the Adjustment of Resources Tax Standards Applicable to Lead/Zinc Ore and Other Taxable Items"(關於調整鉛鋅礦石等稅目資源稅適用稅額標準的通知), pursuant to which the resources tax on copper ore was increased from RMB1.2 to RMB1.6 per tonne, to RMB5.0 to RMB7.0 per tonne, representing an increment of 317% to 337%.

Compensation levy

Pursuant to the "Provisions on the Administration of Collection of the Mineral Resources Compensation Levy"(礦產資源補償費徵收管理規定) promulgated on 27 February 1994 and revised on 3 July 1997 by the State Council, every enterprise engaged in mining activities in the PRC and territorial waters under its administration must pay a mineral resources compensation levy, which is calculated based on the following formula:

$$\text{Mineral resources compensation levy} = \text{Sales income of mineral products} \times \text{Compensation levy rate} \times \text{Coefficient of mining recovery rate}$$

The compensation levy rate, currently fixed at 2% for copper, is determined jointly by the Ministry of Finance, MLR and NDRC, and is subject to the approval of the State Council. Such compensation levy is payable on a bi-annual basis.

In specific circumstances, mining enterprises may apply for partial or full exemption of the mineral resources compensation levys. Application should be made to the relevant department of land and resources and department of finance at provincial level, unless a reduction of more than 50% of the mineral resources compensation levy is applied for, in which case the approval of the provincial people's government is required. Any approval for the reduction of the mineral resources compensation levy must be reported to both the MLR and the Ministry of Finance.

COMPLIANCE WITH THE REGULATORY REQUIREMENTS BY THE TARGET GROUP

As at the Latest Practicable Date, the Target Group was in compliance with all the relevant regulatory requirements applicable to its operations in all material respects and all material licences and permits for its business and operations have been obtained.

The Target Group has taken the following measures to ensure ongoing compliance with the relevant regulatory requirements: (1) implementing strict control and monitoring measures with a view to maintaining the relevant mining, exploration and safe production licences and certifications as well as meeting the specific standards required under the relevant regulations; (2) improving its research and development capabilities to ensure the quality of its products and that such products meet the relevant national and industrial standards; (3) providing continuing education and training to its staff to ensure their compliance with the relevant regulations and to facilitate the implementation of its internal rules and regulations; (4) implementing strict environmental protection measures and conducting regular inspections on its production facilities and processing plants to ensure compliance with the environmental regulations; (5) taking adequate steps to ensure safety at mining areas and production facilities; and (6) implementing strict internal control measures to ensure compliance with all the relevant regulatory requirements applicable to its operations.

OVERVIEW

According to the Antaike Report, Daye Metal was the fifth largest producer of copper cathodes in the PRC by production volume, accounting for approximately 6.7% of the total production of copper cathodes in the PRC in 2010. The major products of the Target Group include copper cathodes, gold, silver and sulphuric acid (which is a by-product derived from the smelting process of copper ore and concentrate). The Target Group sells both copper cathodes, gold and silver produced by itself as well as those sourced by it from third party suppliers or the Parent Group for on-sale to its customers.

Sales of copper cathodes accounted for approximately 73.6%, 71.5%, 77.1% and 76.4% of the total revenue of the Target Group for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively. Approximately 95.5%, 60.1%, 55.6% and 68.5% of the revenue from the sales of copper cathodes for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively, was derived from the sales of copper cathodes produced by the Target Group, while the remainder was derived from the sales of copper cathodes sourced by the Target Group from third party suppliers and the Parent Group for on-sale to its customers. The Target Group also provides copper processing services including the processing of copper concentrates into copper cathodes, but such processing services accounted for less than 1% of the total revenue of the Target Group over the Track Record Period.

Sales of gold, silver and sulphuric acid, together, accounted for approximately 16.3%, 22.6%, 13.4% and 18.0% of the total revenue of the Target Group for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively. Approximately 100%, 47.7%, 84.7% and 74.8% of the revenue from the sales of gold and silver for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively, was derived from the sales of gold and silver produced by the Target Group, while the remainder was derived from the sales of gold and silver sourced by the Target Group from third party suppliers for on-sale to its customers. The Target Group also sells a small amount of iron concentrate (which is derived from iron ore deposits associated with the copper ore deposits at the Tonglvshan Mine) and other metals recovered during the smelting and refining process of copper concentrate, such as platinum, palladium, and molybdenum. The Target Group sells all of the copper cathodes, gold and silver it produces by it as well as the copper cathodes it processes for its customers under its “Dajiang” brand.

The Target Group holds the Mining Licences to the Four Mines, all of which are located in the Hubei Province of the PRC. The primary mineral deposit at the Four Mines is copper, with associated deposits of gold and silver. The Target Group also owns and operates on-site processing facilities at each of the Four Mines to carry out crushing, screening and milling of copper ore, the Smelting Plant which undertakes the smelting of copper concentrate and production of sulphuric acid, the Precious Metal Plant which extracts gold and silver from anode slime, and the R&D Centre. The Target Group is one of the few copper producers in the PRC who have a vertically integrated operation which extends from the exploration, mining and processing of copper ore to the smelting of copper concentrate and the production of copper cathodes and other precious metals such as gold and silver.

The supply of copper ore from the Four Mines is currently not sufficient to meet the requirements of the Target Group for its downstream copper cathode production. In addition to the supply from the Four Mines, the Target Group also sources a significant portion of copper concentrates from external suppliers and the Parent Group. The Target Group produced, in aggregate, approximately 20,930 tonnes and approximately 9,800 tonnes of copper concentrates from the copper ore mined from the Four Mines in the year ended 31 December 2010 and the six months ended 30 June 2011, respectively, which accounted for approximately 13.41% and 13.10% of the copper concentrates used by the Target Group for its copper cathode production in those periods, with the remainder being sourced from external suppliers and the Parent Group. The Target Group produced approximately 308,100 tonnes and approximately 167,000 tonnes of copper cathodes in the year ended 31 December 2010 and the six months ended 30 June 2011, respectively.

As production of copper cathodes and other major products by the Target Group is dependent on a stable supply of, among other raw materials, copper concentrates, should there be any shortage in supply or fluctuation in the price of copper concentrates, which in turn is heavily affected by the copper prices in the PRC and overseas, the Target Group's results of operations, financial condition and growth prospects may be materially and adversely affected. Please refer to the section headed "Risk Factors – Risks relating to the business of the Enlarged Group – Fluctuations in price and supply of raw materials could negatively impact our business and financial conditions" in this circular for further information.

The summary financial information of the Target Group for the Track Record Period below is extracted from the section headed "Financial information of the Target Group" set out in Appendix I to this circular.

	Year ended 31 December			**Six months ended 30 June**
	2008	**2009**	**2010**	**2011**
	(audited)	*(audited)*	*(audited)*	*(audited)*
Revenue *(RMB million)*	14,867	18,485	26,020	13,672
Gross profit *(RMB million)*	349	877	833	539
Gross profit margin *(%)* *(unaudited)*	2.4	4.7	3.2	3.9
Net (loss)/profit attributable to the owners of the Target Company *(RMB million)*	(95)	61	128	94
Net asset value attributable to the owners of the Target Company *(RMB million)*	1,605	1,911	2,225	3,553

The following table sets out the breakdown of the total revenue of the Target Group by product for the Track Record Period:

	Year ended 31 December 2008 (RMB million)	2008 (% of total revenue)	2009 (RMB million)	2009 (% of total revenue)	2010 (RMB million)	2010 (% of total revenue)	Six months ended 30 June 2011 (RMB million)	2011 (% of total revenue)
Metals								
Copper cathodes	**10,939**	**73.6**	**13,220**	**71.5**	**20,066**	**77.1**	**10,445**	**76.4**
Self-produced	10,451	70.3	7,947	43.0	11,166	42.9	7,156	52.3
Trading	488	3.3	5,273	28.5	8,900	34.2	3,289	24.1
Gold	**1,058**	**7.1**	**3,372**	**18.2**	**2,100**	**8.1**	**1,414**	**10.3**
Self-produced	1,058	7.1	1,217	6.6	1,621	6.3	827	6.0
Trading	–	–	2,155	11.6	479	1.8	587	4.3
Silver	**867**	**5.8**	**756**	**4.1**	**1,219**	**4.7**	**947**	**6.9**
Self-produced	867	5.8	754	4.1	1,191	4.6	938	6.9
Trading	–	–	2	–	28	0.1	9	0.0
Total for metals:	**12,864**	**86.5**	**17,348**	**93.8**	**23,385**	**89.9**	**12,806**	**93.6**
Chemical products								
Sulphuric acid	**502**	**3.4**	**61**	**0.3**	**163**	**0.6**	**114**	**0.8**
Total for chemical products:	**502**	**3.4**	**61**	**0.3**	**163**	**0.6**	**114**	**0.8**
Other products and services *(Note)*	**1,501**	**10.1**	**1,076**	**5.9**	**2,472**	**9.5**	**752**	**5.6**
Total revenue:	**14,867**	**100**	**18,485**	**100**	**26,020**	**100**	**13,672**	**100**

Note: Revenue from other products and services includes revenue derived from processing of copper concentrate into copper cathodes, and sales of other products such as iron concentrate, and other products containing copper, gold and silver.

The following table sets out a summary of the copper, iron and molybdenum mineral resources of the Four Mines as at 30 September 2011, which has been extracted from the Competent Person's Report on the Four Mines set out in Appendix V-A to this circular:

							Metal tonnes		
Mine	**Cut Off Grade**	**JORC Classification**	**Quantity**	**Cu**	**Fe**	**Mo**	**Cu**	**Fe**	**Mo**
			Mt	*%*	*%*	*%*	*t*	*Mt*	*t*
	In licence	**Indicated**	16.37	1.16	27.21		189,200	4.45	
Tonglvshan Mine		**Inferred**	15.05	1.08	29.47		162,000	4.44	
	CuEq >0.3%	**Total**	**31.42**	**1.12**	**28.30**		**351,300**	**8.89**	
	In licence	**Indicated**	12.72	0.82		0.005	104,200		630
Fengshan Mine		**Inferred**	14.50	0.73		0.008	106,300		1,230
	CuEq >0.3%	**Total**	**27.22**	**0.77**		**0.007**	**210,400**		**1,860**
	In licence open	**Indicated**	13.36	0.58		0.011	76,800		1,470
	cut area	**Inferred**	0.24	0.54		0.004	1,300		10
	CuEq >0.2%	**Sub-Total**	13.60	0.57		0.011	78,100		1,480
	In licence	**Indicated**	24.68	0.66		0.007	163,200		1,770
	underground area	**Inferred**	20.32	0.57		0.019	115,200		3,850
Tongshankou Mine	**CuEq >0.3%**	**Sub-Total**	45.00	0.62		0.012	278,300		5,620
	Out of licence	**Indicated**	0.05	0.40		0.034	200		20
	underground area	**Inferred**	2.68	0.45		0.034	12,100		900
	CuEq >0.3%	**Sub-Total**	2.73	0.45		0.034	12,300		920
	Total open cut and	**Indicated**	38.09	0.63		0.009	240,200		3,270
	underground area	**Inferred**	23.23	0.55		0.020	128,600		4,760
	in and out of licence	**Total**	**61.32**	**0.60**		**0.013**	**368,800**		**8,030**
	In licence	**Indicated**	0.12	0.72		0.001	830		1
		Inferred	0.01	0.58		0.004	20		-
	CuEq >0.3%	**Sub-Total**	0.12	0.71		0.001	850		1
	Out of licence	**Indicated**	0.19	0.49		0.001	900		2
Chimashan Mine		**Inferred**	0.20	0.84		0.020	1,700		40
	CuEq >0.3%	**Sub-Total**	0.38	0.67		0.011	2,600		41
	Total in and out	**Indicated**	0.30	0.58		0.001	1,730		2
	of licence	**Inferred**	0.20	0.84		0.020	1,720		40
		Total	**0.50**	**0.68**		**0.008**	**3,450**		**42**

The following table sets out a summary of the gold and silver mineral resources of the Tonglvshan Mine as at 30 September 2011 which has been extracted from the Competent Person's Report on the Four Mines set out in Appendix V-A to this circular:

						Metal	
Mine	**Cut Off Grade**	**JORC Classification**	**Quantity**	**Au**	**Ag**	**Au**	**Ag**
			Mt	*g/t*	*g/t*	*Oz*	*k Oz*
Tonglvshan Mine	**In licence**	**Indicated**	13.22	0.63	4.76	265,000	2,020
		Inferred	11.23	0.66	7.06	237,000	2,540
	CuEq >0.3%	**Sub-Total**	24.45	0.64	5.81	502,000	4,560

The following table sets out a summary of the copper, iron, gold and silver ore reserves of the Tonglvshan Mine as at 30 September 2011 which has been extracted from the Competent Person's Report on the Four Mines set out in Appendix V-A to this circular:

JORC Classification	Ore Quantity (kt)	Cu (%)	TFe (%)	Au (g/t)	Ag (g/t)	Cu metal (t)	Fe metal (kt)	Au metal (kg)	Ag metal (kg)
Probable (in mining licence)	10,360	1.21	23.78	0.46	3.31	125,100	2,464	4,800	34,300
Probable (in exploration licence)	2,380	0.68	34.18	0.46	6.24	16,200	815	1,100	14,900
Total Probable	12,750	1.11	25.72	0.46	3.86	141,300	3,279	5,900	49,200

The following table sets out a summary of the copper and molybdenum ore reserves of the Fengshan Mine, the Tongshankou Mine and the Chimashan Mine as at 30 September 2011, which has been extracted from the Competent Person's Report on the Four Mines as set out in Appendix V-A to this circular:

Mine	JORC Classification	Ore Quantity *(kt)*	Cu *(%)*	Mo *(%)*	Cu metal *(t)*	Mo metal *(t)*
Fengshan Mine	**Probable**	4,560	1.01	0.004	45,800	190
Tongshankou Mine	**Probable (open pit)**	10,340	0.63	0.010	64,600	980
	Probable (underground)	6,200	0.87	0.006	54,000	360
	Total Probable	16,540	0.72	0.008	118,600	1,330
Chimashan Mine	**Probable**	35	0.77	0	270	0

Notes:

(1) In the above tables, Cu, Fe, TFe, Mo, CuEq, Au and Ag mean copper, iron, total iron, molybdenum, copper equivalent, gold and silver, respectively, and t, Kt, Mt, kg, g/t, Oz, and k Oz mean tonne, thousand tonne, million tonne, kilogram, gram per tonne, troy ounce and thousand troy ounce, respectively. The terms "Indicated", "Inferred" and "Probable" have the meanings ascribed to them under the JORC Code.

(2) Mineral resources and ore reserves described as "out of licence" refers to the discovery of mineral resources or ore reserves outside of the permitted level of mining depth prescribed in the mining licence of the relevant mine. However, no mining or exploration in respect of such mineral resources has been conducted by the Target Group. Mineral resources and ore reserves described as "in licence" or "in mining licence" refer to the discovery of mineral resources or ore reserves within the permitted level of mining depth prescribed in the mining licence of the relevant mine.

(3) Rounding affects the total metal amounts reported by Runge in the Competent Person's Report on the Four Mines as set out in Appendix V-A to this circular.

(4) *These mineral resource and ore reserve numbers have been prepared in accordance with the JORC Code.*

(5) *Mineral resources were defined within a mineralized envelop above 0.2% copper, and reported at a cut-off grade of 0.3% copper equivalent for underground operations and 0.2% copper equivalent for open pit operations.*

(6) *Ore reserves are estimated using minimum cut-off grades of 0.68%, 0.40%, 0.36%, 0.45%, and 0.60% copper equivalent for the Tonglvshan Mine, the Fengshan Mine, the open pit mining at the Tongshankou Mine, the underground mining at the Tongshankou Mine and the Chimashan Mine, respectively.*

(7) *Copper equivalence was calculated for the Tonglvshan Mine, the Fengshan Mine and the Tongshankou Mine using forecast processing plant recoveries and long-term forecast prices of RMB32,987 per tonne of copper, RMB180 per kilogram of molybdenum, RMB1,124 per tonne of iron concentrate, RMB185.90 per gram of gold, and RMB3.22 per gram of silver; and at the Chimashan Mine using forecast processing plant recoveries and long-term forecast price of RMB57,571 per tonne of copper and RMB244 per kilogram of molybdenum.*

(8) *Copper and iron mineral resources at the Tonglvshan Mine are inclusive of the gold and silver mineral resources at the Tonglvshan Mine and gold and silver mineral resources at the Tonglvshan Mine are inclusive of the copper and iron mineral resources at the Tonglvshan Mine. Such mineral resources should not be added together.*

(9) *A minimum mining width of 2 metres was used for estimating the underground ore reserves at each of the Four Mines.*

(10) *The mineral resource and ore reserve estimates are based on geological sampling and mining depletion information up to 30 September 2011 as confirmed by Daye Metal.*

(11) *Estimates for mineral resources and ore reserves are updated as at 30 September 2011. Please refer to the Competent Person's Report on the Four Mines as set out in Appendix V-A to this circular for details of the assumptions and parameters used to calculate these resource and reserve numbers and qualities of metals.*

(12) *The mineral resources set out in the mineral resources tables above are inclusive of, and not in addition to, the mineral resources modified to produce the ore reserves set out in the ore reserves tables above.*

The following table sets out the production capacity and utilisation rates of the Smelting Plant and the Precious Metal Plant of the Target Group during the Track Record Period:

		Year ended 31 December						Six months ended	
		2008		2009		2010		30 June 2011	
	Year of commencement of commercial production	Production capacity (Kt) *(Note 1)*	Utilisation rate (%) *(Note 2)*	Production capacity (Kt) *(Note 1)*	Utilisation rate (%) *(Note 2)*	Production Capacity (Kt) *(Note 1)*	Utilisation rate (%) *(Note 2)*	Production capacity (Kt) *(Note 1)*	Utilisation rate (%) *(Note 3)*
Smelting Plant	1960								
Copper cathodes		257	97.64	260	92.48	340	90.62	350	47.71
Sulphuric acid		600	97.82	600	94.60	600	88.06	635	42.04
Precious Metal Plant	2006								
Gold		0.0061	90.39	0.009	64.91	0.009	66.74	0.0065	41.46
Silver		0.25	104	0.3	90.02	0.3	102	0.35	43.48

Notes:

(*1*) *Production capacity figures expressed in thousand tonnes are estimates based on a number of factors including working hours, the number of workers and the grade of ore used.*

(2) The utilisation rates are calculated based on the total actual production of the relevant product for the relevant year over the total annual production capacity for such year.

(3) The utilisation rates are calculated based on the total actual production of the relevant product for the six months ended 30 June 2011 over the total annual production capacity for the year ending 31 December 2011.

The following tables set out a summary of the total forecast cash cost and the total forecast production cost for each of the Four Mines, respectively, which has been extracted from the Competent Person's Report on the Four Mines set out in Appendix V-A to this circular:

Tonglvshan Project Forecast Operating Costs

Cost Item	Unit	Cost
Materials	RMB/t	31
Power and Water	RMB/t	28
Labour	RMB/t	30
Manufacturing *(Note 1)*	RMB/t	62
Mining Cost	**RMB/t mined**	**152**
Processing	RMB/t	50
Manufacturing *(Note 1)*	RMB/t	12
Processing Cost	**RMB/t processed**	**62**
Total Operating Cost	**RMB/t**	**214**
General & Administration Costs *(Note 2)*	**RMB/t**	**49**
Total Production Cost	**RMB/t**	**263**
Depreciation	RMB/t	46
Amortisation	RMB/t	6
Financial interest	RMB/t	5
Total Cash Cost	**RMB/t**	**206**

Notes:

(1) In the above table, manufacturing includes maintenance, depreciation and amortisation (inclusive of mining rights and depletion charges), and other costs.

(2) In the above table, general and administration costs include management costs, sales costs, financial costs, and production taxes and fees.

(3) The figures contained in the above tables contain rounding effect.

(4) In the above table, t means tonne.

Fengshan Project Forecast Operating Costs

Cost Item	Unit	Cost
Development and Stoping	RMB/t	24
Haulage and Transportation	RMB/t	3
Mine Services	RMB/t	19
Other Costs	RMB/t	7
Mining Cost	**RMB/t mined**	**52**
Processing Cost	**RMB/t processed**	**56**
Manufacturing Cost *(Note 1)*	**RMB/t**	**46**
Total Operating Cost	**RMB/t**	**154**
General & Administration Costs *(Note 2)*	**RMB/t**	**50**
Total Production Cost	**RMB/t**	**204**
Depreciation	RMB/t	41
Amortisation	RMB/t	1
Financial interest	RMB/t	2
Total Cash Cost	**RMB/t**	**160**

Notes:

(1) In the above table, manufacturing cost includes maintenance, depreciation and amortisation (inclusive of mining rights and depletion charges) applicable to both mining and processing.

(2) In the above table, general and administration costs include management costs, sales costs, financial costs, production taxes and fees and other costs.

(3) The figures contained in the above tables contain rounding effect.

(4) In the above table, t means tonne.

Tongshankou Project Forecast Open Pit Operating Costs

Cost Item	Unit	Cost
Materials	RMB/t	17
Power	RMB/t	1
Labour	RMB/t	5
Manufacturing *(Note 1)*	RMB/t	18
Mining Cost	**RMB/t mined**	**40**
Processing Cost	**RMB/t processed**	**45**
Total Operating Cost	**RMB/t**	**85**
General & Administration Costs *(Note 2)*	**RMB/t**	**16**
Total Production Cost	**RMB/t**	**101**
Depreciation	RMB/t	13
Total Cash Cost	**RMB/t**	**88**

Notes:

(1) In the above table, manufacturing cost includes maintenance, depreciation (inclusive of mining rights and depletion charges) and other costs.

(2) In the above table, general and administration costs include management and sales costs.

(3) The figures contained in the above tables contain rounding effect.

(4) In the above table, t means tonne.

Tongshankou Project Forecast Underground Operating Costs

Cost Item	Unit	Cost
Materials	RMB/t	19
Power and Water	RMB/t	11
Labour	RMB/t	15
Manufacturing *(Note 1)*	RMB/t	32
Mining Cost	**RMB/t mined**	**77**
Processing Cost	**RMB/t processed**	**38**
Total Operating Cost	**RMB/t**	**115**
General & Administration Costs *(Note 2)*	**RMB/t**	**23**
Total Production Cost	**RMB/t**	**138**
Depreciation	RMB/t	5
Amortisation	RMB/t	4
Financial interest	RMB/t	5
Total Cash Cost	**RMB/t**	**124**

Notes:

(1) In the above table, manufacturing includes maintenance, depreciation and amortisation (inclusive of mining rights and depletion charges) and other costs.

(2) In the above table, general and administration costs include management costs, sales costs, financial costs, production taxes and fees.

(3) The figures contained in the above tables contain rounding effect.

(4) In the above table, t means tonne.

Chimashan Project Forecast Operating Costs

Cost Item	Unit	Cost
Mining and Processing Cost	**RMB/t**	**100**
Manufacturing Cost *(Note 1)*	**RMB/t**	**44**
Total Operating Cost	**RMB/t**	**144**
General & Administration Costs *(Note 2)*	**RMB/t**	**18**
Total Production Cost	**RMB/t**	**162**
Depreciation	RMB/t	22
Total Cash Cost	**RMB/t**	**140**

Notes:

(1) In the above table, manufacturing cost includes maintenance and depreciation (inclusive of mining rights and depletion charges).

(2) In the above table, general and administration costs include management costs, sales costs, and production taxes.

(3) The figures contained in the above table contain rounding effect.

(4) In the above table, t means tonne.

The financial effect associated with the depletion of the Four Mines had been accounted for in the depreciation and amortisation charges of the Target Group during the Track Record Period as well as the forecasted operating cost. The depreciation and amortisation charges, recognised in accordance with the accounting policies of the Target Group, relating to the Four Mines operated by the Target Group amounted to approximately RMB43,662,000, RMB54,180,000, RMB67,002,000 and RMB47,047,000 for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively. The depreciation and amortisation charges include the depreciation of mining infrastructure and amortisation of mining right, which are calculated using the units-of-production method over the estimated life of the Four Mines and also takes into consideration the depletion of the relevant mine.

The following tables set out a summary of the resource and ore reserve depletion rate of the Four Mines, which has been extracted from the Competent Person's Report on the Four Mines set out in Appendix V-A to this circular:

The depletion rate of the Four Mines

Project	Depletion Rate (Mtpa)
Tonglvshan	1.15
Fengshan	0.76
Tongshankou (Open Pit)	1.5
Tongshankou (Underground)	1.15
Tongshankou (Total)	2.65
Chimashan	0.08

Notes:

(1) Depletion rate is the rate a mineral resource or ore reserve reduces over time due to the mining process, and can be used for estimating mine life as well as a measure of mineral resource and ore reserve estimation accuracy.

(2) In the above table, Mtpa means million tonne per annum.

(3) The figures contained in the above table contain rounding effect.

HISTORY AND DEVELOPMENT

Daye Metal Group

Daye Metal was incorporated in March 2005 in the PRC as a limited liability company under the name 大冶有色金屬有限公司 (Daye Non-ferrous Metals Company Limited). At the time of Daye Metal's incorporation, the Parent Company injected, by way of capital contribution, certain operating assets into Daye Metal including mining assets (other than the mining licence) of the Tonglvshan Mine, the Smelting Plant (including the precious metal workshops, which were part of the Smelting Plant) and the R&D Centre, as well as 55 parcels of land on which such mining assets, the Smelting Plant and the R&D Centre were located at the time. Each of Cinda and Huarong made capital contributions by way of conversion of debt. Following such capital contributions, Daye Metal was owned as to 66.31% by the Parent Company, 21.11% by Cinda and 12.58% by Huarong.

During 2005 to 2010, various transfers of equity interests in and capital reorganisations of Daye Metal took place, as a result of which Hubei SASAC and the Six Original Daye Shareholders became shareholders in Daye Metal and additional mining assets were injected into Daye Metal by the Parent Company. In May 2008, the Parent Company injected the land use rights in respect of four parcels of land, which form part of the Smelting Plant and the Precious Metal Plant by way of capital contribution. In December 2008, the Parent Company injected the mining assets (other than the mining licence) of each of the Fengshan Mine, the Tongshankou Mine and the Chimashan Mine by way of capital injection. The Parent Company made capital contribution by transferring the entire equity interest in each of (i) 黃石市豐山銅業有限責任公司 (Huangshi Fengshan Copper Co., Ltd.) ("**Huangshi Fengshan**"), which then held the mining assets of the Fengshan Mine, (ii) 黃石市鑫泰礦業有限責任公司 (Huangshi Xintai Mining Co., Ltd.) ("**Xintai**"), which then held the mining assets of the Tongshankou Mine and (iii) 黃石市鑫馬銅業有限責任公司 (Huangshi Xinma Copper Co., Ltd.) ("**Xinma**"), which then held the mining assets of the Chimashan Mine. After completion of such transfers, each of Huangshi Fengshan, Xintai and Xinma was subsequently dissolved in August 2009, September 2009 and August 2009, respectively. In July 2009, Daye Metal was owned as to 42.89% by the Parent Company, 33.87% by Changdian, 6.83% by Cinda, 4.88% by Huarong, 2.03% by Hubei SASAC, 3.39% by Wuhan Guozi, 3.39% by Jingpai, 1.37% by Xining, 0.68% by Hongtai and 0.68% by Liangyou.

In May 2010, Daye Limited was converted from a limited liability company to a joint stock company, with the Parent Company, Cinda, Huarong, Hubei SASAC and the Six Original Daye Shareholders as promoters. The equity interest of each promoter remained the same after the conversion.

In April 2010, the registered capital of Daye Metal was increased from RMB1,420,000,000 to RMB1,490,977,877 by way of an asset injection by the Parent Company when the land use rights in respect of eight parcels of land which form part of the Chimashan Mine, the Fengshan Mine and the Tongshankou Mine were injected. Daye Metal was then owned as to 45.61% by the Parent Company, 32.25% by Changdian, 6.50% by Cinda, 4.65% by Huarong, 3.23% by Wuhan Guozi, 3.23% by Jingpai, 1.94% by Hubei SASAC, 1.31% by Xinxing, 0.65% by Hongtai and 0.65% by Liangyou.

In January 2011, Hubei SASAC and the Six Original Daye Shareholders transferred their aggregate 43.24% equity interest in Daye Metal to the Parent Company, whose equity interest in Daye Metal then increased to 88.85%.

The principal operating subsidiaries of Daye Metal include Daye Industry and Daye Design, which were incorporated in January 1995 and June 2005, respectively. Daye Industry is principally engaged in mining of smaller-scale ore bodies at the Four Mines and Daye Design is principally engaged in carrying out research, technology development and engineering design in support of the Target Group's mining operations.

Reorganisation

The Parent Company, China Times, Cinda, Huarong, the Target Company, Daye Hong Kong and Daye Metal entered into the Reorganisation Agreement on 23 January 2011. The Target Company was incorporated in the BVI on 1 December 2010. Daye Hong Kong was incorporated in Hong Kong on 30 November 2010 and is wholly-owned by the Target Company.

Pursuant to the Reorganisation Agreement, the Parent Company, Cinda and Huarong have conditionally agreed to transfer their respective equity interests in Daye Metal to Daye Hong Kong, in return for the issue and allotment of new shares in the Target Company (such transfers being referred to as the Parent Company Reorganisation, Cinda Reorganisation and Huarong Reorganisation, respectively). Completion of such transfers is subject to the fulfillment of certain conditions, including the obtaining of the approvals of Hubei SASAC and the Ministry of Commerce of the PRC.

Huarong was not able to obtain the regulatory and other approvals required in connection with the Huarong Reorganisation and hence, as provided in the Reorganisation Agreement, the Huarong Reorganisation will not proceed. Huarong will, therefore, remain the holder of a 4.65% equity in Daye Metal.

As part of the reorganisation of Daye Metal, on 19 August 2011, the Parent Company transferred its 88.85% equity interest in Daye Metal to China Times, and Cinda transferred its 6.50% equity interest in Daye Metal to Cinda HK. Daye Metal was then changed from a joint stock company into a sino-foreign equity joint venture and changed its name to 大冶有色金屬有限責任公司 (Daye Nonferrous Metals Co., Ltd) in September 2011.

On 29 November 2011, China Times and Cinda HK transferred their 88.85% and 6.50% equity interest in Daye Metal, respectively, to Daye Hong Kong pursuant to the Reorganisation Agreement. The Parent Company Reorganisation and the Cinda Reorganisation were thereby completed. As at the Latest Practicable Date, Daye Metal was owned, through Daye Hong Kong, as to 95.35% by the Target Company, which, in turn, was owned as to 93.18% by China Times and 6.82% by Cinda HK.

Business development

Set out below are the key milestones of the development of the business of the Target Group:

March 2005	The Parent Company injected the mining assets (other than the mining licence) of the Tonglvshan Mine, the Smelting Plant (including precious metal workshops) and the R&D Centre to Daye Metal by way of capital contribution.
June 2005	Daye Design was incorporated in the PRC.
December 2008	The Parent Company injected the mining assets (other than the mining licence) of each of the Fengshan Mine, the Tongshankou Mine and the Chimashan Mine to Daye Metal by way of capital contribution *(Note 1)*.
December 2009	Purchase and installation of the Ausmelt Furnace
January 2011	The Parent Company transferred the mining rights to the Fengshan Mine and the Tonglvshan Mine to Daye Metal and a new mining licence for each of the Fengshan Mine and the Tonglvshan Mine was issued to Daye Metal *(Note 2)*.
April 2011	The Parent Company transferred the mining right to each of the Tongshankou Mine and the Chimashan Mine to Daye Metal and a new mining licence for each of the Tongshankou Mine and the Chimashan Mine was issued to Daye Metal.

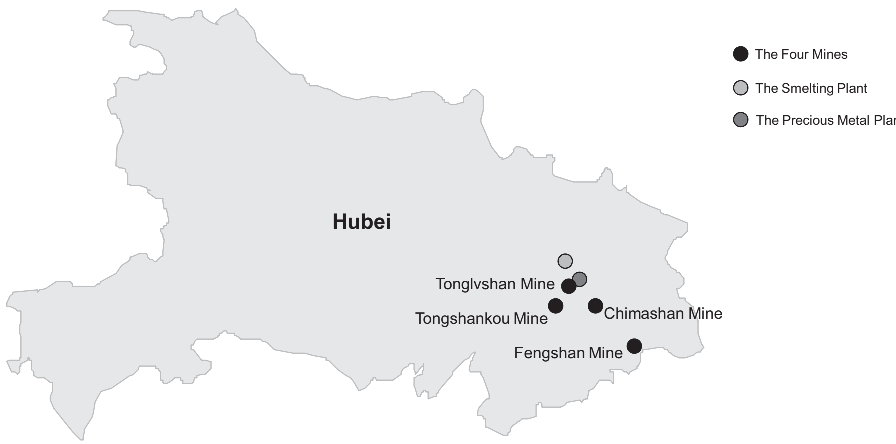
Notes:

(1) The asset injection was carried out by way of transferring the entire equity interest in each of Huangshi Fengshan, Xintai and Xinma, respectively.

(2) A new mining licence for the Fengshan Mine was initially issued to Daye Metal in January 2011 for the period from January 2011 to July 2011. Upon its expiry, another new mining licence for the Fengshan Mine was issued to Daye Metal in June 2011 for a term of 23 years. A new mining licence for the Tonglvshan Mine was initially issued to Daye Metal in January 2011 for the period from January 2011 to June 2011. Upon its expiry, another new mining licence for the Tonglvshan Mine was issued to Daye Metal in June 2011 for a term of 16 years. Please refer to the section headed "Business of the Target Group – Mining Licences and other Permits" in this circular for further information.

MINES AND PROCESSING FACILITIES

The principal assets of the Target Group consist of the Four Mines, the Smelting Plant and the Precious Metal Plant (both of which are located not more than 90 km from the Four Mines). The map below illustrates the locations of the Four Mines, the Smelting Plant and the Precious Metal Plant:



The Four Mines

Tonglvshan Mine

The Tonglvshan Mine is the flagship copper mine of the Target Group. It is situated in the south of Huangshi City, Hubei Province, the PRC. It occupies an aggregate area of approximately 4.7619 sq. km. It is located in a region which is well known for copper and iron mineralisation along the middle and lower course of the Yangtze River. Metals of economic value recoverable include mainly copper, gold, silver and iron.

The Tonglvshan Mine has been in operation since 1971. More than 12 ore bodies have been discovered and exploited. While the majority of the mineral resources are found in 6 ore bodies, only three of those ore bodies of the Tonglvshan Mine were in commercial production as of the Latest Practicable Date. Underground mining and to a lesser extent, open pit mining are both used at the Tonglvshan Mine.

The Tonglvshan Mine is equipped with modern equipment such as hoisting machines, drills, jaw crushers, cone crushers, flotation equipment and magnetic seperators. Blasting, crushing, screening, milling, flotation and magnetic separation processes are carried out at the on-site processing facilities. The main products produced from metals extracted from the Tonglvshan Mine are copper cathodes, gold, silver and iron concentrate.

Fengshan Mine

The Fengshan Mine is situated in the southeast of Huangshi City, Hubei Province, the PRC. It occupies an aggregate area of approximately 2.35 sq. km. The ore deposits are concentrated in the southern and northern sections of the mine. Metals of economic value recoverable include copper, gold, silver and molybedenum.

The Fengshan Mine has been in operation since 1972 for more than 35 years. An aggregate of 9 main ore bodies at moderate depths of not more than 580 metres underground have been discovered at the Fengshan Mine since production commenced. As the ore bodies were found at depths, they were initially extracted by open pit mining. Those are bodies have been mined to a level where any further extraction by open pit mining has become uneconomical and as a result, only underground mining has been carried on at the Fengshan Mine since 2001. As at the Latest Practicable Date, three ore bodies in the northern and southern regions of the Fengshan Mine were in commercial production.

The Fengshan Mine is equipped with modern equipment such as drills, loaders, crushers and flotation equipment. Blasting, crushing, screening, milling, flotation and magnetic separation processes are carried out at the on-site processing facilities. The main products produced from metals extracted from the Fengshan Mine are copper cathodes, gold and silver.

Tongshankou Mine

The Tongshankou Mine is situated in the southwest of Huangshi City, Hubei Province, the PRC. It occupies an aggregate area of approximately 1.71 sq. km. Metals of economic value recoverable include mainly copper, gold, silver and molybdenum.

The Tongshankou Mine has been in operation since 1984 for more than 25 years. The majority of the mineral resources are found in three main ore bodies at moderate depths of not more than 650 metres underground, all of which are being mined by both open pit and underground mining methods. As at the Latest Practicable Date, all of the three main ore bodies of the Tongshankou Mine were in commercial production.

The Tongshankou Mine is equipped with modern equipment such as drills, crushers and flotation equipment. Blasting, crushing, screening, milling, flotation and magnetic separation processes are carried out at the on-site processing facilities. The main products produced from minerals extracted from the Tongshankou Mine are copper cathode, gold and silver.

Chimashan Mine

The Chimashan Mine is situated in the northwest of the Yangxin County, Hubei Province, the PRC. It occupies an aggregate area of approximately 0.44 sq. km. Metals of economic value recoverable are mainly copper, gold, silver and molybdenum.

The Chimashan Mine has been in operation since 1958 for more than 50 years. Four ore body at moderate depths of not more than 500 metres underground have been found and are being mined. As at the Latest Practicable Date, two ore bodies of the Chimashan Mine were in commercial production.

The Chimashan Mine is equipped with mining equipment such as hoist machines, crushers and flotation equipment. Blasting, crushing, screening, milling, flotation and magnetic separation processes are carried out at the on-site processing facilities. The main products produced from metals extracted from the Chimashan Mine are copper cathodes, gold and silver.

Runge has identified certain risks associated with the operations of Daye Metal at the Four Mines and made a number of recommendations to address those risks in the Competent Person's Report on the Four Mines set out in Appendix V-A to this circular. Daye Metal has reviewed the risks identified and the recommendations made by Runge, and is of the view that, with respect to some risks identified by Runge, it has already put in place measures which would allow it to maintain an adequate degree of control over those risks. Such risks and the relevant measures already in place are summarised below:

(i) The projects are sensitive to fluctuations in metal prices: The Target Group closely monitors copper and other metal prices quoted on major metal exchanges in the world, such as LME and SHFE, and other publicly available information in the PRC, such as on the websites of the Shanghai Metal Exchange Market (上海金屬網) and Shanghai Huatong Silver Trading Market (上海華通鉑銀交易市場) and conducts periodic internal analysis in respect of the trend of metal prices to assess its risk and cash flow position.

(ii) A more detailed knowledge of structural controls would enable a more accurate geological interpretation and Resource estimate to be completed: The Target Group has conducted and completed detailed analysis and obtained drilling and channel samples at each of the Four Mines at the exploration stage, which have enabled it to have a sufficient understanding of the geology and resource estimates at the Four Mines.

(iii) The cut and fill and post-pillar cut and fill mining methods require workers to operate in active stope areas: Working in stopes increases a worker's exposure and risk to rock falls. This risk will increase as mining progresses. The Target Group's established practice is to undertake sufficient protective measures each time before any stoping work is to be carried out. For example, the ground pressure will be observed before conducting any stoping work in order to assess the risk of rock fall or subsidence.

(iv) While existing underground workings appear stable and well-controlled, detailed geotechnical information was not available for review and as such, Runge cannot comment in detail on the ground conditions or stability of the future underground workings: The Target Group has completed geotechnical testing programmes at the exploration stage of each of the Four Mines, and installed relevant monitoring devices on the surface of each mine in order to monitor and manage ground conditions, as well as the stability of the underground workings.

(v) Daye Metal has an ongoing financial commitment for medical treatment of retired employees due to occupational disease. Medical examination reports of current employees suggest these diseases are continuing to develop. Appropriate guarding around rotating machinery is also lacking: The Target Group has paid a one-off compensation of RMB1.2 million to its 300 retired employees who have been diagnosed with occupational diseases. It is not subject to any further liability or requirement to pay any additional compensation to such retired employees. The Target Group has taken steps to enhance the protective guarding around the rotating machinery at the Four Mines since September 2011 in order to reduce the risk of injury to employees. It also maintains medical insurance for occupational diseases for its current employees in accordance with the requirements of applicable PRC laws and regulations.

(vi) Fugitive sulphuric acid emissions from the Huangshi Project acid treatment system, and sulphuric acid and hydrochloric acid storage requires secondary containment: The Target Group has already improved the acid treatment system to prevent further unlawful sulphuric acid emissions from the Smelting Plant. Leakage at the sulphuric acid and hydrochloric acid storage at the Smelting Plant has also been fixed.

Daye Metal will consider whether any further action is required to be taken to address the remaining risks identified by Runge in the Competent Person's Report on the Four Mines set out in Appendix V-A to this circular.

Processing facilities

Smelting Plant

The Smelting Plant is located in Huangshi City, the PRC and is not more than 90 km from the Four Mines. It mainly produces copper cathodes and sulphuric acid.

The Smelting Plant was constructed in 1957 and commercial production began in 1960. It was initially set up for the production of coarse copper. Since its construction, the Smelting Plant has undergone several phases of modernisation. Acid-making systems were first introduced and installed at the Smelting Plant in the 1970s, which marked the beginning of the production of sulphuric acid at the plant. Manufacture of copper cathodes began in the 1980s when electrowinning systems were added. In 2009, the smelting facilities were upgraded with the introduction of a new Ausmelt furnace, which is manufactured in Australia and is one of the most advanced smelting furnaces. The Ausmelt furnace is capable of increasing production at lower energy consumption and operating costs and has greater flexibility due to its ability to process a variety of copper concentrates, thus enhancing the overall efficiency of the smelting process.

Principal facilities at the Smelting Plant include an administrative building, an electrolysis plant, anode retreatment plant, acidic waste treatment stations as well as a water treatment station. Apart from the Ausmelt furnace, other core production equipment include three anode furnaces and five converters.

The smelting process carried out at the Smelting Plant consumes a significant amount of water and electricity. The water recycling system of the plant enables it to recycle and re-use up to 95% of the waste water generated in the course of production, which is in compliance with the waste water discharge quota imposed under the waste disposal permit issued to Daye Metal. As at the Latest Practicable Date, more than 3,000 personnel were employed at the Smelting Plant.

As part of its continuous effort to upgrade the production facilities at the Smelting Plant, the Target Group is currently building a new electrowinning system, which is expected to be completed in October 2012. The Target Group's annual production capacity of copper cathodes is expected to be increased to 640,000 tonnes when the new electrowinning system operates at its maximum capacity. For further details, please refer to the section headed "Letter from the Board – Projects in progress and future plans of the Target Group" in this circular.

Precious Metal Plant

The Precious Metal Plant is located adjacent to the Smelting Plant in Huangshi City, the PRC. At the Precious Metal Plant, anode slime produced in the smelting process of copper concentrate carried out at the Smelting Plant is further processed to extract gold, silver and other metals such as platinum, palladium, and molybdenum.

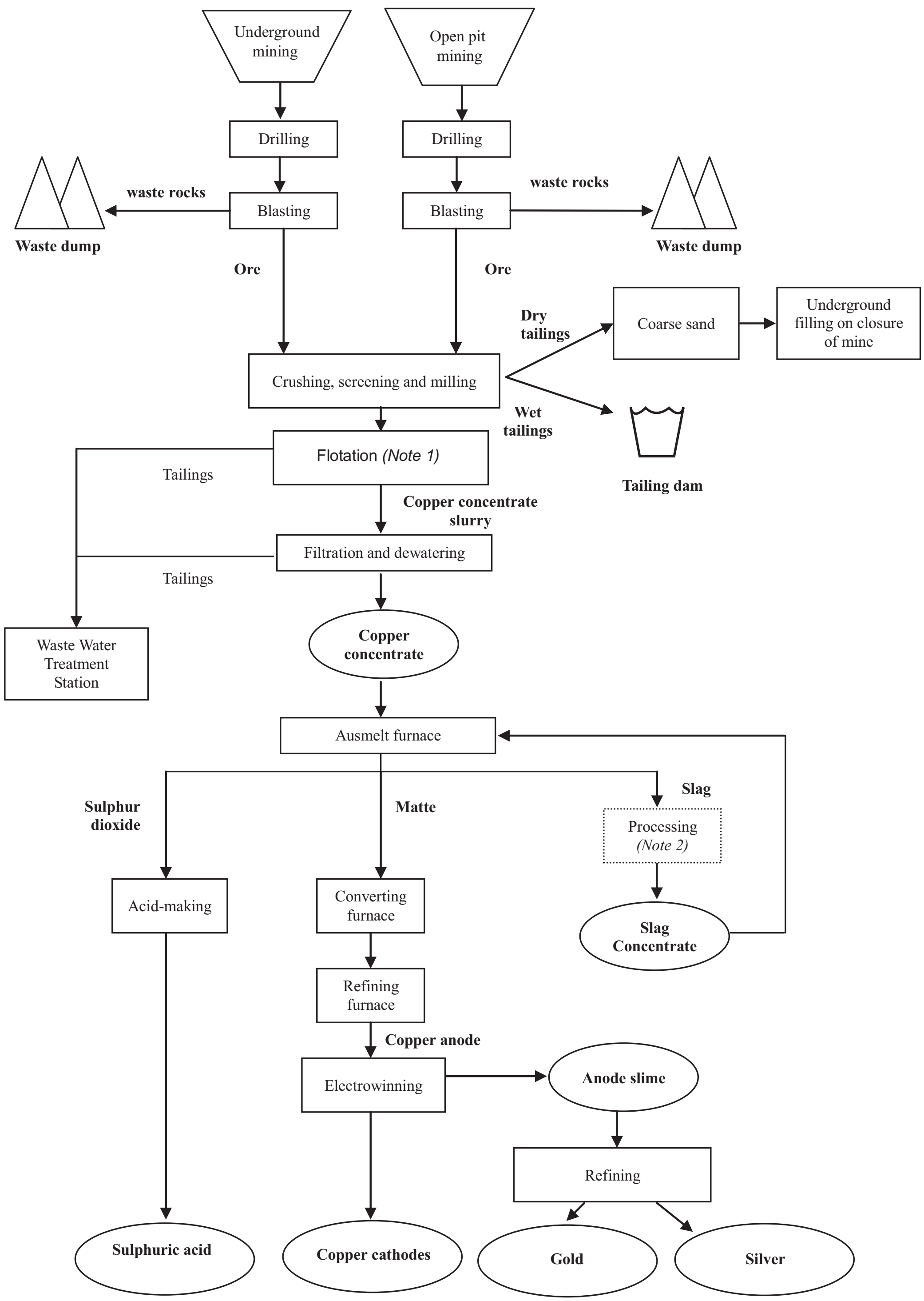
Recovery of metals with economic value has in the past been carried out at precious metal workshops, which formed part of the Smelting Plant. The Target Group first began to recover metals with economic value from anode slime when the anode slime treatment system and electrowinning system for the production of copper cathodes were first constructed in the 1980s. As the production volume of copper cathodes of the Smelting Plant expanded following improvements to the electrowinning systems and the related production technology, the amount of anode slime generated in such process also increased significantly, rendering the need to construct a separate production plant for the processing of a larger volume of anode slime. As a result, the Precious Metal Plant was constructed to provide the Target Group with separate processing facilities for production of gold and silver from anode slime, which began commercial production in December 2006. Since it began operation, the Precious Metal Plant has undergone various phases of modernisation and upgrading, primarily through research and development efforts of the R&D Centre, which helped increase the production volume of its major products, gold and silver, and the variety of metals recovered.

Major facilities at the Precious Metal Plant include an administrative building, an anode slime treatment system and five separate workshops, each dedicated to the production of one or two types of metal. As the Precious Metal Plant was located adjacent to the Smelting Plant, it also utilizes the acidic waste treatment stations and waste water treatment station of the Smelting Plant. As at the Latest Practicable Date, more than 600 personnel were employed at the Precious Metal Plant.

In conjunction with the increase in the production capacity of the Smelting Plant as a result of the commissioning of the new Ausmelt furnace and the upgrading of its electrowinning system, the Target Group is constructing a new factory complex which will be used for the expansion of the Precious Metal Plant. New and more advanced equipment for production of metals will be installed at this complex. It is expected that the construction of this new complex will be completed in June 2012, and commercial production will commence in or around early 2013. The production capacity of the Precious Metal Plant is expected to be increased by approximately 127% when the Precious Metal Plant begins to operate in this new complex. The total investment amount for construction of this new complex and relocation of the Precious Metal Plant is expected to be around RMB472.75 million. For further details, please refer to the section headed "Letter from the Board – Projects in progress and future plans of the Target Group" in this circular.

MINING AND PROCESSING OPERATIONS

The chart below illustrates the main stages involved in the production of the Target Group's principal products, namely, copper cathodes, gold, silver and sulphuric acid:



Notes:

(1) At the on-site processing facilities at the Tonglvshan Mine, after copper concentrate slurry is separated by flotation, iron concentrate slurry is further extracted by magnetic separation, which is then filtered and de-watered to produce iron concentrate as a final product for sale. At the on-site processing facilities of the other three mines of the Target Group, molybdenum concentrate slurry is also separated by flotation, which is then filtered and de-watered to produce molybdenum concentrate as a final product for sale or delivery to the Precious Metal Plant for further processing.

(2) The Target Group has engaged an Independent Third Party, to undertake the processing of slag (which contains remains of copper) for the production of slag concentrate.

Mining methods

The Target Group primarily carries out underground mining at the Four Mines (except for the Tongshankou Mine), with a limited amount of open pit mining being undertaken at the Tonglvshan Mine. The Target Group carries out open pit mining at the Tongshankou Mine with underground mining under development. A brief description of the key features of underground mining and open pit mining is set out below:

Underground mining

The Target Group uses ten different underground mining methods, namely, (i) cut and fill stoping, (ii) transverse cut and fill stoping, (iii) longitudinal cut and fill stoping, (iv) modified transverse cut and fill stoping, (v) modified longitudinal cut and fill stoping, (vi) post pillar cut and fill stoping, (vii) vertical crater retreat (VCR) stoping, (viii) sub-level open stoping, (ix) transverse sub-level open stoping and (x) longitudinal sub-level opening stoping at the Tonglvshan Mine, the Fengshan Mine and the Chimashan Mine. For further information on the methodology of each of the underground mining methods, please refer to section 7 of the Competent Person's Report on the Four Mines set out in Appendix V-A to this circular.

The underground mining methods adopted vary among the Tonglvshan Mine, the Fengshan Mine and the Chimashan Mine and the methods chosen are dependent on the individual characteristics of the mineralized zones being mined and the mining costs involved. The Target Group generally chooses the most suitable mining method on the basis of the costs involved and the recovery rate.

Open pit mining

The initial step in the open pit mining process is stripping to remove the topsoil. Removed topsoil is stockpiled and saved for use for reclamation upon closure of a mine. The wastes are drilled and blasted to loosen the rock, and are loaded onto trucks and hauled to the waste dump. After removing the waste rocks, the truck shovels are used to mine the ore (which is a mixture of useful metals and unwanted rock).

The Target Group only carries out open pit mining at the Tonglvshan Mine and the Tongshankou Mine where near surface mineralization capable of being mined by larger machinery is found. Going forward, it is expected that the Target Group will be increasingly relying on underground mining as it is normally only economically feasible to carry out open pit mining up to a certain depth, beyond which the cost of removing waste rock to access ore bodies would become uneconomical.

Processing

Ores mined from the Four Mines are processed at on-site processing facilities before being transported to the Smelting Plant for smelting and refining.

At the on-site processing facilities at the Four Mines, the ores mined are initially crushed through crushing circuits which consist of multi-stage jaw crushers and cone crushers. The crushed ores are then delivered to workshops for screening and milling by conveyer belts, where they are screened and fed into ball mills for milling. Grinded ores are then fed into a flotation circuit, where copper concentrate slurry is separated by flotation, de-watered and transported to the Smelting Plant for further processing.

After copper concentrate is produced, iron concentrate slurry is separated by a magnetic separator at the on-site processing facilities of the Tonglvshan Mine, de-watered and sold as a final product, while molybdenum concentrate slurry is separated by further flotation at the on-site processing facilities of each of the other three mines, de-watered and sold as a final product.

At the Smelting Plant, copper concentrate produced from the Four Mines and sourced from external parties and the Parent Group will undergo the smelting and electrowinning processes, at the end of which copper cathode is produced. The electrowinning process carried out at the Smelting Plant also produces anode slime as a by-product, which is delivered to the Precious Metal Plant for further refining to recover gold, silver and other metals such as platinum, palladium, and molybdenum.

PRODUCTS

The principal products of the Target Group are copper cathodes, gold, silver and sulphuric acid. Sales of copper cathodes accounted for 73.6%, 71.5%, 77.1% and 76.4% of the total revenue of the Target Group for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively. The Target Group also sells a small amount of other metals recovered during the smelting and refining process of copper concentrate, such as iron concentrate, platinum, palladium, and molybdenum.

The following table sets out a breakdown of the total revenue of the Target Group by product during the Track Record Period:

	Year ended 31 December						Six months ended	
	2008		2009		2010		30 June 2011	
	(RMB million)	*(% of total revenue)*	*(RMB million)*	*(% of total revenue)*	*(RMB million)*	*(% of total revenue)*	*(RMB million)*	*(% of total revenue)*
Metals								
Copper cathodes	**10,939**	**73.6**	**13,220**	**71.5**	**20,066**	**77.1**	**10,445**	**76.4**
Self-produced	10,451	70.3	7,947	43.0	11,166	42.9	7,156	52.3
Trading	488	3.3	5,273	28.5	8,900	34.2	3,289	24.1
Gold	**1,058**	**7.1**	**3,372**	**18.2**	**2,100**	**8.1**	**1,414**	**10.3**
Self-produced	1,058	7.1	1,217	6.6	1,621	6.3	827	6.0
Trading	–	–	2,155	11.6	479	1.8	587	4.3
Silver	**867**	**5.8**	**756**	**4.1**	**1,219**	**4.7**	**947**	**6.9**
Self-produced	867	5.8	754	4.1	1,191	4.6	938	6.9
Trading	–	–	2	–	28	0.1	9	0.0
Total for metals:	**12,864**	**86.5**	**17,348**	**93.8**	**23,385**	**89.9**	**12,806**	**93.6**
Chemical products								
Sulphuric acid	**502**	**3.4**	**61**	**0.3**	**163**	**0.6**	**114**	**0.8**
Total for chemical products:	**502**	**3.4**	**61**	**0.3**	**163**	**0.6**	**114**	**0.8**
Other products and services *(Note)*	**1,501**	**10.1**	**1,076**	**5.9**	**2,472**	**9.5**	**752**	**5.6**
Total revenue:	**14,867**	**100**	**18,485**	**100**	**26,020**	**100**	**13,672**	**100**

Note: Revenue from other products and services includes revenue derived from processing of copper concentrate into copper cathodes, and sales of other products such as iron concentrate, and other products containing copper, gold and silver.

Metals and minerals

Copper cathodes

Copper cathodes are widely used in the production of electrical equipment, electrical wiring, air conditioners, alloys, coatings and computer chips. The copper cathodes produced by the Target Group are of premium quality due to their high copper concentration of 99.99%, low level of impurity and high level of ductility, characterized by their high level of flexibility to be deformed and stretched into a wire.

Sales of copper cathodes accounted for approximately 73.6%, 71.5%, 77.1% and 76.4% of the total revenue of the Target Group for the three years ended 31 December 2010 and the six months ended 30 June 2011. Approximately 95.5%, 60.1%, 55.6% and 68.5% of the revenue from the sales of copper cathodes for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively, was derived from the sales of copper cathodes produced by the Target Group, while the remainder was derived from the sales of copper cathodes sourced by the Target Group from third party suppliers and the Parent Group for on-sale to its customers. The Target Group also provides copper processing services including the processing of copper concentrates into copper cathodes, but such processing activity accounted for not more than 1% of the total revenue of the Target Group over the Track Record Period.

All copper cathodes produced or processed by the Target Group are sold under its “Dajiang” brand. The Target Group’s “Dajiang” brand copper cathodes have been admitted to trading at SHFE since 2002 and LME since 2008.

Gold

Small amounts of gold are found in association with the copper ore deposits at the Four Mines and are recovered as a secondary product from the anode slime generated during the electrowinning process for copper concentrate. The Target Group sells its gold also under the “Dajiang” brand with different gold content of 99.99%, 99.95%, 99.9% and 99.5%, all of which have been admitted to trading at SHGE since 2002.

Sales of gold accounted for approximately 7.1%, 18.2%, 8.1% and 10.3% of the total revenue of the Target Group for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively. Approximately 100%, 36.1%, 77.2% and 58.5% of the revenue from the sales of gold for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively, was derived from the sales of gold produced by the Target Group, while the remainder was derived from the sales of gold sourced by the Target Group from third party suppliers for on-sale to its customers.

Silver

Small amounts of silver are also found in association with the copper ore deposits at the Four Mines and are recovered as a secondary product from the anode slime generated during the electrowinning process of copper concentrate. The Target Group sells its silver also under the "Dajiang" brand with a high silver content of 99.99%, which has been admitted to trading at SHGE since 2006. Silver under the "Dajiang" brand has also been admitted to trading at LME by virtue of the admission of Daye Metal to the London Good Delivery List of Acceptable Refiners as recognized by the London Bullion Market Association since 2007. In addition to being traded as a precious metal, silver is used in production of jewellery, photographic products, catalysts, brazing alloys, dental amalgam, bearings and electronic products.

Sales of silver accounted for approximately 5.8%, 4.1%, 4.7% and 6.9% of the total revenue of the Target Group for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively. Approximately 100%, 99.7%, 97.7% and 99.0% of the revenue from the sales of silver for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively, was derived from the sales of silver produced by the Target Group, while the remainder was derived from the sales of silver sourced by the Target Group from third party suppliers for on-sale to its customers.

Chemical product

Sulphuric acid

Sulfuric acid is produced as a secondary product by utilizing the sulphur dioxide generated during the production process of copper cathodes. The sulphuric acid produced by the Target Group is highly concentrated, consisting of 93% sulphuric acid or more in accordance with the national standards for industrial sulphuric acid in the PRC. High-grade sulphuric acid, also known as concentrated sulphuric acid, is widely used in chemical industries for the production of phosphate fertilizers, lead-acid batteries used in vehicles, and trisodium phosphate for detergents.

Sales of sulphuric acid accounted for approximately 3.4%, 0.3%, 0.6% and 0.8% of the total revenue of the Target Group for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively.

Other products and services

Apart from the products described above, the Target Group also sells a small amount of iron concentrate (which is derived from iron ore deposits associated with the copper ore deposits at the Four Mines) and other metals recovered as secondary products from the anode slime generated during the electrowinning process of copper concentrate, such as platinum, palladium and molybdenum. Apart from processing copper concentrate into copper cathodes, the Target Group also provides other copper processing services. Sales of those products and provision of such copper processing services (including the processing of copper concentrate into copper cathodes), in aggregate, accounted for approximately 10.1%, 5.9%, 9.5% and 5.6% of the total revenue of the Target Group for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively.

MINING LICENCES AND OTHER PERMITS

The Target Group is required under the laws and regulations of the PRC to obtain various licences and permits in connection with the operation of the Four Mines, the principal ones of which include mining licences, safe production permits, and waste disposal permits. As advised by Zhong Lun, the holding of these licences and permits, in addition to the business licences, gives the Target Group the right to carry on mining activities at the Four Mines as well as to process and sell the minerals exploited from those mines in accordance with the requirements of PRC law.

The following table sets out a summary of the principal licences and permits held by the Target Group in connection with the operations of the Four Mines:

Mine	Location	Type of licence or permit	Issuing authority	Activity permitted	Term of licence or permit
Tonglvshan Mine	Tonglv Mountain, Daye City, Hubei Province	Mining licence	Ministry of Land and Resources of the PRC	Mining of copper and iron	1 June 2011 to 1 June 2027 *(Note (1))*
	Tonglv Mountain, Daye City, Hubei Province	Exploration licence	Department of Land and Resources of Hubei Province	Exploration	12 July 2011 to 12 July 2013
	Tonglv Mountain, Daye City, Hubei Province	Safe production permit	Hubei Province Safety Production Supervision and Administration Bureau	Open pit mining and underground mining of copper	22 February 2011 to 21 February 2014
	Tonglv Mountain, Daye City, Hubei Province	Safe production permit	Hubei Province Safety Production Supervision and Administration Bureau	Operation of tailing dam	22 February 2011 to 21 February 2014
	Tonglv Mountain, Daye City, Hubei Province	Waste disposal permit	Daye City Environmental Protection Bureau	Emission of gas and discharge of waste water	28 March 2011 to 20 March 2012
Fengshan Mine	Yangxin County, Huangshi City, Hubei Province	Mining licence	Ministry of Land and Resources of the PRC	Mining of copper	10 July 2011 to 10 July 2034 *(Note (2))*
	Yangxin County, Huangshi City, Hubei Province	Exploration licence	Department of Land and Resources of Hubei Province	Exploration	12 July 2011 to 12 July 2013
	Yangxin County, Huangshi City, Hubei Province	Safe production permit	Hubei Province Safety Production Supervision and Administration Bureau	Underground mining of copper	31 October 2011 to 30 October 2014
	Yangxin County, Huangshi City, Hubei Province	Safe production permit	Hubei Province Safety Production Supervision and Administration Bureau	Operation of tailing dam	2 November 2010 to 5 March 2012

Mine	Location	Type of licence or permit	Issuing authority	Activity permitted	Term of licence or permit
	Yangxin County, Huangshi City, Hubei Province	Waste disposal permit	Yangxin County Environmental Protection Bureau	Emission of gas and discharge of waste water	1 January 2011 to 31 December 2012
Tongshankou Mine	Daye City, Hubei Province	Mining licence	Department of Land and Resources of Hubei Province	Mining of copper	14 April 2011 to 14 April 2016
	Daye City, Hubei Province	Safe production permit	Hubei Province Safety Production Supervision and Administration Bureau	Open pit mining of copper	31 October 2011 to 30 October 2014
	Daye City, Hubei Province	Safe production permit	Hubei Province Safety Production Supervision and Administration Bureau	Operation of tailing dam	2 November 2010 to 30 June 2012
	Daye City, Hubei Province	Waste disposal permit	Daye City Environmental Protection Bureau	Emission of gas and discharge of waste water	2 April 2011 to 20 March 2012
Chimashan Mine	Yangxin County, Hubei Province	Mining licence	Department of Land and Resources of Hubei Province	Mining of copper	14 April 2011 to 14 April 2014
	Yangxin County, Hubei Province	Safe production permit	Hubei Province Safety Production Supervision and Administration Bureau	Underground mining of copper	31 October 2011 to 30 October 2014
	Yangxin County, Hubei Province	Safe production permit	Hubei Province Safety Production Supervision and Administration Bureau	Operation of tailing dam	2 November 2010 to 10 June 2012
	Yangxin County, Hubei Province	Waste disposal permit	Yangxin County Environmental Protection Bureau	Emission of gas and discharge of waste water	1 January 2011 to 31 December 2012

Notes:

(1) A new mining licence for the Tonglvshan Mine, with a term from January 2011 to June 2011, was issued to Daye Metal in January 2011 as a result of the transfer of the mining rights from the Parent Company to Daye Metal. Upon the expiry of such licence a new mining licence for the Tonglvshan Mine was issued to Daye Metal in June 2011 for a term of 16 years.

(2) A new mining licence for the Fengshan Mine, with a term extending from January 2011 to July 2011, was issued to Daye Metal in January 2011 as a result of the transfer of the mining rights from the Parent Company to Daye Metal. Upon Daye Metal's application, a new mining licence for the Fengshan Mine was issued to Daye Metal in June 2011 for a term of 23 years.

Mining Licences

The Mining Licences relating to the Four Mines were previously issued to and held by the Parent Company. The mining assets (other than the mining licence) of the Tonglvshan Mine were transferred to Daye Metal by the Parent Company in 2005 and the mining assets (other than the mining licences) of the other three mines were transferred to Daye Metal by the Parent Company in 2008.

Pursuant to the Transfer Agreement entered into between the Parent Company and Daye Metal in March 2010, the Parent Company agreed to transfer the mining rights in respect of each of the Four Mines to Daye Metal at a total consideration of approximately RMB603 million. The transfer of such mining rights to Daye Metal had been completed and new mining licences in respect of the Fengshan Mine and the Tonglvshan Mine were issued to Daye Metal in January 2011, respectively and new mining licences in respect of both the Tongshankou Mine and the Chimashan Mine were issued to Daye Metal in April 2011. Upon Daye Metal's application, a new mining licence in respect of the Fengshan Mine was issued to Daye Metal in June 2011 for a term of 23 years. Upon expiry of the original mining licence, a new mining licence in respect of the Tonglvshan Mine was issued to Daye Metal in June 2011 for a term of 16 years. Zhong Lun has confirmed that the mining rights in respect of the Four Mines have been legally and effectively transferred to Daye Metal.

The Mining Licences are subject to annual examination by the relevant government authorities in the PRC, including the Department of Land and Resources of Hubei Province. In carrying out such examinations, the authorities will review whether the mining activities carried out by the Target Group in the past year have been in compliance with the relevant laws and regulations. The Target Group is also required to pay an annual fee at the rate of RMB1,000 per sq. km by reference to the mining area stated in each of the Mining Licences during the term of such licence.

As at 31 October 2011, the production volume of each of the Tongshankou Mine, the Fengshan Mine and the Chimashan Mine exceeded the production capacity prescribed in their respective mining licences (the "**Excess Production**"). Daye Metal obtained a written confirmation from the Department of Land and Resources of Hubei Province on 25 November 2011, which confirms that the Excess Production has been caused by the inclusion of raw ore below the industrial cut-off grade mined and does not, in substance, amount to a case of the production volume having exceeded the production capacity as prescribed in the mining licences. The Excess Production does not, therefore, constitute a breach of any laws, regulations or implementation rules governing mineral resources in the PRC and would not result in the imposition of any penalty. Based on such confirmation, Zhong Lun has advised that the Excess Production does not amount to any breach of relevant laws, regulations or implementation rules in the PRC, and the Target Group is not required to apply for any revision to those mining licences in order to carry out the Excess Production.

As advised by Zhong Lun, Daye Metal may obtain the mining rights in respect of the mineral resources of the Four Mines described as "out of licence" disclosed in Appendix V-A to the Circular (the "**Out-of-licence Resources**") through (i) invitation to bid, auction and listing（招拍掛）; or (ii) private agreement with the relevant department of land and resources of the PRC. In both cases, Daye Metal will need to pay a consideration for the grant of the mining rights to the Out-of-licence Resources to the relevant PRC authority. Zhong Lun has advised that it is more likely that Daye Metal will be allowed to obtain such mining rights by way of private agreement with the relevant department of land and resources of the PRC, rather than through the invitation to bid, auction and listing process.

If Daye Metal seeks to obtain the mining rights to the Out-of-licence Resources by way of private agreement with the relevant department of land and resources of the PRC, the consideration payable for the grant of such mining rights will be determined by such department based on a valuation of the Out-of-licence Resources and the mining rights associated with them prepared by an independent competent valuer. The valuation will be conducted with reference to the amount of the Out-of-licence Resources as well as the prevailing market price of the relevant minerals at the time of the application. Such valuation has to reflect the fair value of the Out-of-licence Resources, which is not to be lower than their prevailing market price.

Safe production permit

The Target Group has obtained various safe production permits that are required in connection with its open pit and underground mining operations and the operation of the tailing dams at the Four Mines.

The safe production permits are subject to review by the relevant government authorities in the PRC upon renewal. The mining areas of the Four Mines, which include the open pit mining areas, underground shafts, on-site processing facilities, waste dumps, tailing dams, the Smelting Plant and the Precious Metal Plant will be randomly inspected by the authorities usually once a year. If the safety conditions are found not to be satisfactory, the authorities may require improvements to be made or in the most serious cases, may refuse to renew the permit, in which case, production will have to be discontinued unless and until the authorities are satisfied that appropriate safety measures have been implemented and a safe production permit can be re-issued. Safe production permits may also be revoked with immediate effect if any major industrial incident occurs. The Target Group has not had any of its safe production permits revoked or refused renewal.

Waste disposal permit

The Target Group is required under PRC law to obtain waste disposal permits in connection with gas emission and waste water discharge that occur in the course of the mining, smelting and refining processes carried on at the Four Mines, the Smelting Plant and the Precious Metal Plant. The permits impose annual caps on the volume of gas emitted and waste water discharged. Monitoring devices have been installed for the the Smelting Plant and the Precious Metal Plant to monitor the level of gas emission and discharge of waste water. The emission level of gas and waste water at the Four Mines are monitored by the relevant PRC environmental authorities at regular intervals.

If any of the limits on the volume of gas emission or waste water discharge are found to have been exceeded, the authorities may require the Target Group to take remedial action or in the most severe cases, revoke or refuse to renew the permits. None of the waste disposal permits required by the Target Group for its operation has been revoked or refused renewal in the past. In addition, the Target Group is required to pay a waste disposal fee based on the type, volume and concentration of waste discharged.

RAW MATERIALS AND SUPPLIERS

Raw materials

The main types of raw materials used in copper cathode production include copper concentrate, anode plates and scrap copper. Gold, silver and sulphuric acid are recovered or produced from sulphur dioxide and anode slime generated during the copper cathode production process. While a portion of the copper concentrates required for the Target Group's downstream production is supplied from processing copper ore extracted from the Four Mines, the Target Group currently sources the majority of the copper concentrates it requires from external suppliers and the Parent Group. All other raw materials are sourced by the Target Group from domestic and overseas suppliers as well as the Parent Group.

For each of the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the cost of raw materials sourced by the Target Group (including copper concentrates, anode plates and scrap coppers) amounted to RMB12,737,971, RMB8,768,248, RMB12,966,039 and RMB8,060,582, representing approximately 87.7%, 49.8%, 51.5% and 61.4% of the total costs of sales of the Target Group, respectively.

Copper concentrates

The supply of copper ore from the Four Mines is currently not sufficient to meet the requirements of the Target Group for its downstream copper cathode production. In addition to the supply from the Four Mines, the Target Group also sources copper concentrates from external suppliers. During the Track Record Period a substantial portion of the copper concentrates used by the Target Group for its copper cathode production was sourced from external suppliers. The Directors expect that as the Enlarged Group begins to develop the combined copper reserves and resources of the Group and the Target Group, it will be able to gradually reduce the quantity of copper concentrates it has to source from external suppliers and the Parent Group over time. The expected increase in the supply of copper concentrates from the development of those reserves and resources will also allow the Enlarged Group to better utilize its smelting and downstream processing capabilities.

The Target Group sources copper concentrates from small to medium-scale domestic suppliers, most of whom are located in Hubei Province, PRC, as well as from leading mining companies overseas, including suppliers in Chile and Switzerland. The Target Group also sources copper concentrates from the Parent Group. For the year ended 31 December 2010, approximately 51.07%, 30.27% and 18.66% of the copper concentrates purchased by the Target Group were sourced from domestic suppliers, overseas suppliers and the Parent Group, respectively.

The Target Group typically enters into supply contracts with its overseas and domestic suppliers for a term of one year to three years. The prices of copper concentrates sourced from overseas suppliers are higher as they generally have a higher copper content of 25% or more, while copper concentrates sourced from domestic suppliers usually have an average copper grading of around 19%. A higher copper content in the copper concentrate will generally reduce processing time and cost, and improve operational efficiency.

The supply contracts with the overseas and domestic suppliers typically provide for the price of the copper concentrate to be fixed mainly by reference to its copper content and the spot price of copper cathodes quoted on LME and SHFE, respectively less copper treatment charges and refining charges. Such treatment and refining charges are typically fixed, negotiated and agreed at the time of the signing of the supply contract. The Target Group generally places purchase orders with domestic suppliers at least once a month. Delivery is normally made by the domestic suppliers to the Smelting Plant within 15 days. Purchase orders are generally placed by the Target Group with international suppliers at least once a quarter. Delivery is normally made by the international suppliers to ports in Nanjing and Nantong within five to nine weeks, and the Target Group arranges for onward transportation of the copper concentrate to the Smelting Plant.

The Company entered into the Purchase and Production Services Framework Agreement with the Parent Company on 23 December 2011, which is conditional upon China Times Completion taking place and all applicable legal and regulatory requirements (including those under the Listing Rules) having been complied with. Pursuant to this agreement, members of the Target Group will continue to purchase copper concentrate from members of the Parent Group after completion of the Acquisition. Please refer to the section headed "Continuing Connected Transactions" of this circular for further details of this agreement.

Anode plates

The Target Group sources anode plates from domestic suppliers in the PRC, including suppliers in Jiangxi, Guangdong, Hunan and Sichuan Provinces. It generally enters into supply contracts with those suppliers for a term of one year. Those contracts typically provide for a fixed amount of anode plates to be supplied each year during the contract term. The price of the anode plates is fixed mainly by reference to its prevailing market price less copper treatment charges and refining charges. Such treatment and refining charges are typically fixed, negotiated and agreed at the time of signing of the supply contract. The Target Group generally places purchase orders with suppliers at least once a month. Delivery is normally made to the Smelting Plant within 10 to 15 days.

Scrap copper

The Target Group sources scrap copper from the Parent Group and other domestic suppliers in the PRC, including suppliers in Hunan, Guangdong, Jiangxi and Hubei Provinces. It generally enters into supply contracts with those suppliers for a term of one year. Those contracts typically provide for a fixed amount of scrap metal to be supplied each year during the contract term. The price of the scrap copper is fixed at the time when a purchase order is placed mainly by reference to the prevailing market price of copper in the PRC. The Target Group generally places purchase orders with suppliers at least once a month. Delivery is normally made to the Smelting Plant within 10 to 15 days.

The Company entered into the Sales Framework Agreement and the Purchase and Production Services Framework Agreement with the Parent Company on 23 December 2011, both of which are conditional upon China Times Completion taking place and all applicable legal and regulatory requirements (including those under the Listing Rules) having been complied with. Pursuant to those agreements, members of the Target Group will continue to purchase scrap copper from members of the Parent Group after completion of the Acquisition. Please refer to the section headed "Continuing Connected Transactions" of this circular for further details of these agreements.

Major suppliers

For each of the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the five largest suppliers of the Target Group, together, accounted for approximately 32.3%, 39.5%, 43.1% and 55.9%, respectively, and the largest supplier of the Target Group accounted for approximately 10.3%, 13.2%, 13.3% and 17.2%, respectively of the total costs of sales of the Target Group. None of the Directors, their respective associates or any Shareholders have any interest in any of the five largest suppliers of the Target Group during the Track Record Period.

Payment terms

The Target Group is usually required to pay 80% of the purchase price to the domestic suppliers of anode plates and scrap copper by cash upon delivery, with the balance being paid upon receipt of the final invoice from those suppliers (which will only be issued after the Target Group has carried out laboratory tests on the anode plates and scrap copper delivered and the results have been confirmed by the relevant supplier). The Target Group is usually required to pay 80% of the purchase price to domestic suppliers of copper concentrates upon delivery, with the balance being paid upon receipt of satisfactory weight and moisture test and assay results provided by such suppliers certifying the quality of copper concentrates and invoice issued by the suppliers to the satisfaction of the Target Group. All purchases made by the Target Group from domestic suppliers are paid for in Renminbi.

With respect to the overseas suppliers of copper concentrates, payment is usually made by the Target Group by irrevocable letters of credit, with up to 95% of the purchase price being typically required to be paid upon presentation of bills of lading by the suppliers, and the balance payable upon delivery subject to satisfactory weight and moisture test and assay results. All purchases made by the Target Group from overseas suppliers are mainly paid for in US Dollars.

TRANSPORTATION

The Smelting Plant and the Precious Metal Plant are all located in Hubei Province, PRC, not more than 90 km from the Four Mines and are accessible by river, rail and road transport. Due to the geographical proximity of the Four Mines from the Smelting Plant, copper concentrate is primarily transported to the Smelting Plant for smelting and electrowinning by trucks.

The Four Mines, the Smelting Plant and the Precious Metal Plant are all located along the Yangtze River. The Target Group is able to use river transport as the main means to take delivery of raw materials from both its overseas and domestic suppliers, including copper concentrates purchased from overseas suppliers which are shipped to the ports of Nanjing and Nantong and delivered first by river barges and then by trucks to the Smelting Plant. Transportation costs are generally borne by the suppliers, in case of purchase from domestic suppliers, and by the Target Group, in case of purchase from overseas suppliers.

The Target Group mainly delivers copper cathodes to customers by river transport on the Yangtze River and by rail, with a small proportion being delivered by trucks. As the copper cathode customers of the Target Group are mainly concentrated in the Guangdong and Shanghai areas, delivery is made by the Target Group to the designated warehouses agreed between the parties by rail or river transport, respectively. Transportation costs for delivery of copper cathodes are borne by the Target Group, while its customers will arrange to take delivery from the warehouses at their own expense. Silver is usually delivered to the airport nearest to the customer by the Target Group at its own cost, and the customer will take delivery from the airport at its own cost. For sulphuric acid, customers will take delivery directly from the Smelting Plant and hence, no transportation cost is involved on the part of the Target Group.

As the copper cathodes, gold and silver produced by the Target Group are all products of significant bulk, river transport is a more economical means of delivering such products to customers.

UTILITIES

The smelting and electrowinning processes consume a significant amount of electricity and water. Hence, it is important for the Target Group to be able to obtain stable supplies of electricity and water at economical rates in support of its day-to-day operations. The Target Group has not experienced any material interruption in its operations due to shortage or suspension of power supply during the Track Record Period.

The Company entered into the Combined Ancillary Services Framework Agreement with the Parent Company on 23 December 2011, which is conditional upon China Times Completion taking place and all applicable legal and regulatory requirements (including those under the Listing Rules) having been complied with. Pursuant to this agreement, the Parent Company, through Hubei Jinge, which is the sole utility provider in the area where Smelting Plant, the Precious Metal Plant and the R&D Centre are located, will supply electricity and water to those facilities at prevailing market rates. Please refer to the section headed "Continuing Connected Transactions" of this circular for further details of this agreement. In addition, the Target Group also procures electricity and water supply from nearby local utility providers for use at the Four Mines at prevailing market rates. The total utilities expenses of the Target Group amounted to approximately RMB316 million, RMB282 million, RMB333 million and RMB198 million for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively, representing approximately 2.3%, 2.9%, 2.3% and 2.2% of the production costs of the Target Group for those periods.

To ensure that there is a stable water supply and to minimize costs and pollution, the Smelting Plant is equipped with a waste water treatment station to treat and recycle waste water from its smelting and production processes, which is able to recycle up to 95% of the waste water generated during the production process at the Smelting Plant. The station is also used by the Precious Metal Plant and is able to supply up to 80% of the water supply required for the operations at both the Smelting Plant and the Precious Metal Plant. Smaller-scale water treatment facilities have also been installed at the Four Mines for the recycling of waste water.

The Target Group is in the process of constructing a power station which will utilize the waste heat arising from the production process at the Smelting Plant to generate power. It is expected that this power station will be completed in April 2012 and will primarily be supplying electricity to the Smelting Plant and the Precious Metal Plant. For further details, please refer to the section headed "Letter from the Board – Projects in progress and future plans of the Target Group" in this circular.

SALES, MARKETING AND CUSTOMERS

Sales and marketing

The Target Group sells both copper cathodes, gold and silver produced by itself as well as those sourced from third party suppliers and the Parent Group for on-sale to its customers. The following table sets out a breakdown of the Target Group's sales by product for the Track Record Period:

	Year ended 31 December						Six months ended	
	2008		2009		2010		30 June 2011	
	(RMB million)	*(% of total revenue)*	*(RMB million)*	*(% of total revenue)*	*(RMB million)*	*(% of total revenue)*	*(RMB million)*	*(% of total revenue)*
Metals								
Copper cathodes	**10,939**	**73.6**	**13,220**	**71.5**	**20,066**	**77.1**	**10,445**	**76.4**
Self-produced	10,451	70.3	7,947	43.0	11,166	42.9	7,156	52.3
Trading	488	3.3	5,273	28.5	8,900	34.2	3,289	24.1
Gold	**1,058**	**7.1**	**3,372**	**18.2**	**2,100**	**8.1**	**1,414**	**10.3**
Self-produced	1,058	7.1	1,217	6.6	1,621	6.2	827	6.0
Trading	–	–	2,155	11.6	479	1.8	587	4.3
Silver	**867**	**5.8**	**756**	**4.1**	**1,219**	**4.7**	**947**	**6.9**
Self-produced	867	5.8	754	4.1	1,191	4.6	938	6.9
Trading	–	–	2	–	28	0.1	9	0.0
Total for metals:	**12,864**	**86.5**	**17,348**	**93.8**	**23,385**	**89.9**	**12,806**	**93.6**
Chemical products								
Sulphuric acid	**502**	**3.4**	**61**	**0.3**	**163**	**0.6**	**114**	**0.8**
Total for chemical products:	**502**	**3.4**	**61**	**0.3**	**163**	**0.6**	**114**	**0.8**
Other products and services *(Note)*	**1,501**	**10.1**	**1,076**	**5.9**	**2,472**	**9.5**	**752**	**5.6**
Total revenue:	**14,867**	**100**	**18,485**	**100**	**26,020**	**100**	**13,672**	**100**

Note: Revenue from other products and services includes revenue derived from processing of copper concentrate into copper cathodes, and sales of other products such as iron concentrate, and other products containing copper, gold and silver.

For copper cathodes and silver, the Target Group mainly enters into sales contracts for a term of one year with its customers, with some being sold to customers placing ad hoc orders from time to time.

The Target Group sets the price of its copper cathodes by reference to the spot price quoted on SHFE and the website of the Shanghai Metal Exchange Market（上海金屬網）(which is a public platform providing latest market prices and news in relation to various metal markets, including the global and domestic copper markets) plus a premium to be negotiated and agreed between the parties at the time of the signing of the sales contract.

The price of silver is set by reference to the spot price quoted on the Shanghai Huatong Silver Business Market (上海華通鉑銀交易市場) (which is a public platform providing latest market prices and news in relation to the global and domestic silver market).

A fixed amount of the copper cathodes or silver to be sold to the customer will be agreed and set out in the sales contract. If the Target Group fails to supply or the customer fails to purchase the agreed amount of copper cathodes or silver, a penalty equivalent to 20% of the purchase price for the shortfall has to be paid by the party in default. Customers normally place orders for copper cathodes or silver at least once a month and they are generally required to settle the purchase price in respect of the total amount ordered per month by cash in full prior to delivery.

In accordance with the relevant laws and regulations in the PRC, gold extracted or produced from mining and smelting operations in China may only be traded on SHGE, being the only national market authorized by the State Council of the PRC for gold trading in China. All sales of gold are conducted through Daye Metal, which is a member of SHGE and all sales are made on SHGE at the spot price at the time when the transaction is entered into.

For sulphuric acid, the Target Group mainly enters into sales contracts for a term of one year with its customers, with a small amount being sold to customers placing ad hoc orders from time to time. The price of sulphuric acid is largely driven by its demand and supply at the time when the order is placed and is set according to its prevailing market price in the PRC. A fixed amount of the sulphuric acid to be sold to the customer will be agreed and set out in the sales contract. If the Target Group fails to supply or the customer fails to purchase the agreed amount for three consecutive months, the non-defaulting party is entitled to revise the agreed amount under the sales contract. Customers normally place orders for sulphuric acid at least once a month and are required to prepay the purchase price in full in cash or by bank's acceptance bill before they take delivery at the Smelting Plant. As the sulphuric acid customers are mainly manufacturers of phosphate fertilizers in the surrounding region, the price of sulphuric acid is heavily affected by the downstream demand for phosphate fertilizers.

The Target Group sells almost all of its products to customers in the PRC. PRC customers accounted for more than 98% of the Target Group's revenue throughout the Track Record Period. The customers of the Target Group's copper cathodes are mainly copper products trading companies in the Hubei Province, Shanghai and Guangdong. The Target Group's major customers in silver are based in Shanghai, Beijing and Dongguan, which are mainly engaged in either the processing of silver into silver-based products such as silver nitrate and alloy or trading of silver. The major sulphuric acid customers of the Target Group are manufacturers of chemical raw materials and phosphate fertilizers in the Hubei Province. All sales of gold are made on SHGE as described above. The majority of the Target Group's sales are denominated in RMB, with the remaining sales mainly denominated in US Dollars. The Target Group's major overseas customers are mainly non-ferrous metals trading companies based in Hong Kong.

As part of its marketing initiatives, the Target Group organizes and hosts a conference each year, which alllows the Target Group to exchange latest industry information and to build up relationships with its customers. The Target Group will continue to focus on further developing sales among customers in the Shanghai and Guangdong areas for copper cathodes, and in Hubei area for sulphuric acid.

Major customers

For the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the five largest customers of the Target Group, together, accounted for approximately 35.8%, 50.1%, 34.0% and 37.6%, respectively of the total sales of the Target Group and the largest customer of the Target Group accounted for approximately 7.6%, 18.24%, 8.1% and 10.3%, respectively of the total sales of the Target Group. The Target Group's sales contracts are mainly denominated in RMB.

Save for Shanghai Jinzhao, a wholly-owned subsidiary of the Parent Company, which was the fifth largest customer for each of the year ended 31 December 2008 and the six months ended 30 June 2011, and the fourth largest customer for the year ended 31 December 2009, none of the Directors, their respective associates or any Shareholders have any interest in any of the five largest customers of the Target Group during the Track Record Period.

COMPETITION

The PRC does not, in general, have a sufficient copper supply to support its rising demand. The main producers of copper cathodes are integrated mining and smelting companies located in the eastern and mid-south regions of the PRC, which collectively accounted for more than 70% of the total production of copper cathodes in the PRC in 2010. The major consumers of copper cathodes in the PRC are fabricated products manufacturers concentrated in the eastern and mid-south regions of the PRC, which collectively accounted for approximately 90% of the total consumption of copper cathodes in the PRC. Competition occurs mainly on a regional level and is principally based on quality, reliability of supply and logistic costs.

According to the Antaike Report, Daye Metal was the fifth largest producer of copper cathodes in the PRC by production volume accounting for approximately 6.7% of the total production of copper cathodes in the PRC in 2010. There is an increasing degree of concentration in the copper smelting industry in the PRC in recent years. In 2010, the five largest copper producers, together, accounted for approximately 59.5% of the total production of copper cathodes in the PRC. Hence, the Target Group's competitors are primarily the few other large-scale domestic producers operating in the PRC.

The Target Group considers that one of its main competitive strengths lies in the quality of its copper cathodes, among other products, which have a high copper concentration of 99.99%, a low level of impurity and a high level of ductibility.

Another competitive advantage enjoyed by the Target Group is the favourable location of its mining assets and production facilities, which are all in Hubei Province, in the PRC, in close proximity to various small scale copper mines, which provide the Target Group with a convenient source of copper concentrates, and to most of the Target Group's sulphuric acid customers, which enables delivery to those customers at lower transportation cost. The Target Group's mining assets and production facilities are also located close to the shores of the Yangtze River, which allows the Target Group to utilise water transport as a reliable and cost-effective means of both delivering products to its customers or taking delivery of raw materials from its suppliers.

QUALITY CONTROL

The Target Group places strong emphasis on quality control. The Target Group has established a quality management system, which was certified to be in compliance with the requirements of ISO 9001 in 2010. In accordance with the ISO 9001 requirements, the Target Group implements quality control procedures throughout its production process. Staff from the R&D Centre also carry out data analyses and regular inspections to ensure that quality standards are met. The Target Group also carries out internal evaluation on product quality at regular intervals to identify and resolve any issues with product quality. As at the Latest Practicable Date, the Target Group had 337 employees who are primarily responsible for quality control.

The copper cathodes produced by the Target Group were named a "China's Top Brand Product"(中國名牌產品) by the State Quality Supervision, Inspection and Quarantine Bureau of the PRC(國家質量監督檢驗檢疫總局) in 2004.

HEDGING ACTIVITIES

The principal business of the Target Group includes production and sales of copper cathodes and gold. Throughout the Track Record Period, revenue generated from the sales of copper cathodes and gold constituted the largest and second largest income streams for the Target Group, respectively. In addition to the supply from the Four Mines, the Target Group also sources a significant portion of copper concentrates (some of which contain gold) from external suppliers for its production. Hence, volatility in copper and gold prices directly affects the business, operating results and financial performance of the Target Group.

The Target Group enters into copper and gold futures contracts and adopts risk control management procedures to minimize its exposure to price fluctuations between the time when raw materials containing copper and gold are sourced and the time when sales of copper cathodes and gold are made. In general, the Target Group enters into long position on futures contracts to hedge its potential exposure to the increase in the price of raw material and enters into short position on futures contracts to hedge its potential exposure to the decrease in the price of its products.

A metal futures contract is a standardized contract, traded on a futures exchange, to buy or sell a certain volume of the metal at a certain date in the future, at a pre-set price. A futures contract to buy is generally referred to as a long bought futures contract, while a futures contract to sell is generally referred to as a short sold futures contract.

Copper futures contracts

The Target Group typically enters into two types of copper futures contracts traded on SHFE, namely, short sold copper futures contracts and long bought copper futures contracts with a maturity period ranging from three to six months. As at 30 June 2011, the Target Group had outstanding long bought and short sold copper futures contracts which amounted to RMB301,879,000 and RMB108,430,000, respectively and an open long and short position in copper cathodes of 4,430 tonnes and 1,600 tonnes, respectively. As at 31 December 2008, 2009 and 2010 and 30 June 2011, approximately 34.86%, 0.49%, 25.97% and 2.56% of the copper inventories of the Target Group were hedged by copper futures contracts.

The Target Group incurred a fair value gain of RMB27,897,000 as at 31 December 2008, and a fair value loss of RMB804,000, RMB134,950,000 and RMB642,000 as at 31 December 2009, 31 December 2010 and 30 June 2011, respectively, from its copper futures contracts. As at 31 December 2009 and 31 December 2010, fair value losses were recorded as the Target Group had an open short position in copper cathodes while SHFE copper price generally increased throughout 2009 and 2010. As at 30 June 2011, fair value loss was recorded as the Target Group had an open long position in copper cathodes while the long bought future contracts were mostly entered into at high copper price as the copper price became volatile in the first half of 2011. Nevertheless, such losses were, to a large extent, off-set by the gain from the sales of the copper inventories on hand in the respective financial periods.

Gold futures contracts

The Target Group typically enters into two types of gold futures contracts traded on SHFE, namely, short sold gold futures contracts and long bought gold futures contracts with a maturity period of six months. As at 30 June 2011, the Target Group had outstanding long bought and short sold gold futures contracts which amounted to RMB58,333,000 and RMB34,316,000, respectively and an open long and short position in gold of 185 tonnes and 110 tonnes, respectively. As at 31 December 2008, 2009 and 2010 and 30 June 2011, approximately 17%, 0%, 0% and 18% of the gold inventories of the Target Group were hedged by gold futures contracts. According to the Hong Kong Accounting Standards, the gold futures contracts entered into by the Target Group during the Track Record Period are not classified as hedging instruments.

The maximum exposure of the Target Group with respect to such hedging activities at any time would depend on the amount of open position of copper and gold futures contracts on hand and the price movement of copper and gold during the period between the time when the futures contracts are entered into and the time when delivery under such contracts is to be made. During such period, for the net short position, any rise in the copper or gold price quoted on SHFE would result in a loss equivalent to the then open short position in copper cathodes or gold, as the case may be, multiplied by the increment in the copper or gold price. Likewise, any drop in the copper or gold price quoted on SHFE during such period would result in a gain equivalent to the then open short position in copper cathodes or gold, as the case may be, multiplied by the decrease in the copper or gold price.

Hedging policy

The volume of copper and gold futures contracts to be entered into by the Target Group for hedging purposes at any time depends on the extent of its exposure to copper and gold price fluctuations as assessed by the Target Group from time to time. Daye Metal has prescribed the following procedures with respect to the hedging activities of the Target Group:

(i) The sales department and the futures department are jointly responsible for the implementation of the hedging strategy formulated by the senior management at the preceding weekly meeting (see below) and the execution of hedging activities on a daily basis. The sales department and the futures department meet every day before trading starts at SHFE to determine the detailed actions to be taken and after trading closes at SHFE to evaluate the performance of the hedging activities for that day. In the event of any change in the market conditions or the occurrence of other events which renders the hedging strategy previously formulated inappropriate, special meetings with the chairman and the general manager of Daye Metal will be convened (see below).

(ii) Weekly meetings are held between representatives from the sales department and the futures department and the deputy general manager of Daye Metal to evaluate the performance of the hedging activities for the previous week, to discuss and analyse the market trends and to formulate the hedging strategy for the following week. In particular, (a) inventory levels are reviewed, including a review of the amount of copper concentrates, anode plates, scrap copper and any other raw materials containing copper and gold, and the amount of gold and copper cathodes held in stock; (b) the net position of open copper and gold futures contracts are examined and the then fair value gain or loss arising from those futures contracts is assessed; and (c) the trend of copper and gold price movements in the PRC and the world and the general outlook of the PRC and global economies are analysed.

(iii) When the copper market is volatile or when a substantial amount of futures contracts are proposed to be entered into or disposed of, the sales department and the futures department will convene special meetings with the chairman and the general manager of Daye Metal to discuss market conditions and risk management measures before carrying out such hedging activities.

Members of Daye Metal's senior management who are currently overseeing the hedging activities of Daye Metal have extensive experience in the mining industry and specific experience in related hedging activities. Both Mr. Zhang Lin, the chairman of Daye Metal, and Mr. Zhai Baojin, a director and the general manager of Daye Metal, have more than 25 years' experience in the mining industry. They have been overseeing Daye Metal's procurement of raw materials containing copper and gold, sales of copper and gold products and hedging activities involving futures contracts for almost two years. Mr. Feng Mingrui, the deputy general manager of Daye Metal who is currently responsible for overseeing the hedging activities of Daye Metal, was the sales representative and the head of the sales, import and export division of the smelting factory of the Parent Company from 1990 to 2003, during which he was responsible for managing procurement of raw materials containing copper and gold, sales of copper and gold products and hedging activities involving futures contracts. After completion of the Acquisition, the senior management of the Company will participate in monitoring Daye Metal's hedging activities, including the formulation of hedging strategy and the daily execution of hedging activities, and will report to the Board at least once every quarter.

The hedging policy of the Target Group has recently been reviewed by an independent internal control consultant. Based on the recommendations of the consultant, the board of directors of Daye Metal has approved the following additional risk management procedures:

- it will record, on a daily basis, the different types of futures contracts which have been entered into and disposed of and the movement in its inventories in order to analyze its net inventory exposure to metal price fluctuations;
- it will set a cap on the amount of futures contracts which may be entered into by the Target Group at any time, and review and adjust such cap periodically, taking into account the inventory level and the metal price trends at the relevant time; and
- it will establish guidelines on loss cutting by reference to, for example, the percentage that the loss arising from the futures contracts bears to the amount of such futures contracts.

The additional risk management procedures described above will be implemented by the end of December 2011. The independent internal control consultant will conduct a further review of the hedging system of Daye Metal thereafter.

CORPORATE SOCIAL RESPONSIBILITY

Compliance with the environmental laws and regulations

The Target Group is subject to PRC national and local environmental laws and regulations on matters such as air emission, discharge of waste water and pollutants, land reclamation, waste disposal and mining control. During the Track Record Period, the Target Group was in compliance with all applicable environmental laws and regulations in all material respects and it did not receive any complaints or was subject to any fines or penalties imposed by any government bodies with respect to any environmental issues in connection with its operations.

The annual expenditure for environmental compliance by the Target Group, including expenses related to the maintenance of emission monitoring devices at the Smelting Plant, payment of air emission and waste discharge fees and all relevant fees under the safe production licences and waste discharge licences, amounted to approximately RMB4,200,000, RMB4,000,000 and RMB4,600,000 for each of the three years ended 31 December 2008, 2009 and 2010, respectively. For the year ending 31 December 2011, it is expected that the environmental compliance costs of the Target Group would amount to approximately RMB5,500,000.

To continue to fulfill our commitment to the environment:

- the Target Group is continuing to improve its environmental protection facilities, such as the construction of an additional waste water treatment plant and the installation of additional waste water, dust and gas emission monitoring devices at the Smelting Plant, which are in compliance with applicable PRC national and local environmental laws and regulations; and

- the Target Group has established a safety and environmental department that coordinates environmental impact assessments, testing, ecology, and rehabilitation projects and discusses and formulates appropriate environmental preservation measures from time to time.

Occupational health and safety

The health and safety of its staff is a top priority for the Target Group. The Target Group sets safety targets for each year and aims at completely eliminating any fatality or severe casualties for its employees. The Target Group has compiled safety manuals and emergency plans covering emergency situtations such as natural disasters, fire, flooding, machine failures and power outages to ensure that employees are aware of the steps to take in the event that any of those situations occur.

During the Track Record Period, no material accidents or injuries involving injury or property damage had been reported to the management of the Target Group and the Target Group had not been subject to any material claims arising from any accidents involving personal injury or property damage in the course of its business operations.

The Target Group is committed to eliminating accidents and fatalities and maintaining high safety standards at its production facilities and will continue to fulfill this commitment by:

- reviewing and improving the safety management systems at the Four Mines and setting targets against which performance is to be measured at fixed intervals;
- adopting detailed safety procedures based on the geological characteristics and production methods of the mine in compliance with national safety guidelines, including monthly safety inspections and annual training in safe work practices for our employees;
- ensuring key stages of the mining and production process are supervised by qualified individuals to ensure safety standards are met; and
- improving the ventilation system in the mines and, installing a safety monitoring system in the underground mining shafts.

INSURANCE

The Target Group has taken out general property insurance for its mining assets located at the Four Mines and its office premises, insurance for equipment and machinery breakdowns and public liability insurances. The Target Group currently maintains, and will continue to maintain, insurance within ranges of coverage consistent with industry practice in the PRC and will adjust the insurance coverage by continual assessment of its risk portfolio as appropriate in future. Nevertheless, the insurance maintained by the Target Group may not fully cover all potential losses, damages and liabilities involved in its operations. Please also refer to the section headed "Risk Factors – Risks relating to the Business of the Enlarged Group – The Enlarged Group may not have adequate insurance coverage against mining and operation risks and hazards interent in the nature of the mining business, which could adversely affect its business" for further details.

RESEARCH AND DEVELOPMENT

The Target Group places strong emphasis on research and development and has set up the R&D Centre dedicated to improving mining and production technology and the recovery of new mineral products in the production process. The R&D Centre received ISO/IEC 17025:2005 certification in 2009.

As at the Latest Practicable Date, the R&D Centre had 295 staff, of whom there were 35 university or college graduates in mining or related disciplines. The R&D Centre cooperates with universities and research institutes in the PRC to jointly undertake research and development projects. The Target Group's research and development expenditure amounted to RMB10.1 million, RMB8.8 million, RMB18.8 million and RMB7.0 million respectively for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively.

Through its research efforts, the R&D Centre has, in the past, successfully improved the beneficiation processes of gold and silver at the Precious Metal Plant leading to an increase in the recovery rate of those metals. Further, it has also helped make technical improvements to the processes of recycling solid waste, slag and waste water generated in the course of production and has successfully recovered new economic minerals such as platinum, palladium and molybdenum from anode slime.

LATEST INDUSTRY TRENDS

Since 30 June 2011, the global economy has continued to be affected by the heightened financial and economic uncertainties caused by, among others, the worsening European debt crisis and the slower than expected recovery of the US economy due to spending cuts. In general, there is a gloomy sentiment in financial markets caused by factors such as growing concern that the European debt crisis may continue to deteriorate and become the triggering point of a global recession. Commodity prices have declined as reflected by copper price quoted on LME, which has fallen over 25% since July 2011. In the global copper industry, however, it is expected that a supply deficit in copper cathodes will continue to provide support to the global price of copper cathodes in the near term. On the supply side, near-term supply shortage may be aggravated by tense labour relations at major copper mines worldwide, while global demand for copper cathodes is expected to maintain a steady pace of growth.

While the PRC economy has continued to maintain a steady growth of 9.6% in GDP in the first half of 2011 compared to the same period in 2010, there are signs of a slowdown as industrial output continues to fall due to weak demand in Europe and the United States. The Purchasing Managers' Index (PMI) in the PRC fell to a 32-month low of under 50 points. In the copper cathodes market, notwithstanding growth in smelting capacity as a result of expansions by copper producers and entry of new producers, the Directors expect that there will continue to be a supply deficit in copper cathodes in the PRC in the near term as there remains a gap between the volume of domestic supply and demand, which is currently being satisfied by imports.

While the PRC economy is showing signs of a slowdown, the Directors have not seen any significant decrease in the demand for the Target Group's copper cathodes since 30 June 2011. The Directors cannot preclude the possibility that a further slowdown of the PRC economy, whether due to worsening economic conditions in Europe, the United States or otherwise, may result in a significant decrease in the demand for copper cathodes in the PRC market and hence, adversely affect the business of the Target Group (and after completion of the Acquisition, the Enlarged Group). The Directors will, however, carefully monitor changes in market conditions and take such action as may be necessary to ensure that after completion of the Acquisition, the Enlarged Group will be in a position to maintain its competitiveness and to meet the challenges if the economic outlook in the PRC should worsen.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, the Target Group had 11 registered trade marks and 27 registered patents in the PRC. In addition, it is in the process of applying for the registration of 2 trade marks and 11 patents, solely or jointly with the Parent Company or Independent Third Parties in the PRC. For further details of the intellectual property rights of the Target Group, please refer to the section headed "Intellectual property rights of the Group and the Target Group" in Appendix X to this circular.

PROPERTIES

Owned properties

All of the property interests of the Target Group are in the PRC. As at the Latest Practicable Date, the Target Group held land use rights with respect to 54 parcels of land, with an aggregate site area of approximately 7,064,356.02 sq.m., being land used for, among others purposes, mining operations, production and processing plants, offices and warehouses. The Target Group has obtained the land use right certificates in respect of 51 of those 54 parcels of land, but has yet to obtain the land use right certificates under its name in respect of the remaining three parcels of land which, together, have an aggregate site area of approximately 52,329.47 sq.m.. Two of those three parcels of land are newly acquired, and the land use rights certificate in respect of the third parcel of land was issued under the name of a wholly-owned subsidiary of Daye Metal, which had already been dissolved in 2009. As at the Latest Practicable Date, the Target Group has taken the relevant steps and procedures to apply for the land use rights certificates under its name in respect of all of these three parcels of land. As advised by Zhong Lun, upon completion of these steps and procedures, the Target Group shall have the full legal title to these three parcels of land. The two parcels of land newly acquired will be used for office purpose. The third parcel of land is mainly occupied by staff dormitories.

In addition, as at the Latest Practicable Date, the Target Group owned 1,108 properties with an aggregate total gross floor area of approximately 671,252.74 sq.m. in the PRC, being used as, among others, mining areas and on-site processing facilities at the Four Mines, production and processing facilities at the Smelting Plant, the Precious Metal Plant and the R&D Centre, office premises and warehouses. The Target Group has obtained the building ownership certificates in respect of 992 of those owned properties. In respect of 112 of the remaining 116 properties, which, together, have an aggregate gross floor area of approximately 71,723.36 sq.m., the Target Group has not obtained any building ownership certificates. Among the four remaining properties, which, together, have an aggregate gross floor area of approximately 1,410.37 sq.m., the Target Group has yet to obtain building ownership certificates as (i) three of such properties are newly acquired from the Parent Company, and (ii) the building ownership certificate of the fourth property was issued under the name of a wholly-owned subsidiary of Daye Metal, which had already been dissolved in 2009. As at the Latest Practicable Date, the Target Group has taken the relevant steps and procedures to apply for the building ownership certificates under its name in respect of the three newly acquired properties, and to amend the name of holder of the building ownership certificate previously issued to its dissolved subsidiary. As advised by Zhong Lun, upon completion of these steps and procedures, the Target Group shall have the full legal title to these four properties. The properties without building ownership certificates are mainly used as staff dormitories, ancillary production facilities, offices and warehouses.

Leased properties

As at the Latest Practicable Date, the Target Group leased 51 parcels of land situated at the Four Mines from the Parent Group with an aggregate site area of 3,881,478.58 sq.m.. Certain production facilities of the Target Group, including the Smelting Plant, are built on those parcels of land. As set out in the announcement of the Company dated 23 December 2011, the Company entered into a land lease framework agreement with the Parent Company on 23 December 2011, which is conditional upon China Times Completion taking place and all applicable legal and regulatory requirements (including those under the Listing Rules) having been complied with. Pursuant to this agreement, the Parent Company will continue to lease these parcels of lands to the Target Group. The Parent Company possesses the land use rights certificates in respect of all of these lands. In addition, the Target Group leased a parcel of land from an Independent Third Party, which occupies a total site area of approximately 38,000 sq.m., for which land use rights certificate has yet to be obtained by the lessor. None of the production or processing facilities of the Target Group are situated on this parcel of land.

In order to control the risk of properties with title defects in future, the Target Group has put in place a series of internal control guidelines which aim at improving corporate governance and ensuring compliance with all relevant legal and regulatory requirements across a wide spectrum of corporate affairs, including legal compliance and approval requirements.

For further details of the property defects of the Target Group, please refer to the section headed "Risk Factors – Risks relating to the business of the Enlarged Group – Title defects to the owned and leased properties of the Target Group may adversely affect its right to use such properties" in this circular.

Properties under construction

As at the Latest Practicable Date, the Target Group held 3 buildings under construction in relation to its production facilities with an estimated gross floor area of 2,540 sq.m. in the PRC. These properties under construction are expected to be used as workshops for smelting and metal recovery.

EMPLOYEES AND REMUNERATION

Employees

As at the Latest Practicable Date, the Target Group had a total of 10,838 full-time employees in the PRC. The following table provides a breakdown of the full-time employees directly employed by the Target Group as at the Latest Practicable Date:

Functions	**Number of employees**
Production and processing	7,190
Technical support, research and development	528
Administration, finance, human resources and sales and marketing	1,644
Other supporting staff	1,476
Total	**10,838**

The remuneration package offered by the Target Group to its employees typically includes basic salary and bonus. In determining an employee's remuneration package, the Target Group will take into account factors such as the employee's qualification, position, seniority and relevant experience. Annual remuneration reviews are conducted based on individual performance and specific hardship factors such as time spent at the mine sites.

As at the Latest Practicable Date, the Target Group provided pension, medical insurance, labour injury insurance, maternity and unemployment insurance to its employees in accordance with the requirements of the applicable laws and regulations in the PRC with respect to insurance coverage for employees of mining companies.

In accordance with national and local regulatory requirements in the PRC, the Target Group makes contributions to the medical insurance plan, staff housing fund, social pension contribution plan, unemployment insurance plan, maternity insurance plan and industrial accident insurance plan for the benefit of its employees in accordance with the requirements of PRC laws and regulations.

Staff training

The Target Group provides regular training to employees who are engaged in mining operations both with respect to technical skills and safety requirements. All employees who are engaged in mining operations are required to complete a prescribed level of technical training before they start work at the Four Mines. Where any employee has failed to meet any safety standards and policies set by the Target Group, they will be required to attend and complete specific training sessions before he is allowed to resume duty.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, no member of the Target Group was a party to any litigation or claims of material importance (including any litigation or claims that may materially influence on its right to operate any of the Four Mines), and no such litigation or claim is known to the directors of the Parent Company to be pending or threatened against any member of the Target Group.

OVERVIEW

Immediately following China Times Completion, the Parent Company will, through China Times, be interested in more than 30% of the total issued share capital of the Company, and hence, will be its controlling shareholder.

The Parent Company is a company incorporated in the PRC with limited liability and wholly-owned by Hubei SASAC. The directors of the Parent Company have been informed by Hubei SASAC that on 21 January 2011, Hubei SASAC entered into a non-legally binding agreement (the "**Framework Document**") with 中國有色礦業集團有限公司 (China Nonferrous Metal Mining (Group) Co., Ltd) ("**CNMC**"), a company incorporated in the PRC and directly supervised by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, in relation to their proposed collaboration in the further development of the Parent Company. One of the matters covered by the Framework Document was that CNMC would consider investing in the Parent Company which may result in the Parent Company being owned as to 51% by Hubei SASAC and 49% by CNMC. As at the Latest Practicable Date, Hubei SASAC and CNMC have not entered into any legally binding agreement or otherwise incurred any legally binding obligation in relation to any of the matters covered in the Framework Document, other than two unsecured one-year term loans of RMB1.5 billion and RMB1.862 billion granted by CNMC to the Parent Company pursuant to the Framework Document in January 2011 and May 2011, respectively, each of which bears interest at the base lending rate for one-year term loan announced by the People's Bank of China at the time when the Parent Company received the loan amount. The directors of the Parent Company have been further informed by Hubei SASAC that there is no specific time frame for Hubei SASAC and CNMC to enter into any legally binding agreement in relation to any matters covered in the Framework Document.

RETAINED BUSINESS

The core copper-related business of the Parent Company, including exploration, mining and processing of copper ore, smelting of copper concentrate and sales of copper cathodes, which is currently being carried out by the Daye Metal Group, will be transferred to the Group upon China Times Completion. The Parent Company will, however, retain certain copper, silver and gold related businesses after China Times Completion, which is further described below.

Copper processing and copper-based products production business

The following companies within the Parent Group will continue to carry out certain copper processing and copper-based products production business after China Times Completion:

- 大冶有色金生銅業有限公司 (Daye Non-ferrous Jinsheng Copper Co., Ltd.) ("**Jinsheng Copper**"), which is owned as to 61.03% by the Parent Company and 38.97% by Independent Third Parties;

- 黃石金禾銅材有限責任公司 (Huangshi Jinhe Copper Co., Ltd.) ("**Huangshi Jinhe**"), which is owned as to 75.99% by the Parent Company and 24.01% by Independent Third Parties;

- 常州市大江銅業有限公司 (Changzhou Dajiang Copper Business Co., Ltd.) ("**Changzhou Dajiang**"), which is owned as to 90% by the Parent Company and 10% by Independent Third Parties; and

- 佛山大江銅業有限公司 (Foshan Dajiang Copper Business Co., Ltd.) ("**Foshan Dajiang**"), which is owned as to 51% by the Parent Company and 49% by Independent Third Parties

Jinsheng Copper

Jinsheng Copper is principally engaged in the processing of coarse copper into anode plates. It currently provides and is expected to continue to provide such processing service to the Daye Metal Group only.

Based on its accounts prepared in accordance with PRC Generally Accepted Accounting Principles, Jinsheng Copper's audited net profits for the year ended 31 December 2010 and unaudited net profits for the six months ended 30 June 2011 amounted to approximately RMB0.7 million and RMB1.1 million, respectively.

The Directors do not consider that Jinsheng Copper is or is likely to be in direct competition with the Target Group since provision of processing service is not the core business of the Target Group and accounted for not more than 1% of the total revenue of the Target Group over the Track Record Period.

Jinsheng Copper is a connected person of the Company within the meaning of the Listing Rules. It will, after China Times Completion, continue to provide the processing service described above to the Daye Metal Group in accordance with the terms of the Purchase and Production Services Framework Agreement, which will constitute continuing connected transactions of the Company.

It is not the intention of the Target Group to acquire the equity interest of Jinsheng Copper held by the Parent Company since the scale of Jinsheng Copper's operation is small in terms of net profits as compared to the Target Group.

Huangshi Jinhe and Changzhou Dajiang

Huangshi Jinhe is principally engaged in the production of copper rods from copper cathodes for use in refrigerators and other home electrical appliances. It obtains supply of copper cathodes from the Daye Metal Group and other third party suppliers. For the year ended 31 December 2010, approximately 64.7% of the copper cathodes used by Huangshi Jinhe in its production were obtained from the Daye Metal Group, with the remainder being sourced from other third party suppliers.

Based on its accounts prepared in accordance with PRC Generally Accepted Accounting Principles, Huangshi Jinhe's audited net loss for the year ended 31 December 2010 and unaudited net profits for the six months ended 30 June 2011 amounted to approximately RMB1.9 million and RMB0.6 million, respectively.

Changzhou Dajiang is principally engaged in the production of copper rods from copper cathodes. It obtains supply of copper cathodes from the Daye Metal Group and other third party suppliers. For the year ended 31 December 2010, approximately 3.7% of the copper cathodes used by Changzhou Dajiang in its production were obtained from the Daye Metal Group, with the remainder being sourced from other third party suppliers.

Based on its accounts prepared in accordance with PRC Generally Accepted Accounting Principles, Changzhou Dajiang's audited net loss for the year ended 31 December 2010 and unaudited net loss for the six months ended 30 June 2011 amounted to approximately RMB42,000 and RMB2.7 million, respectively.

The Directors do not consider that the business of Huangshi Jinhe or Changzhou Dajiang competes or is likely to compete with the business of the Target Group as the Target Group is not currently engaged in the production of copper rods.

Huangshi Jinhe and Changzhou Dajiang are connected persons of the Company within the meaning of the Listing Rules. The Daye Metal Group will, after China Times Completion, continue to supply copper cathodes to them in accordance with the terms of the Sales Framework Agreement, which will constitute continuing connected transactions of the Company.

It is not the intention of the Target Group to acquire the equity interest of Huangshi Jinhe or Changzhou Dajiang held by the Parent Company nor extend its business to the production of copper rods since (a) the profit margin for the sales of copper rods is not as high as that for the sales of copper cathodes; (b) Huangshi Jinhe has been loss making for the year ended 31 December 2010, and Changzhou Dajiang has been loss making for the year ended 31 December 2010 and the six months ended 30 June 2011; and (c) the scale of the operations of Huangshi Jinhe and Changzhou Dajiang are small as compared to the Target Group.

Foshan Dajiang

Foshan Dajiang is principally engaged in the production of copper tubes for cooling system and ingots（扁錠）. It obtains supply of scrap copper and copper cathodes for its production from the Daye Metal Group and other third party suppliers. For the year ended 31 December 2010, approximately 9.7% of the scrap copper and copper cathodes used by Foshan Dajiang in its production were obtained from the Daye Metal Group, with the remainder being sourced from other third party suppliers.

Based on its accounts prepared in accordance with PRC Generally Accepted Accounting Principles, Foshan Dajiang's audited net loss for the year ended 31 December 2010 and unaudited net profits for the six months ended 30 June 2011 amounted to approximately RMB20 million and RMB50,000, respectively.

The Directors do not consider that the business of Foshan Dajiang competes or is likely to compete with the business of the Target Group as the Target Group is not currently engaged in the production of copper tubes.

Foshan Dajiang is a connected person of the Company within the meaning of the Listing Rules. The Daye Metal Group will, after China Times Completion, continue to supply scrap copper and copper cathodes to Foshan Dajiang in accordance with the terms of the Sales Framework Agreement, which will constitute continuing connected transactions of the Company.

It is not the intention of the Target Group to acquire the equity interest of Foshan Dajiang held by the Parent Company nor extend its business to the production of copper tubes since (a) the profit margin for the sales of copper tubes is not as high as that for the sales of copper cathodes; and (b) the scale of Foshan Dajiang's operation is small as compared to the Target Group.

Trading business

The following companies within the Parent Group will continue to carry out certain trading business of gold, silver and copper-based products after China Times Completion:

- 上海金兆銅業有限責任公司 (Shanghai Jinzhao Copper Business Co., Ltd.) ("**Shanghai Jinzhao**"), which is wholly-owned by the Parent Company;

- 大江國際投資有限公司 (Dajiang International Investment Co., Limited) ("**Dajiang International**"), which is wholly-owned by the Parent Company; and

- 湖北省金石黃金有限責任公司 (Hubei Province Jinshi Gold Co., Ltd.) ("**Jinshi Gold**") which is wholly-owned by the Parent Company.

Shanghai Jinzhao

Shanghai Jinzhao is principally engaged in the trading of non-ferrous metal based products including coarse copper and copper cathodes and related equipment.

Based on its accounts prepared in accordance with PRC Generally Accepted Accounting Principles, Shanghai Jinzhao's audited net profits for the year ended 31 December 2010 and unaudited net profits for the six months ended 30 June 2011 amounted to approximately RMB0.6 million and RMB0.7 million, respectively.

It is not the intention of the Target Group to acquire the equity interest of Shanghai Jinzhao since (a) the scale of Shanghai Jinzhao's operation is small in terms of net profits as compared to the Target Group; and (b) the Target Group has no intention to further expand its trading business as the profit margin for trading is not as high as that for the sales of self-produced metal-based products.

The Daye Metal Group has been supplying copper cathodes to Shanghai Jinzhao. For the three years ended 31 December 2010 and the six months ended 30 June 2011, the total sales of copper cathodes to Shanghai Jinzhao by the Daye Metal Group accounted for approximately 6.6%, 6.9%, 3.3% and 4.7% of the total revenue of the Daye Metal Group, respectively. Shanghai Jinzhao has, since its incorporation in 2007, established its own sales network and customer base in Shanghai for its copper cathode trading business, which do not overlap with those of the Target Group. Shanghai Jinzhao is a connected person of the Company within the meaning of the Listing Rules. The Daye Metal Group will, after China Times Completion, continue to supply copper cathodes to Shanghai Jinzhao in accordance with the terms of the Sales Framework Agreement, which will constitute continuing connected transactions of the Company.

Dajiang International

Dajiang International is principally engaged in the trading of non-ferrous metals including silver and non-ferrous metal based products including coarse copper, scrap copper, copper concentrates and copper cathodes.

Based on its accounts prepared in accordance with PRC Generally Accepted Accounting Principles, Dajiang International's audited net profits for the year ended 31 December 2010 and unaudited net profits for the six months ended 30 June 2011 amounted to approximately US$4.8 million and RMB5.5 million, respectively.

It is not the intention of the Target Group to acquire the equity interest of Dajiang International since (a) the scale of Dajiang International's operation is small in terms of net profits as compared to the Target Group; (b) the gearing ratio of Dajiang International, which amounted to 89.5% as at 31 December 2010, is relatively high; and (c) the Target Group has no intention to further expand its trading business as the profit margin for trading is not as high as that for the sales of self-produced metals and metal-based products.

The Daye Metal Group has been supplying silver to Dajiang International since 2009. For the two years ended 31 December 2010 and the six months ended 30 June 2011, the total sales of silver to Dajang International by the Daye Metal Group accounted for approximately 0.9%, 0.6% and 0.3% of the total revenue of the Daye Metal Group, respectively. After China Times Completion, Dajiang International is a connected person of the Company within the meaning of the Listing Rules. The Daye Metal Group will, after China Times Completion, continue to supply silver to Dajiang International in accordance with the terms of the Sales Framework Agreement, which will constitute continuing connected transactions of the Company.

Jinshi Gold

Jinshi Gold is principally engaged in the management of mining assets relating to wolfram, gold and rare earth and the trading of non-ferrous metals including gold and non-ferrous metal based products including copper cathodes.

Based on its accounts prepared in accordance with PRC Generally Accepted Accounting Principles, Jinshi Gold's unaudited net profits generated from its trading business for the year ended 31 December 2010 and unaudited net profits generated from its trading business for the six months ended 30 June 2011 amounted to approximately RMB2.9 million and RMB1.6 million, respectively.

It is not the intention of the Target Group to acquire the equity interest of Jinshi Gold since (a) the principal business of Jinshi Gold is mining asset management and it started its trading business only in 2010; (b) the scale of Jinshi Gold's operation is small as compared to the Target Group; and (c) the Target Group has no intention to further expand its trading business as the profit margin for trading is not as high as that for the sales of self-produced metals and metal-based products.

The Daye Metal Group has been supplying copper cathodes to Jinshi Gold since 2010. For the year ended 31 December 2010, the total sales of copper cathodes to Jinshi Gold by the Daye Metal Group accounted for approximately 0.03% of the total revenue of the Daye Metal Group. There were no sales during the six months ended 30 June 2011. The customers of Jinshi Gold are mainly based outside of Hubei Province, the PRC, which do not overlap with those of the Target Group. Jinshi Gold is a connected person of the Company within the meaning of the Listing Rules. The Daye Metal Group will, after China Times Completion, continue to supply copper cathodes to Jinshi Gold in accordance with the terms of the Sales Framework Agreement, which will constitute continuing connected transactions of the Company.

Gold mining business

The following companies within the Parent Group will continue to carry out gold mining, production and sales business after China Times Completion:

- 新疆煌金投資有限公司 (Xinjiang Huangjin Investment Co., Ltd.) ("**Xinjiang Investment**"), which is owned as to 51% by the Parent Company and 49% by Independent Third Parties.

- Asia Gold Enterprise Development Co., Ltd. ("**Asia Gold**"), which is wholly-owned by Xinjiang Investment.

Xinjiang Investment is an investment vehicle which invests in mining assets.

Asia Gold owns a gold mine located in the Kyrgyz Republic, namely, the Guokesu Mine.

Based on its accounts prepared in accordance with PRC Generally Accepted Accounting Principles, Xinjiang Investment's audited net profits for the year ended 31 December 2010 and unaudited net loss for the six months ended 30 June 2011 amounted to approximately RMB5.7 million and RMB2.6 million, respectively.

It is not the intention of the Target Group to acquire the equity interest of Xinjiang Investment held by the Parent Company since (a) Xinjiang Investment is an investment vehicle which is not directly engaged in the mining or production of gold; and (b) the Guokesu Mine is located outside of Hubei Province and the mining operation commenced only in 2010.

Non-controlling interests in companies engaged in copper and gold related business

The following companies in which the Parent Group holds less than 50% of their respective total equity interests will continue to carry out certain copper and gold related business after China Times Completion has taken place:

- 湖北雞籠山黃金礦業有限公司 (Hubei Jilong Mountain Gold Mining Co., Ltd.) ("**Hubei Gold**"), which is owned as to 40.2% by the Parent Company and one of its wholly-owned subsidiaries and 59.8% by Independent Third Parties;

- 大冶市鯉泥湖礦業有限公司 (Daye Lini Lake Mining Co., Ltd.) ("**Lini Mining**"), which is owned as to 30% by the Parent Company and 70% by Independent Third Parties; and

- 陽新縣鵬淩礦業有限公司 (Yangxin County Pengling Mining Co., Ltd.) ("**Pengling Mining**"), which is owned as to 5% by the Parent Company and 95% by Independent Third Parties.

Hubei Gold

Hubei Gold is principally engaged in the mining, production and sales of gold, gold concentrates and copper concentrates. It owns a gold mine located in Hubei Province, the PRC, namely, the Jilong Mountain Mine. The Jilong Mountain Mine mainly produces gold.

Based on its accounts prepared in accordance with PRC Generally Accepted Accounting Principles, Hubei Gold's audited net profits for the year ended 31 December 2010 and unaudited net profits for the six months ended 30 June 2011 amounted to approximately RMB46 million and RMB27 million, respectively.

The board of directors of Hubei Gold comprises nine members, two of which are appointed by the Parent Company. The Parent Company also appoints one of the deputy general managers of Hubei Gold, who is responsible for overseeing the business operation of Hubei Gold on behalf of the Parent Company. The Parent Company does not control the composition of the board of directors or the management of Hubei Gold.

It is not the intention of the Target Group to acquire the equity interest of Hubei Gold held by the Parent Group since (a) the scale of Hubei Gold's operation is small in terms of net profits as compared to the Target Group; and (b) the 40.2% equity interest in Hubei Gold held by Parent Group only confers limited control over the business operation and decision of Hubei Gold.

Hubei Gold has been supplying copper concentrates to the Daye Metal Group since 2009. For the two years ended 31 December 2010 and the six months ended 30 June 2011, the total purchase of copper concentrates from Hubei Gold by the Daye Metal Group accounted for approximately 0.3%, 0.3% and 0.2% of the total costs of sales of the Daye Metal Group, respectively. Hubei Gold is a connected person of the Company within the meaning of the Listing Rules. Hubei Gold will, after China Times Completion, continue to supply copper concentrates to the Daye Metal Group in accordance with the terms of the Hubei Gold Purchase Framework Agreement, which will constitute continuing connected transactions of the Company.

Lini Mining

Lini Mining owns a copper-iron mine located in Hubei Province, the PRC, namely, the Lini Mine. No mining or production activities have commenced at the Lini Mine. The mining infrastructure of the Lini Mine is currently under construction, which is expected to be completed in 2013. No revenue or profits attributable to mining or production activities have been recorded by Lini Mining during the Track Record Period.

The Parent Company is the single largest shareholder of Lini Mining. It appoints two out of the five directors in Lini Mining. It also appoints the general manager and deputy general manager of Lini Mining, who participate in the daily operations of Lini Mining. Transfer of the Parent Company's equity interest in Lini Mining is subject to pre-emption rights of the other shareholders.

It is not the intention of the Target Group to acquire the equity interest of Lini Mining held by the Parent Company since (a) Lini Mining is not expected to be revenue-generating in the near future; (b) the Company has been informed that the construction of mining infrastructure of the Lini Mine is hindered by the presence of underground water and as such, it is uncertain at this stage as to whether the Lini Mine will have any economic value; and (c) the size of the Lini Mine is insignificant compared to the size of the Four Mines.

Pengling Mining

Pengling Mining owns a copper mine located in Hubei Province, the PRC, namely, the Pengling Mine. No mining or production activities have commenced at the Pengling Mine. No revenue or profits attributable to mining or production activities have been recorded by Pengling Mining during the Track Record Period.

The Parent Company is a passive investor in Pengling Mining and only holds a 5% equity interest. It is entitled to appoint, and has appointed, one of the nine directors of Pengling Mining. Transfer of the Parent Company's equity interest in Pengling Mining is subject to pre-emption rights of the other shareholders.

It is not the intention of the Target Group to acquire the equity interest of Pengling Mining held by the Parent Company since (a) Pengling Mining is not expected to be revenue-generating in the near future; and (b) the size of the Pengling Mine is insignificant compared to the size of the Four Mines.

Non-competition undertaking

Pursuant to the Acquisition Agreement (as supplemented and amended by the First Supplemental Agreement and the Second Supplemental Agreement), the Parent Company has undertaken to the Company that with effect from the date of China Times Completion and until the Ordinary Shares cease to be listed on the Stock Exchange or the Parent Company ceases to be the controlling shareholder (as defined in the Listing Rules) of the Company, whichever is earlier:

(i) it will not and will procure each other member of the Parent Group, the holding company of the Parent Company and the subsidiaries of such holding company not to, directly or indirectly, carry on or be engaged or interested in any business in connection with the exploration, mining, processing, sales and trading of copper, silver, gold and molybdenum, and the production, sales and trading of copper-based products and sulphuric acid (other than (a) the following business of, and interests held by, the Parent Group: (1) the businesses of processing of coarse copper into anode plates; production and sales of copper rods and copper tubes; exploration, mining, production and sales of gold; and trading in silver, gold, copper cathodes, copper concentrates, coarse copper and scrap copper being carried on by the Parent Group as at the date of China Times Completion; and (2) the equity interests held by the Parent Group in companies engaging in the exploration, mining, production and sales of copper, gold, copper concentrates and gold concentrates (being equity interest not exceeding 50% of the total equity interests in each such company) as at the date of China Times Completion (the "**Existing Businesses**"); and (b) new copper, sliver, gold and molybdenum mines and related facilities acquired from or allocated by any governmental authorities from time to time), whether in or outside of the PRC;

(ii) if at any time, any member of the Parent Group proposes to sell or dispose of any of the Existing Businesses, the Parent Company will procure that such business be first offered to the Company for purchase on and subject to such terms and conditions as may be agreed between the Company and the relevant member of the Parent Group; and

(iii) if at any time, any member of the Parent Group, the holding company of the Parent Company or any subsidiary of such holding company acquires from or is allocated by any governmental authority any new copper, silver, gold or molybdenum mine and/or related facility, (a) the Parent Company shall notify the Company in writing immediately; and (b) the Company shall, and the Parent Company shall procure that the Company shall, have the right (but not the obligation),

(1) if the transfer of such mine or related facility is permitted by applicable laws and regulations at the time, at any time within the period of 30 days after such mine or related facility has been acquired or allocated and such due diligence, technical and feasibility report by independent professional parties as the Company may require has been completed (and such report being acceptable to the Company); or

(2) if the transfer of such mine or related facility is not so permitted by applicable laws and regulations at the time, at any time within the period of 30 days after such transfer has become so permitted and such due diligence, technical and feasibility report by independent professional parties as the Company may require has been completed (and such report being acceptable to the Company),

to require, by written notice, the relevant member of the Parent Group, the holding company of the Parent Company or the relevant subsidiary of such holding company to transfer such mine or related facility and all related rights to the Company or such other member of the Enlarged Group as it may direct, on and subject to such terms and conditions as may be agreed between the Company and the relevant member of the Parent Group, the holding company of the Parent Company or the relevant subsidiary of such holding company and also subject to compliance with such legal and regulatory requirements (whether in the PRC or Hong Kong) as may be applicable by the Company and the relevant member of the Parent Group, the holding company of the Parent Company or the relevant subsidiary of such holding company.

The Parent Company has also undertaken to procure that the Company will be provided with all information which may be reasonably required by the Company to make a decision as to whether to exercise its rights under the above non-competition undertaking.

When the Company receives the written notice from the Parent Company with respect to the acquisition or allocation of any new mine or related facility, the independent non-executive Directors will, by a majority vote, decide whether to exercise the Company's rights under the non-competition undertaking. The independent non-executive Directors may, when making such decision, seek the views of the other Directors and the senior management of the Company and request further information such as the business plan and financial condition of the Company and the prevailing market conditions. They may also, at the cost of the Company, appoint any professional adviser as they consider necessary to advise them. Any decision by the independent non-executive Directors as to whether to exercise the Company's rights under the non-competition undertaking to require the transfer of such mine or related facility will be disclosed by the Company in its annual report for the year in which the decision is made. The Company will also comply with all applicable requirements of the Listing Rules (including the requirements under Chapter 14 and 14A of the Listing Rules) as appropriate.

The Existing Businesses are excluded from the non-competition undertaking given by the Parent Company in order to allow the Parent Group to continue carrying on the retained business described above. The non-competition undertaking also excludes new mines and related facilities which may be acquired from or allocated by any governmental authorities from time to time since the Parent Company may, as a state-owned enterprise, benefit from time to time from certain preferential government policies which allow new mines and related facilities to be acquired or allocated to it or its subsidiaries from the government.

INDEPENDENCE FROM PARENT COMPANY

The Directors consider that the Enlarged Group will be capable of carrying on its business independently of the Parent Company on the basis of the following:

Management independence

As at the Latest Practicable Date, the Board comprised three executive Directors and three independent non-executive Directors. The Company has been informed by the Parent Company and China Times that they may nominate new members to the Board after completion of the Acquisition, but no decision has been made as to the nominees or the timing of appointment as at the Latest Practicable Date.

None of the Directors is a director of or hold any position in any member of the Parent Group. The senior management of the Company is also independent of the Parent Group since there is no overlap between the senior management of the Company and that of the Parent Group. The Directors expect that the business of the Enlarged Group will be managed independently of the Parent Company after completion of the Acquisition.

Operational independence

Members of the Enlarged Group will hold all relevant licences and permits required in connection with their respective business operations, and will have sufficient equipment and employees to operate those businesses operations independently of the Parent Company.

The Daye Metal Group has established its own operational structure made up of separate departments independent of the Parent Group, including the research and development department, quality control department, sales and marketing department, procurement department and accounting department.

During the three years ended 31 December 2010 and the six months ended 30 June 2011, members of the Daye Metal Group purchased certain raw materials and products and received certain production services from the Parent Group, which accounted for approximately 4.2%, 3.9%, 6.6% and 5.9% of the total costs of sales of Daye Metal in those periods, respectively. It is expected that such purchases and production services will continue after completion of the Acquisition, but will not represent a material portion of the total costs of sales of the Daye Metal Group. For further details on those purchases and production services, please refer to the section headed "Continuing Connected Transaction- Purchase and Production Services Framework Agreement" in this circular.

During the three years ended 31 December 2010 and the six months ended 30 June 2011, members of the Daye Metal Group sold certain products and materials and provide certain services to the Parent Group, which accounted for approximately 13.2%, 9.2%, 5.9% and 8.1% of the total revenue of Daye Metal Group in those periods, respectively. Shanghai Jinzhao was one of the five largest customers of the Daye Metal Group for the years ended 31 December 2008 and 2009 and the six months ended 30 June 2011. Sales to Shanghai Jinzhao accounted for approximately 6.6%, 6.9% and 4.7% of the total revenue of Daye Metal in those periods, respectively. It is expected that such sales will continue after completion of the Acquisition, but will not represent a material portion of the total revenue of the Daye Metal Group. For further details on those sales, please refer to the section headed "Continuing Connected Transaction- Sales Framework Agreement" in this circular.

On the basis of the above, the Directors believe that the business of the Enlarged Group will be operated independently of the Parent Company, and the Enlarged Group will have independent access to sources of supplies and raw materials for production and to customers following completion of the Acquisition.

Financial independence

As at 30 June 2011, two loans in the aggregate principal amount of RMB990 million which were provided to Daye Metal by the Parent Company were outstanding. Those loans were provided by the Parent Company under the arrangements described below:

(i) In October 2010, the Parent Company issued secured corporate bonds at a par value of RMB100 each for a term of 8 years. The coupon rate was fixed at 4.98% per annum for the first five years, and the coupon rate for the remaining three years is subject to adjustment by the Parent Company. Pursuant to the terms of the corporate bonds, the Parent Company was required to allocate RMB490 million to Daye Metal for its energy saving and Tonglvshan Mine projects. In this connection, the Parent Company entered into a loan agreement with Daye Metal in October 2010, pursuant to which the Parent Company provided an unsecured loan in the amount of RMB490 million to Daye Metal at the interest rate of 4.98% per annum, repayable in five years (the "**First Loan**").

(ii) In January 2011, the Parent Company issued medium-term notes at a par value of RMB100 each for a term of 5 years at a fixed interest rate of 5.79% per annum. Pursuant to the terms of the notes, the Parent Company was required to allocate the entire amount of the proceeds from the issue to Daye Metal for the repayment of Daye Metal's bank borrowings. In this connection, China Merchants Bank, at the request of the Parent Company, entered into a loan agreement with Daye Metal in January 2011, pursuant to which China Merchants Bank provided an unsecured entrusted loan in the amount of RMB500 million to Daye Metal at the interest rate of 5.79% per annum, repayable in five years (the "**Second Loan**").

According to HKFRS, the Second Loan is included as long-term borrowings of the Target Group, secured by the corporate guarantee provided by the Parent Company (see note 27 to the Accountant's Report on the Target Group set out in Appendix I to this circular).

Under PRC law, proceeds from the issue of corporate bonds and notes must be applied in accordance with their terms of issue. The terms of issue of the corporate bonds and medium-term notes by the Parent Company in October 2010 and January 2011, respectively, specified that part or all of the proceeds had to be allocated to Daye Metal. The First Loan and the Second Loan were, therefore, provided by the Parent Company to Daye Metal.

The interest rate for each of the First Loan and the Second Loan is more favourable than the rates offered by independent banks at the time the loan was granted and also the prevailing market rate as at 30 June 2011. Daye Metal does not intend to repay the First Loan and the Second Loan on the completion of the Acquisition but will repay them in accordance with their repayment terms under the loan agreements.

In addition to the First Loan and the Second Loan, the Parent Company has also provided guarantees for certain bank borrowings of Daye Metal. As at 30 June 2011, the outstanding amount of such bank borrowings was RMB620 million.

As at 30 June 2011, Daye Metal had unutilised credit facilities granted by independent banks in the aggregate amount of up to RMB7.6 billion to meet its working capital and trading requirements. Those facilities were granted without any security or guarantee provided by the Parent Group. The aggregate amount of such unutilised credit facilities well exceeds the total amount of indebtedness owed by the Daye Metal Group to the Parent Group and the aggregate amount of loans granted to Daye Metal which is guaranteed by the Parent Group. Based on Daye Metal's past record of financing on a stand-alone basis without any credit support from the Parent Group, the Directors believe that Daye Metal will be able to obtain further financing from independent banks without credit support from the Parent Group if the need arises.

On the basis of the foregoing, the Directors are of the view that the Enlarged Group will be financially independent of the Parent Company following completion of the Acquisition.

NON-DISPOSAL UNDERTAKING

The Parent Company has undertaken to the Company that within six months following the date of the China Times Completion, it will not and will procure that none of the its nominees and companies controlled by it (including China Times) and trusts associated with it (whether individually or together and whether directly or indirectly) will (a) sell or contract to sell any shares of the Company (including the China Times Consideration Shares, any interests in any shares of the Company beneficially owned or held by China Times or any securities convertible into or exercisable or exchangeable for or substantially similar to any such shares of the Company or interests, but excluding the Ordinary Shares which China Times will acquire upon conversion of the China Times Convertible Notes), sell any option or contract to purchase or purchase any option or contract to sell or grant any option, right or warrant in respect thereof, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any shares of the Company; or (b) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such shares of the Company, whether any such transaction described in (a) or (b) above is to be settled by delivery of shares or such other securities, or in cash or otherwise; or (c) announce any intention to enter into or effect any such transaction described in (a) or (b) above.

On 23 December 2011, the Company entered into the following agreements with the Parent Company or its associates (as the case may be), all of which constitute continuing connected transactions of the Company within the meaning of the Listing Rules:

(a) the Sales Framework Agreement;

(b) the Services Framework Agreement;

(c) the Purchase and Production Services Framework Agreement;

(d) the Hubei Gold Purchase Framework Agreement;

(e) the Daye Transportation Purchase Framework Agreement;

(f) the Combined Ancillary Services Framework Agreement;

(g) the Tonghua Hotel Services Framework Agreement; and

(h) the Land Lease Framework Agreement.

On 23 December 2011, the Company entered into the Daye Labour Purchase and Production Services Framework Agreement with Daye Labour, which will constitute continuing connected transactions of the Company within the meaning of the Listing Rules upon China Times Completion.

The Sales Framework Agreement, the Services Framework Agreement, the Purchase and Production Services Framework Agreement, the Hubei Gold Purchase Framework Agreement, the Daye Transportation Purchase Framework Agreement, the Combined Ancillary Services Framework Agreement, the Tonghua Hotel Services Framework Agreement, the Land Lease Framework Agreement and the Daye Labour Purchase and Production Services Framework Agreement are conditional upon China Times Completion taking place and all applicable legal and regulatory requirements (including those under the Listing Rules) having been complied with.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

A. Sales Framework Agreement

Pursuant to the Sales Framework Agreement, the Company will and will procure that other members of the Enlarged Group will supply certain products and materials to the Parent Company and its subsidiaries.

1. Date

23 December 2011

2. Parties

(a) the Company

(b) the Parent Company

3. Term

From the date on which the Sales Framework Agreement takes effect in accordance with its terms until 31 December 2013.

4. Termination

The Sales Framework Agreement shall terminate upon the occurrence of the following events:

(i) consent by both parties to terminate the agreement;

(ii) occurrence of any force majeure event which renders it impossible to achieve the purpose of the agreement;

(iii) breach of the agreement by either party, which is not remedied within 30 days upon request by the non-defaulting party;

(iv) the agreement being declared invalid by the court or other competent authority;

(v) shares of the Company ceasing to be listed on the Stock Exchange; or

(vi) the Parent Company ceasing to constitute a connected person of the Company.

5. Products and materials to be supplied by the Enlarged Group

Copper cathodes, scrap copper, silver, silver extracts（分銀渣）, water (to be procured by members of the Enlarged Group from Independent Third Party suppliers for onward supply to subsidiaries of the Parent Company), electricity (to be procured by members of the Enlarged Group from Independent Third Party suppliers for onward supply to subsidiaries of the Parent Company, or spare electricity generated from the Enlarged Group's production process), raw materials, auxiliary equipment, supporting materials, components, production equipment and tools.

6. *Pricing mechanism*

Depending on the products or materials to be supplied by the Enlarged Group, the price at which each transaction under the Sales Framework Agreement is to be conducted will be determined on the following basis: (i) according to the government-prescribed price; or (ii) if there is no applicable government-prescribed price, with reference to the market price.

7. *Time and method of payment*

The time and method of payment for each transaction under the Sales Framework Agreement will be determined with reference to market practice.

8. *Historical transaction amounts*

Members of the Daye Metal Group had been supplying products and materials similar to those set out in the Sales Framework Agreement to the subsidiaries of the Parent Company in the three years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2011. The aggregate amount paid by the subsidiaries of the Parent Company to members of the Daye Metal Group for such products and materials amounted to approximately RMB1,954,980,000, RMB1,698,490,000, RMB1,540,360,000 and RMB1,113,030,000 for the three years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2011, respectively.

9. *Proposed annual caps*

The Company proposes to adopt the following annual caps for transactions to be entered into pursuant to the Sales Framework Agreement for each of the two years ending 31 December 2012 and 2013:

Annual Cap	
For the year ending 31 December 2012	**For the year ending 31 December 2013**
RMB2,532,300,000	RMB2,744,010,000

The above annual caps have been determined with reference to (i) the existing purchase orders placed by subsidiaries of the Parent Company; (ii) projected increase in the products to be sold to the subsidiaries of the Parent Company as a result of the expected growth in the business of the Parent Company and its subsidiaries and the expansion of the Enlarged Group's production capacity as a result of the upgrading of its production facilities; and (iii) the expected increase in the price of raw materials and labour costs in the next few years.

On the basis of the above factors, the Directors, including members of the Independent Board Committee, are of the view that the proposed annual caps for the transactions under the Sales Framework Agreement are fair and reasonable.

10. Reasons for entering into the Sales Framework Agreement

The Directors consider that the entering into of the Sales Framework Agreement will broaden the revenue base of the Company and allow it to leverage on the sales network of the Parent Company and its subsidiaries in Shanghai and Hong Kong.

B. Services Framework Agreement

Pursuant to the Services Framework Agreement, the Company will and will procure that other members of the Enlarged Group will provide certain services to the Parent Company and its subsidiaries.

1. Date

23 December 2011

2. Parties

(a) the Company

(b) the Parent Company

3. Term

From the date on which the Services Framework Agreement takes effect in accordance with its terms until 31 December 2013.

4. *Termination*

The Services Framework Agreement shall terminate upon the occurrence of the following events:

(i) consent by both parties to terminate the agreement;

(ii) occurrence of any force majeure event which renders it impossible to achieve the purpose of the agreement;

(iii) breach of the agreement by either party, which is not remedied within 30 days upon request by the non-defaulting party;

(iv) the agreement being declared invalid by the court or other competent authority;

(v) shares of the Company ceasing to be listed on the Stock Exchange; or

(vi) the Parent Company ceasing to constitute a connected person of the Company.

5. *Services to be provided by the Enlarged Group*

Design services, surveying services, labour services for construction projects, provision of environment monitoring services, provision of examination of equipment and machineries services.

6. *Pricing mechanism*

The price at which each transaction under the Services Framework Agreement is to be conducted will be determined with reference to the market price of such services.

7. *Time and method of payment*

The time and method of payment for each transaction under the Services Framework Agreement will be determined with reference to market practice.

8. Historical transaction amounts

Members of the Daye Metal Group had been providing services similar to those set out in the Services Framework Agreement to the Parent Company and its subsidiaries in the three years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2011. The aggregate amount paid by the Parent Company and its subsidiaries for such services amounted to approximately RMB2,060,000, RMB1,250,000, RMB7,430,000 and RMB2,130,000 for the three years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2011, respectively.

9. Proposed annual caps

The Company proposes to adopt the following annual caps for transactions to be entered into pursuant to the Services Framework Agreement for each of the two years ending 31 December 2012 and 2013:

Annual Cap	
For the year ending 31 December 2012	**For the year ending 31 December 2013**
RMB9,640,000	RMB10,610,000

The above annual caps have been determined with reference to (i) the expected increase in the services to be provided to the Parent Company and its subsidiaries as a result of the expected growth in their business; and (ii) the expected increase in the services fees to be received by the Enlarged Group in the next few years.

On the basis of the above factors, the Directors, including members of the Independent Board Committee, are of the view that the proposed annual caps for the transactions under the Services Framework Agreement are fair and reasonable.

10. Reasons for entering into the Services Framework Agreement

The Directors consider that the entering into of the Services Framework Agreement will broaden the revenue base of the Enlarged Group. Given the close proximity of the respective operations of the Enlarged Group and the Parent Company and its subsidiaries, the Services Framework Agreement will also enable convenient and cost-efficient sharing of the various services under that agreement between the Enlarged Group and the Parent Company and its subsidiaries.

C. Purchase and Production Services Framework Agreement

Pursuant to the Purchase and Production Services Framework Agreement, the Parent Company will and will procure that its subsidiaries will supply certain products and materials and provide certain production services to members of the Enlarged Group.

1. Date

23 December 2011

2. Parties

(a) the Company

(b) the Parent Company

3. Term

From the date on which the Purchase and Production Services Framework Agreement takes effect in accordance with its terms until 31 December 2013.

4. Termination

The Purchase and Production Services Framework Agreement shall terminate upon the occurrence of the following events:

(i) consent by both parties to terminate the agreement;

(ii) occurrence of any force majeure event which renders it impossible to achieve the purpose of the agreement;

(iii) breach of the agreement by either party, which is not remedied within 30 days upon request by the non-defaulting party;

(iv) the agreement being declared invalid by the court or other competent authority;

(v) shares of the Company ceasing to be listed on the Stock Exchange; or

(vi) the Parent Company ceasing to constitute a connected person of the Company.

5. *Products and materials to be supplied to the Enlarged Group*

Copper concentrates, copper cathodes, coarse copper, scrap copper, mechanically processed products, natural gas, steam, fume, raw materials, auxiliary equipment, supporting materials, components, production equipment and tools.

6. *Production services to be provided to the Enlarged Group*

Processing of coarse copper to anode plates, transportation services, construction of production site and installation of related facilities, and sinking and drifting engineering（井巷工程）and other related production services.

7. *Pricing mechanism*

Depending on the products or materials to be supplied to the Enlarged Group and the production services to be provided to the Enlarged Group, the price at which each transaction under the Purchase and Production Services Framework Agreement is to be conducted will be determined on the following basis: (i) according to government-prescribed price; (ii) if there is no applicable government-prescribed price, with reference to the market price; or (iii) if no such market price is available, the cost incurred by the relevant party in providing the products or materials or services plus a charge not exceeding 15% of such cost.

8. *Time and method of payment*

The time and method of payment for each transaction under the Purchase and Production Services Framework Agreement will be determined with reference to market practice.

9. *Historical transaction amounts*

The Parent Company and its subsidiaries had been supplying products and materials and providing production services similar to those set out in the Purchase and Production Services Framework Agreement to members of the Daye Metal Group in the three years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2011. The aggregate amount paid by members of the Daye Metal Group to the Parent Company and its subsidiaries for such products, materials and services amounted to approximately RMB608,660,000, RMB685,960,000, RMB1,653,230,000 and RMB771,930,000 for the three years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2011, respectively.

10. Proposed annual caps

The Company proposes to adopt the following annual caps for transactions to be entered into pursuant to the Purchase and Production Services Framework Agreement for each of the two years ending 31 December 2012 and 2013:

Annual Cap For the year ending 31 December 2012	For the year ending 31 December 2013
RMB4,797,980,000	RMB5,336,080,000

The annual cap for the year ending 31 December 2012 represents an increase of approximately 190% from the aggregate amount paid by members of the Daye Metal Group to the Parent Company and its subsidiaries for the year ended 31 December 2010. Such estimated increase has been determined on the basis of (i) the aggregate amount of RMB1,204,120,000 already paid by members of the Daye Metal Group to the Parent Company and its subsidiaries for the nine months ended 30 September 2011 and the projected amount to be paid for the remaining three months of 2011, taking into account the existing purchase orders placed by the Daye Metal Group; (ii) the projected increase in the amount of materials and services required as a result of the increased production capacity of copper cathodes of the Enlarged Group upon operation of both the new Ausmelt furnace and the new electrowinning system at the Smelting Plant in 2012, which are expected to increase the annual production capacity of copper cathodes to 640,000 tonnes when operating at full capacity; (iii) the expected growth in the Enlarged Group's business operations; and (iv) the expected increase in the price of raw material and services fees to be paid by the Enlarged Group.

The annual cap for the year ending 31 December 2013 represents an increase of approximately 11% from the annual cap for the previous year. Such estimated increase has been determined on the basis of (i) the expected growth in the Enlarged Group's business operations; and (ii) the expected increase in the price of raw material and services fees to be paid by the Enlarged Group.

On the basis of the above factors, the Directors, including members of the Independent Board Committee, are of the view that the proposed annual caps for the transactions under the Purchase and Production Services Framework Agreement are fair and reasonable.

11. Reasons for entering into the Purchase and Production Services Framework Agreement

The products and materials and production services to be provided under the Purchase and Production Services Framework Agreement will be important to the Enlarged Group's operations. Given the long-term relationship of the Parent Company, its subsidiaries and the Enlarged Group and the close geographical proximity of their respective operations, the Directors consider that the entering into of the Purchase and Production Services Framework Agreement will allow the Enlarged Group to secure a cost effective, timely and stable source of supply of those products and materials and production services, and also to benefit from the procurement network of the Parent Company.

D. Hubei Gold Purchase Framework Agreement

Pursuant to the Hubei Gold Purchase Framework Agreement, Hubei Gold will supply copper concentrates to members of the Enlarged Group.

1. Date

23 December 2011

2. Parties

(a) the Company

(b) Hubei Gold

Hubei Gold is a limited liability company established in the PRC. As at the Latest Practicable Date, it was owned as to 40.2% by the Parent Company and one of its wholly-owned subsidiaries, and therefore constitutes an associate of the Parent Company and a connected person of the Company. Hubei Gold is principally engaged in the mining, production and sales of gold, gold concentrates and copper concentrates.

3. Term

From the date on which the Hubei Gold Purchase Framework Agreement takes effect in accordance with its terms until 31 December 2013.

4. Termination

The Hubei Gold Purchase Framework Agreement shall terminate upon the occurrence of the following events:

(i) consent by both parties to terminate the agreement;

(ii) occurrence of any force majeure event which renders it impossible to achieve the purpose of the agreement;

(iii) breach of the agreement by either party, which is not remedied within 30 days upon request by the non-defaulting party;

(iv) the agreement being declared invalid by the court or other competent authority;

(v) shares of the Company ceasing to be listed on the Stock Exchange; or

(vi) Hubei Gold ceasing to constitute a connected person of the Company.

5. Products to be supplied to the Enlarged Group

Copper concentrates

6. Pricing mechanism

The price at which each transaction under the Hubei Gold Purchase Framework Agreement is to be conducted will be determined with reference to the market price.

7. Time and method of payment

The time and method of payment for each transaction under the Hubei Gold Purchase Framework Agreement will be determined with reference to market practice.

8. Historical transaction amounts

Hubei Gold had been supplying copper concentrates to members of the Daye Metal Group in the two years ended 31 December 2009 and 2010 and the six months ended 30 June 2011. The aggregate amount paid by members of the Daye Metal Group to Hubei Gold for copper concentrates amounted to approximately RMB49,720,000, RMB83,810,000 and RMB27,790,000 for the two years ended 31 December 2009 and 2010 and the six months ended 30 June 2011, respectively.

9. Proposed annual caps

The Company proposes to adopt the following annual caps for transactions to be entered into pursuant to the Hubei Gold Purchase Framework Agreement for each of the two years ending 31 December 2012 and 2013:

Annual Cap	
For the year ending 31 December 2012	**For the year ending 31 December 2013**
RMB96,810,000	RMB106,500,000

The above annual caps have been determined with reference to (i) the expected increase in the requirement of the Enlarged Group for copper concentrates; and (ii) the expected increase in the prices of copper concentrates.

On the basis of the above factors, the Directors, including members of the Independent Board Committee, are of the view that the proposed annual caps for the transactions under the Hubei Gold Purchase Framework Agreement are fair and reasonable.

10. Reasons for entering into the Hubei Gold Purchase Framework Agreement

The copper concentrates to be provided under the Hubei Gold Purchase Framework Agreement will be important to the Enlarged Group's production of copper cathodes. Given the close geographical proximity of the respective operations of Hubei Gold and the Enlarged Group, the Directors consider that the entering into of the Hubei Gold Purchase Framework Agreement will allow the Enlarged Group to secure a cost effective, timely and stable source of supply of copper concentrates.

E. Daye Transportation Purchase Framework Agreement

Pursuant to the Daye Transportation Purchase Framework Agreement, Daye Transportation will supply certain products to members of the Enlarged Group.

1. Date

23 December 2011

2. Parties

(a) the Company

(b) Daye Transportation

Daye Transportation is a limited liability company established in the PRC. As at the Latest Practicable Date, it was owned as to 41.01% by a wholly-owned subsidiary of Hubei Jinge which, in turn, is a 66.88%-owned subsidiary of the Parent Company, and therefore constitutes an associate of the Parent Company and a connected person of the Company. Daye Transportation is principally engaged in the provision of transportation services.

3. Termination

The Daye Transportation Purchase Framework Agreement shall terminate upon the occurrence of the following events:

(i) consent by both parties to terminate the agreement;

(ii) occurrence of any force majeure event which renders it impossible to achieve the purpose of the agreement;

(iii) breach of the agreement by either party, which is not remedied within 30 days upon request by the non-defaulting party;

(iv) the agreement being declared invalid by the court or other competent authority;

(v) shares of the Company ceasing to be listed on the Stock Exchange; or

(vi) Daye Transportation ceasing to constitute a connected person of the Company.

4. Term

From the date on which the Daye Transportation Purchase Framework Agreement takes effect in accordance with its terms until 31 December 2013.

5. Products and materials to be supplied to the Enlarged Group

Tyres, automobile parts and components, petrol and diesel oil.

6. Pricing mechanism

Depending on the products or materials to be supplied to the Enlarged Group, the price at which each transaction under the Daye Transportation Purchase Framework Agreement is to be conducted will be determined with reference to the market price.

7. Time and method of payment

The time and method of payment for each transaction under the Daye Transportation Purchase Framework Agreement will be determined with reference to market practice.

8. Historical transaction amounts

Daye Transportation had been supplying products and materials similar to those set out in the Daye Transportation Purchase Framework Agreement to members of the Daye Metal Group in the two years ended 31 December 2009, 2010 and the six months ended 30 June 2011. The aggregate amount paid by members of the Daye Metal Group to Daye Transportation for such products and materials amounted to approximately RMB3,530,000, RMB3,260,000 and RMB110,000 for the two years ended 31 December 2009, 2010 and the six months ended 30 June 2011, respectively.

Historically, members of the Daye Metal Group purchased products and materials from Daye Transportation in the second half of each year and made payment to Daye Transportation at the time of delivery of those products and materials. It is also the case for the year ending 31 December 2011. As at 30 September 2011, the aggregate amount paid by members of the Daye Metal Group to Daye Transportation amounted to approximately RMB1,480,000. As such, the total amount of RMB110,000 which has already been paid to Daye Transportation for the six months ended 30 June 2011 is not representative of the aggregate amount to be paid for the entire year of 2011.

9. Proposed annual caps

The Company proposes to adopt the following annual caps for transactions to be entered into pursuant to the Daye Transportation Purchase Framework Agreement for each of the two years ending 31 December 2012 and 2013:

Annual Cap	
For the year ending 31 December 2012	**For the year ending 31 December 2013**
RMB3,950,000	RMB4,350,000

The above annual caps have been determined on the basis of (i) the aggregate amount of RMB1,480,000 already paid by members of the Daye Metal Group to Daye Transportation for the nine months ended 30 September 2011 and the projected amount to be paid for the remaining three months of 2011, (ii) the expected increase in the requirement of the Enlarged Group for tyres, automobile parts and components, petrol and diesel oil; and (iii) the expected increase in the prices of those products and materials.

On the basis of the above factors, the Directors, including members of the Independent Board Committee, are of the view that the proposed annual caps for the transactions under the Daye Transportation Purchase Framework Agreement are fair and reasonable.

10. Reasons for entering into the Daye Transportation Purchase Framework Agreement

Daye Transportation is principally engaged in the provision of transportation services and therefore has access to the supply channels for automobile-related products and materials. The Directors consider that the entering into of the Daye Transportation Purchase Framework Agreement will allow the Enlarged Group to secure a cost effective and stable source of supply of those automobile-related products and materials.

F. Combined Ancillary Services Framework Agreement

Pursuant to the Combined Ancillary Services Framework Agreement, the Parent Company will and will procure that its subsidiaries will provide certain ancillary services to members of the Enlarged Group.

1. Date

23 December 2011

2. Parties

(a) the Company

(b) the Parent Company

3. Term

From the date on which the Combined Ancillary Services Framework Agreement takes effect in accordance with its terms until 31 December 2013.

4. Termination

The Combined Ancillary Services Framework Agreement shall terminate upon the occurrence of the following events:

(i) consent by both parties to terminate the agreement;

(ii) occurrence of any force majeure event which renders it impossible to achieve the purpose of the agreement;

(iii) breach of the agreement by either party, which is not remedied within 30 days upon request by the non-defaulting party;

(iv) the agreement being declared invalid by the court or other competent authority;

(v) shares of the Company ceasing to be listed on the Stock Exchange; or

(vi) the Parent Company ceasing to constitute a connected person of the Company.

5. Ancillary services to be provided to the Enlarged Group

Medical services, employee training services, property management services, building maintenance services, telecommunication and related maintenance services, utility services (including water and electricity) and other related ancillary services.

6. Pricing mechanism

Depending on the ancillary services to be provided by the Parent Company and its subsidiaries, the price at which each transaction under the Combined Ancillary Services Framework Agreement is to be conducted will be determined on the following basis: (i) according to government-prescribed price; or (ii) if there is no applicable government-prescribed price, with reference to the market price.

7. Time and method of payment

The time and method of payment for each transaction under the Combined Ancillary Services Framework Agreement will be determined with reference to market practice.

8. Historical transaction amounts

The Parent Company and its subsidiaries had been providing ancillary services similar to those set out in the Combined Ancillary Services Framework agreement to members of the Daye Metal Group in the three years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2011. The aggregate amount paid by members of the Daye Metal Group for such ancillary services amounted to approximately RMB43,180,000, RMB282,270,000, RMB302,250,000 and RMB144,400,000 for the three years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2011, respectively.

9. Proposed annual caps

The Company proposes to adopt the following annual caps for transactions to be entered into pursuant to the Combined Ancillary Services Framework Agreement for each of the two years ending 31 December 2012 and 2013:

Annual Cap	
For the year ending 31 December 2012	**For the year ending 31 December 2013**
RMB501,720,000	RMB660,780,000

The above annual caps have been determined with reference to (i) the historical amounts paid by members of Daye Metal Group for similar ancillary services to the Parent Company and its subsidiaries; (ii) the expected increase in the services to be provided; and (iii) the expected increase in the services fees to be paid by the Enlarged Group in the next few years.

On the basis of the above factors, the Directors, including members of the Independent Board Committee, are of the view that the proposed annual caps for the transactions under the Combined Ancillary Services Framework Agreement are fair and reasonable.

10. Reasons for entering into the Combined Ancillary Services Framework Agreement

The Group or the Target Group currently does not have the capability of providing the ancillary services set out in the Combined Ancillary Services Framework Agreement. The Combined Ancillary Services Framework Agreement will allow the Enlarged Group to obtain the use of a wide range of support services that it or its employees will require on a day-to-day basis. The provision of such services to the Enlarged Group will allow the Enlarged Group to concentrate its resources on its core production operations.

G. Tonghua Hotel Services Framework Agreement

Pursuant to the Tonghua Hotel Services Framework Agreement, the Tonghua Hotel will provide certain ancillary services to members of the Enlarged Group.

1. Date

23 December 2011

2. Parties

(a) the Company

(b) Tonghua Hotel

Tonghua Hotel is a limited liability company established in the PRC. As at the Latest Practicable Date, it was owned as to 45% by the Parent Company and therefore constitutes an associate of the Parent Company and a connected person of the Company. Tonghua Hotel is principally engaged in the catering and hotel business.

3. Term

From the date on which the Tonghua Hotel Services Framework Agreement takes effect in accordance with its terms until 31 December 2013.

4. Termination

The Tonghua Hotel Services Framework Agreement shall terminate upon the occurrence of the following events:

(i) consent by both parties to terminate the agreement;

(ii) occurrence of any force majeure event which renders it impossible to achieve the purpose of the agreement;

(iii) breach of the agreement by either party, which is not remedied within 30 days upon request by the non-defaulting party;

(iv) the agreement being declared invalid by the court or other competent authority;

(v) shares of the Company ceasing to be listed on the Stock Exchange; or

(vi) Tonghua Hotel ceasing to constitute a connected person of the Company.

5. Services to be provided to the Enlarged Group

Hotel services, catering services and business conference services.

6. Pricing mechanism

The price at which each transaction under the Tonghua Hotel Services Framework agreement is to be conducted will be determined with reference to the market price of such services.

7. Time and method of payment

The time and method of payment for each transaction under the Tonghua Hotel Services Framework Agreement will be determined with reference to market practice.

8. Historical transaction amounts

Tonghua Hotel had been providing ancillary services similar to those set out in the Tonghua Hotel Services Framework Agreement to members of the Daye Metal Group in the two years ended 31 December 2009, 2010 and six months ended 30 June 2011. The aggregate amount paid by members of the Daye Metal Group for such ancillary services amounted to approximately RMB1,690,000, RMB3,400,000 and RMB1,300,000 for the two years ended 31 December 2009, 2010 and six months ended 30 June 2011, respectively.

9. Proposed annual caps

The Company proposes to adopt the following annual caps for transactions to be entered into pursuant to the Tonghua Hotel Services Framework Agreement for each of the two years ending 31 December 2012 and 2013:

Annual Cap	
For the year ending 31 December 2012	**For the year ending 31 December 2013**
RMB4,110,000	RMB4,530,000

The above annual caps have been determined with reference to (i) the historical amounts paid by members of the Daye Metal Group for similar services provided by Tonghua Hotel; (ii) the projected increase in the services to be provided; and (iii) the expected increase in the services fees to be paid by the Enlarged Group in the next few years as a result of increase in labour costs.

On the basis of the above factors, the Directors, including members of the Independent Board Committee, are of the view that the proposed annual caps for the transactions under the Tonghua Hotel Services Framework Agreement are fair and reasonable.

10. Reasons for entering into the Tonghua Hotel Services Framework Agreement

Given the close geographical proximity of Tonghua Hotel and members of the Enlarged Group, the Directors consider that the entering into of the Tonghua Hotel Services Framework Agreement will allow the Enlarged Group to secure cost effective hotel accommodation and catering and business conference service for its business functions.

FURTHER INFORMATION ON THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Based on the aggregate annual caps proposed to be adopted for the Sales Framework Agreement and the Services Framework Agreement, one or more of the Relevant Ratios for the transactions to be carried out pursuant to such agreements is expected to exceed 5%. Hence, such transactions are subject to the reporting, announcement, independent shareholders' approval and annual review requirements as prescribed under Chapter 14A of the Listing Rules.

Based on the aggregate annual caps proposed to be adopted for the Purchase and Production Services Framework Agreement, the Hubei Gold Purchase Framework Agreement and the Daye Transportation Purchase Framework Agreement, one or more of the Relevant Ratios for the transactions to be carried out pursuant to such agreements is expected to exceed 5%. Hence, such transactions are subject to the reporting, announcement, independent shareholders' approval and annual review requirements as prescribed under Chapter 14A of the Listing Rules.

Based on the aggregate annual caps proposed to be adopted for the Combined Ancillary Services Framework Agreement and the Tonghua Hotel Services Framework Agreement, one or more of the Relevant Ratios for the transactions to be carried out pursuant to such agreements is expected to exceed 5%. Hence, such transactions are subject to the reporting, announcement, independent shareholders' approval and annual review requirements as prescribed under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Non-Exempt Continuing Connected Transactions. The Directors, including members of the Independent Board Committee, consider that the Non-Exempt Continuing Connected Transactions will be entered into in the ordinary and usual course of business of the Enlarged Group, on normal commercial terms which will be on arm's length basis or no less favourable to the Enlarged Group than terms available to or from Independent Third Parties, fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Non-Exempt Continuing Connected Transactions and the Annual Caps. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Non-Exempt Continuing Connected Transactions and the Annual Caps.

The Independent Financial Adviser is of the view that (1) the Non-Exempt Continuing Connected Transactions will be entered into in the ordinary course of business of the Enlarged Group, on normal commercial terms, and are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (2) the Annual Caps are fair and reasonable. Please refer to the section headed "Letter from the Independent Financial Adviser" in this circular for further details.

China Times, its associates, persons acting in concert with it and any person who is involved or interested in the Acquisition and/or the Whitewash Waiver will abstain from voting on the resolution for the approval of the Non-Exempt Continuing Connected Transactions (including the Annual Caps) to be proposed at the EGM.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

A. Land Lease Framework Agreement

Pursuant to the Land Lease Framework Agreement, the Parent Company will and will procure that its subsidiaries will lease certain parcels of land to members of the Enlarged Group.

1. Date

23 December 2011

2. Parties

(a) the Company

(b) the Parent Company

3. Term

From the date on which the Land Lease Framework Agreement takes effect in accordance with terms until 31 December 2039.

The Directors consider that the term of the Land Lease Framework Agreement is fair and reasonable on the basis that (a) the parcels of land under the Land Lease Framework Agreement, which are currently leased to members of the Daye Metal Group for their production and staff facilities, are located around the Four Mines and the Smelting Plant and there are no comparable alternative parcels of land in the proximity; and (b) the rent payable for leasing each parcel of land will be the same for every year during the term of the Land Lease Framework Agreement (please refer to the paragraph headed "pricing mechanism" below).

4. Termination

The Land Lease Framework Agreement shall terminate upon the occurrence of the following events:

(i) consent by both parties to terminate the agreement;

(ii) occurrence of any force majeure event which renders it impossible to achieve the purpose of the agreement;

(iii) breach of the agreement by either party, which is not remedied within 30 days upon request by the non-defaulting party;

(iv) the agreement being declared invalid by the court or other competent authority;

(v) shares of the Company ceasing to be listed on the Stock Exchange; or

(vi) the Parent Company ceasing to constitute a connected person of the Company.

5. Pricing mechanism

The rent at which each transaction under the Land Lease Framework Agreement is to be conducted will be the annual depreciation amount of the relevant parcel of land, which will be calculated as the total amount paid by the owner of the land to the relevant government authorities for acquiring the relevant land use right, divided by the estimated useful life of such land. The lessee will also bear all the taxes and duties payable for the lease, which will be calculated by reference to the rent payable. Both the rent and the aggregate taxes and duties payable by the lessee for each parcel of land will be the same for each year during the term of the lease.

The above pricing mechanism is adopted since the parcels of land to be leased by members of the Enlarged Group from the Parent Company and its subsidiaries are located around the Four Mines and the Smelting Plant and there is no comparable land in the proximity and no corresponding market rent available for reference.

6. Time and method of payment

The rent under the Land Lease Framework Agreement is payable annually to the designated bank account of the Parent Company or the relevant subsidiary of the Parent Company.

7. Historical transaction amounts

The Parent Company and its subsidiaries had leased the parcels of land set out in the Land Lease Framework Agreement to members of the Daye Metal Group for the three years ended 31 December 2010 and the six months ended 30 June 2011. For the two years ended 31 December 2009, the Parent Company and/or its subsidiaries leased the parcels of land to members of the Daye Metal Group free of charge. The aggregate amount paid by members of the Daye Metal Group to the Parent Company for such lease amounted to approximately RMB12,750,000 and RMB6,380,000 for the year ended 31 December 2010 and the six months ended 30 June 2011, respectively.

8. Proposed annual caps

The Company proposes to adopt the following annual caps for transactions to be entered into pursuant to the Land Lease Agreement for each of the two years ending 31 December 2012 and 2013:

Annual Cap	
For the year ending 31 December 2012	**For the year ending 31 December 2013**
RMB23,890,000	RMB23,890,000

The above annual caps have been determined with reference to (i) the expected number of parcels of land to be leased by the Enlarged Group from the Parent Company and its subsidiaries; and (ii) the aggregate rent and taxes and duties payable by the Enlarged Group for leasing those parcels of land.

On the basis of the above factors, the Directors are of the view that the proposed annual caps for the transactions under the Land Lease Framework Agreement are fair and reasonable.

9. Reasons for entering into the Land Lease Framework Agreement

The parcels of land under the Land Lease Framework Agreement had been leased to members of the Daye Metal Group by the Parent Company and its subsidiaries in the past for their production and staff facilities. The arrangement would, therefore, enable the Enlarged Group to continue using those parcels of land without disruption to its business operations.

B. Daye Labour Purchase and Production Services Framework Agreement

Pursuant to the Daye Labour Purchase and Production Services Framework Agreement, Daye Labour will and will procure that its subsidiary will supply certain products and materials and provide certain production services to members of the Enlarged Group.

1. Date

23 December 2011

2. Parties

(a) the Company

(b) Daye Labour

Daye Labour is a limited liability company established in the PRC. As at the Latest Practicable Date, it owned approximately 10.66% equity interest in Daye Industry, a 89.34%-owned subsidiary of Daye Metal, and is therefore a substantial shareholder of Daye Industry. Daye Labour will become a connected person of the Company upon China Times Completion. Daye Labour is principally engaged in the production of iron products and labour protection products and provision of cleaning and recycling services.

3. Term

From the date on which the Daye Labour Purchase and Production Services Framework Agreement takes effect in accordance with its terms until 31 December 2013.

4. Termination

The Daye Labour Purchase and Production Services Framework Agreement shall terminate upon the occurrence of the following events:

(i) consent by both parties to terminate the agreement;

(ii) occurrence of any force majeure event which renders it impossible to achieve the purpose of the agreement;

(iii) breach of the agreement by either party, which is not remedied within 30 days upon request by the non-defaulting party;

(iv) the agreement being declared invalid by the court or other competent authority;

(v) shares of the Company ceasing to be listed on the Stock Exchange; or

(vi) Daye Labour ceasing to constitute a connected person of the Company.

5. Products and materials to be supplied to the Enlarged Group

Iron balls, auxiliary equipment, supporting materials, components, production equipment and tools and labour protection products.

6. Production services to be provided to the Enlarged Group

Provision of cleaning services and provision of recycling services of ore.

7. Pricing mechanism

Depending on the products or materials to be supplied to the Enlarged Group and the production services to be provided to the Enlarged Group, the price at which each transaction under the Daye Labour Purchase and Production Services Framework Agreement is to be conducted will be determined with reference to the market price.

8. Time and method of payment

The time and method of payment for each transaction under the Daye Labour Purchase and Production Services Framework Agreement will be determined with reference to market practice.

9. Historical transaction amounts

Daye Labour and its subsidiary had been supplying products and materials and providing production services similar to those set out in the Daye Labour Purchase and Production Services Framework Agreement to members of the Daye Metal Group in the three years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2011. The aggregate amount paid by members of the Daye Metal Group to Daye Labour and its subsidiary for such products, materials and services amounted to approximately RMB7,130,000, RMB5,190,000, RMB8,160,000 and RMB5,050,000 for the three years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2011, respectively.

10. Proposed annual caps

The Company proposes to adopt the following annual caps for transactions to be entered into pursuant to the Daye Labour Purchase and Production Services Framework Agreement for each of the two years ending 31 December 2012 and 2013:

Annual Cap	
For the year ending 31 December 2012	**For the year ending 31 December 2013**
RMB9,870,000	RMB10,860,000

The above annual caps have been determined with reference to (i) the existing purchase orders placed by the Daye Metal Group; (ii) the projected increase in the amount of materials and services required as a result of the increased production capacity of the Enlarged Group and the expected growth in the Enlarged Group's business operations; and (iii) the expected increase in the price of raw material and services fees to be paid by the Enlarged Group.

On the basis of the above factors, the Directors are of the view that the proposed annual caps for the transactions under the Daye Labour Purchase and Production Services Framework Agreement are fair and reasonable.

11. Reasons for entering into the Daye Labour Purchase and Production Services Framework Agreement

The products and materials and production services to be provided under the Daye Labour Purchase and Production Services Framework Agreement will be important to the Enlarged Group's operations. Given the long-term relationship of Daye Labour, its subsidiary and the Enlarged Group and the close geographical proximity of their respective operations, the Directors consider that the entering into of the Daye Labour Purchase and Production Services Framework Agreement will allow the Enlarged Group to secure a cost effective, timely and stable source of supply of those products and materials and production services.

FURTHER INFORMATION ON THE EXEMPT CONTINUING CONNECTED TRANSACTIONS

Based on the annual caps proposed to be adopted for each of the Land Lease Framework Agreement and the Daye Labour Purchase and Production Services Framework Agreement, one or more of the Relevant Ratios for the transactions to be carried out pursuant to such agreement is expected to exceed 0.1% but be less than 5%. Hence, such transactions are subject to the reporting, announcement and annual review requirements only and are exempted from the independent shareholders' approval requirement as prescribed under Chapter 14A of the Listing Rules.

The Directors consider that the Exempt Continuing Connected Transactions will be entered into in the ordinary and usual course of business of the Enlarged Group, on normal commercial terms which will be no less favaurable to the Enlarged Group than those available to or from Independent Third Parties, fair and reasonable and in the interests of the Company and its shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT OF THE GROUP

The biographical details of the Directors and senior management of the Company immediately following the completion of the Acquisition are set out below:

Directors

Name	Age	Position
Mr. Wan Bi Qi（万必奇）	46	Chairman and Executive Director
Mr. Chen Xiang（陳翔）	42	Chief Executive Officer and Executive Director
Ms. Yuan Ping（袁萍）	42	Executive Director
Mr. Wang Qihong（王岐虹）	59	Independent Non-executive Director
Mr. Wang Guoqi（王國起）	51	Independent Non-executive Director
Mr. Qiu Guanzhou（邱冠周）	62	Independent Non-executive Director

Executive Directors

Mr. Wan Bi Qi（万必奇）, aged 46, is the Chairman and an executive Director of the Company. Mr. Wan was appointed as a Director of the Company in April 2009. Mr. Wan is primarily responsible for the overall strategies, planning and business development of the Group. Mr. Wan currently holds directorships in 6 subsidiaries of the Company and was a director of China Times from April 2009 to June 2011. He was previously the general manager of the investment banking division of Fortune Securities Co., Ltd. and of Wanlian Securities Co., Ltd.（萬聯證券有限責任公司）and the deputy general manager of Flying Pace Investment Limited in Hong Kong from 2002 to 2008. Mr. Wan was the assistant to the manager of the Parent Company and the financial controller of Daye Metal from November 2008 to June 2011. Mr. Wan possesses experience in mergers and acquisitions, reorganisation, financing through listing and financing for listed companies. He obtained a bachelor's degree in science (exploration engineering) from Central South University (formerly Central South Industrial University) in 1987, a master's degree in philosophy and a doctorate degree in economics from Wuhan University in 1992 and 1998, respectively. Mr. Wan did not hold any directorship in any other listed public companies in the last three years. Save as disclosed herein, there are no other matters in relation to Mr. Wan which are required to be disclosed pursuant to Rule 13.51 (2) of the Listing Rules.

Mr. Chen Xiang (陳翔), aged 42, is the Chief Executive Officer and an executive Director of the Company. Mr. Chen was appointed as a Director of the Company in April 2009. Mr. Chen currently holds directorships in 10 subsidiaries of the Company. Mr. Chen is responsible for major investments and fund raisings, mergers and acquisitions, contract management, dispute management as well as providing legal advice with respect to material operating decisions of the Group's senior management. Mr. Chen obtained a qualified PRC lawyer certificate from the Ministry of Justice of the PRC in August 1996 and he obtained a mid-level economist certificate in business administration from the Ministry of Human Resources and Social Security (formerly the Ministry of Personnel) of the PRC in November 2004. Prior to joining the Company, he was a deputy director of the legal department of the Parent Company and secretary to the board of directors of Daye Metal from November 2006 to December 2009. Mr. Chen has experience in corporate management, investment and legal affairs. Mr. Chen obtained a master's degree in law from Wuhan University in 2003. Mr. Chen also obtained a corporation lawyer's licence (公司律師證) from the Ministry of Justice of the PRC in September 2004. Mr. Chen did not hold any directorship in any other listed public companies in the last three years. Save as disclosed herein, there are no other matters in relation to Mr. Chen which are required to be disclosed pursuant to Rule 13.51 (2) of the Listing Rules.

Ms. Yuan Ping (袁萍), aged 42, is an executive Director of the Company. Ms. Yuan was appointed as a Director of the Company in April 2009. Ms. Yuan currently holds directorships in 7 subsidiaries of the Company. Ms. Yuan is responsible for the general corporate and accounting affairs of the Group. Prior to joining the Company, Ms. Yuan was the chief financial officer of Changzhou Dajiang Copper Industry Co., Ltd. (常州市大江銅業有限公司), a subsidiary of the Parent Company, from 2006 to 2008, and deputy officer of the finance department of the Parent Company from January 2009 to May 2009. Ms. Yuan has 21 years of experience in financial management and investment. Ms. Yuan graduated in accounting from Zhongnan University of Economics and Law in 2004. Ms. Yuan obtained a qualified accountant certificate from the Ministry of Finance of the PRC in May 1997. She did not hold any directorship in any other listed public companies in the last three years. Save as disclosed herein, there are no other matters in relation to Ms. Yuan which are required to be disclosed pursuant to Rule 13.51 (2) of the Listing Rules.

Independent Non-executive Directors

Mr. Wang Qihong (王岐虹), aged 59, is an independent non-executive Director of the Company. Mr. Wang was appointed as a Director of the Company in January 2006. Mr. Wang is experienced in the postal and tele-communications field in the PRC. Prior to joining the Company, Mr. Wang was a deputy manager of Town Khan Limited (同强有限公司) from 1992 to 2001. Mr. Wang graduated in foreign language from Liaoning University in the PRC in 1976. He did not hold any directorship in any listed public companies in the last three years. Save as disclosed herein, there are no other matters in relation to Mr. Wang which are required to be disclosed pursuant to Rule 13.51 (2) of the Listing Rules.

Mr. Wang Guoqi (王國起), aged 51, is an independent non-executive Director of the Company. Mr. Wang was appointed as a Director of the Company in January 2006. Mr. Wang qualified as a certified accountant in the PRC accredited by the Ministry of Finance of the PRC in June 1997. Mr. Wang has extensive experience in accounting and finance in different industries. Currently, he is the managing partner of Hua-Ander Certified Public Accountants in the PRC. Mr. Wang obtained a bachelor's degree in financial accounting and a master's degree in economics from Renmin University of China in 1982 and 1985, respectively, and a doctorate degree in philosophy from the University of London in the United Kingdom in 1994. He did not hold any directorship in any listed public companies in the last three years. Save as disclosed herein, there are no other matters in relation to Mr. Wang which are required to be disclosed pursuant to Rule 13.51 (2) of the Listing Rules.

Mr. Qiu Guanzhou (邱冠周), aged 62, is an independent non-executive Director of the Company. Mr. Qiu was appointed as a Director of the Company in May 2009. Mr. Qiu has gained extensive and practical experience during his term of service as an officer responsible for administration and technology on the front line of a copper smelting enterprise. Mr. Qiu has been focusing on the teaching of and scientific research on mining engineering in Central South University since 1987. Since 1990, he has acted as head of the Department of Mining Engineering and vice-president of Central South University. Mr. Qiu is a renowned expert, professor and supervisor of doctorate students in the field of mining engineering in China. He obtained his master's and doctorate degree of engineering from Central South University in 1982 and 1987, respectively. Mr. Qiu did not hold any directorship in any listed public companies in the last three years. Save as disclosed herein, there are no other matters in relation to Mr. Qiu which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Senior Management

Name	Age	Position
Mr. Chen Xiang (陳翔)	42	Chief Executive Officer and Executive Director
Mr. Wang Da Zhao (王大釗)	41	Vice President

Mr. Chen Xiang (陳翔), Chief Executive Officer of the Company. Please refer to the sub-section headed "Directors and senior management of the Group – Executive Directors" in this section for details.

Mr. Wang Da Zhao（王大釗）, aged 41, is the vice president of the Company. Mr. Wang joined the Company in October 2010. Mr. Wang is responsible for business development. Mr. Wang has experience in the finance industry in the PRC. Prior to joining the Company, Mr. Wang was the chief investment officer of an investment consulting firm and he has also served various positions at other companies and securities firms in the PRC. Mr. Wang graduated in international finance from Tianjin University of Finance and Economics in 1993, and obtained a master's degree in investment management from the Graduate School of Chinese Academy of Social Sciences in 1998. Mr. Wang did not hold any directorship in any other listed public companies in the past three years.

Company Secretary

Chan Yim Kum（陳艷琴）, aged 47, is the company secretary of the Company. Ms. Chan joined the Company in December 2008. Ms. Chan is responsible for general corporate governance affairs and related administration of the Company. Save as disclosed, Ms. Chan is the executive director of Seamless Green China (Holdings) Limited. Ms. Chan obtained a bachelor's degree in business studies from University of Huddersfield in the United Kingdom in 1994, and a master's degree in professional accounting from Hong Kong Polytechnic University in 2001. Ms. Chan was admitted as an associate of the Taxation Institute of Hong Kong, The Institute of Chartered Secretaries and Administration of the United Kingdom and The Hong Kong Institute of Company Secretaries in June 2000, May 2000 and May 2000, respectively. Save as disclosed herein, Ms. Chan did not hold any directorship in any other listed public companies in the past three years.

DIRECTORS AND SENIOR MANAGEMENT OF DAYE METAL

The biographical details of the directors and senior management of Daye Metal as at the Latest Practicable Date are set out below:

Directors

Name	**Age**	**Position**
Mr. Zhang Lin（張麟）	48	Chairman and director
Mr. Zhai Baojin（翟保金）	44	director and general manager
Mr. Wen Sen（溫森）	45	director
Mr. Yu Lixian（余利先）	44	director
Mr. Wang Yong（王勇）	50	director
Mr. Tan Yaoyu（譚耀宇）	38	director
Mr. Li Shuju（李書舉）	49	director
Mr. Wu Lijie（吳禮傑）	46	director
Mr. Zhong Jin（鍾錦）	50	director
Mr. Zhang Zhongyao（張中堯）	48	director

Mr. Zhang Lin（張麟）, aged 48, is the chairman and a director of Daye Metal. Mr. Zhang was appointed as a director of Daye Metal in March 2005. Mr. Zhang joined Daye Metal in 2005, and since then, had served as the deputy manager, the general manager and a director of Daye Metal. Mr. Zhang was the deputy manager and the manager of the Parent Company from 1998 to 2010. He is currently the chairman of the Parent Company. Mr. Zhang has over 25 years of experience in the mining industry. Mr. Zhang obtained a bachelor's degree in mineral engineering from Central South University in 1986 and a doctorate degree in mineral processing engineering from Central South University in 2008. Mr. Zhang was accredited as a senior engineer in mining processing by the Employees Reform Office of Hubei Province in April 2004. Mr. Zhang did not hold any directorship in any other listed public companies in the past three years.

Mr. Zhai Baojin（翟保金）, aged 44, is a director and the general manager of Daye Metal. Mr. Zhai was appointed as a director of Daye Metal in September 2006. Mr. Zhai joined Daye Metal in April 2005 and since then, had served as the factory head of the Smelting Plant, the deputy general manager in general affairs and the deputy general manager of Daye Metal. Mr. Zhai was the technician, factory head and the deputy manager of the Parent Company from 1986 to 2010. Mr. Zhai is currently the deputy manager and a director of the Parent Company. Mr. Zhai has over 25 years of experience in the mining industry. Mr. Zhai is a graduate in economics and management from the Party School of Hubei Province of 2007. Mr. Zhai was accredited as a senior engineer in metallurgy by the Employees Reform Office of Hubei Province in June 2006. Mr. Zhai did not hold any directorship in any other listed public companies in the past three years.

Mr. Wen Sen（溫森）, aged 45, is a director of Daye Metal. Mr. Wen was appointed as a director of Daye Metal in September 2006. Mr. Wen joined Daye Metal in 2005 and since then, had served as the secretary of the Communist Party Committee, the chairman of the labour union and the secretary of the discipline committee of Daye Metal. Mr. Wen was the secretary of the discipline committee and the chairman of the labour union of the Parent Company from 1984 to 2010. Mr. Wen is currently the secretary of the discipline committee of the Parent Company. Mr. Wen has over 27 years of experience in the mining industry. Mr. Wen is a graduate in economics and management from the Party School of Hubei Province in 2009. Mr. Wen did not hold any directorship in any other listed public companies in the past three years.

Mr. Yu Lixian（余利先）, aged 44, is a director of Daye Metal. Mr. Yu was appointed as a director of Daye Metal in September 2006. Mr. Yu joined Daye Metal in 2005 and since then, had served as the deputy mining manager and the mining manager of the Tonglvshan Mine. He was the deputy manager and a member of the Standing Committee of the Parent Company from 2006 to 2010, and has been the general counsel, a member of the Standing Committee and deputy general manager of the Parent Company since June 2010. Mr. Yu has over 21 years of experience in the mining industry. Mr. Yu is a graduate in law from the Party School of Hubei Province in 2004. Mr. Yu was accredited as a senior engineer in mining by Employees Reform Office of Hubei Province in 2005. Mr. Yu did not hold any directorship in any other listed public companies in the past three years.

Mr. Wang Yong (王勇), aged 50, is a director of Daye Metal. Mr. Wang was appointed as a director of Daye Metal in September 2006. Mr. Wang joined Daye Metal in 2005 and had since served as the president of the research and development centre and the deputy manager of the technology centre of Daye Metal. Mr. Wang was the deputy manager of the Parent Company from 2006 to 2010, and is now the deputy general manager of the Parent Company. Mr. Wong has been a member of the Standing Committee of the Parent Company since 2006. Mr. Wang has over 28 years of experience in the mining industry. Mr. Wang obtained a doctorate degree in engineering (non-ferrous metallurgy) from Central South University in 2009. Mr. Wang was accredited as a senior engineer in mining processing by the Employees Reform Office of Hubei Province in April 2006. Mr. Wang did not hold any directorship in any other listed public companies in the past three years.

Mr. Tan Yaoyu (譚耀宇), aged 38, is a director of Daye Metal. Mr. Tan was appointed as a director of Daye Metal in September 2011. Mr. Tan joined Daye Metal in December 2008 and served as its financial director until October 2009. He is currently the chief accountant and a member of the Standing Committee of the Parent Company. Prior to joining Daye Metal, Mr. Tan was the deputy financial director and the cost controller of the Parent Company from 1998 to 2008. Mr. Tan has over 19 years of experience in the mining industry. Mr. Tan is a graduate in economics and management from the Party School of Hubei Province of 2007. Mr. Tan was accredited as a senior accountant by the Employees Reform Office of Hubei Province in December 2010. Mr. Tan did not hold any directorship in any other listed public companies in the past three years.

Mr. Li Shuju (李書舉), aged 49, is a director of Daye Metal. Mr. Li was appointed as a director of Daye Metal in September 2011. Mr. Li previously served as the office manager, assistant to the general manager, deputy general manager and vice-chairman of Jinshi Gold, a subsidiary of the Parent Company. He is currently the chairman of Jinshi Gold. He has also been the deputy general manager of the Parent Company since June 2010. Mr. Li has over 24 years of experience in the mining industry. Mr. Li is a graduate in economics and management from the Party School of Hubei Province of 2001. Mr. Li did not hold any directorship in any other listed public companies in the past three years.

Mr. Wu Lijie (吳禮傑), aged 46, is a director of Daye Metal. Mr. Wu was appointed as a director of Daye Metal in September 2011. Mr. Li joined Daye Metal in 2005 and since then, had served as the deputy secretary of the discipline committee and the chairman of the labour union of Daye Metal. He also previously served as a technician, manager and deputy mining head of the Tonglvshan Mine, the secretary of the mining committee, the deputy secretary of the discipline committee, the manager of the monitoring and audit department and the assistant to the manager of the Parent Company. He has been the chairman of the labour union, a director and also a member of the Standing Committee of the Parent Company since 2010. Mr. Wu has over 24 years of experience in the mining industry. Mr. Wu obtained a master's degree in business administration from Huazhong University of Science and Technology (華中科技大學) in 2002. Mr. Wu did not hold any directorship in any other listed public companies in the past three years.

Mr. Zhong Jin (鍾錦), aged 50, is a director of Daye Metal. Mr. Zhong was appointed as a director of Daye Metal in August 2011. Prior to joining Daye Metal, Mr. Zhong worked in the China Construction Bank as a loan officer, deputy branch head, branch head, deputy manager of international business and the head of the market research and product development department of its Sichuan branch from 1985 to 2002. Mr. Zhong was also previously the deputy head of the Guiyang branch of Cinda. Mr. Zhong has over 25 years of experience in the banking industry. Mr. Zhong obtained a doctorate degree in finance from the Southwestern University of Finance and Economics in 2006. Mr. Zhong did not hold any directorship in any other listed public companies in the past three years.

Mr. Zhang Zhongyao (張中堯), aged 48, is a director of Daye Metal. Mr. Zhang was appointed as a director of Daye Metal in April 2008. Prior to joining Daye metal, Mr. Zhang previously served as the office manager, assistant to the senior manager and the senior manager of the Wuhan branch of Huarong and is currently the chief risk management executive of the Wuhan branch of Huarong. Mr. Zhang has over 26 years of experience in the finance industry. Mr. Zhang obtained a bachelor's degree in planning and statistics (economics) from Zhongnan University of Economics and Law in 1985. Mr. Zhang was accredited as a senior statistician by the Bureau of Human Resources of the Hubei Province in August 1999. Mr. Zhang did not hold any directorship in any other listed public companies in the past three years.

Senior Management

Name	Age	Position
Mr. Zhai Baojin (翟保金)	44	director and general manager
Mr. Wang Gen (王根)	54	deputy general manager
Mr. Liao Quanjia (廖全佳)	45	deputy general manager
Mr. Liu Chuanzhuan (劉傳轉)	61	chief engineer
Mr. Chen Zhiyou (陳志友)	47	deputy general manager
Mr. Feng Mingrui (封明瑞)	44	deputy general manager

Mr. Zhai Baojin (翟保金), general manager of Daye Metal. Please refer to the sub-section headed "Directors and senior management of Daye Metal – Directors" in this section for details.

Mr. Wang Gen（王根）, aged 54, is the deputy general manager of Daye Metal. Mr. Wang joined Daye Metal in April 2005. He was the assistant to the general manager of Daye Metal from April 2005 to September 2006, and has since 2006 served as the deputy general manger of Daye Metal. Mr. Wang was the assistant to the manager, the deputy mining head, the mining head, the chief engineer and the technician of the Parent Company from 1982 to 2010. Mr. Wang has over 29 years of experience in the mining industry. Mr. Wang is a graduate in mining from the Wuhan University of Science and Technology（武漢科技大學）(formerly Wuhan Institute of Metallurgy) in 1982. Mr. Wang was accredited as senior engineer in mining by the Employees Reform Office of State Bureau of Nonferrous Metal Industry (國家有色金屬工業局職改辦) in October 2002. Mr. Wang did not hold any directorship in any other listed public companies in the past three years.

Mr. Liao Quanjia（廖全佳）, aged 45, is the deputy general manager of Daye Metal. Mr. Liao joined Daye Metal in September 2008. Mr. Liao was the chairman of Daye Industry from September 2008 to January 2010, and the deputy chief engineer and a member of the Standing Committee of the Parent Company and mining head of the Tonglvshan Mine from July 2008 to January 2010. Prior to joining Daye Metal, Mr. Liao was the deputy department head of the mining production department of the Hubei Department of Land and Resources and the deputy department head of the Huangshi Department of Land and Resources from 2001 to 2008. Mr. Liao has over 23 years of experience in the mining industry. Mr. Liao obtained a bachelor's degree in mining engineering from Central South University in 1988. Mr. Liao did not hold any directorship in any other listed public companies in the past three years.

Mr. Liu Chuanzhuan（劉傳轉）, aged 61, is the chief engineer of Daye Metal. Mr. Liu joined Daye Metal in April 2005 and previously served as the assistant to the general manager and the deputy general manager of Daye Metal. Prior to joining Daye Metal, Mr. Liu was an assistant to the manager of the Parent Company from 2003 to 2010. Mr. Liu has over 40 years of experience in the mining industry. Mr. Liu is a graduate in non-ferrous metal smelting from Central South University in 1976. Mr. Liu was accredited as a senior engineer in smelting by the Employees Reform Office of Hubei Province in June 2006. Mr. Liu did not hold any directorship in any other listed public companies in the past three years.

Mr. Chen Zhiyou（陳志友）, aged 47, is the deputy general manager of Daye Metal. Mr. Chen joined Daye Metal in April 2005. Mr. Liu has been the factory head of the Precious Metal Plant since January 2008. Prior to joining Daye Metal, Mr. Chen was the deputy factory head, the technician, the engineer and the section head of the smelting factory and also the factory head of the Precious Metal Plant of the Parent Company. Mr. Chen has over 27 years of experience in the mining industry. Mr. Chen is a graduate in corporate management from Wuhan Institute of Technology (formerly Wuhan Institute of Chemical Technology) in 1995. Mr. Chen was accredited as an engineer in smelting by the Employees Reform Office of the Parent Company in October 2002. Mr. Chen did not hold any directorship in any other listed public companies in the past three years.

Mr. Feng Mingrui（封明瑞）, aged 44, is the deputy general manager of Daye Metal. Mr. Feng joined Daye Metal in May 2011. Mr. Feng was the trading representative and senior sales manager of Traf Trading (Shanghai) Co., Ltd. from May 2003 to May 2011. Mr. Feng was the technician, sales representative and head of the sales and import and export division of the smelting factory of the Parent Company from 1990 to 2003. Mr. Feng has over 13 years of experience in the mining industry. Mr. Feng obtained a bachelor's degree in chemistry from Central South University in 1990. Mr. Feng was accredited as a senior economist accredited by the Employees Reform Office of the Parent Company in October 2002. Mr. Feng did not hold any directorship in any other listed public companies in the past three years.

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

For the two years ended 30 April 2008 and 2009, the eight months ended 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011, the aggregate amount of remuneration (including fees, basic salaries, contributions to pension schemes, housing allowances and other allowances, benefits in kind and discretionary bonuses) which were paid to the Directors by the Group was approximately HK$3,286,000, HK$1,993,000, HK$35,743,000, HK$4,196,000 and HK$2,064,000, respectively. Details of the Directors' remuneration are also set out in notes 10, 11, 11 and 10 of the financial statements of the Group for the year ended 30 April 2009, the eight months ended 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011, respectively, as set out in Appendix II to this circular.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid to the five highest paid individuals for the two years ended 30 April 2008 and 2009, the eight months ended 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011 was approximately HK$3,819,000, HK$3,454,000, HK$38,927,000, HK$5,200,000 and HK$2,909,000, respectively.

Under the arrangements currently in force, the estimated aggregate remuneration (including fees, basic salaries, contributions to pension schemes, housing allowances and other allowances, benefits in kind and discretionary bonuses) payable to the Directors by the Group will be approximately HK$4,468,204 for the year ending 31 December 2011.

NON-COMPETITION

Each of the Directors has confirmed that he or she is not engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of the Enlarged Group.

AUDIT COMMITTEE OF THE COMPANY

The Company established an audit committee in 2002 in accordance with Rule 3.21 of the Listing Rules and adopted written terms of reference which conformed to those set out in paragraph C3 of the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules.

The audit committee is responsible for reviewing and supervising the financial reporting process and internal control system of the Group and providing advice and comments to the Board. At present, the audit committee consists of 3 members, being Messrs. Wang Guoqi, Wang Qihong and Qiu Guanzhou, of which Mr. Wang Guoqi is the chairman.

REMUNERATION COMMITTEE OF THE COMPANY

The Company established a remuneration committee in 2007 and adopted written terms of reference which conformed to those set out in paragraph B1 of the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules.

The remuneration committee is responsible for making recommendations to the Board on, among other things, the policy and structure for the remuneration of the Directors and senior management of the Company and has been delegated with the responsibility to determine on behalf of the Board the specific remuneration packages for all executive Directors and senior management of the Company. At present, the remuneration committee consists of 3 members, being Messrs. Wang Guoqi, Wang Qihong and Qiu Guanzhou, of which Mr. Wang Guoqi is the chairman. Under the remuneration committee's terms of reference, no director or any of his associates (as defined in the Listing Rules) shall be involved in deciding his own remuneration.

COMPLIANCE ADVISER OF THE COMPANY

The Company has appointed Somerley Limited as the compliance adviser in compliance with Rule 3A.19 of the Listing Rules. The Company has entered into a compliance adviser's agreement with Somerley Limited, the material terms of which are summarized as follows:

(1) the Company has appointed Somerley Limited as the compliance adviser for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the date of completion of the Acquisition and ending on the date on which the Company sends its financial results as required under Rule 13.46 of the Listing Rules for the first full financial year commencing after the date of completion of the Acquisition, or until the agreement is terminated, whichever is earlier;

(2) Somerley Limited shall provide the Company with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines;

(3) the Company shall consult with and, if necessary, seek advice from Somerley Limited on a timely basis in the following circumstances pursuant to Rule 3A.23 of the Listing Rules:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchase;
- where business activities, developments or results of the Enlarged Group deviate from any forecast, estimate, or other information in this circular; and
- where the Stock Exchange makes an inquiry of the Company under Rule 13.10 of the Listing Rules; and

(4) the Company may terminate the appointment of Somerley Limited as the compliance adviser only if its work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to it as permitted by Rule 3A.26 of the Listing Rules. Somerley Limited will have the right to resign or terminate its appointment by service of a two months' notice to the Company.

The appointment will commence on the date of completion of the Acquisition and will end, subject to termination in accordance with the terms of the compliance adviser's agreement on the day on which the Company sends its financial results as required under Rule 13.46 of the Listing Rules for the first full financial year commencing after the date of completion of the Acquisition.

EMPLOYEES OF THE GROUP

Overview

As at the Latest Practicable Date, the Group had a total of 85 full-time employees. The Group has not experienced any labour disputes with its employees which resulted in any material disruption to its operations.

A breakdown of the Group's full-time employees as at the Latest Practicable Date by function is set out below:

Function	Number of employees
Administration	20
Investment and development	3
Finance	6
Human resources	3
Mineral resources development and management	16
Production management	18
Safety and environmental protection	3
Technical engineering	15
Performance management	1
Total	**85**

A breakdown of the Group's full-time employees as at the Latest Practicable Date by location is set out below:

Location	Number of employees
PRC	44
Hong Kong	8
Mongolia	33
Total	**85**

The staff costs incurred by the Group for the two years ended 30 April 2008 and 2009, the eight months ended 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011 were HK$4,364,000, HK$5,891,000, HK$41,898,000, HK$9,983,000 and HK$5,110,000 respectively.

The Group's contributions to the defined contribution retirement scheme set up pursuant to the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees are expensed as incurred. The Group's employer contributions vest fully with the employees when contributed into such defined contribution retirement scheme.

The Company's PRC and Mongolia subsidiaries participate in defined contribution retirement schemes organized by the local government authorities. All of the employees are entitled to an annual pension equivalent to a fixed portion of their basic salaries at their retirement dates. The Company's PRC and Mongolia subsidiaries are required to contribute certain percentage ranged from 11% to 15% of the basic salaries of their employees to the retirement schemes and have no further obligation for post-retirement benefits. The contributions are charged to the profits and loss of the Group as they become payable in accordance with the rules of schemes.

Staff benefits

The Company makes contributions to all mandatory social security funds including pension funds, medical insurance funds, unemployment insurance funds and work-related injury funds for the employees. These contributions, which are funded from the internal financial resources of the Company, are in compliance with the requirements of the PRC laws and regulations. In addition, the Company has enrolled on a mandatory fund scheme for the employees in Hong Kong in accordance with the applicable Hong Kong laws and regulations.

Share Option Scheme

The Company adopted the Share Option Scheme pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company on 13 October 2003. A summary of the principal terms of the Share Option Scheme is set out under the sub-section headed "Share Option Scheme" in Appendix X to this circular.

The Company has applied for, and the Stock Exchange has granted, the following waivers from strict compliance with the requirements of the Listing Rules.

COMPETENT PERSON'S REPORT

The Burentsogt Mine and the Sala Mine

As at the Latest Practicable Date, the Group held the mining or exploration rights to five mines, namely the Aleinuer Mine, the Burentsogt Mine and the Sala Mine in Mongolia and the Sareke Mine and the Hami Mine in Xinjiang, the PRC. Pursuant to the Acquisition, the Company will acquire the Four Mines, all of which are located in Hubei Province, the PRC.

The Company does not consider that the Burentsogt Mine or the Sala Mine is material to its operations for the following reasons:

No value of mining right has been recognised for the Burentsogt Mine and Sala Mine in the consolidated statement of financial position of the Company

(1) The Company acquired the Burentsogt Mine and the Sala Mine together with the Aleinuer Mine and one other wolfram mine (which the Company subsequently disposed of in 2010) in the same acquisition in 2007. The consideration for that acquisition was solely attributable to the Aleinuer Mine, and the other three mines were transferred at no consideration. The Company adopts the cost model method under HKFRS 6 "Exploration for and Evaluation of Mineral Resources" to account for the value of the Burentsogt Mine and the Sala Mine in its financial statements. At the time of the acquisition of the Burentsogt Mine and the Sala Mine in 2007, only the exploration licences but not the mining licences have been issued with respect to those two mines. On such basis, no value of mining right has been recognised for those mines in the consolidated statement of financial position of the Company since the acquisition in 2007. The mining licences for the Burentsogt Mine and the Sala Mine were issued in April 2008 and June 2011, respectively. Notwithstanding the issue of the mining licences, no further value will be recognised for those mines under the cost model method.

No exploration or mining work has been conducted at the Burentsogt Mine and the Sala Mine since their acquisition

(2) No exploration or mining work has been carried out at the Burentsogt Mine or the Sala Mine since those mines were acquired by the Company.

(3) At the time of the acquisition of the Burentsogt Mine and the Sala Mine by the Company, only exploration licences had been issued. Subsequently, the Company (through the Mongolian subsidiaries which hold the exploration licences) proceeded to apply for the mining licences for the Burentsogt Mine and the Sala Mine, which were granted in April 2008 and June 2011, respectively.

(4) The reasons for the Company to apply for the mining licence for the Sala Mine are as follows:

(a) under Mongolian law (as confirmed by the Company's Mongolian legal advisers), the Mongolian government has the right to confiscate a mine in Mongolia with respect to which an exploration licence has been granted if no substantial exploration activities at the mine have been carried out for a certain period of time after the exploration licence has been issued, but the Mongolian government no longer retains such right once a mining licence has been issued, irrespective of whether mining activities have actually commenced or are being conducted;

(b) application for a mining licence is merely a procedural matter and does not involve significant amount of work or costs if a valid exploration licence has already been issued;

(c) an exploration licence only allows the licence holder to engage in limited preliminary work in relation to the exploration, research and feasibility study of the relevant mine, and does not provide any substantive right to operate the mine or carry out mining activities;

(d) the issue of the mining licence does not, under Mongolian law (as confirmed by the Company's Mongolian legal advisers), impose any requirement on the Company to commence or undertake mining activities at the Sala Mine within the term of the mining licence;

(e) because of (a) to (d) above, the Directors considered that obtaining the mining licence for the Sala Mine would give the Company flexibility and time in deciding whether to develop the mine, without incurring any significant costs.

(5) At the time of the application for the mining licence for the Burentsogt Mine, the Company was under the management of the previous board of directors. The existing Directors only joined the Company in April 2009. They were not able to ascertain the intention of the previous management of the Company with respect to the development of the Burentsogt Mine or the reasons why the mining licence was applied for. As confirmed by the Company's Mongolian legal advisers, the mining licence issued with respect to the Burentsogt Mine, like the one issued for the Sala Mine, also does not impose any requirement on the Company to commence or undertake any mining activities within any time limit. It also has the same effect of the Mongolian government no longer retaining the right to confiscate the mine once a mining licence has been issued, irrespective of whether mining activities have actually commenced or are being conducted.

There are only insignificant amounts of wolfram deposits at the Burentsogt Mine and Sala Mine

(6) The Company has concluded that there are only insignificant amounts of wolfram deposits at the Burentsogt Mine and the Sala Mine based on the following due diligence exercise carried out by the Parent Company and the Company:

(a) according to the Parent Company, a group of experienced mining engineers of the Parent Company conducted site visits to the Burentsogt Mine and the Sala Mine in 2008. Those mining engineers conducted detailed observation and analysis of the geological layout and appearance and the rock formation at the location of the two mines. Further, the mining engineers made enquiries with the Bureau of Geological Investigation of Mongolia regarding the geological and resource information of the Burentsogt Mine and the Sala Mine and was informed that, based on the limited information available, the Bureau of Geological Investigation of Mongolia was of the opinion that there were only limited wolfram resources at those mines. The mining engineers of the Parent Company were of the view that the then geological layout and appearance and rock formation at the location of the two mines were consistent with the opinion of the Bureau of Geological Investigation of Mongolia, and on such basis, they formed the view that there were no significant wolfram resources at the Burentsogt Mine and the Sala Mine;

(b) further site visits to the Burentsogt Mine and the Sala Mine were conducted in 2011 by the technical staff of CRML and the mining engineers of the Parent Company (including some of the mining engineers who conducted the site visits in 2008). Preliminary sample drilling work was conducted at the Burentsogt Mine and the Sala Mine. Wolfram samples were obtained and analysed at the research and development centre of the Parent Company. Based on the above work, CRML's technical staff and the mining engineers of the Parent Company were of the opinion that (i) the samples obtained at the two mines were indicative of wolfram resources at the deeper levels of those mines; (ii) the quality of those wolfram resources were of low grade; (iii) the geological surroundings at the Burentsogt Mine and the Sala Mine were not similar to those at mines where significant wolfram resources were found. On the basis of the above factors, the technical staff of CRML and the mining engineers of the Parent Company concluded that there were only insignificant wolfram resources at the Burentsogt Mine or the Sala Mine.

(7) When the Company acquired the Burentsogt Mine and the Sala Mine, neither of them had in place any infrastructure facilities (such as water and electricity supply and transport) which were required to undertake any mining activity. The Company has since not undertaken any work to put in place any such facilities. Given the relatively distant location of those mines, the Company would expect that significant investments would have to be made to put in place such infrastructure facilities before mining activities could commence. Taking account of the insignificant amount of the deposits at those mines on the basis of the various technical studies described above, the Directors have reservations about the economic feasibility of developing those mines.

For the reasons stated in (6) and (7) above, it is not the Company's intention to develop the Burentsogt Mine and the Sala Mine as, given the insignificant amount of the wolfram deposits projected by the technical studies which have been conducted, the Company does not consider it economical to incur substantial costs in the construction of infrastructure facilities to develop those mines. On such basis, the Company is currently actively exploring opportunities for the disposal of the Burentsogt Mine and the Sala Mine.

If in the unlikely event that the Company decides to develop the Burentsogt Mine or the Sala Mine in the future, it will disclose such change of intention by way of an announcement. In such instance, the Company will also engage a competent person to prepare a competent person's report on the resources of the relevant mine in accordance with the requirements of Chapter 18 of the Listing Rules and publish such report for shareholders' information. Update of the resources in accordance with Rule 18.15 of the Listing Rules and the progress of the development of the relevant mine will also be included in the Company's annual reports.

Based on the reserves/resources of the Four Mines and the other existing mines of the Group as substantiated in the Competent Person's Reports, even without taking into account the resources of the Burentsogt Mine and Sala Mine, the Company will be able to satisfy the requirement under Rule 18.03 (2) of the Listing Rules that it has at least a portfolio of indicated resources or contingent resources, which is meaningful and of sufficient substance to justify a listing.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 18.05(1) of the Listing Rules to prepare a competent person's report in respect of the resources of each of the Burentsogt Mine and the Sala Mine.

DEALING IN THE SHARES OF THE COMPANY PRIOR TO LISTING

According to Rule 9.09(b) of the Listing Rules, there must be no dealing in the securities for which listing is sought by any connected person of the issuer from four clear business days before the expected hearing date until listing is granted.

As at the Latest Practicable Date, so far as the Company is aware, the Parent Company and China Times were the only substantial shareholders of the Company within the meaning of the Listing Rules. Given that the Company's shares are already publicly traded on the Stock Exchange, the Company is not in a position to control dealings in the shares of the Company by any other person (whether or not an existing holder of the Company's shares) or its associates who may, as a result of such dealing, become a substantial shareholder of the Company within the meaning of the Listing Rules.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 9.09(b) of the Listing Rules in respect of any dealing by any holder of the shares of the Company (other than the Parent Company and China Times and their respective directors and chief executives, the respective directors and chief executives of the Company and any of its subsidiaries and their respective associates) from four clear business days before the date on which the hearing of the Listing Committee with respect to the Company's new listing application is expected to take place until listing is granted, on condition that (a) the Company will promptly release any price-sensitive information to the public in accordance with the Listing Rules; (b) the Company will procure that none of the Parent Company or China Times or their respective directors or chief executives, the directors or chief executives of the Company or any of its subsidiaries or their respective associates will deal in the Ordinary Shares from four clear business days before such expected hearing date until listing is granted; and (c) the Company will notify the Stock Exchange if there is any dealing in the shares of the Company by the Parent Company or China Times or their respective directors or chief executives, the directors or chief executives of the Company or any of its subsidiaries or any of their respective associates during the relevant period; and (d) for any person (other than the Parent Company, China Times, the respective directors and chief executives of the Parent Company and China Times, and the respective directors and chief executives of the Company and any of its subsidiaries and their respective associates) who, as a result of dealing in the securities of the Company from four clear business days before the date on which the hearing of the Listing

Committee with respect to the Company's new listing application is expected to take place until listing is granted, becomes a substantial shareholder of the Company (a **Potential New Substantial Shareholder**), (i) such Potential New Substantial Shareholder is currently not a member of the senior management of the Group and, to the knowledge of Company as at the Latest Practicable Date, will not become a Director or a member of the senior management of the Group after the China Times Completion; and (ii) the Company and its management have not had control over the investment decisions of such Potential New Substantial Shareholder or its associates.

FURTHER ISSUE OF SECURITIES

Rule 10.08 of the Listing Rules provides that no further shares or securities convertible into equity securities of a listed issuer may be issued or form the subject of any agreement to such an issue within six months from the date on which securities of the listed issuer first commence dealing on the Stock Exchange.

The restriction in Rule 10.08 applies to the Company solely because it is deemed to be a new listing applicant pursuant to Rule 14.54 of the Listing Rules as a result of the Acquisition which constitutes a reverse takeover under the Listing Rules. The deemed new listing will not involve any share offering to the public and hence, there is no concern of new investors being subject to the risk of dilution within a relatively short time after the listing.

Further, because of the capital intensive nature of its mining business, there may be significant funding requirements for the Group both with respect to capital expenditure and general corporate purposes. The Company considers that it would be unduly onerous to restrict its ability to raise funds through the issuance of new shares on terms set out in Rule 10.08, which could have a prejudicial effect on its business development and might not, therefore, be in the interests of its shareholders.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 10.08 of the Listing Rules in relation to the restrictions on further issue of securities within six months of listing, and a consequential waiver from strict compliance with Rule 10.07(1)(a) of the Listing Rules in respect of the deemed disposal of shares by our controlling shareholder(s) upon issue of securities by the Company within the first six months of listing, on condition that (a) any issue of securities by the Company within the first six months from the date of the China Times Completion must be either (i) for cash to fund a specific acquisition of asset or business that will contribute to the growth of the Group's operation; or (ii) for full or partial settlement of the consideration for such acquisition; and (b) the Parent Company will, after the completion of the Acquisition, remain as the controlling shareholder (as defined in the Listing Rules) of the Company with the first twelve months of listing.

*You should read the following discussion and analysis of the Target Group's financial condition and results of operations together with its audited combined financial information and the accompanying notes thereto, all included in the Accountant's Report on the Target Group set out in Appendix I to this circular. The combined financial information in the Accountant's Report has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").*

This discussion contains forward-looking statements that involve risks and uncertainties. You are cautioned that the business and financial performance are subject to substantial risks and uncertainties. In evaluating the Target Group's business, you should carefully consider the information provided under the section headed "Risk Factors" in this circular.

OVERVIEW

According to the Antaike Report, Daye Metal was the fifth largest producer of copper cathodes in the PRC by production volume, accounting for approximately 6.7% of the total production of copper cathodes in the PRC in 2010. The major products of the Target Group include copper cathodes, gold, silver and sulphuric acid (which is a by-product derived from the smelting process of copper ore and concentrate). The Target Group sells both copper cathodes, gold and silver produced by itself as well as those sourced from third party suppliers or the Parent Group for on-sale to its customers. The Target Group's business can therefore be divided into a production sector and a trading sector. The production sector includes production and sale of copper cathodes, gold, silver, iron concentrate, sulphuric acid, among others. The trading sector includes trading of copper cathodes, gold, silver and other product such as iron concentrate and products containing copper, gold and silver. The Target Group also provides copper processing services including processing of copper concentrate into copper cathodes, but such processing activity accounted for an insignificant portion of not more than 1% the total revenue of the Target Group over the Track Record Period.

Sales of copper cathodes accounted for approximately 73.6%, 71.5%, 77.1% and 76.4% of the total revenue of the Target Group for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively. Approximately 95.5%, 60.1%, 55.6% and 68.5% of the revenue from the sales of copper cathodes for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively, was derived from the sales of copper cathodes produced by the Target Group, while the remainder was derived from the sales of copper cathodes sourced by the Target Group from third party suppliers and the Parent Group for on-sale to its customers.

Sales of gold and silver, together, accounted for approximately 12.9%, 22.3%, 12.8% and 17.3% of the total revenue of the Target Group for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively. Approximately 100%, 47.7%, 84.7% and 74.8% of the revenue from the sales of gold and silver for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively, was derived from the sales of gold and silver produced by the Target Group, while the remainder was derived from the sales of gold and silver sourced by the Target Group from third party suppliers for on-sale to its customers. The Target Group also sells a small amount of iron concentrate (which is derived from iron ore deposits associated with the copper ore deposits at the Tonglvshan Mine) and other metals recovered during the smelting and refining process of copper concentrate, such as platinum, palladium, and molybdenum.

The following table sets out, for the periods indicated, certain items derived from the Target Group's combined statements of comprehensive income.

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB (million)	*RMB (million)*	*RMB (million)*	*RMB (million)*	*RMB (million)*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(audited)*
Revenue	14,867.4	18,485.3	26,019.6	12,326.5	13,672.2
Cost of sales	(14,518.0)	(17,608.5)	(25,187.0)	(11,983.8)	(13,133.0)
Gross profit	349.4	876.8	832.6	342.7	539.2
Selling expenses	(75.2)	(44.7)	(45.9)	(20.6)	(20.0)
Administrative expenses	(369.9)	(270.2)	(338.1)	(157.0)	(168.6)
Other operating expenses	(22.5)	(13.6)	(28.6)	(11.3)	(4.8)
Other gains/(losses), net	133.7	(337.4)	(77.0)	(0.3)	(155.7)
Other income	1.7	23.3	38.3	29.5	16.4
Operating profit	17.2	234.2	381.3	183.0	206.5
Finance income	113.9	10.7	51.7	13.1	46.2
Finance costs	(296.2)	(134.6)	(190.2)	(74.7)	(115.4)
Finance costs, net	(182.3)	(123.9)	(138.5)	(61.6)	(69.2)

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB (million)	*RMB (million)*	*RMB (million)*	*RMB (million)*	*RMB (million)*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(audited)*
(Loss)/profit before income tax	(165.1)	110.3	242.8	121.4	137.3
Income tax credit/(expense)	56.8	(11.3)	(33.8)	(17.2)	(14.6)
(Loss)/profit and total comprehensive (loss)/income for the year/period	(108.3)	99.0	209.0	104.2	122.7
Attributable to:					
Owners of the Target Company	(94.6)	60.7	127.9	62.9	93.5
Non-controlling interests	(13.7)	38.3	81.1	41.3	29.2

BASIS OF PRESENTATION

The Target Company was incorporated in the British Virgin Islands on 1 December 2010 as an exempted company with limited liability. Pursuant to the Reorganisation Agreement, the Target Company will, through Daye Hong Kong, acquire 95.35% equity interest in Daye Metal, and the Target Company will then become the holding company of the subsidiaries comprising the Target Group (the "**Reorganisation**"). The Parent Company currently owns and controls the companies comprising the Target Group and will continue to own and control them indirectly after the Reorganisation. For the purpose of this section, the financial information of the Target Group has been prepared and presented on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The combined statements of financial position, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Target Group for the Track Record Period have been prepared using the financial statements of the companies comprising the Target Group on the basis that the current group structure had been in existence throughout the Track Record Period or since the respective dates of incorporation/establishment/acquisition by the Target Group, whichever is shorter. The assets, liabilities and results of the Target Group have been combined using their existing book values. The transaction of the Target Company to acquire Daye Metal and its subsidiaries is a reorganisation of Daye Metal which has not resulted in any changes in the substance of the Daye Metal business or the control over Daye Metal by the Parent Company.

For additional details of the basis of presentation of the Target Group's combined financial information, see Notes 2 and 3 to the Accountant's Report on the Target Group set out in Appendix I and the section headed "Business of the Target Group" in this circular.

KEY FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Target Group's business, historical financial condition and results of operations have been affected by a number of important factors which the Target Group believes will continue to affect its financial condition and results of operations in the future. The Target Group's results are primarily affected by the following factors:

Prices of Copper, Gold and Silver

The Target Group generate, and expect to generate in the future, the majority of its revenues from the sales of copper, gold and silver products, and as a result, copper, gold and silver prices have a material impact on its results of operations. Copper, gold and silver prices are affected by many factors, including the decline or growth of domestic and international demand, as well as changes in global economic conditions and related industry cycles and are established with reference to international commodity market prices. Changes in supply and production capacity, temporary price reduction or other actions by the copper, gold and silver producers in the market may have an effect on market prices as well. Additionally, the prices realized by producers on sales of their products may be affected by their contractual arrangements, production levels, product qualities and hedging strategies.

The prices of copper, gold and silver are also affected by other factors, such as grades of copper, gold and silver products.

During the Track Record Period, market prices for copper, gold and silver were subject to significant fluctuations. During the Track Record Period, the market prices of copper, gold and silver decreased sharply during 2008 and then rebounded in 2009 and have been increasing since then. Generally, the Target Group's product sales prices fluctuate along with market prices but are also influenced by other factors including the costs of raw materials, inventory turnover and the timing of purchase and sales, among others.

To minimize risks resulting from price fluctuations, the Target Group entered into commodity futures contracts, including copper cathodes futures contracts and gold futures contracts, to manage its exposure in relation to purchases of raw materials from its suppliers, inventories and the sales of copper cathodes and gold to its customers. The Target Group does not generally alter its production levels or the ore grades the Target Group produces in response to short-term fluctuations in commodity prices.

Production Capacity and Sales Volume of the Target Group's Products

Sales volumes have a substantial effect on the Target Group's results of operations and are affected by its production capacity and market demand for its products. Production capacity is a limiting factor in production and a constraint on its sales volumes.

In addition to production capacity, market demand has also been a factor affecting the Target Group's sales volumes. For example, the Target Group decrease its sales volume and increase its inventory when market demand is low, usually reflected by a low market price. The Target Group increases its sales volume, including selling products previously stored in its inventory in response to high market demand, usually reflected by a high market price.

Production Costs and Efficiency

The Target Group's competitiveness and long-term profitability are significantly dependent upon its ability to control its costs and maintain efficient operations. The Target Group's production costs are affected by both production volume and average production cost, which are further affected by the unit costs of raw materials, labor costs and utility costs, among others.

Copper concentrate, anode plates and scrap copper are the major raw materials used in the Target Group's production. In 2010, the Target Group's production sector purchased around 77% of its raw materials from domestic suppliers in China, around 16% of its raw materials from overseas suppliers, with the remaining 7% raw materials produced from its Four Mines. Changes in the market price of copper concentrate, which generally fluctuates with the international copper price, or the sufficiency of copper concentrate supply, may have a material impact on its overall production costs.

The Target Group also needs to incur a considerable amount of utility costs, including electricity, coal, gas, fuel and water costs, among other things. The Target Group sources its utility from both the Parent Company and Independent Third Parties. For example, in 2010, around 70% of its water and electricity was provided by the Parent Company through Hubei Jinge, and the remainder was sourced from Independent Third Parties in the PRC.

Labor costs are principally a function of the number of employees and change in compensation from time to time. Improvement in labor productivity would result in a decrease in the Target Group's per-unit labor costs.

The Target Group's per-unit production costs may increase if the Target Group cannot achieve an efficient business model or if the market prices for raw materials, utility or labor increase. To the extent that the Target Group cannot pass on all the increased costs to its customers, its revenues and profits may be negatively affected.

Economic Growth in China and Globally

Copper, gold, silver and other related products have diverse industrial uses and their market demand depends on, among others, the state of the global economy and stability of international trade. Most of the Target Group's customers are based in China and a substantial portion of its revenue is generated from the sales in China. In recent years, China has become an important market and its influence on the global copper, gold and silver industries has been increasing. According to the Antaike Report, economic growth in China has been accompanied by growth in the demand for copper cathodes at a CAGR of 13.8% from 2001 to 2010. In 2010, more than 99% of the Target Group's revenue from copper cathodes was derived from sales to customers in China. If the demand for copper and related products in China decreases, the Target Group's revenue may be adversely affected.

Regulatory Environment in China

The Target Group's operations are based in China and the Target Group is subject to laws and regulations in China. Changes or uncertainties in applicable laws and regulations in China could have direct or indirect effect on the Target Group's business, financial condition and results of operations.

The PRC government exercises a substantial degree of influence over mining, ore processing, and import and export of copper cathodes, gold, silver and related materials. Changes in the level of the PRC government's control could have a direct impact on the Target Group's business, financial condition and results of operations.

Under the PRC taxation regime, the Target Group is subject to, among others, enterprise income tax, business tax, resources tax, value-added tax, city maintenance and construction tax, and property tax. The Target Group's revenues from gold are not subject to value-added tax in the PRC. The Target Group received tax refund during the Track Record Period under the comprehensive utilization of resources program in the PRC. The Target Group also obtained government grants during the Track Record Period under the energy saving and emission reduction program and technology and equipment innovation program implemented by the PRC government. Changes in the PRC taxation regime or government grants programs could result in a direct effect on the Target Group. For example, the PRC government increased the resources tax rates for copper, lead and zinc with effect from 1 August 2007 and the resources tax rate for gold with effect from 1 May 2006. There is no assurance that the PRC government will not increase the rate of resources tax or that of other taxes which the Target Group may be subject to in connection with its business operations. Any increase in any of those tax rates could adversely affect the Target Group's results of operations.

CRITICAL ACCOUNTING POLICIES

In the process of applying the Target Group's accounting policies, which are described in Notes 3 and 5 to the Accountant's Report on the Target Group set out in Appendix I to this circular, the Target Group's management has identified the following judgments and key sources of estimation uncertainty that have a significant effect on the amounts recognized in the financial information or have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Target Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Target Group.

The Target Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Target Group's activities as described below. The Target Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Revenue from the sale of goods and disposal of other assets is recognized when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, indicating there has been a transfer of the significant risks and rewards to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. This is generally when title passes, which for the majority of commodity sales is the bill of lading date when the commodity is delivered for shipment.

The Target Group provides copper processing services. Revenue from delivering services is recognized in the period when the services are provided.

Interest income is recognized using the effective interest method.

Impairment of non-financial assets

Non-current assets, including property, plant and equipment, land use rights, mining rights and other intangible assets, are carried at cost less accumulated depreciation/amortization, and exploration and evaluation assets that are stated at cost less impairment loss, if any. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Target Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Exploration and related expenses

The application of the Target Group's accounting policy for exploration and evaluation expenditure requires judgements in determining whether it is likely that future economic benefits will arise, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of capitalized expenditures are unlikely, the amount capitalized is written off in the statement of comprehensive income in the period when the new information becomes available. The carrying amounts of exploration and evaluation assets at each reporting date were detailed in Note 16 to the Accountant's Report on the Target Group set out in Appendix I to this circular.

Income taxes

Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The tax liabilities recognized are based on management's assessment of the likely outcome. 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 income tax provisions in the accounting period in which such determination is made.

Deferred tax assets are utilized for deductible temporary differences and unused tax losses only if it is probable that future taxable profits will be available to utilize those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

Mine reserves

Engineering estimates of the Target Group's mine reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as proven and probable. Proven and probable mine reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. In addition, price and cost levels change from year to year, the estimates of proven and probable mine reserves also change.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining the useful lives and impairment losses of mining rights and related mine infrastructure. The capitalized costs of mining rights are amortized over the estimated useful lives of the mines based on the proven and probable reserves of the mines using the units of production method.

Property, plant and equipment and intangible assets – estimated useful lives and residual values

The Target Group's management determines the estimated useful lives and residual values (if applicable) and consequently related depreciation/amortization charges for its property, plant and equipment and intangible assets. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions, or based on value-in-use calculations or market valuations according to the estimated periods that the Target Group intends to derive future economic benefits from the use of intangible assets. Management will increase the depreciation/amortization charges where useful lives are less than previously estimated lives, and it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation/amortization expense in future periods.

Mine rehabilitation, restoration and dismantling obligations

Provision is made for the anticipated costs of future restoration, rehabilitation and dismantling of mining areas from which natural resources have been extracted. These provisions include future cost estimates associated with plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues.

These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies, engineering cost estimates and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine rehabilitation, restoration and dismantling provisions.

Employee medical obligations

Provision is made for the anticipated costs of compensation paid to those employees injured at work or suffered occupational disease and equivalent to such amount as required by the relevant rules and regulation in the PRC.

These future cost estimates including reimbursement of medical expenses and other compensation as required by the relevant rules and regulation are discounted to their present value. The calculation of these provision estimates requires assumptions including future medical cost estimates, application of relevant rules and regulations in respect of the amount of compensation, discount rates and the mutual confirmation with the Huangshi Labour and Social Security Bureau on the transfer of the obligation to social security system of Huangshi City, including the timing and the settlement principle, more details have been disclosed in Note 28 (c) to the Accountant's Report on the Target Group set out in Appendix I to this circular. Because of the significant uncertainties involved in view of the absence of formal transfer agreement, this estimate is subject to a high degree of measurement uncertainty. A change in any of the assumptions used may have a material impact on the carrying amount of the employee medical obligations provisions.

PRINCIPAL COMPONENTS OF COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

The Target Group generates revenue primarily from producing and trading copper cathodes, other copper products, gold, silver and other related products. The Target Group also generates additional revenue through the provision of copper processing services.

The following table sets forth the sales volume and revenue of the Target Group's products in its production sector during the periods indicated.

	Six months ended 30 June		Year ended 31 December					
	2011		2010		2009		2008	
	Sales volume *(tonne)*	Revenue *RMB (million)*	Sales volume *(tonne)*	Revenue *RMB (million)*	Sales volume *(tonne)*	Revenue *RMB (million)*	Sales volume *(tonne)*	Revenue *RMB (million)*
		(audited)		**(audited)**		**(audited)**		**(audited)**
Copper cathodes	120,900.0	7,156.5	221,326.0	11,165.6	216,718.0	7,946.9	222,097.0	10,451.5
Other copper products	2,129.0	90.7	10,976.0	375.5	12,042.0	299.7	16,532.0	597.6
Gold	2.7	827.4	6.0	1,621.2	5.7	1,216.6	5.5	1,058.3
Silver	140.5	937.6	300.9	1,191.0	268.3	753.7	284.6	866.7
Other products		466.1		857.9		526.4		1,406.2
Total		9,478.3		15,211.2		10,743.3		14,380.3

The following table sets forth the sales volume and revenue of the Target Group's products in its trading sector during the periods indicated.

	Six months ended 30 June		Year ended 31 December					
	2011		2010		2009		2008	
	Sales volume *(tonne)*	Revenue *RMB (million)*	Sales volume *(tonne)*	Revenue *RMB (million)*	Sales volume *(tonne)*	Revenue *RMB (million)*	Sales volume *(tonne)*	Revenue *RMB (million)*
		(audited)		**(audited)**		**(audited)**		**(audited)**
Copper cathodes	54,866.0	3,288.3	181,613.0	8,900.1	138,189.0	5,272.8	12,505.0	487.1
Other copper products	6,262.0	309.9	32,089.0	1,397.0	8,386.0	304.6	–	–
Gold	2.0	586.2	1.8	478.9	10.2	2,155.1	–	–
Silver	1.4	9.5	12.4	28.3	0.7	1.9	–	–
Other products		–		4.1		7.6		–
Total		4,193.9		10,808.4		7,742.0		487.1

Cost of Sales

Cost of sales primarily includes costs of purchasing raw materials, semi-finished products and finished products in the Target Group's trading sector, labor costs, utility costs and depreciation and amortization, among others. The main raw materials in the Target Group's production includes copper concentrate, anode plates and scrap copper.

The following table sets forth the cost of sales, unit cost of sales and gross profit margins of the Target Group's products in its production sector during the periods indicated.

	Six months ended 30 June			Year ended 31 December								
	2011			2010			2009			2008		
	Cost of Sales	Unit Cost	Gross profit margin	Cost of Sales	Unit Cost	Gross profit margin	Cost of Sales	Unit Cost	Gross profit margin	Cost of Sales	Unit Cost	Gross profit margin
	RMB (million)	*(RMB per tonne)*	%	*RMB (million)*	*(RMB per tonne)*	%	*RMB (million)*	*(RMB per tonne)*	%	*RMB (million)*	*(RMB per tonne)*	%
	(audited)			**(audited)**			**(audited)**			**(audited)**		
Copper cathodes	6,963.6	57,598	2.7	10,914.6	49,315	2.3	7,379.5	34,051	7.1	11,034.8	49,685	-5.6
Other copper products	93.4	43,899	-3.0	383.8	34,970	-2.2	298.6	24,799	0.4	601.7	36,396	-0.7
Gold	744.5	276,491,000	10.0	1,497.4	248,313,000	7.6	1,037.0	182,084,000	14.8	891.0	161,448,000	15.8
Silver	878.4	6,250,000	6.3	1,064.6	3,538,000	10.6	696.5	2,596,000	7.6	973.0	3,418,000	-12.3
Other products	254.1			516.9			440.3			507.9		
Total	8,934.0			14,377.3			9,851.9			14,008.4		

The following table sets forth the cost of sales, unit cost of sales and gross profit margins of the Target Group's products in its trading sector during the periods indicated.

	Six months ended 30 June			Year ended 31 December								
	2011			2010			2009			2008		
	Cost of Sales	Unit Cost	Gross profit margin	Cost of Sales	Unit Cost	Gross profit margin	Cost of Sales	Unit Cost	Gross profit margin	Cost of Sales	Unit Cost	Gross profit margin
	RMB (million)	*(RMB per tonne)*	%	*RMB (million)*	*(RMB per tonne)*	%	*RMB (million)*	*(RMB per tonne)*	%	*RMB (million)*	*(RMB per tonne)*	%
	(audited)			**(audited)**			**(audited)**			**(audited)**		
Copper cathodes	3,282.5	59,828	0.2	8,896.6	48,987	0.0	5,272.6	38,155	0.0	463.9	37,097	4.8
Other copper products	309.3	49,387	0.2	1,374.5	42,835	1.6	306.2	36,509	-0.5	–	–	–
Gold	586.4	300,086,000	0.0	478.0	264,552,000	0.2	2,155.4	211,997,000	0.0	–	–	–
Silver	8.7	6,334,000	8.1	29.5	2,389,000	-4.3	1.7	2,501,000	11.3	–	–	–
Other products	–			3.4			7.6			–		
Total	4,186.9			10,782.0			7,743.5			463.9		

Selling Expenses

Selling expenses primarily consist of transportation and freight expenses, insurance expenses, salaries of employees in the Target Group's sales force, depreciation related to the properties, equipment and vehicles in the sales department, and repair expenses in connection with various facilities in the sales department. Selling expenses in different product lines may vary as the Target Group's product mix changes.

Administrative Expenses

Administrative expenses primarily consist of salaries and benefits paid to the Target Group's administrative staff, depreciation related to the properties, equipment and vehicles in the administrative department, travel costs, repair expenses in connection with various facilities in the administrative department, labor insurance, land use right tax, intangible assets amortization, mineral resources compensation fees, research and development expenses, and general office work related expenses.

Other Operating Expenses

Other operating expenses primarily consist of charitable donations, compensation for occupying farmland and other expenditures.

Other Gains/(Losses), net

Other gains/(losses), net, primarily consist of losses on disposal of property, plant and equipment and intangible assets and fair value changes related to realized gains/(losses) from commodity futures contracts. The Target Group entered into these commodity futures contracts during the Track Record Period to hedge its net exposure to copper and gold price fluctuations due to the difference between the amount of raw materials, semi-finished and finished products the Target Group expects to procure from the suppliers and the amount of finished products the Target Group expects to sell to customers. For further information on other gains/(losses), net, please see Note 7 (a) to the Accountant's Report on the Target Group set out in Appendix I to this circular.

Other Income

Other income primarily consists of government grants. For further information on other income, please see Note 7 (b) to the Accountant's Report on the Target Group set out in Appendix I to this circular.

Finance Costs, net

Finance costs, net, is the difference between finance costs and finance income. Finance costs include interest on borrowings, interest on discounted bills, interest on loans from the Parent Company, net exchange losses, bank charges and unwind interest of provisions, partially offset by interest expense capitalized into construction in progress. Finance income includes interest on bank deposits, interest from related parties and net exchange gains. For further information on finance costs, net, please see Note 9 to the Accountant's Report on the Target Group set out in Appendix I to this circular.

Income Tax Credit/(Expense)

The Target Group's income tax expenses are related to applicable tax laws and regulations in the PRC. No provision for Hong Kong profits tax has been made as the Target Group has no assessable profit generated in Hong Kong during the Track Record Period.

Corporate income tax in the PRC was calculated at 25% on assessable income for the Track Record Period. The Target Group enjoyed preferential tax treatment including tax refund and tax deduction during the Track Record Period. The Target Group have been granted with the "Resource Comprehensively Utilization Certificate" to be qualified to utilise the prescribed resources to produce part of its products including silver and sulphuric acid, 10% of the income derived from sales of such products can be deducted from taxable income according to Article 33 of Corporate Income Tax law and Article 99 of Corporate Income Tax Detailed Implementation Regulations. The Target Group have been granted with the "Resource Comprehensively Utilization Certificate" to be qualified to utilise the prescribed resources to produce part of its products including silver and sulphuric acid, 10% of the income derived from sales of such products can be deducted from taxable income according to Article 33 of Corporate Income Tax ("**CIT**") law and Article 99 of CIT Detailed Implementation Regulations ("**DIR**"). The Target Group's effective income tax rate was nil, 10.2%, 13.9% and 10.6% for the three years ended 31 December 2008, 2009 and 2010, and the six months ended 30 June 2011, respectively. See Note 10 to the Accountant's Report on the Target Group set out in Appendix I to this circular for further information.

RESULTS OF OPERATIONS

The following discussion addresses the principal trends that have affected the Target Group's results of operations during the periods under review.

The Six Months Ended 30 June 2011 Compared to the Six Months Ended 30 June 2010

The following table sets forth the sales volume, revenue, cost of sales and gross profit of the Target Group during the period indicated.

	Six months ended 30 June					
	2011			2010		
	Sales volume	Revenue	Unit price	Sales volume	Revenue	Unit price
	(tonne)	*RMB (million)*	*(RMB per tonne)*	*(tonne)*	*RMB (million)*	*(RMB per tonne)*
		(audited)			**(unaudited)**	
Copper cathodes	175,766.0	10,444.8	59,424	188,165.0	9,227.3	49,038
Other copper products	8,391.0	400.6	47,742	23,066.0	934.0	40,493
Gold	4.7	1,413.6	304,217,000	4.9	1,267.3	260,880,000
Silver	141.9	947.1	6,674,000	145.0	504.7	3,482,000
Other products		466.1			393.2	
Total		13,672.2			12,326.5	

	Six months ended 30 June							
	2011				2010			
	Cost of sales	Unit cost	Gross profit	Gross profit margin	Cost of sales	Unit cost	Gross profit	Gross profit margin
	RMB (million)	*(RMB per tonne)*	*(RMB million)*	*(%)*	*RMB (million)*	*(RMB per tonne)*	*RMB (million)*	*(%)*
	(audited)		**(audited)**		**(unaudited)**		**(unaudited)**	
Copper cathodes	10,246.1	58,294	198.7	1.9	9,207.6	48,933	19.7	0.2
Other copper products	402.7	47,994	(2.1)	(0.5)	928.5	40,256	5.5	0.6
Gold	1,330.9	286,413,000	82.7	5.9	1,129.7	232,569,000	137.6	10.9
Silver	887.1	6,251,000	60.0	6.3	447.3	3,085,000	57.4	11.4
Other products	254.1		212.0		264.5		128.7	
	13,120.9		551.3		11,977.6		348.9	
Other expenses	12.1		(12.1)		6.2		(6.2)	
Total	13,133.0		539.2		11,983.8		342.7	

Revenue

Revenue increased by 10.9% from RMB12,326.5 million for the six months ended 30 June 2010 to RMB13,672.2 million for the six months ended 30 June 2011. This increase in revenue was primarily due to an increase of the average selling price of copper products, partially offset by a decrease in sales volume that was primarily due to a sales volume decrease in the Target Group's trading sector. The Target Group refers to the price index issued by SHFE as the benchmark in pricing its copper cathodes and other related copper products. The Target Group refers to the price indices issued by SHGE and Shanghai White Platinum & Silver Exchange as the benchmark in pricing its gold and silver products.

Revenue from copper cathodes increased by 13.2% from RMB9,227.3 million for the six months ended 30 June 2010 to RMB10,444.8 million for the six months ended 30 June 2011, reflecting a 21% increase in average selling price, partially offset by a 6.6% decrease in sales volume. The increase in average selling price was primarily due to an increase in the market benchmark price during the first six months of 2011. The decrease in sales volume was primarily due to the sales volume decrease in the Target Group's trading sector.

Revenue from other copper products decreased by 57.1% from RMB934.0 million for the six months ended 30 June 2010 to RMB400.6 million for the six months ended 30 June 2011, reflecting a 63.6% decrease in sales volume, partially offset by a 17.9% increase in average selling price. Sales volume decreased primarily due to the decrease of sales volume in the trading sector of the Target Group. The average selling price increased primarily due to an increase in the market benchmark price during the first six months of 2011.

Revenue from gold increased by 11.5% from RMB1,267.3 million for the six months ended 30 June 2010 to RMB1,413.6 million for the six months ended 30 June 2011, reflecting a 16.6% increase in average selling price, partially offset by a 4.3% decrease in sales volume. The average selling price increased primarily due to an increase in the market benchmark price during the first six months of 2011.

Revenue from silver increased by 87.7% from RMB504.7 million for the six months ended 30 June 2010 to RMB947.1 million for the six months ended 30 June 2011, reflecting a 91.7% increase in average selling price, partially offset by a 2.1% decrease in sales volume. The average selling price increased primarily because the market benchmark price increased during the first six months of 2011. The sales volume decreased primarily due to a decrease in the sales volume of the Target Group's trading sector.

Cost of sales

Cost of sales increased by 9.6% from RMB11,983.8 million for the six months ended 30 June 2010 to RMB13,133.0 million for the six months ended 30 June 2011. This increase in cost of sales was primarily due to the increase of unit costs of sales in both the Target Group's production sector and trading sector.

Cost of sales of copper cathodes increased by 11.3% from RMB9,207.6 million for the six months ended 30 June 2010 to RMB10,246.1 million for the six months ended 30 June 2011, reflecting a 19.1% increase in unit cost of sales, partially offset by a 6.6% decrease in sales volume. The increase of copper cathodes unit cost of sales in the production sector was primarily due to an increase in the price of copper contained raw materials purchased from external suppliers. The increase of copper cathodes unit cost of sales in the trading sector was primarily due to an increase in the price of copper cathodes purchased from the suppliers. The decrease of sales volume was primarily due to a decrease of sales volume in the Target Group's trading sector.

Cost of sales of other copper products decreased by 56.6% from RMB928.5 million for the six months ended 30 June 2010 to RMB402.7 million for the six months ended 30 June 2011, reflecting a 63.6% decrease in sales volume, partially offset by a 19.2% increase in unit cost of sales. The decrease in sales volume was primarily because of a decrease in sales volume in the Target Group's trading sector. The increase in unit cost of sales of other copper products in the Target Group's production sector was primarily due to an increase in the price of copper contained raw materials purchased from suppliers. The increase in unit cost of sales of other copper products in the Target Group's trading sector was primarily due to an increase in the price of other copper products purchased from suppliers.

Cost of sales of gold increased by 17.8% from RMB1,129.7 million for the six months ended 30 June 2010 to RMB1,330.9 million for the six months ended 30 June 2011, reflecting a 23.2% increase in unit cost of sales, partially offset by a 4.3% decrease in sales volume. The increase in unit cost of sales of gold in the Target Group's production sector was primarily attributable to an increase in the price of gold contained raw materials. The increase in unit cost of sales of gold in the Target Group's trading sector was primarily attributable to an increase in the price of gold purchased from suppliers.

Cost of sales of silver increased by 98.3% from RMB447.3 million for the six months ended 30 June 2010 to RMB887.1 million for the six months ended 30 June 2011, reflecting a 102.6% increase in unit cost of sales of silver, partially offset by a 2.1% decrease in sales volume. The increase in unit cost of sales of silver in the Target Group's production sector was primarily attributable to an increase in the price of silver contained raw materials. The increase in unit cost of sales of silver in the Target Group's trading sector was primarily attributable to an increase in the price of silver purchased from suppliers.

Gross profit and gross profit margin

As a result of the foregoing, the Target Group's gross profit increased by 57.3% from RMB342.7 million for the six months ended 30 June 2010 to RMB539.2 million for the six months ended 30 June 2011. Accordingly, its gross profit margin increased from 2.8% for the six months ended 30 June 2010 to 3.9% for the six months ended 30 June 2011.

The gross profit from sales of copper cathodes increased by 908.6% from RMB19.7 million for the six months ended 30 June 2010 to RMB198.7 million for the six months ended June 30, 2011, primarily due to an increase in the market benchmark price. Accordingly, the gross profit margin of copper cathodes increased from 0.2% for the six months ended 30 June 2010 to 1.9% for the six months ended 30 June 2011. The gross profit margin of copper cathodes in the Target Group's trading sector increased from 0.1% to 0.2%, and in its production sector increased from 0.3% to 2.7% for the six months ended 30 June 2010 and 2011, respectively.

The gross profit from sales of other copper products was RMB5.5 million and the gross profit margin of other copper products was 0.6% for the six months ended 30 June 2010. The loss from sales of other copper products was RMB2.1 million and the gross profit margin of other copper products was negative 0.5% for the six months ended 30 June 2011. The gross profit margin of other copper products in the Target Group's trading sector decreased from 2.2% to 0.2%, and in its production sector increased from negative 5.9% to negative 3.0% for the six months ended 30 June 2010 and 2011, respectively.

The gross profit from sales of gold decreased by 39.9% from RMB137.6 million for the six months ended 30 June 2010 to RMB82.7 million for the six months ended 30 June 2011. The gross profit was higher in the first half year of 2010, primarily because the Target Group supplied part of its sales demand from prior year's raw materials inventory which were purchased at a low price. Accordingly, the gross profit margin of gold decreased from 10.9% for the six months ended 30 June 2010 to 5.9% for the six months ended 30 June 2011. The gross profit margin of gold in the Target Group's trading sector increased from negative 0.2% to 0.0%, and in its production sector decreased from 17.6% to 10.0% for the six months ended 30 June 2010 and 2011, respectively.

The gross profit from sales of silver increased by 4.5% from RMB57.4 million for the six months ended 30 June 2010 to RMB60.0 million for the six months ended 30 June 2011, primarily due to an increase in sales volume driven by the then increasing market benchmark price of silver. The gross profit margin of silver decreased from 11.4% for the six months ended 30 June 2010 to 6.3% for the six months ended 30 June 2011. The gross profit margin of silver in the Target Group's trading sector increased from negative 6.5% to 8.4%, and in its production sector decreased from 12.4% to 6.3% for the six months ended 30 June 2010 and 2011, respectively.

Selling expenses

The Target Group's selling expenses slightly decreased by 2.9% from RMB20.6 million for the six months ended 30 June 2010 to RMB20.0 million for the six months ended 30 June 2011.

Administrative expenses

The Target Group's administrative expenses increased by 7.4% from RMB157.0 million for the six months ended 30 June 2010 to RMB168.6 million for the six months ended 30 June 2011. The increase in administrative expenses was primarily due to an increase in administrative employees' salaries and social insurance expenses which was further incurred by increasing the average compensation level of the employees in the administration department.

Other operating expenses

The Target Group's other operating expenses decreased by 57.5% from RMB11.3 million for the six months ended 30 June 2010 to RMB4.8 million for the six months ended 30 June 2011. The decrease in other operating expenses was primarily due to a decrease in the Target Group's charitable contributions.

Other gains/(losses), net

The Target Group's other losses increased by 491.6 times from RMB0.3 million for the six months ended 30 June 2010 to RMB155.7 million for the six months ended 30 June 2011. This increase was primarily due to the increase of realized losses from settled commodity futures contracts, which was further due to fair value changes in the commodity futures contacts. See Note 7 to the Accountant's Report on the Target Group set out in Appendix I to the circular.

Other income

Other income decreased by 44.4% from RMB29.5 million for the six months ended 30 June 2010 to RMB16.4 million for the six months ended 30 June 2011. This decrease was primarily due to a decrease in government grants, partially offset by an increase in value-added tax refund.

Finance costs, net

The Target Group's finance costs, net, which is the difference between finance costs and finance income, increased by 12.3% from RMB61.6 million for the six months ended 30 June 2010 to RMB69.2 million for the six months ended 30 June 2011. This increase was primarily due to an increase in finance costs resulting from increased interest expenses on bank and other loans offset by an increase in finance income resulting from increased interest income on bank deposits and increased net exchange gains.

Income tax credit/(expense)

The Target Group's income tax expense decreased by 15.1% from RMB17.2 million for the six months ended 30 June 2010 to RMB14.6 million for the six months ended 30 June 2011. The effective income tax rate decreased from 14.2% to 10.6%, primarily due to an increase in tax refund the Target Group received under the comprehensive utilization of resourses program.

Profit for the six months and net profit margin

As a result of the foregoing, the profit attributable to owners of the Target Company increased by 48.7% from RMB62.9 million for the six months ended 30 June 2010 to RMB93.5 million for the six months ended 30 June 2011. Accordingly, net profit margin increased from 0.5% for the six months ended 30 June 2010 to 0.7% for the six months ended 30 June 2011.

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

The following table sets forth sales volume, revenue, cost of sales and gross profit of the Target Group during the period indicated.

	Year ended 31 December					
	2010			2009		
	Sales volume	Revenue	Unit price	Sales volume	Revenue	Unit price
	(tonne)	*RMB (million)*	*(RMB per tonne)*	*(tonne)*	*RMB (million)*	*(RMB per tonne)*
		(audited)			**(audited)**	
Copper cathodes	402,939.0	20,065.7	49,798	354,907.0	13,219.7	37,248
Other copper products	43,065.0	1,772.5	41,160	20,428.0	604.3	29,584
Gold	7.8	2,100.1	267,978,000	15.9	3,371.7	212,562,000
Silver	313.3	1,219.3	3,892,000	269.0	755.6	2,809,000
Other products		862.0			534.0	
Total		26,019.6			18,485.3	

	Year ended 31 December							
	2010				2009			
	Cost of sales	Unit cost	Gross profit	Gross profit margin	Cost of sales	Unit cost	Gross profit	Gross profit margin
	RMB (million)	*(RMB per tonne)*	*RMB (million)*	*(%)*	*RMB (million)*	*(RMB per tonne)*	*RMB (million)*	*(%)*
	(audited)		**(audited)**		**(audited)**		**(audited)**	
Copper cathodes	19,811.2	49,167	254.5	1.3	12,652.1	35,649	567.6	4.3
Other copper products	1,758.4	40,831	14.1	0.8	604.8	29,606	(0.5)	(0.1)
Gold	1,975.4	252,057,000	124.7	5.9	3,192.4	201,257,000	179.3	5.3
Silver	1,094.1	3,493,000	125.2	10.3	698.2	2,596,000	57.4	7.6
Other products	520.2		341.8		447.9		86.1	
	25,159.3		860.3		17,595.4		889.9	
Other expenses	27.7		(27.7)		13.1		(13.1)	
Total	25,187.0		832.6		17,608.5		876.8	

Revenue

Revenue increased by 40.8% from RMB18,485.3 million in 2009 to RMB26,019.6 million in 2010. This increase in revenue was primarily due to an increase in average selling price of copper products and an increase in sales volume in the Target Group's trading sector.

Revenue from copper cathodes increased by 51.8% from RMB13,219.7 million in 2009 to RMB20,065.7 million in 2010, reflecting a 33.7% increase in average selling price and a 13.5% increase in sales volume. The increase of average selling price was primarily due to an increase in the market benchmark price of copper. The increase in sales volume was primarily due to an increase in copper cathodes sales volume in the Target Group's trading sector.

Revenue from other copper products increased by 193.3% from RMB604.3 million in 2009 to RMB1,772.5 million in 2010, reflecting a 110.8% increase in sales volume and a 39.1% increase in average selling price. The sales volume increased primarily due to an increase in sales volume of other copper products in the Target Group's trading sector. The average selling price increased primarily because of an increase in the market benchmark price of copper.

Revenue from gold decreased by 37.7% from RMB3,371.7 million in 2009 to RMB2,100.1 million in 2010, reflecting a 50.9% decrease in sales volume, partially offset by a 26.1% increase in average selling price. The decrease in sales volume was primarily attributable to a decrease in gold sales volume in the Target Group's trading sector. The average selling price increased primarily because of an increase in the market benchmark price of gold.

Revenue from silver increased by 61.4% from RMB755.6 million in 2009 to RMB1,219.3 million in 2010, reflecting a 38.6% increase in average selling price and a 16.5% increase in sales volume. The average selling price increased primarily due to an increase in the market benchmark price of silver. The sales volume increased primarily because the Target Group supplied part of its sales demand from its prior year's inventory.

Cost of sales

Cost of sales increased by 43.0% from RMB17,608.5 million in 2009 to RMB25,187.0 million in 2010. This increase in cost of sales was primarily due to an increase in raw materials price.

Cost of sales for copper cathodes increased by 56.6% from RMB12,652.1 million in 2009 to RMB19,811.2 million in 2010, reflecting a 37.9% increase in unit cost of sales and a 13.5% increase in sales volume. The increase in unit cost of sales of copper cathodes in the Target Group's production sector was primarily attributable to an increase in the price of copper contained raw materials purchased from external suppliers. The increase in unit cost of sales of copper cathodes in the Target Group's trading sector was primarily due to an increase in the price of copper cathodes purchased from suppliers. The increase of sales volume was primarily attributable to an increase of copper cathodes sales volume in the Target Group's trading sector.

Cost of sales for other copper products increased by 190.7% from RMB604.8 million in 2009 to RMB1,758.4 million in 2010, reflecting a 37.9% increase in unit cost of sales and a 110.8% increase in sales volume. The increase in unit cost of sales of other copper products in the Target Group's production sector was primarily due to an increase in the price of copper contained raw materials. The increase in unit cost of sales of other copper products in the Target Group's trading sector was primarily due to an increase in the price of other copper products purchased from suppliers. The increase in sales volume was primarily due to an increase in other copper products sales volume in its trading sector.

Cost of sales for gold decreased by 38.1% from RMB3,192.4 million in 2009 to RMB1,975.4 million in 2010, reflecting a 50.9% decrease in sales volume, primarily offset by a 25.2% increase in unit cost of sales. The increase in unit cost of sales of gold in the Target Group's production sector was primarily attributable to an increase in the price of gold contained raw materials. The increase in unit cost of sales of gold in the Target Group's trading sector was primarily attributable to an increase in the price of gold it purchased from suppliers. The decrease in sales volume was primarily attributable to a decrease in gold sales volume in the Target Group's trading sector.

Cost of sales for silver increased by 56.7% from RMB698.2 million in 2009 to RMB1,094.1 million in 2010, reflecting a 34.6% increase in unit cost of sales and a 16.5% increase in sales volume. The increase in unit cost of sales of silver in the Target Group's production sector was primarily attributable to an increase in the price of silver contained raw materials. However, the unit cost of sales of silver in the Target Group's trading sector decreased primarily due to a decrease in the price of silver it purchased from suppliers. The sales volume increased primarily because the Target Group supplied part of its sales demand from prior year's inventory.

Gross profit and gross profit margin

As a result of the foregoing, the Target Group's gross profit decreased by 5.0% from RMB876.8 million in 2009 to RMB832.6 million in 2010. Its gross profit margin decreased from 4.7% in 2009 to 3.2% in 2010.

The gross profit from sales of copper cathodes decreased by 55.2% from RMB567.5 million in 2009 to RMB 254.5 million in 2010. Accordingly, the gross profit margin decreased from 4.3% in 2009 to 1.3% in 2010, primarily due to the increase of cost of sales resulting from an increase in raw materials costs as well as a decrease in processing fees of imported copper contained raw materials. The gross profit margin of copper cathodes in the Target Group's trading sector remained at 0.0%, and in its production sector decreased from 7.1% to 2.2% for the year ended 31 December 2009 and 2010, respectively.

The loss from sales of other copper products was RMB0.5 million and the gross profit margin was negative 0.1% in 2009. The gross profit from the sales of other copper products was RMB14.1 million and the gross profit margin was 0.8% in 2010. The Target Group incurred loss from the sales of other copper products in 2009 primarily due to the average selling price was lower than the unit costs of sales of other copper products. The gross profit margin of the sales of other copper products in the Target Group's trading sector increased from negative 0.5% to 1.6%, and in its production sector decreased from 0.4% to negative 2.2% for the year ended 31 December 2009 and 2010, respectively.

The gross profit from sales of gold decreased by 30.4% from RMB179.3 million in 2009 to RMB124.7 million in 2010, primarily due to the decrease of revenue from gold and the increase in cost of sales of gold resulting from an increase of raw materials costs. The gross profit margin increased from 5.3% in 2009 to 5.9% in 2010. The gross profit margin of the sales of gold in the Target Group's trading sector increased from 0.0% to 0.2%, and in the Target Group's production sector decreased from 14.8% to 7.6% for the year ended 31 December 2009 and 2010, respectively.

The gross profit from sales of silver increased by 118.0% from RMB57.4 million in 2009 to RMB125.2 million in 2010, primarily due to an increase in revenue from silver resulting from an increase in the selling price of silver in 2010. Accordingly, the gross profit margin increased from 7.6% in 2009 to 10.3% in 2010. The gross profit margin of silver in the Target Group's trading sector decreased from 11.3% to negative 4.3%, and in its production sector increased from 7.6% to 10.6% for the year ended 31 December 2009 and 2010, respectively.

Selling expenses

The Target Group's selling expenses increased by 2.7% from RMB44.7 million in 2009 to RMB45.9 million in 2010.

Administrative expenses

The Target Group's administrative expenses increased by 25.1% from RMB270.2 million in 2009 to RMB338.1 million in 2010, primarily because during the global financial crisis in 2009 the Target Group reduced its employees' average compensation and other benefits and repair expenses, among others.

Other operating expenses

The Target Group's other operating expenses increased by 110.3% from RMB13.6 million in 2009 to RMB28.6 million in 2010. The increase in other operating expenses was primarily due to an increase in the Target Group's expenditure during the recovery from the global financial crisis.

Other gains/(losses), net

Other losses, net, decreased by 77.2% from RMB337.4 million in 2009 to RMB77.0 million in 2010. This decrease was primarily due to the decrease of realized losses from commodity futures contracts, which was further due to fair value changes in the commodity futures contracts. See Note 7 (a) to the Accountant's Report on the Target Group set out in Appendix I to the circular.

Other income

Other income increased by 64.4% from RMB23.3 million in 2009 to RMB38.3 million in 2010. This increase was primarily due to an increase of government grants to encourage energy saving, emission reduction and innovation in technology and equipment from RMB10.5 million in 2009 to RMB31.1 million in 2010, partially offset by a decrease of value-added tax refund.

Finance costs, net

Finance costs, net, is the difference between finance costs and finance income. It increased by 11.8% from RMB123.9 million in 2009 to RMB138.5 million in 2010 primarily because of an increase in finance costs resulting from increased interest expenses on bank and other loans, offset by an increase in finance income resulting from increased interest income on bank deposit and increased net exchange gains from the RMB value appreciation against the US Dollars.

Income tax credit/(expense)

The Target Group's income tax expense increased by 199.1% from RMB11.3 million in 2009 to RMB33.8 million in 2010. The effective income tax rate increased from 10.2% in 2009 to 13.9% in 2010. The low effective income tax rate in 2009 was primarily due to the tax refund the Target Group enjoyed under the comprehensive utilization of resources program.

Profit for the year and net profit margin

As a result of the foregoing, the profit attributable to owners of the Target Company increased by 110.7% from RMB60.7 million in 2009 to RMB127.9 million in 2010. Net profit margin increased from 0.3% in 2009 to 0.5% in 2010.

The Year Ended 31 December 2009 Compared to the Year Ended 31 December 2008

The following table sets forth sales volume, revenue, cost of sales and gross profit of the Target Group during the period indicated.

	Year ended 31 December					
	2009			2008		
	Sales volume	Revenue	Unit price	Sales volume	Revenue	Unit price
	(tonne)	*RMB (million)*	*(RMB per tonne)*	*(tonne)*	*RMB (million)*	*(RMB per tonne*
		(audited)			**(audited)**	
Copper cathodes	354,907.0	13,219.7	37,248	234,602.0	10,938.6	46,626
Other copper products	20,428.0	604.3	29,584	16,532.0	597.6	36,150
Gold	15.9	3,371.7	212,562,000	5.5	1,058.3	191,772,000
Silver	269.0	755.6	2,809,000	284.6	866.7	3,045,000
Other products		534.0			1,406.2	
Total		18,485.3			14,867.4	

	Year ended 31 December							
	2009				2008			
	Cost of sales	Unit cost	Gross profit	Gross profit margin	Cost of sales	Unit cost	Gross profit	Gross profit margin
	RMB (million)	*(RMB per tonne)*	*RMB (million)*	*(%)*	*RMB (million)*	*(RMB per tonne)*	*RMB (million)*	*(%)*
	(audited)		**(audited)**		**(audited)**		**(audited)**	
Copper cathodes	12,652.1	35,649	567.5	4.3	11,498.7	49,014	(560.1)	(5.1)
Other copper products	604.8	29,606	(0.5)	(0.1)	601.7	36,396	(4.1)	(0.7)
Gold	3,192.4	201,257,000	179.3	5.3	891.0	161,448,000	167.3	15.8
Silver	698.2	2,596,000	57.5	7.6	973.0	3,418,000	(106.3)	(12.3)
Other products	447.9		86.1		507.9		898.3	
	17,595.4		889.9		14,472.3		395.1	
Other expenses	13.1		(13.1)		45.7		(45.7)	
Total	17,608.5		876.8		14,518.0		349.4	

Revenue

Revenue increased by 24.3% from RMB14,867.4 million in 2008 to RMB18,485.3 million in 2009. This increase in revenue was primarily due to an increase in sales volume.

Revenue from copper cathodes increased by 20.9% from RMB10,938.6 million in 2008 to RMB13,219.7 million in 2009, reflecting a 51.3% increase in sales volume, partially offset by a 20.1% decrease in average selling price. The increase in sales volume was primarily due to the increased copper cathodes sales volume in the Target Group's trading sector. The decrease in average selling price was primarily due to a decrease in the market benchmark price of copper.

Revenue from other copper products increased by 1.1% from RMB597.6 million in 2008 to RMB604.3 million in 2009, reflecting a 23.6% increase in sales volume, partially offset by a 18.2% decrease in average selling price. The increase in sales volume was primarily due to an increase in other copper products sales volume in the Target Group's trading sector. The decrease in average selling price was primarily due to a decrease in the market benchmark price of copper during the global financial crisis.

Revenue from gold increased by 218.6% from RMB1,058.3 million in 2008 to RMB3,371.7 million in 2009, reflecting a 187.4% increase in sales volume and a 10.8% increase in average selling price. The increase in sales volume was primarily due to an increase in the Target Group's gold sales volume in its trading sector. Gold as an investment instrument is often used to hedge other economic losses during market turndown. During the global financial crisis in 2009, the average selling price of gold increased along with the increase of demand of using gold as a financial risk hedging instrument.

Revenue from silver decreased by 12.8% from RMB866.7 million in 2008 to RMB755.6 million in 2009, reflecting a 7.7% decrease in average selling price and a 5.5% decrease in sales volume. The average selling price decreased primarily because silver price was adversely affected by the global financial crisis. The decrease in sales volume was primarily due to a decrease in silver sales volume in the Target Group's production sector.

Cost of sales

Cost of sales increased by 21.3% from RMB14,518.0 million in 2008 to RMB17,608.5 million in 2009. This increase in cost of sales was primarily due to an increase in sales volume.

Cost of sales of copper cathodes increased by 10.0% from RMB11,498.7 million in 2008 to RMB12,652.1 million in 2009, reflecting a 51.3% increase in sales volume, partially offset by a 27.3% decrease in unit cost of sales. The increase in sales volume was primarily attributable to an increase in sales volume of copper cathodes in the Target Group's trading sector. The decrease in unit cost of sales in the production sector was primarily due to a decrease in the costs of copper contained raw materials purchased from external parties and the costs cut in the Target Group during the global financial crisis. However, the unit cost of sales of copper cathodes in the trading sector increased slightly, primarily attributable to an increase in the price of copper cathodes procured from the Target Group's suppliers.

Cost of sales of other copper products increased by 0.5% from RMB601.7 million in 2008 to RMB604.8 million in 2009, reflecting a 23.6% increase in sales volume, partially offset by a 18.7% decrease in unit cost of sales. The sales volume increased primarily due to a significant increase in sales volume of other copper products in the Target Group's trading sector in 2009. The decrease in unit cost of sales was primarily attributable to a decrease in the price of copper contained raw materials in the Target Group's production sector. The unit cost of sales of other copper products in 2008 and 2009 in the trading sector was not comparable because the sales volume of other copper products in the trading sector in 2008 was inconsiderable.

Cost of sales of gold increased by 258.3% from RMB891.0 million in 2008 to RMB3,192.4 million in 2009, reflecting a 24.7% increase in unit cost of sales and a 187.4% increase in sales volume. The increase in unit cost of sales was primarily attributable to an increase in the price of gold contained raw materials in the Target Group's production sector. The unit cost of sales of gold in 2008 and 2009 in the trading sector was not comparable because the sales volume of gold in the trading sector in 2008 was inconsiderable. The increase in sales volume was primarily due to a significant increase in gold sales volume in the Target Group's trading sector in 2009.

Cost of sales of silver decreased by 28.2% from RMB973.0 million in 2008 to RMB698.2 million in 2009, reflecting a 24.1% decrease in unit cost of sales and a 5.5% decrease in sales volume. The decrease in unit cost of sales was primarily attributable to a decrease in the price of silver contained raw materials in the Target Group's production sector. The unit cost of sales of silver in 2008 and 2009 in the trading sector was not comparable because the sales volume of gold in the trading sector in 2008 was inconsiderable. The sales volume decreased because the Target Group reduced its sales volume and increased its inventory for future sales during times of higher market benchmark prices.

Gross profit and gross profit margin

As a result of the foregoing, the Target Group's gross profit increased by 150.9% from RMB349.4 million in 2008 to RMB876.8 million in 2009. The Target Group's gross profit margin increased from 2.4% in 2008 to 4.7% in 2009.

The Target Group incurred RMB560.1 million loss from sales of copper cathodes in 2008 and the profit margin was negative 5.1%. The gross profit from sales of copper cathodes was RMB567.5 million in 2009 and the profit margin was 4.3%. The Target Group incurred a loss from sales of copper cathodes in 2008 which was primarily due to high cost of sales and low average selling price. Most of copper contained raw materials the Target Group used in 2008 was procured in 2007 and the beginning of 2008 at a higher price before the global financial crisis, which led to a high cost of sales. The market benchmark price of copper cathodes decreased significantly during the global financial crisis in 2008, which led to a low average selling price. The gross profit margin of copper cathodes in the Target Group's trading sector decreased from 4.8% to 0.0%, and in its production sector increased from negative 5.6% to 7.1% for the year ended 31 December 2008 and 2009, respectively.

The loss from sales of other copper products decreased by 87.8% from RMB4.1 million for the year ended 31 December 2008 to RMB0.5 million for the year ended 31 December 2009. Accordingly, the gross profit margin increased from negative 0.7% to negative 0.1%. The Target Group did not trade other copper products in 2008, and the gross profit margin of other copper products in its trading sector for the year ended 31 December 2009 was negative 0.5%. The gross profit margin of other copper products in its production sector increased from negative 0.7% to 0.4% for the year ended 31 December 2008 and 2009, respectively.

The gross profit from sales of gold increased by 7.2% from RMB167.3 million in 2008 to RMB179.3 million in 2009 primarily attributable to an increase in the market benchmark price. The gross profit margin decreased from 15.8% in 2008 to 5.3% in 2009, primarily due to a lower profit margin in its trading sector. The Target Group's trading volume of gold in 2008 was inconsiderable. The gross profit margin of gold in the Target Group's trading sector for the year ended 31 December 2009 was 0.0%. The gross profit margin of gold in its production sector decreased from 15.8% to 14.8% for the year ended 31 December 2008 and 2009, respectively.

The Target Group incurred RMB106.3 million loss in sales of silver in 2008 and the profit margin was negative 12.3%. The gross profit from sales of silver was RMB57.4 million and the profit margin was 7.6% in 2009. The Target Group incurred losses in 2008 primarily because the silver contained raw materials carried forward from the year 2007 was procured at a higher price and the average selling price of silver decreased in 2008 during the global financial crisis. The Target Group's trading volume of silver in 2008 was inconsiderable. The gross profit margin of silver in the Targets Group's trading sector for the year ended 31 December 2009 was 11.3%. The gross profit margin of silver in its production sector increased from negative 12.3% to 7.6% for the year ended 31 December 2008 and 2009, respectively.

Selling expenses

The Target Group's selling expenses decreased by 40.6% from RMB75.2 million in 2008 to RMB44.7 million in 2009. This decrease was primarily due to (1) a decrease in salaries, office expenses, depreciation, and repair costs further resulting from an internal restructuring where the Target Group disposed of its ancillary assets to a newly established company at the end of 2008 ("**2008 Supplement Assets Disposal**"), and its costs cut during the global financial crisis, and (2) a decrease in freight costs due to its use of tendering in purchase of freight services.

Administrative expenses

The Target Group's administrative expenses decreased by 27.0% from RMB369.9 million in 2008 to RMB270.2 million in 2009. The decrease in administrative expenses was primarily due to the 2008 Supplement Assets Disposal and the Target Group's costs control during the global financial crisis.

Other operating expenses

The Target Group's other operating expenses decreased by 39.6% from RMB22.5 million in 2008 to RMB13.6 million in 2009, primarily due to its charitable contributions in the amount of RMB5.0 million for Wenchuan earthquake victims in 2008.

Other gains/(losses), net

The Target Group's other gains, net, were RMB133.7 million in 2008 and the Target Group's other losses, net, were RMB337.4 million in 2009. The Target Group's gains in 2008 were primarily attributable to realized gains from commodity futures contracts and fair value gains of commodity futures contracts as hedging instrument. The losses in 2009 were primarily attributable to the losses from fair value changes of commodity futures contracts and provision for other receivables. See Note 7 (a) to the Accountant's Report on the Target Group set out in Appendix I to the circular.

Other income

Other income increased by 13.7 times from RMB1.7 million in 2008 to RMB23.3 million in 2009. This increase was primarily due to the government grants in the amount of RMB10.5 million and the value-added tax refund in the amount of RMB11.2 million in 2009.

Finance costs, net

Finance costs, net, is the difference between finance costs and finance income. The Target Group's finance costs, net decreased by 32.0% from RMB182.3 million in 2008 to RMB123.9 million in 2009. This decrease was primarily due to a decrease in finance costs resulting from decreased interest on bank loans and loans from the Parent Company, net exchange losses, offset by a decrease in finance income from interest on bank deposits and interest from related parties.

Income tax credit/(expense)

In 2008, the Target Group's income tax credit was RMB56.8 million primarily due to the loss before income tax it incurred in the amount of RMB165.1 million. In 2009, its income tax expense was RMB11.2 million and the effective income tax rate was 10.2%.

Profit for the year and net profit margin

As a result of the foregoing, loss attributable to the owners of the Target Company was RMB94.6 million in 2008, and the profit attributable to the owners of the Target Company was RMB60.7 million in 2009. Accordingly, net profit margin was negative 0.6% in 2008 and 0.3% in 2009.

LIQUIDITY AND CAPITAL RESOURCES

The Target Group's cash needs are primarily in raw materials purchases, property, plant and equipment purchases, acquisition of mining rights, costs and expenses relating to operating activities and bank loans repayments. The Target Group has historically received cash resources from capital contributions by equity holders, long-term and short-term bank loans, and its operating activities. As at 31 December 2008, 2009 and 2010, and 30 June 2011, the Target Group had cash and cash equivalents in the amount of RMB1,176.0 million, RMB537.0 million, RMB304.0 million and RMB635.2 million, respectively, and restricted cash and bank balances in the amount of RMB379.1 million, RMB815.8 million, RMB1,310.4 million and RMB1,664.7 million, respectively.

The Target Group's gearing ratio was 41.1%, 50.2%, 52.9% and 48.3% as at 31 December 2008, 2009 and 2010 and 30 June 2011. Gearing ratio is based on year/period-end net debt divided by total capital. Net debts are calculated as total borrowings (including payables to the Parent Company) less term deposits, restricted deposits and cash and cash equivalents. Total capital is calculated as year/period-end equity, as shown in the combined statements of financial position plus net debts.

Cash Flows

The following table sets forth certain information regarding the Target Group's combined statements of cash flows for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB (million)	*RMB (million)*	*RMB (million)*	*RMB (million)*	*RMB (million)*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(audited)*
Net cash generated from/(used in) operating activities	200.6	(762.7)	340.8	84.4	1,302.6
Net cash used in investing activities	(273.4)	(501.1)	(1,338.4)	(893.4)	(420.9)
Net cash generated from financing activities	1,009.7	624.8	764.6	928.7	(550.5)
Net increase/(decrease) in cash and cash equivalents	936.9	(639.0)	(233.0)	119.7	331.2
Cash and cash equivalents at beginning of year/period	239.1	1,176.0	537.0	537.0	304.0
Cash and cash equivalents at end of year/period	1,176.0	537.0	304.0	656.7	635.2

Net cash generated from/used in operating activities

Net cash generated from operating activities in the six months ended 30 June 2011 of RMB1,302.6 million was primarily attributable to (1) profit before income tax in the amount of RMB137.3 million, (2) a decrease in inventories in the amount of RMB707.7 million because the Target Group supplied part of its production demand from the prior year's inventories of raw materials and work-in-progress, (3) an increase in other payables and accruals in the amount of RMB224.8 million, and (4) a decrease in other deposits in the amount of RMB218.1 million, partially offset by a decrease in trade and bills payable in the amount of RMB412.0 million due to a decrease in bill payables endorsed to suppliers.

Net cash generated from operating activities in 2010 of RMB340.8 million was primarily attributable to (1) profit before income tax in the amount of RMB242.8 million, (2) a decrease in trade and bills receivables in the amount of RMB215.5 million primarily due to collection of receivables from related parties and (3) an increase in trade and bills payables in the amount of RMB459.7 million due to an increase in accounts payables for raw materials, partially offset by (1) an increase in inventories in the amount of RMB512.5 million because the Target Group increased its inventories when raw materials prices were low, (2) an increase in other deposits in the amount of RMB308.3 million due to an increase in fixed term deposits under its non-deliverable forwards ("**NDF**") risk free financial portfolio program and an increase in deposits under futures contracts and deposits for issuing letters of credit, and (3) an increase in other receivables and prepayments in the amount of RMB155.5 million due to an increase in prepayments of copper raw materials.

Net cash used in operating activities in 2009 of RMB762.7 million was primarily attributable to an increase in inventories in the amount of RMB1,459.8 million due to increased purchase of raw materials at relatively low prices following the global financial crisis, partially offset by (1) a decrease in other receivables and prepayments in the amount of RMB462.6 million due to a decrease in prepayments of imported raw materials, (2) an adjustment for depreciation and amortization of RMB232.9 million, (3) an adjustment for interest expense of RMB134.6 million, (4) profit before income tax in the amount of RMB110.3 million, and (5) a decrease in other deposits in the amount of RMB60.7 million.

Net cash generated from operating activities in 2008 of RMB200.6 million was primarily attributable to (1) a decrease in inventories in the amount of RMB515.9 million due to a decrease in the inventories and a decrease in the raw materials purchase costs, (2) a decrease in restricted cash and bank balances in the amount of RMB80.6 million due to the decreasing use of letters of credit and credit futures contracts in 2008, partially offset by (1) loss before income tax in the amount of RMB165.1 million, (2) an increase in other receivables and prepayments in the amount of RMB313.2 million due to an increase in prepayments of imported raw materials and (3) a decrease in other payables and accruals in the amount of RMB184.6 million due to the 2008 Supplement Assets Disposal and tax payments.

Net cash used in investing activities

The Target Group's cash outflow from investing activities primarily consists of purchase of property, plant and equipment used in the renovation of copper mining, ore processing and smelting projects.

Net cash used in investing activities in the six months ended 30 June 2011 of RMB420.9 million was primarily attributable to purchase of property, plant and equipment in the amount of RMB419.3 million used in renovation of copper mining, ore processing and smelting projects, emission reduction and innovation in technology and equipment, partially offset by (1) interest received in the amount of RMB8.4 million and (2) government grants in the amount of RMB27.2 million.

Net cash used in investing activities in 2010 of RMB1,338.4 million was primarily attributable to (1) purchase of property, plant and equipment in the amount of RMB774.9 million used in renovation of copper mining, ore processing and smelting projects, emission reduction and innovation in technology and equipment, and (2) purchase of intangible assets in the amount of RMB603.3 million, partially offset by (1) interest received in the amount of RMB21.4 million, and (2) government grants in the amount of RMB44.3 million.

Net cash used in investing activities in 2009 of RMB501.1 million was primarily attributable to purchase of property, plant and equipment in the amount of RMB483.6 million used in the renovation of copper mining, ore processing and smelting projects, as well as expenditures in connection with PRC government tax incentive programs related to energy saving, emission reduction and innovation in technology and equipment, partially offset by (1) interest received in the amount of RMB10.7 million, (2) government grants in the amount of RMB13.5 million and (3) proceeds from disposal of property, plant and equipment in the amount of RMB1.2 million.

Net cash used in investing activities in 2008 of RMB273.4 million was primarily attributable to (1) purchase of property, plant and equipment in the amount of RMB294.3 million for used in the renovation of copper mining, ore processing and smelting projects, as well as expenditures in connection with PRC government tax incentive programs related to energy saving, emission reduction and innovation in technology and equipment, and (2) a RMB54.1 million capital reduction in 2008 due to the 2008 Supplement Assets Disposal, partially offset by (1) proceeds from disposal of property, plant and equipment in the amount of RMB28.4 million, (2) interest received in the amount of RMB39.1 million and (3) government grants in the amount of RMB10.3 million.

Net cash generated from financing activities

The Target Group's cash inflow from financing activities primarily consists of proceeds from new borrowings. The Target Group's cash outflow from financing activities primarily consists of interest payments and repayments of borrowings.

Net cash generated from financing activities in the six months ended 30 June 2011 of RMB550.5 million was primarily attributable to (1) proceeds from new borrowings in the amount of RMB3,374.8 million related to raw materials purchase and construction works expenditure, and (2) increase in advance from the Parent Company in the amount of RMB258.6 million, partially offset by repayment of borrowings in the amount of RMB3,361.6 million.

Net cash generated from financing activities in 2010 of RMB764.6 million was primarily attributable to proceeds from new borrowings in the amount of RMB8,773.6 million, partially offset by (1) interest paid in the amount of RMB180.9 million, and (2) repayment of borrowings in the amount of RMB7,619.3 million.

Net cash generated from financing activities in 2009 of RMB624.8 million was primarily attributable to (1) proceeds from new borrowings in the amount of RMB7,237.0 million and (2) contribution from equity holders in the amount of RMB240.0 million from Hubei SASAC, partially offset by (1) interest paid in the amount of RMB135.2 million, and (2) repayment of borrowings in the amount of RMB6,136.3 million.

Net cash generated from financing activities in 2008 of RMB1,009.7 million was primarily attributable to (1) proceeds from new borrowings of RMB6,949.5 million related to raw materials purchase, and (2) contribution from equity holders in the amount of RMB1,060.0 million related to Changdian and Hubei SASAC, partially offset by (1) repayment of borrowings in the amount of RMB6,629.5 million, (2) interest paid in the amount of RMB286.0 million, and (3) dividends in the amount of RMB143.0 million paid to the former owner of the three mines, being Fengshan Mine, Tongshankon Mine and Chimashan Mine.

NET CURRENT ASSETS

As at 31 December 2008, 2009 and 2010, and 30 June 2011, the Target Group had net current assets of RMB375.7 million, RMB575.8 million, RMB65.7 million and RMB114.8 million, respectively, as set out in detail below:

	As at 31 December			As at 30 June	As at 31 October
	2008	2009	2010	2011	2011
	RMB (million)	*RMB (million)*	*RMB (million)*	*RMB (million)*	*RMB (million)*
	(audited)	*(audited)*	*(audited)*	*(audited)*	*(unaudited)*
Current assets					
Inventories	2,130.3	3,614.5	4,264.1	3,419.1	3,333.3
Trade and bills receivables	600.4	764.7	549.1	439.4	308.3
Other receivables and prepayments	651.5	184.8	367.0	260.8	618.8
Income tax recoverable	–	5.7	5.8	–	–
Derivative financial instruments	27.9	–	–	4.0	4.7
Restricted cash and bank balances	379.1	815.8	1,310.4	1,664.7	1,449.9
Cash and cash equivalents	1,176.0	537.0	304.0	635.2	827.8
Total current assets	4,965.2	5,922.5	6,800.4	6,423.2	6,542.8
Current liabilities					
Trade and bills payables	793.0	810.3	1,270.1	858.1	988.5
Other payables and accruals	551.3	404.1	491.7	1,197.9	1,248.9
Derivative financial instruments	4.3	0.8	137.9	0.4	2.8
Borrowings	3,185.7	4,103.4	4,808.6	4,226.7	3,728.6
Provisions	32.3	28.1	26.4	24.8	22.3
Current income tax liabilities	22.9	–	–	0.5	0.8
Total current liabilities	4,589.5	5,346.7	6,734.7	6,308.4	5,991.9
Net current assets	375.7	575.8	65.7	114.8	550.9

Cash and cash equivalents

The Target Group holds its cash and cash equivalents at bank and in hand denominated in RMB, and to a less extent, in U.S. dollars. Cash and cash equivalents consist of cash, short term deposits and demand deposits. As at 31 December 2008, 2009 and 2010, and 30 June 2011, the Target Group had cash and cash equivalents of RMB1,176.0 million, RMB537.0 million, RMB304.0 million, and RMB635.2 million, respectively. Cash and cash equivalents decreased from 2008 to 2009, primarily due to approximately RMB1 billion of capital investments by Changdian in 2008, and decreased further from 2009 to 2010, primarily due to the increase in expenditure in raw materials and inventory in 2010. Cash and cash equivalents increased from 2010 to 30 June 2011 primarily due to a decrease in expenditure in raw materials and inventory in the first half of 2011.

Trade and bills receivables

The Target Group's trade and bills receivables represent the receivables from the sale of products to related parties and third party customers. The following table sets forth the Target Group's trade and bills receivables as of the dates indicated:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB (million) (audited)	*RMB (million) (audited)*	*RMB (million) (audited)*	*RMB (million) (audited)*
Trade receivables	306.3	358.5	51.5	79.7
Less: Provision for impairment	(3.8)	(3.0)	(3.0)	(3.2)
Net trade receivables	302.5	355.5	48.5	76.5
Bills receivables	207.9	320.2	422.7	272.9
Notes receivable discounted to banks	90.0	89.0	78.0	90.0
Total trade and bills receivables	600.4	764.7	549.2	439.4

The trade and bills receivables increased in the amount of RMB164.3 million from RMB600.4 million as at 31 December 2008 to RMB764.7 million as at 31 December 2009 was primarily because of a RMB49.9 million increase in trade receivables from third parties in relation to the sales of copper cathodes, and a RMB112.3 million increase in bills receivables primarily in relation to an increase in bills receivables discounted to banks.

The trade and bills receivables decreased in the amount of RMB215.5 million from RMB764.7 million as at 31 December 2009 to RMB549.2 million as at 31 December 2010 was primarily because of a RMB295.4 million payment of trade receivables from subsidiaries in relation to the sales of copper cathodes, partly offset by a RMB102.5 million increase in bills receivables primarily because the Target Group accepted more bills instead of instant payments during the recovery of the global financial crisis.

The trade and bills receivables decreased in the amount of RMB109.8 million from RMB549.2 million as at 31 December 2010 to RMB439.4 million as at 30 June 2011 was primarily because of a RMB149.8 million decrease in bills receivables primarily because the Target Group required more instant payments instead of bills for products including copper cathodes, gold and silver, partly offset by a RMB28.2 million increase in trade receivables primarily related to the sales of copper cathodes.

All the bills receivables used by the Target Group are with maturity period of less than 6 months and there were no bills receivables past due as at 30 June 2011.

The Target Group's notes receivable represents the bank acceptance notes issued by third parties. The maturity period of notes receivables are normally 6 months and there were no notes receivables past due as at 30 June 2011.

The following table sets forth the aging analysis of trade receivables for the dates indicated:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB (million) *(audited)*	*RMB (million)* *(audited)*	*RMB (million)* *(audited)*	*RMB (million)* *(audited)*
Trade receivables				
– less than 1 year	257.4	92.6	45.7	73.8
– 1–2 years	32.8	258.8	2.1	1.9
– 2–3 years	2.1	4.4	1.5	0.3
– over 3 years	14.0	2.7	2.2	3.7
	306.3	358.5	51.5	79.7

As at 31 October 2011, the Target Group's net trade receivables balance was RMB21.9 million and the Target Group had collected approximately 88.0% of the trade receivables that were outstanding as at 30 June 2011.

Other receivables and prepayments

The Target Group's other receivables and prepayments mainly consist of prepayments in raw materials and construction works, and receivables from related parties.

Other receivables and prepayments decreased in the amount of RMB466.7 million from RMB651.5 million as at 31 December 2008 to RMB184.8 million as at 31 December 2009 primarily because of a RMB376.5 million decrease in prepayments to third parties in relation to imported copper concentrates, and a RMB87.8 million decrease in prepayments to subsidiaries in relation to purchase of raw materials.

Other receivables and prepayments increased in the amount of RMB182.2 million from RMB184.8 million as at 31 December 2009 to RMB367.0 million as at 31 December 2010 primarily because of a RMB197.8 million increase in prepayments to third parties in relation to purchase of raw materials.

Other receivables and prepayments decreased in the amount of RMB106.2 million from RMB367.0 million as at 31 December 2010 to RMB260.8 million as at 30 June 2011 was primarily because of a RMB92.8 million decrease in prepayments to third parties in relation to purchase of raw materials.

Inventories

The Target Group's inventories included raw materials, work in progress and finished goods. Work in progress is mainly comprised of copper blister, copper anodes and materials used during the production process which contain metals such as copper, silver and gold. The following table sets forth the Target Group's inventories as of the dates indicated:

	As at 31 December			**As at 30 June**
	2008	**2009**	**2010**	**2011**
	RMB (million) (audited)	*RMB (million) (audited)*	*RMB (million) (audited)*	*RMB (million) (audited)*
Raw materials	1,824.6	2,451.4	2,975.6	2,430.1
Work in progress	195.9	1,079.6	1,008.0	572.0
Finished goods	109.7	83.5	280.5	417.0
	2,130.2	3,614.5	4,264.1	3,419.1

The RMB1,484.3 million increase in the Target Group's inventories from RMB2,130.2 million as at 31 December 2008 to RMB3,614.5 million as at 31 December 2009 was primarily attributable to (i) a RMB626.8 million increase in raw materials because the Target Group increased its purchase of raw materials when the purchase prices were relatively low following the global financial crisis, and (ii) a RMB883.7 million increase in work in progress because the Target Group increased its purchase of raw materials and its stock of work in progress in 2009 as part of its preparation for the maintenance of smelting furnaces to be carried out in 2010.

The RMB649.6 million increase in inventories from RMB3,614.5 million as at 31 December 2009 to RMB4,264.1 million as at 31 December 2010, was primarily attributable to a RMB524.3 million increase in raw materials because the Target Group increased its raw material purchase at relatively low prices following the global financial crisis.

The RMB845.0 million decrease in inventories from RMB4,264.1 million as at 31 December 2010 to RMB3,419.1 million as at 30 June 2011 was primarily attributable to a RMB545.5 million decrease in raw materials and a RMB436.0 million decrease in work in progress, because the Target Group reduced its purchase of raw materials and stock of work in progress when the purchase prices were high and supplied part of its sales demand from prior year's raw materials inventory and stock of work in progress.

As at 31 October 2011, the Target Group's inventories balance was RMB3,333.3 million and the Target Group had used approximately 73.6% of the inventories as at 30 June 2011.

Trade and bills payables

The Target Group's trade and bills payables represent the payables for the purchase of raw materials, semi-finished products and finished products from Independent Third Parties and related parties. The following table sets forth the Target Group's trade and bills payables as of the dates indicated:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB (million) (audited)	*RMB (million) (audited)*	*RMB (million) (audited)*	*RMB (million) (audited)*
Trade payables	631.7	574.0	971.1	712.1
Trade payables under endorsed bills	1.2	27.5	299.0	146.1
Bills payables	160.0	208.8	–	–
Total trade and bills payables	792.9	810.3	1,270.1	858.2

The trade and bills payables increased in the amount of RMB459.8 million from RMB810.3 million as at 31 December 2009 to RMB1,270.1 million as at 31 December 2010, primarily attributable to a RMB406.1 million increase in trade payables to third parties related to purchase of raw materials. Trade payables under endorsed bills represents the trade payables which are settled by transferring and endorsing the right of bills receivables but do not meet the de-recognition criteria under HKFRS. The RMB271.5 million increase in trade payables under endorsed bills was because the Target Group used more undue bills receivables as payment to suppliers. The Target Group paid off all bills payables that were due and there were no bills payables as at 31 December 2010.

The RMB411.9 million decrease in trade and bills payables from RMB1,270.1 million as at 31 December 2010 to RMB858.2 million as at 30 June 2011 was primarily attributable to a RMB395.1 million decrease in trade payables to third parties primarily resulting from repayments of raw materials payables. The RMB152.9 million decrease in trade payables under endorsed bills was primarily because the Target Group used less undue bills receivables as payment to suppliers. The RMB126.3 million increase in trade payables to related parties was primarily in relation to the purchase of raw materials and products from a subsidiary, Dajiang International.

All the bills payables are with maturity of less then 6 months and there were no bills payables past due as at 30 June 2011.

There were no trade payables under endorsed bills past due as at 30 June 2011.

The following table sets forth the aging analysis of trade payables for the dates indicated:

	As at 31 December			**As at 30 June**
	2008	**2009**	**2010**	**2011**
	RMB (million) (audited)	*RMB (million) (audited)*	*RMB (million) (audited)*	*RMB (million) (audited)*
Trade payables				
– less than 1 year	623.8	568.6	966.2	699.4
– 1–2 years	6.1	1.6	3.6	3.0
– 2–3 years	0.9	2.9	0.1	4.1
– over 3 years	0.9	0.9	1.2	5.5
	631.7	574.0	971.1	712.0

As at 31 October 2011, the Target Group's trade payables balance was RMB1,157.6 million and the Target Group had paid approximately 94.2% of the trade payables that were outstanding as at 30 June 2011.

Other payables and accruals

Other payables and accruals include other payables and accruals from third parties, the Parent Company and subsidiaries, salaries and welfare payables, interest payables to third parties and the Parent Company, other taxes payables, customer's deposits and current portion of deferred income. Other payables and accruals amounted to RMB551.3 million, RMB404.1 million, RMB491.8 million and RMB1197.9 million as at 31 December, 2008, 2009 and 2010 and 30 June 2011, respectively.

The increase in other payables and accruals in the amount of RMB706.1 million from RMB491.8 million as at 31 December 2010 to RMB1,197.9 million as at 30 June 2011 was primarily attributable to a RMB204.6 million increase in other payables and accruals to third parties primarily related to an increase in payables for construction work and purchase of equipment, a RMB258.6 million increase in other payables and accruals to the Parent Company primarily related to an increase in loans provided by the Target Group to the Parent Company, and a RMB100.0 million increase in other payables and accruals to subsidiaries primarily related to the payables to Hubei Jinge for utility services and the payables to Daye Non Ferrous Construction Installation Company for construction work.

Turnover analysis

The following table sets forth the Target Group's inventories, trade and bills receivables and trade and bills payables turnover days for the period indicated:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	(audited)	*(audited)*	*(audited)*	*(audited)*
Inventory turnover days(1)	61.2	59.5	57.1	53.4
Trade and bills receivables turnover days(2)	14.9	13.5	9.2	6.6
Trade and bills payables turnover days(3)	21.6	16.6	15.1	14.8

Notes:

(1) ((Inventory at the beginning of the period + inventory at the end of the period)/2)/cost of sales for the period x 365 days ^

^ For the six months ended 30 June 2011, 183 days is used

(2) ((Trade and bills receivables at the beginning of the period + trade and bills receivables at the end of the period)/2)/revenue for the period x 365 days ^

^ For the six months ended 30 June 2011, 183 days is used

(3) ((Trade and bills payables at the beginning of the period + trade and bills payables at the end of the period)/2)/cost of sales for the period x 365 days^

^ For the six months ended 30 June 2011, 183 days is used

The overall decrease in inventory turnover days from 31 December 2008 to 30 June 2011 was due to improvements in stock and inventory management.

The decrease in trade and bills receivables turnover days in the amount of 4.3 days from 13.5 days as at 31 December 2009 to 9.2 days as at 31 December 2010 was because of an decrease in payables related to clearance of balances due from related parties to the Target Group. The decrease in trade and bills receivables turnover days in the amount of 2.6 days from 9.2 days as at 31 December 2010 to 6.6 days as at 30 June 2011 was because the Target Group improved the overall receivables management, and in particular, required instant payments for products including copper cathodes, gold and silver.

The decrease in trade and bills payables turnover days in the amount of 5 days from 21.6 days as at 31 December 2008 to 16.6 days as at 31 December 2009 was because the Target Group shortened payment periods to secure a steady supply of raw materials following the global financial crisis.

Borrowings

The Target Group's borrowings consist of current borrowings and non-current borrowings. As at 31 December 2008, 2009 and 2010 and 30 June 2011, the Target Group had current borrowings of RMB3,185.7 million, RMB4,103.4 million, RMB4,808.6 million and RMB4,226.7 million, respectively, and non-current borrowings of RMB280.6 million, RMB438.9 million, RMB857.6 million and RMB1,415.0 million, respectively. The increase in the Target Group's borrowings was primarily used to support its expenditure in raw materials and construction works.

NON-CURRENT ASSETS

The Target Group's non-current assets primarily consist of property, plant and equipment and land use rights. The Target Group's property, plant and equipment assets primarily include the mining and ore processing facilities and the smelting facilities. As at 31 December 2008, 2009 and 2010, and 30 June 2010, the Target Group had property, plant and equipment of RMB2,280.7 million, RMB2,524.6 million, RMB3,030.3 million and RMB3,461.7 million, respectively. The increase in property, plant and equipment from 2008 to 2010 was primarily due to the increased investment in the Target Group's mining, ore processing and smelting facilities. As at 31 December 2008, 2009 and 2010, and 30 June 2010, the Target Group had land use rights worth RMB568.0 million, RMB556.1 million, RMB749.5 million and RMB742.2 million, respectively. The changes in land use rights were primarily because the Parent Company increased its investment in the Target Group by transferring the land use rights of three mines, being Fengshan Mine, Tongshankou Mine and Chimashan Mine in 2010.

INDEBTEDNESS

The following table sets forth the outstanding indebtedness of the Target Group as of 31 December 2008, 2009 and 2010, 30 June 2011 and 31 October 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular:

	As at 31 December			As at 30 June	As at 31 October
	2008	**2009**	**2010**	**2011**	**2011**
	RMB (million)	*RMB (million)*	*RMB (million)*	*RMB (million)*	*RMB (million)*
	(audited)	*(audited)*	*(audited)*	*(audited)*	*(Unaudited)*
Debentures	–	–	700.0	–	–
Borrowings					
– Secured	1,540.1	1,649.0	1,018.6	2,652.0	2,388.4
– Unsecured	1,647.9	2,526.4	3,264.5	2,336.8	2,223.1
– Advance from banks for discounted bills	188.3	277.8	115.1	10.0	5.0
– Advance from banks for discounted notes	90.0	89.0	78.0	90.0	60.0
– Gold loan	–	–	–	62.9	175.9
Loan from the Parent Company	–	–	490.0	490.0	490.0
Total borrowings	3,466.3	4,542.2	5,666.2	5,641.7	5,342.4

	As at 31 December			As at 30 June	As at 31 October
	2008	**2009**	**2010**	**2011**	**2011**
	RMB (million)	*RMB (million)*	*RMB (million)*	*RMB (million)*	*RMB (million)*
	(audited)	*(audited)*	*(audited)*	*(audited)*	*(Unaudited)*
Borrowings are repayable as follows:					
– Within 1 year	3,185.7	4,103.4	4,808.6	4,226.7	3,902.5
– Between 1 and 2 years	9.3	82.2	57.5	641.9	640.9
– Between 2 and 5 years	267.4	233.0	691.0	694.2	730.2
– Over 5 years	3.9	123.6	109.1	78.9	68.8
Total borrowings	3,466.3	4,542.2	5,666.2	5,641.7	5,342.4

For more details, see Note 27 to the Accountant's Report on the Target Group set out in Appendix I to this circular. For more details about loan from the Parent Company, see Note 27(b) to the Accountant's Report on the Target Group and the section headed "Relationship with Parent Company".

As at 31 December 2008, 2009 and 2010, 30 June 2011 and 31 October 2011, other payables and accruals due to the Parent Company amounting to RMB78.8 million, RMB22.5 million, nil, RMB258.6 million and RMB354.9 million, respectively. For more details see Note 31 to the Accountant's Report on the Target Group set out in Appendix I to this circular.

During the Track Record Period, the Target Group has relied on both long-term and short-term borrowings to fund a portion of its working capital needs and other capital requirements. The Target Group's long-term and short-term borrowings changed from RMB3,466.3 million as at 31 December 2008 to RMB4,542.2 million as at 31 December 2009, RMB5,666.2 million as at 31 December 2010, and RMB5,641.7 million as at 30 June 2011, primarily due to the increased funds the Target Group used to support its expenditure in raw materials and construction works.

Save as disclosed above, the Target Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

The directors of the Parent Company have confirmed that there have been no material changes in the Target Group's indebtedness since 31 October 2011.

As at 31 December 2008, the Target Group had borrowings in the amount of RMB629.4 million secured against certain property, plant and equipment in a value of RMB744.7 million (including borrowings in the amount of RMB256.5 million also secured against land use rights in a value of RMB62.9 million), borrowings in the amount of RMB96.8 million secured against rights on other receivables in a value of RMB20.5 million and property, plant and equipment in a value of RMB108.8 million, borrowings in the amount of RMB105.3 million secured against bank deposits in a value of RMB108.9 million, borrowings in the amount of RMB158.1 million secured against a fellow subsidiary's property, plant and equipment, and borrowings in the amount of RMB550.6 million guaranteed by the Parent Company.

As at 31 December 2009, the Target Group had borrowings in the amount of RMB86.9 million secured against certain property, plant and equipment in a value of RMB116.4 million (including borrowings in the amount of RMB66.9 million secured against rights on other receivables in a value of RMB20.5 million), borrowings in the amount of RMB1,054.8 million secured against bank deposits in a value of RMB717.7 million, and borrowings in the amount of RMB507.3 million guaranteed by the Parent Company.

As at 31 December 2010, the Target Group had borrowings in the amount of RMB898.6 million secured against bank deposits in a value of RMB772.1 million, and borrowings in the amount of RMB120.0 million guaranteed by the Parent Company.

As at 30 June 2011, the Target Group had borrowings in the amount of RMB1,532.0 million secured against bank deposits in a value of RMB1,444.9 million, and borrowings in the amount of RMB1,120.0 million guaranteed by the Parent Company.

The Target Group has entered into gold loans with banks in the PRC since 2010. Gold loan is a way of financing offered by the banks to enterprises which are members of SHGE engaged in the mining, production or trading of gold or gold related products. The Target Group entered into gold loans because the costs of financing involved (taking into account the fee and the exposure to gold price fluctuations during the term of the gold loan) are generally lower than those charged for banking facilities. Further, the approval procedures for gold loans adopted by the banks are, in general, more simple and expeditious.

The Target Group typically enters into gold loans with a term ranging from 6 months to one year. Pursuant to such gold loan agreement, the Target Group leases from the bank a certain amount of gold at a fee of approximately 3.2% to 5.2% per annum, calculated based on the amount of gold leased, the term of the lease and the closing price of the type of gold as quoted on SHGE on the trading day immediately prior to the delivery of the gold. Delivery of the leased gold to the Target Group is made through SHGE. Upon receipt of the leased gold, the Target Group usually sells it for cash to be used mainly as its working capital. Upon expiry of the gold loan, the Target Group purchases the amount of gold it leases on SHGE for returning to the bank. Delivery of the returned gold is also made through SHGE. As at 31 December 2010, no outstanding gold loan was recorded for the gold loan activities of the Target Group. As at 30 June 2011, the Target Group's gold loans amounted to RMB62.9 million, and an unrealized fair value loss of approximately RMB2,852,000 was recorded for the gold loan activities of the Target Group.

As at 30 June 2011, the Target Group had unutilised credit facilities granted by independent banks in the aggregate amount of up to RMB7.6 billion to meet its working capital and trading requirements.

CONTINGENT LIABILITIES

As of 31 December 2008, 2009 and 2010, and 30 June 2011, the Target Group had no outstanding contingent liabilities. The Target Group currently is not a party to any litigation that is likely to have a material adverse impact on its business, results of operations or financial condition. The directors of the Parent Company have confirmed that there has no material change in the Target Group's contingent liabilities since 30 June 2011.

CAPITAL COMMITMENTS

The following table sets forth the capital commitments of the Target Group for the periods indicated.

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB (million)	*RMB (million)*	*RMB (million)*	*RMB (million)*
Property, plant and equipment and exploration and evaluation assets – contracted but not provided for	42.8	29.3	141.0	130.8

The Target Group plans to fund its capital commitments with cash from operating activities and short-term and long-term indebtedness. The directors of the Parent Company expect that the Target Group will have sufficient resources to fund its capital commitments during the next 12 months.

OFF-BALANCE SHEET ARRANGEMENTS

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

KEY FINANCIAL RATIOS

The following table sets forth the Target Group's current ratio, return on equity and return on assets for the periods indicated:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	%	*%*	*%*	*%* *(annualised)*
Current ratio *(1)*	1.1	1.1	1.0	1.0
Return on equity *(2)*	–5.1	3.5	6.2	6.5
Return on assets *(3)*	–1.4	1.1	2.0	2.1

Notes:

(1) Current assets/current liabilities

(2) Profit for the year attributable to owners of the Target Company (or annualised for six months ended 30 June 2011 by multiplying 2)/((capital and reserves attributable to owners of Target Company at the beginning of the period + capital and reserves attributable to owners of Target Company at the end of the period)/2)

(3) Profit for the year (or annualised for six months ended 30 June 2011 by multiplying 2)/((total assets at the beginning of the period+ total assets at the end of the period)/2)

Current ratio

The Target Group's current ratio, calculated by dividing current assets by current liabilities, was 1.1, 1.1, 1.0 and 1.0 as at 31 December 2008, 2009 and 2010 and 30 June 2011, respectively.

Return on equity

The Target Group's return on equity was -5.1%, 3.5%, 6.2% and 6.5% (on an annualised basis) as at 31 December 2008, 2009 and 2010 and 30 June 2011, respectively.

The increase in return on equity in the amount of 8.6% from -5.1% as at 31 December 2008 to 3.5% as at 31 December 2009 was mainly because the prices of products dropped significantly during the global financial crisis and then started recovering in 2009. The increase in return on equity in the amount of 2.7% from 3.5% as at 31 December 2009 to 6.2% as at 31 December 2010 was primarily due to the profit attributable to owners of the Target Company increased by 110.6% as the Target Group managed to reduce its other losses from RMB337.4 million in 2009 to RMB77.1 million in 2010. Such loss mainly resulted from fair value changes of commodity futures contracts for hedging purposes. The increase in return on equity in the amount of 0.3% from 6.2% as at 31 December 2010 to 6.5% as at 30 June 2011 was because of an increase of prices of main products.

Return on assets

The Target Group's return on assets was -1.4%, 1.1%, 2.0% and 2.1% (on an annualised basis) as at 31 December 2008, 2009 and 2010 and 30 June 2011, respectively.

The increase in return on assets in the amount of 2.5% from -1.4% as at 31 December 2008 to 1.1% as at 31 December 2009 was because the prices of products dropped significantly during the global financial crisis and then started recovering in 2009. The increase in return on assets in the amount of 0.9% from 1.1% as at 31 December 2009 to 2.0% as at 31 December 2010 was primarily due to the net profit increased by 111.0% as the Target Group managed to reduce its other losses from RMB337.4 million in 2009 to RMB77.1 million in 2010. Such loss mainly resulted from fair value changes of commodity futures contracts for hedging purposes. The increase in return on equity in the amount of 0.1% from 2.0% as at 31 December 2010 to 2.1% as at 30 June 2011 was because of an increase of prices of main products.

DISCLOSURE ABOUT MARKET RISK

The Target Group is, in its normal course of business, exposed to market risks relating primarily to commodity price risk, interest rate risk, foreign exchange risk, credit risk and liquidity risk.

Commodity price risk

The major products of the Target Group include copper cathodes, gold, silver and sulphuric acid. As the commodity markets are influenced by global supply and demand conditions as well as those in the PRC, any unexpected price change in the markets might affect the Target Group's earnings and performance. To mitigate this risk, the Target Group closely monitors any significant exposures, and may enter into commodity derivative from time to time in accordance with the policies approved by the directors of Daye Metal to manage the exposure with respect to its inventories, forecast sell or firm sell commitments mainly includes copper and gold products. The Target Group does not enter into any commodities futures contracts in respect of silver, iron and other commodities.

Financial assets and liabilities of the Target Group that expose to the commodities price risk – the fair value change, primarily with respect to its outstanding derivative financial instruments, mainly the copper and gold futures contracts, inventories that effectively hedged by commodities futures contracts in accordance with HKFRS, and the provisional price arrangements in respect of purchases of copper concentrates.

The Target Group enters into copper futures contracts for the purpose of managing its exposure to the copper price risk. The Target Group formally designates and documents the hedging relationship at inception of its hedging transactions in respect of its inventories. Therefore, a significant portion of the outstanding derivative financial instruments related to copper were assessed to be highly effective in accordance with HKFRS and accounted for as fair value hedges at each reporting date. The fair value changes of these outstanding copper futures contracts and provisional price arrangements will be significantly offset by the corresponding fair value changes in the hedged inventories. As a result, management is of the opinion that any reasonable changes in copper price would not result in a significant change in the Target Group's results in respect of these contracts.

The Target Group also enters into a limited number of gold futures contracts for the purpose of managing its exposure to the gold price risk. However, these contracts do not qualified as hedging accounting. Any fair value changes in respect of these outstanding gold futures contracts might affect the results of the Target Group. In addition, as at 30 June 2011, the Target Group has an outstanding gold loan balance with a bank, which was designated as derivative financial instruments, any change in the fair value of the gold loan might affect the results of the Target Group.

There are no outstanding gold futures contracts as at 31 December 2009 and 2010.

Interest rate risk

The Target Group is exposed to interest rate volatility on deposits and borrowings. Deposits and borrowings at variable rates expose the Target Group to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the Target Group to fair value interest rate risk. The Target Group does not use derivative financial instruments to hedge its interest rate risk.

Foreign exchange risk

The Target Group operates in the PRC with most of the transactions settled in RMB except for certain purchases from international market that are conducted in US dollars and Euro and certain borrowings that are denominated in US dollars. The Target Group's reporting currency and functional currency of the majority of subsidiaries within the Target Group is RMB.

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entities' functional currency. The Target Group is exposed to foreign exchange risk primarily with respect to US dollars and Euro.

The Target Group manages its foreign exchange risk by performing regular reviews of its net foreign exchange exposures and may enter into forward foreign exchange contracts, when necessary, to manage its foreign exchange exposure. During the Track Record Period, no forward foreign exchange contracts had been entered into by the Target Group.

Credit risk

The carrying amount of trade, bills and other receivables, restricted cash and bank balances and cash and cash equivalents included in the combined statements of financial position represents the Target Group's maximum exposure to credit risk in relation to its financial assets.

The Target Group has policies in place to ensure that sales of products on credit terms are made to customers with an appropriate credit history. The credit risk arising from sales to major non-ferrous metals customers are managed by contracts that stipulate an upfront payment of a significant portion of the amount of each sale and the remaining balance is normally received within one month. The Target Group performs periodic credit evaluations of its customers and slow-moving debts, if any, are regularly monitored with timely follow-up action taken. With diversified customer base and the credit policy as stated above, the Target Group has no significant concentrations of credit risk with respect to a particular customer. Normally the Target Group does not require collaterals from trade debtors. The existing debtors have no significant defaults in the past. The Target Group's historical experience in collection of trade and other receivables falls within the recorded allowances.

Bills receivables are only drawn from major state-owned financial institutions in the PRC. Substantially all restricted cash and bank balances are held in major state-owned financial institutions located in the PRC and SHFE, and substantially all derivative financial instruments are directly entered into with SHFE, which the management believes are of high credit quality. The Target Group has a policy to limit the amount of credit exposure to any financial institution and the management does not expect any loss arising from non-performance by these counterparties.

Liquidity risk

Liquidity risk is the risk that the Target Group will not be able to meet its financial obligations as they become due. The Target Group's treasury department monitors the Target Group's cash flow positions on a regular basis to ensure the cash flows of the Target Group are positive and closely controlled. The Target Group aims to maintain flexibility in funding by keeping committed credit lines available, obtaining debentures from specific financial institutions and borrowing loans from banks. For more information on liquidity risk, please see Note 4.1 (e) to the Accountant's Report on the Target Group set out in Appendix I to the circular.

HISTORICAL AND PLANNED CAPITAL EXPENDITURE

The Target Group's principal capital expenditure relates to purchase of property, plant and equipment. The following table sets forth the Target Group's historical capital expenditure for the Track Record Period.

	Year ended 31 December			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
	RMB (million)	*RMB (million)*	*RMB (million)*	*RMB (million)*
	(audited)	**(audited)**	**(audited)**	**(audited)**
Plant, property and equipment	335.2	466.7	739.9	571.4

The Target Group's total capital expenditure increased by 39.3% from RMB335.2 million in 2008 to RMB466.7 million in 2009, and further increased by 58.5% to RMB739.9 million in 2010. The Target Group used its capital expenditure primarily to expand its production capacities and to improve its production technologies, such as purchasing and upgrading its mining, ore processing and smelting facilities, as well as purchasing raw materials and investing in construction works.

For the six months from 30 June 2011 to 31 December 2011, the 12 months from 30 June 2011 to 30 June 2012 and the 18 months from 30 June 2011 to 31 December 2012, the Target Group expects to incur expenditure of approximately RMB820.2 million, RMB1,635.6 million and RMB2,624.1 million respectively primarily for purchasing property, plant and equipment to maintain as well as expand its production capacity.

The Target Group expects to finance the planned capital expenditure through loans for projects bank borrowings and it internal resources.

DISTRIBUTABLE RESERVES

As of 30 June 2011, the Target Company had no distributable reserves due to the fact that it had not been involved in any significant business transactions since its date of incorporation to 30 June 2011.

DIVIDENDS

The Target Group did not pay any dividend in 2009 and 2010. In 2008, the aggregated dividends in the amount of RMB146.5 million were declared, and RMB143.0 million was paid to the former owner of the three mines, being Fengshan Mine, Tongshankon Mine and Chimashan Mine.

For further details of the dividend payments by the Target Group, please refer to Note 33 (b) to the Accountant's Report on the Target Group set out in Appendix I to this circular. The past dividend payments or non-payment referred to above should not be used as reference for the Target Group's dividend policy, nor as a basis to forecast the amount of dividends payable in the future.

WORKING CAPITAL

For information on working capital, please refer to the sub-section headed "Letter from the Board Information on the Enlarged Group" in this circular.

NO MATERIAL ADVERSE CHANGE

The directors of the Parent Company confirm that they have performed sufficient due diligence on the Target Group to ensure its financial, trading and operational conditions, positions or prospects did not have any material adverse changes since 30 June 2011 (the date on which the latest audited financial statements were published) to the Latest Practicable Date. Since 30 June 2011, there have been no events which would materially affect the information stated in the Accountant's Report on the Target Group set out in Appendix I of this circular.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

As at the Latest Practicable Date, the directors of the Parent Company confirm that there were no circumstances which would give rise to disclosure requirements under Rules 13.13 to 13.19, of the Listing Rules.

PROPERTY VALUATION

Jones Lang LaSalle Sallmanns, an independent property valuer, has valued the Target Group's property interests as at 30 September 2011 and is of the opinion that the value of its property interests is an aggregate amount of RMB2,562 million as at 30 September 2011. The full text of the letter, summary of values and valuation certificates with regard to such property interests are set out in Appendix IV of this circular.

The table below sets forth the reconciliation of the fair value as stated in the property valuation report in Appendix IV to this circular and the net book value of the Target Group's property interests contained in the Accountant's Report on the Target Group in Appendix I to this circular as of 30 June 2011:

	RMB (million)
Net book value of property interests as of 30 June 2011 (audited)	2,138[(1)]
Movement for the period from 1 July 2011 to 30 September 2011	41
– Add: Additions during the period from 1 July 2011 to 30 September 2011 (unaudited)	70
– Less: Depreciation and amortisation during the period from 1 July 2011 to 30 September 2011 (unaudited)	(29)
Net book value of property interest as of 30 September 2011 (unaudited)	2,179
Valuation surplus as of 30 September 2011	383
Valuation as of 30 September as per Appendix IV to this circular	2,562[(2)]

Note:

(1) The net book value of RMB2,138 million includes the net book value of RMB3,348 million of buildings, mining infrastructure and property, construction in progress, exploration and evaluation assets and land use rights held by the Target Group as at June 30, 2011 stated in the Accountant's Report on the Target Group in Appendix I, less mining infrastructure assets (disclosed as mining infrastructure and construction in progress relating to plant and machinery) with net book value of RMB1,210 million, which are excluded from the valuation of property interests.

(2) The valuation result of RMB2,562 million includes the capital value of RMB 1,910 million (stated on page IV-6) of property interests held by the Target Group as at September 30, 2011 and the total reference value of RMB652 million of property interests without proper title documents which are disclosed in footnotes of valuation certificates (stated on page IV-11 to page IV-29 and page IV-38 to page IV-40) of Appendix IV to this Circular.

(3) The payments for property No. 20 and No. 21 (which are stated in page IV-38 to page IV-40 of the circular) have been made by Daye Metal and been reflected in the total net book value of the property interests held by the Target Group in accordance with Hong Kong Accounting Standard ("HKAS"). The legal title transfer of these properties are still being finalized.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS OF THE ENLARGED GROUP

The following statement of adjusted net tangible assets of the Enlarged Group is prepared based on the consolidated net tangible assets of the Enlarged Group as set out in Appendix III to this circular.

	Audited net tangible assets of the Group as at 30 June 2011	Audited net tangible assets of the Group per share as at 30 June 2011	Unaudited pro forma adjusted net tangible assets of the Enlarged Group as at 30 June 2011	Unaudited pro forma adjusted net tangible assets of the Enlarged Group per share as at 30 June 2011
	HK$'000	*HK$*	*HK$'000*	*HK$*
	Note 1	*Note 2*	*Note 3*	*Note 4*
Net tangible assets attributable to equity holders of the Company	334,358	0.0598	3,327,212	0.1920

Notes to the unaudited pro forma adjusted net tangible assets of the Enlarged Group

1. The audited net tangible assets of the Group as at 30 June 2011 is calculated based on the amount of the audited net assets attributable to the equity holders of the Group as at 30 June 2011 of approximately HK$1,077,643,000, less the amount of intangible assets of approximately HK$2,156,585,000, the related deferred tax liabilities of approximately HK$539,146,000, and the non-controlling interests of approximately HK$874,154,000.

2. The number of shares used for the calculation of the unaudited net tangible assets of the Group per Share is 5,591,195,552, being the number of Shares in issue as at 30 June 2011.

3. The unaudited pro forma adjusted net tangible assets of the Group as at 30 June 2011 is calculated based on the amount of the unaudited pro forma adjusted net assets attributable to the equity holders of the Enlarged Group as at 30 June 2011 of approximately HK$6,721,390,000, less the amount of intangible assets of approximately HK$1,277,859,000, goodwill of approximately HK$2,492,857,000, the related deferred tax liabilities of approximately HK$146,542,000, and the non controlling interests of approximately HK$229,996,000.

4. The number of shares used for the calculation of the unaudited pro forma adjusted net tangible assets of the Enlarged Group per Share is 17,327,911,186, comprising 5,591,195,552 Shares in issue as at 30 June 2011 and 11,736,715,634 new Shares to be issued as described in note 3 (i) above but do not account for any new shares to be issued upon conversion of the Convertible Notes as it is not directly attributable to the Acquisition and are related to future events.

SHARE CAPITAL

The Company's authorized and issued share capital as of the Latest Practicable Date were as follows:

Authorized share capital:	*HK$*
30,000,000,000 Ordinary Shares	1,500,000,000.00
100,000,000 Preference Shares	100,000,000.00
Issued share capital:	
5,591,195,552 Ordinary Shares	279,559,777.60
16,485 Preference Shares	16,485.00

The Ordinary Shares in issue rank pari passu with each other and entitle their holders to vote at general meetings of the Company and to receive dividend and capital distributions.

The Preference Shares in issue rank pari passu with each other. They entitle their holders to receive a fixed cumulative preferential dividend at the rate of 6% per annum on the notional value of HK$5 per Preference Share to be paid half-yearly on 30 June and 31 December in each year. The Preference Shares carry no voting right except in the event of the winding up of the Company, a reduction of capital or a variation or abrogation of the rights attaching to such shares, or any dividend payable with respect to such shares being in arrears for six months or more.

As at the Latest Practicable Date, the Company had issued share options pursuant to which if fully exercised, 307,700,000 Ordinary Shares may be issued. It also had the Existing Convertible Notes outstanding which are convertible into 355,987,055 Ordinary Shares. The Warrants, which carry the right to subscribe for up to an aggregate of 60,000,000 Ordinary Shares, lapsed in May 2011.

Pursuant to the Acquisition Agreement, the Company has agreed to allot and issue: (a) 10,799,762,092 new Ordinary Shares and the China Times Convertible Notes, which are convertible into 2,007,672,096 new Ordinary Shares to China Times (or its nominee) upon the China Times Completion; (b) 936,953,542 new Ordinary Shares to Cinda (or its nominee) upon the Cinda Completion; and (c) 670,282,150 new Ordinary Shares to Huarong (or its nominee) upon the Huarong Completion. As announced by the Company on 14 October 2011 that the Company has been informed by Huarong that it was not able to obtain the regulatory and other approvals required in connection with the Huarong Reorganisation and hence, as provided in the Reorganisation Agreement, Huarong Reorganisation will not proceed. Huarong Completion will therefore not take place and the Huarong Consideration Shares will not be issued in accordance with the Acquisition Agreement.

SHARE CAPITAL

The issued ordinary share capital of the Company immediately upon (a) China Times Completion (on the basis that Cinda Completion has not taken place) and (b) China Times Completion and Cinda Completion, without taking into account any Conversion Shares which may be issued pursuant to the China Times Convertible Notes, are as follows *(Notes 1 & 2)*:

(a) Issued ordinary share capital of the Company immediately upon the issue of the China Times Consideration Shares at China Times Completion (on the basis that Cinda Completion has not taken place)	*HK$*
5,591,195,552 Ordinary Shares	279,559,777.60
10,799,762,092 China Times Consideration Shares	539,988,104.60
16,390,957,644 Ordinary Shares	**819,547,882.20**

(b) Issued ordinary share capital of the Company immediately upon the issue of the China Times Consideration Shares and Cinda Consideration Shares at China Times Completion and Cinda Completion	*HK$*
5,591,195,552 Ordinary Shares	279,559,777.60
10,799,762,092 China Times Consideration Shares	539,988,104.60
936,953,542 Cinda Consideration Shares	46,847,677.10
17,327,911,186 Ordinary Shares	**866,395,559.30**

Assuming full conversion of the China Times Convertible Notes at the Conversion Price, the issued ordinary share capital of the Company immediately upon (a) China Times Completion (on the basis that Cinda Completion has not taken place); and (b) China Times Completion and Cinda Completion are as follows *(Note 1)*:

(a) Issued ordinary share capital of the Company immediately upon the issue of the China Times Consideration Shares and the Conversion Shares at China Times Completion (on the basis that Cinda Completion has not taken place)	*HK$*
5,591,195,552 Ordinary Shares	279,559,777.60
10,799,762,092 China Times Consideration Shares	539,988,104.60
1,311,276,612 Conversion Shares *(Note 3)*	65,563,830.60
17,702,234,256 Ordinary Shares	**885,111,712.80**

(b) Issued ordinary share capital of the Company immediately upon the issue of the China Times Consideration Shares, the Conversion Shares and Cinda Consideration Shares at China Times Completion and Cinda Completion	*HK$*
5,591,195,552 Ordinary Shares	279,559,777.60
10,799,762,092 China Times Consideration Shares	539,988,104.60
936,953,542 Cinda Consideration Shares	46,847,677.10
2,007,672,096 Conversion Shares	100,383,604.80
19,335,583,282 Ordinary Shares	**966,779,164.10**

Notes:

1. *The tables do not include the 16,485 Preference Shares in issue as the Company considers them immaterial in the context of the total issued share capital of the Company and none of those Preference Shares carry any voting right except in the event of the winding up of the Company, a reduction of capital or a variation or abrogation of the rights attaching to such share, or any dividend payable with respect to such share being in arrears for six months or more.*

2. *As at the Latest Practicable Date, China Times held 5,495 Preference Shares. Assuming that all Preference Shares in issue are converted into Ordinary Shares at the current conversion price of HK$0.036 per share, 2,289,583 new Ordinary Shares will be issued upon conversion, among which 763,194 new Ordinary Shares will be issued to China Times. China Times has undertaken to the Company that it will not exercise its right of conversion under the Preference Shares and/or the China Times Convertible Notes if, immediately following the conversion, the Company will be unable to meet the minimum public float requirement under the Listing Rules. Assuming that all the Existing Convertible Notes are converted into Ordinary Shares at the current conversion price of HK0.618 per share, 355,987,055 new Ordinary Shares will be issued upon conversion. Assuming that the share options in issue are exercised in full, 307,700,000 new Ordinary Shares will be issued.*

3. *The conversion rights of the China Times Convertible Notes shall not be exercised if, immediately following the conversion, the Company will be unable to meet the minimum public float requirement under the Listing Rules. Hence, in the case where only China Times Completion occurs, China Times will be allowed to convert only a maximum of HK$655,638,306 of the aggregate principal amount of the China Times Convertible Notes into 1,311,276,612 Ordinary Shares (assuming that no new Ordinary Shares have been issued by the Company after the Latest Practicable Date and before the date of conversion and conversion is carried out at the Conversion Price) in order to maintain the minimum public float after conversion.*

RANKING

The China Times Consideration Shares, the Cinda Consideration Shares and the Conversion Shares, when issued, will rank equally among themselves and pari passu in all respects with the Ordinary Shares then in issue, including as to the right to any dividend declared on or after the respective dates of their allotment and issue.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular. It is prepared and addressed to the directors of the Company and to the J.P.Morgan Securities (Asia Pacific) Limited pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

29 December 2011

The Directors
China Daye Non-Ferrous Metals Mining Limited

J.P. Morgan Securities (Asia Pacific) Limited

Dear Sirs,

We report on the financial information of Prosper Well Group Limited (the "Target Company") and its subsidiaries (together, the "Target Group") which comprises the combined statements of financial position as at 31 December 2008, 2009 and 2010 and 30 June 2011, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes. This financial information has been prepared by the directors of China Daye Non-Ferrous Metals Mining Limited (the "Company") and is set out in Sections I to IV below for inclusion in Appendix I to the circular of the Company dated 29 December 2011 (the "Circular") in connection with the proposed acquisition of the Target Company by the Company.

The Target Company was incorporated in the British Virgin Islands on 1 December 2010 with limited liability under the BVI Business Act, 2004. Pursuant to a group reorganisation ("2011 Reorganisation") as described in Note 1.2 of Section II headed "2011 Reorganisation" below, which was completed on 29 November 2011, the Target Company became the holding company of the subsidiaries now comprising the Target Group.

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in Note 36 of Section II below.

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All companies comprising the Target Group have adopted 31 December as their financial year end date. No audited financial statements have been prepared by the Target Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation other than the 2011 Reorganisation. The statutory audited financial statements of the other companies comprising the Target Group for the Relevant Periods for which there is a statutory audit requirement have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 36 of Section II below.

The director of the Target Company has prepared the combined financial statements of the Target Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA pursuant to separate terms of engagement with the Target Company.

The director of the Target Company is responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with the HKFRS, and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

The financial information has been prepared based on the Underlying Financial Statements with no adjustment made thereon, and on the basis set out in Note 2 of Section II below.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 of Section II below and in accordance with the HKFRS and accounting policies set out in Note 3 of Section II below which are in conformity with the accounting policies presently adopted by the Company and its subsidiaries (the "Group").

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 2 of Section II below, a true and fair view of the state of affairs of the Target Company as at 31 December 2010 and 30 June 2011 and of the combined state of affairs of the Target Group as at 31 December 2008, 2009 and 2010 and 30 June 2011 and of the Target Group's results and cash flows for the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Circular which comprises the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows of the Target Group for the six months ended 30 June 2010 and a summary of significant accounting policies and other explanatory notes (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note 2 of Section II below and in accordance with the accounting policies set out in Note 3 of Section II below which are in conformity with and the accounting policies presently adopted by the Group.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report and presented on the basis set out in Note 2 of Section II below, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 3 of Section II below.

I. FINANCIAL INFORMATION OF THE TARGET GROUP

The following is the financial information of the Target Group prepared by the directors of the Company as at 31 December 2008, 2009 and 2010 and 30 June 2011 and for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 (the "Financial Information"):

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2008	**2009**	**2010**	**2010**	**2011**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	6	14,867,440	18,485,290	26,019,630	12,326,458	13,672,158
Cost of sales		(14,518,004)	(17,608,503)	(25,187,020)	(11,983,784)	(13,132,953)
Gross profit		349,436	876,787	832,610	342,674	539,205
Selling expenses		(75,225)	(44,739)	(45,891)	(20,561)	(20,005)
Administrative expenses		(369,945)	(270,226)	(338,060)	(156,983)	(168,610)
Other operating expenses		(22,495)	(13,618)	(28,639)	(11,293)	(4,838)
Other gains/(losses), net	*7(a)*	133,755	(337,345)	(77,050)	(316)	(155,666)
Other income	*7(b)*	1,677	23,321	38,284	29,509	16,407
Operating profit	8	17,203	234,180	381,254	183,030	206,493
Finance income		113,902	10,651	51,732	13,054	46,188
Finance costs		(296,208)	(134,552)	(190,224)	(74,655)	(115,413)
Finance costs, net	9	(182,306)	(123,901)	(138,492)	(61,601)	(69,225)
(Loss)/profit before income tax		(165,103)	110,279	242,762	121,429	137,268
Income tax credit/(expense)	10	56,776	(11,237)	(33,767)	(17,190)	(14,575)
(Loss)/profit and total comprehensive (loss)/income for the year/period		(108,327)	99,042	208,995	104,239	122,693
Attributable to:						
Owners of the Target Company		(94,610)	60,733	127,881	62,907	93,521
Non-controlling interests		(13,717)	38,309	81,114	41,332	29,172
		(108,327)	99,042	208,995	104,239	122,693

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
		2008	**2009**	**2010**	**2011**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*15*	2,280,733	2,524,623	3,030,283	3,461,661
Exploration and evaluation assets	*16*	1,000	42,600	58,469	62,598
Land use rights	*17*	568,034	556,130	749,460	742,205
Intangible assets	*18*	2,993	3,217	588,937	574,494
Term deposits	*24*	–	–	–	118,604
Deferred income tax assets	*19*	122,784	111,547	80,617	73,168
Prepayments and others	*22*	47,997	76,591	169,034	295,579
		3,023,541	3,314,708	4,676,800	5,328,309
Current assets					
Inventories	*20*	2,130,263	3,614,451	4,264,095	3,419,111
Trade and bills receivables	*21*	600,408	764,715	549,160	439,435
Other receivables and prepayments	*22*	651,526	184,772	366,978	260,843
Income tax recoverable		–	5,734	5,766	–
Derivative financial instruments	*23*	27,905	–	–	3,988
Restricted deposits	*24*	379,123	815,838	1,310,375	1,664,653
Cash and cash equivalents	*25*	1,175,975	537,006	304,049	635,195
		4,965,200	5,922,516	6,800,423	6,423,225
Total assets		7,988,741	9,237,224	11,477,223	11,751,534

		As at 31 December			As at 30 June
		2008	2009	2010	2011
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY					
Capital and reserves attributable to owners of the Target Company					
Reserves	*26*	1,559,225	1,804,871	2,136,070	3,370,490
Retained profits		45,582	106,315	88,610	182,131
		1,604,807	1,911,186	2,224,680	3,552,621
Non-controlling interests		1,244,638	1,280,670	1,376,048	173,574
Total equity		2,849,445	3,191,856	3,600,728	3,726,195
LIABILITIES					
Non-current liabilities					
Borrowings	*27*	280,612	438,859	857,638	1,414,981
Provisions	*28*	256,181	237,907	220,118	212,546
Deferred income	*29*	12,976	21,879	64,037	89,373
		549,769	698,645	1,141,793	1,716,900
Current liabilities					
Trade and bills payables	*30*	792,948	810,345	1,270,071	858,157
Other payables and accruals	*31*	551,276	404,068	491,752	1,197,862
Derivative financial instruments	*23*	4,327	797	137,952	440
Borrowings	*27*	3,185,684	4,103,375	4,808,562	4,226,677
Provisions	*28*	32,343	28,138	26,365	24,822
Current income tax liabilities		22,949	–	–	481
		4,589,527	5,346,723	6,734,702	6,308,439
Total liabilities		5,139,296	6,045,368	7,876,495	8,025,339
Total equity and liabilities		7,988,741	9,237,224	11,477,223	11,751,534
Net current assets		375,673	575,793	65,721	114,786
Total assets less current liabilities		3,399,214	3,890,501	4,742,521	5,443,095

COMBINED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Target Company					
		Share capital	Reserves	Retained profits	Sub-total	Non-controlling interests	Total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January 2008		–	1,819,543	310,258	2,129,801	290,233	2,420,034
Comprehensive income							
Loss for the year		–	–	(94,610)	(94,610)	(13,717)	(108,327)
Total comprehensive loss		–	–	(94,610)	(94,610)	(13,717)	(108,327)
Transactions with owners							
Capital contribution	*26 (c)*	–	52,794	–	52,794	1,031,573	1,084,367
2008 Capital Reduction	*33 (a)*	–	(336,649)	–	(336,649)	(63,449)	(400,098)
Transfer to statutory reserves		–	23,548	(23,548)	–	–	–
Dividend paid to the owners of Mining Entities	*33 (b)*	–	–	(146,518)	(146,518)	–	(146,518)
Others		–	(11)	–	(11)	(2)	(13)
		–	(260,318)	(170,066)	(430,384)	968,122	537,738
Balance as at 31 December 2008		–	1,559,225	45,582	1,604,807	1,244,638	2,849,445
Balance as at 1 January 2009		–	1,559,225	45,582	1,604,807	1,244,638	2,849,445
Comprehensive income							
Profit for the year		–	–	60,733	60,733	38,309	99,042
Total comprehensive income		–	–	60,733	60,733	38,309	99,042
Transactions with owners							
Capital contribution	*26 (d)*	–	243,628	–	243, 628	(3,628)	240,000
Others		–	2,018	–	2,018	1,351	3,369
		–	245,646	–	245,646	(2,277)	243,369
Balance as at 31 December 2009		–	1,804,871	106,315	1,911,186	1,280,670	3,191,856

		Attributable to owners of the Target Company					
		Share capital	Reserves	Retained profits	Sub-total	Non-controlling interests	Total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January 2010		–	1,804,871	106,315	1,911,186	1,280,670	3,191,856
Comprehensive income							
Profit for the year		–	–	127,881	127,881	81,114	208,995
Total comprehensive income		–	–	127,881	127,881	81,114	208,995
Transactions with owners							
Capital contribution	*26 (e)*	–	185,671	–	185, 671	14,301	199,972
Transformation of Daye Metal	*26 (f)*	–	133,624	(133,624)	–	–	–
Transfer to statutory reserves		–	11,962	(11,962)	–	–	–
Others		–	(58)	–	(58)	(37)	(95)
		–	331,199	(145,586)	185,613	14,264	199,877
Balance as at 31 December 2010		–	2,136,070	88,610	2,224,680	1,376,048	3,600,728
Balance as at 1 January 2011		–	2,136,070	88,610	2,224,680	1,376,048	3,600,728
Comprehensive income							
Profit for the period		–	–	93,521	93,521	29,172	122,693
Total comprehensive income		–	–	93,521	93,521	29,172	122,693
Transactions with owners							
Acquisition of non-controlling interests	*26 (g)*	–	1,231,773	–	1,231,773	(1,231,773)	–
Others		–	2,647	–	2,647	127	2,774
		–	1,234,420	–	1,234,420	(1,231,646)	2,774
Balance as at 30 June 2011		–	3,370,490	182,131	3,552,621	173,574	3,726,195

		Attributable to owners of the Target Company					
		Share capital	Reserves	Retained profits	Sub-total	Non-controlling interests	Total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Unaudited:							
Balance as at 1 January 2010		–	1,804,871	106,315	1,911,186	1,280,670	3,191,856
Comprehensive income							
Profit for the period		–	–	62,907	62,907	41,332	104,239
Total comprehensive income		–	–	62,907	62,907	41,332	104,239
Transactions with owners							
Capital contribution	*26 (e)*	–	185,671	–	185,671	14,301	199,972
Transformation of Daye Metal	*26 (f)*	–	133,624	(133,624)	–	–	–
Others		–	3,320	–	3,320	2,054	5,374
		–	322,615	(133,624)	188,991	16,355	205,346
Balance as at 30 June 2010		–	2,127,486	35,598	2,163,084	1,338,357	3,501,441

COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Cash flows from operating activities						
Net cash generated from/(used in) operations	*32*	239,056	(734,046)	343,680	84,876	1,303,503
Income tax paid		(38,418)	(28,683)	(2,869)	(449)	(879)
Net cash generated from/(used in) operating activities		200,638	(762,729)	340,811	84,427	1,302,624
Cash flows from investing activities						
2008 Capital Reduction	*33 (a)*	(54,087)	–	–	–	–
Purchase of property, plant and equipment		(294,286)	(483,799)	(774,914)	(306,475)	(419,288)
Purchase of exploration and evaluation assets		(1,000)	(41,600)	(15,869)	(6,754)	(4,129)
Purchase of intangible assets		(1,198)	(708)	(603,304)	(603,129)	–
Purchase of land use rights		(606)	(361)	(10,757)	–	(34,472)
Proceeds from disposal of property, plant and equipment		28,401	1,198	784	245	1,290
Receipts of government grants		10,320	13,520	44,251	15,980	27,240
Interest received		39,055	10,651	21,364	6,732	8,444
Net cash used in investing activities		(273,401)	(501,099)	(1,338,445)	(893,401)	(420,915)

		Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Cash flows from financing activities						
Contribution from equity holders	26	1,060,000	240,000	–	–	–
Proceeds from new borrowings		6,949,514	7,237,036	8,773,642	4,598,247	3,374,780
Repayment of borrowings		(6,629,455)	(6,163,271)	(7,619,310)	(3,362,129)	(3,361,579)
Dividends paid to the former owner of the Mining Entities	33 (b)	(142,980)	–	–	–	–
(Decrease)/increase in advance from the Parent Company		(162,864)	(56,329)	(22,505)	(22,505)	258,645
Decrease/(increase) in restricted cash and bank balances, and term deposits		221,461	(497,426)	(186,237)	(203,493)	(691,003)
Interest paid		(286,040)	(135,151)	(180,913)	(81,447)	(131,406)
Net cash generated from/(used in) financing activities		1,009,636	624,859	764,677	928,673	(550,563)
Net increase/(decrease) in cash and cash equivalents		936,873	(638,969)	(232,957)	119,699	331,146
Cash and cash equivalents at beginning of year/period		239,102	1,175,975	537,006	537,006	304,049
Cash and cash equivalents at end of year/period		1,175,975	537,006	304,049	656,705	635,195
Analysis of balances of cash and cash equivalents						
Cash and bank balances	25	1,175,975	537,006	304,049	656,705	635,195

II. NOTES TO THE FINANCIAL INFORMATION

1 General information and reorganisation

1.1 General information

The Target Company was incorporated in the British Virgin Islands on 1 December 2010 with limited liability under the BVI Business Act, 2004. The address of its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

The Target Company is an investment holding company. The Target Group are principally engaged in the mining and processing of mineral ores and trading of metal concentrates in the People's Republic of China ("PRC") (the "Daye Metal Business").

1.2 2011 Reorganisation

Prior to the incorporation of the Target Company and the completion of the reorganisation as described below, the Daye Metal Business was carried out by 大冶有色金屬有限責任公司(Daye Non-Ferrous Metals Co., Ltd.) ("Daye Metal"), a joint stock limited company incorporated in the PRC, and its subsidiaries now comprising the Target Group which were controlled by 大冶有色金屬集團控股有限公司(Daye Nonferrous Metals Corporation Holdings Limited), a company incorporated in the PRC with limited liability (the "Parent Company"). The Parent Company is controlled and wholly owned by the State-owned Assets Supervision and Administration Commission of Hubei Provincial People's Government ("Hubei SASAC"), the PRC.

On 29 November 2011, by way of a share swap, the Target Company acquired 95.35% equity interest of Daye Metal through Rainbow Treasure Holdings Limited, a wholly-owned subsidiary of the Target Company from certain shareholders who held 95.35% equity of Daye Metal by allotting and issuing a total of 9,999 shares to the shareholders of Daye Metal ("2011 Reorganisation"). After the share swap, the Target Company became the holding company of the Target Group.

Daye Metal was incorporated in March 2005 in the PRC as a limited liability company under the name 大冶有色金屬有限公司(Daye Non-ferrous Metals Company Limited). During the year ended 31 December 2008, Daye Metal completed its capital reduction by transfer the ownership of several branches and subsidiaries together with certain assets and liabilities to its then equity holders ("2008 Capital Reduction") and acquired certain subsidiaries from the Parent Company ("2008 Reorganisation"), which was regarded as a business combination under common control. Details of the 2008 Capital Reduction and 2008 Capital Reorganisation are set out in Note 33.

In May 2010, Daye Metal was converted from a limited liability company to a joint stock company. As part of the 2011 Reorganisation, Daye Metal was changed from a joint stock company into a sino-foreign equity joint venture in September 2011.

2 Basis of presentation

The Parent Company owned and controlled the companies now comprising the Target Group before the 2011 Reorganisation and continues to control them after the 2011 Reorganisation.

For the purposes of this report, the Financial Information has been prepared and presented on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA. The combined statements of financial position, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Target Group for the Relevant Periods have been prepared using the financial statements of the companies comprising the Target Group on the basis that the current group structure had been in existence throughout the Relevant Periods or since the respective dates of incorporation/establishment/acquisition by the Target Group, whichever is shorter. The assets, liabilities and results of the Target Group have been combined using their existing book values. The transaction of the Target Company to acquire Daye Metal and its subsidiaries is a reorganisation of Daye Metal which has not been resulted in any changes in the substance of the Daye Metal Business or the control over Daye Metal by the Parent Company.

All significant intra-group transactions and balances, if any, have been eliminated on combination.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of this Financial Information are set out below. These policies have been consistently applied to the Relevant Periods, unless otherwise stated.

3.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). This Financial Information has been prepared under the historical cost convention, as modified by derivative financial instruments.

The preparation of Financial Information in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5.

The following standards and amendments to standards have been published and are mandatory for the accounting periods beginning on or after 1 January 2012 or later periods, and the Target Group has not early adopted:

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adoptions[(1)]
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets[(1)]
HKFRS 9	Financial Instruments[(2)]
HKFRS 10	Consolidated Financial Statements[(2)]
HKFRS 11	Joint Arrangements[(2)]
HKFRS 12	Disclosures of Interests in Other Entities[(2)]
HKFRS 13	Fair Value Measurement[(2)]
HKAS 1 (Revised)	Presentation of Financial Statements[(2)]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[(1)]
HKAS 19 (2011)	Employee Benefits[(2)]
HKAS 27 (2011)	Separate Financial Statements[(2)]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[(2)]

(1) *Effective for the Target Group for annual period beginning on 1 January 2012*
(2) *Effective for the Target Group for annual period beginning on 1 January 2013*

The Target Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3.2 Combination

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Target Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Target Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Target Group.

The Target Group uses the acquisition method of accounting to account for business combinations except for the business combination under common control, details of the business combination under common control during the Relevant Periods have been disclosed in Note 33 (b), which is accounted for using the principle as described in Note 3.2 (a) (ii).

(i) Acquisition method of accounting

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Target Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Target Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

(ii) Business combinations under common control

The Target Group applies the predecessor values accounting to account for business combination of entities or businesses under common control. The Financial Information incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs on the basis that they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded have been recognised directly in equity as part of the capital reserve.

The combined statements of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented on the basis that the entities or businesses had been combined at the earliest reporting date presented or when they first came under common control, whichever is the later.

Inter-company transactions, balances and unrealised gains on transactions between the combining entities or businesses are eliminated. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

(b) Transactions with non-controlling interests

The Target Group treats transactions with non-controlling interests as transactions with equity owners of the Target Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Target Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for on the basis that the Target Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of Daye Metal.

3.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statements of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statements of comprehensive income within 'other gains/(losses) – net'.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– 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;

– 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 rate on the dates of the transactions); and

– all resulting exchange differences are recognised in other comprehensive income.

On combination, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statements of comprehensive income as part of the gain or loss on sale.

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.

3.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred.

Depreciation of mining infrastructure is calculated using the units-of-production method based on the estimated proven and probable mineral reserves unless their useful life is less than that of the mine.

All other items of mining related property are depreciated over the shorter of the asset's useful life of 5 to 20 years or the life of mine on a straight-line basis.

Depreciation for other property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10 to 40 years
Plant and machinery	12 to 20 years
Motor vehicles	8 to 12 years
Office equipment	5 to 10 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses), net" in the statement of comprehensive income.

Construction in progress, which represents assets under construction, is stated at cost less impairment loss, if any. When the assets are completed and ready for use, the carrying amount of the assets will be reclassified to property, plant and equipment and depreciated in accordance with the policy as set out above.

3.6 Exploration and evaluation expenditure

The Target Group capitalises only expenditures directly attributable to acquisition of exploration or mining rights and construction of mine related structures and plant and machinery during exploration and evaluation phase related to a specific area of interest to the extent that:

- the Target Group's right to tenure of the area of interest is current; and
- the costs incurred are expected to be recouped through successful development and exploitation of the area of interest.

These capitalised expenditures are stated at cost less impairment and are presented within non-current assets as "exploration and evaluation assets" on the combined statements of financial position.

All other exploration and evaluation expenditures are expensed to the statements of comprehensive income as incurred until the Target Group is able to demonstrate that future economic benefits are probable through the completion of a feasibility study.

A "feasibility study" consists of a comprehensive study of the viability of a mineral project that has advanced to a phase where the mining method has established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering and operating economic factors, and the evaluation of other relevant factors. The feasibility study allows the Target Group to conclude whether it is more likely than not that it will obtain future economic benefits from the expenditures.

Once the final feasibility study has been completed and a development decision has been taken, accumulated capitalised exploration and evaluation expenditures in respect of an area of interest are transferred to non-current assets as either "Intangible assets" for the exploration and mining rights or "Mine development costs" for other capitalised exploration and evaluation expenditures separately on the statement of financial position. In circumstances when an area of interest is abandoned or management decides it is not commercial, any accumulated costs in respect of that area are written off in the period the decision is made. Upon commencement of commercial production, accumulated mine development costs are transferred to property, plant and equipment depending on the nature of the expenditures.

Capitalised exploration and evaluation expenditures are assets which are not available for use. Therefore no amortisation of the exploration and mining rights and depreciation of the mine under construction are provided during exploration and evaluation phase of a specific area of interest.

Capitalised exploration and evaluation expenditures are assessed for impairment when facts and circumstances indicate that the carrying amount of an exploration and evaluation expenditure may exceed its recoverable amount. Once a development decision has been taken, the capitalised expenditures are also assessed for impairment before reclassification. An impairment test is performed if any of the following indicators are present:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or

- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For the purposes of assessing impairment, the capitalised exploration and evaluation expenditures subject to testing are grouped with other operating assets located in the same geographical region as one cash generating unit.

3.7 Land use rights

Land use rights acquired separately are measured on initial recognition at cost. Following initial recognition, land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost represents upfront payments made for the use of land for a period from 20 to 50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of leases.

3.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation of mining rights is calculated using the units-of-production method based on the estimated proven and probable mineral reserves. Amortisation of computer software and others is calculated using the straight-line method to allocate the costs over their estimated useful lives of 5 years.

Intangible assets with finite lives are subsequently amortised over the useful lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the consuming pattern of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

3.9 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.10 Financial assets

Classification

The Target Group's financial assets include loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Target Group's loans and receivables comprise trade, bills and other receivables, restricted deposits, term deposits and cash and cash equivalents in the statements of financial position.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Target Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of loans and receivables

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Target Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;

- A breach of contract, such as a default or delinquency in interest or principal payments;

- The Target Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or

- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

The Target Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan and receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

3.11 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Target Group designates certain derivatives as hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge).

The Target Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Target Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 23. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Target Group only applies fair value hedge accounting for hedging commodity price risk on inventories. When an inventory is designated as a hedged item, the subsequent cumulative change in the fair value of the inventory attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of comprehensive income. The changes in the fair value of the hedging instrument are also recognised in the statement of comprehensive income.

The Target Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, when the hedge no longer meets the criteria for hedge accounting or the Target Group revokes the designation.

3.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Cost of inventories also includes gains and losses on qualifying fair value hedge in respect of inventories designated as hedged items. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Those costs of removing waste materials or "stripping costs" incurred during the production phase of a mine are included in the cost of inventories extracted during the period in which the stripping costs are incurred.

3.13 Trade and other receivables

Trade receivables are amounts due from customers for commodity sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.14 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

3.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statements of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. All other borrowing costs are charged to the statement of comprehensive income in the period in which they are incurred.

Borrowing costs that are directly attributable to the capitalised exploration and evaluation expenditures are charged to the statement of comprehensive income in the period in which they are incurred because such expenditures are not qualifying assets during the exploration and evaluation phase when the Target Group has yet to conclude whether it is probable that it will obtain future economic benefits from the expenditures. Once a development decision has been taken, in respect of an area of interest, borrowing costs that are directly attributable to the acquisition, construction or production of that area are capitalised as part of the cost of intangible assets and mine development costs.

3.18 Financial liability at fair value through profit or loss

Gold loans, which are designated at fair value through profit or loss, are stated at the market price of the gold with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

3.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Target Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Target Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.20 Employee benefits

(a) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Target Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Target Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Target Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Target Group in an independent fund managed by the PRC government.

The Target Group's contributions to these plans are expensed as incurred.

(b) Early retirement

Early retirement are payable when employment is terminated by the Target Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Target Group recognises early retirement when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. The early retirement are offered for a clearly defined period and once the termination plan is confirmed by the employee and the Target Group, there is no possibility of new participant. Benefits falling due more than 12 months after the end of reporting period are discounted to present value.

(c) Other social insurance and housing funds

The Target Group provides other social insurance and housing funds to the qualified employees in the PRC based on certain percentages of their salaries. These percentages are not to exceed the upper limits of the percentages prescribed by Ministry of Human Resources and Social Security of the PRC. These benefits are paid to social security organisation and the amounts are expensed as incurred. The Target Group has no legal or constructive obligations for further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to their current and past services.

3.21 Provisions

Provisions are recognised when the Target Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Target Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Target Group.

The Target Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Target Group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

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

Revenue from the sale of goods and disposal of other assets is recognised when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, indicating there has been a transfer of the significant risks and rewards to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. This is generally when title passes, which for the majority of commodity sales is the bill of lading date when the commodity is delivered for shipment.

(b) Sales of services

The Target Group provided copper processing services. Revenue from fixed-price contracts for delivering services is recognised in the period when the services are provided.

(c) Interest income

Interest income is recognised using the effective interest method.

3.23 Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Target Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

3.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

3.25 Dividend distribution

Dividend distribution to the Target Company's shareholders is recognised as a liability in the Group's Financial Information in the period in which the dividends are approved by the Target Company's shareholders.

4 Financial risk management

4.1 Financial risk factors

The Target Group's activities expose it to a variety of financial risks, including commodity price risk, interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Target Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance. The use of financial derivative instruments should strictly follow the plans and policies approved by management of the Target Group. The Target Group does not and is prohibited to enter into derivative contracts for speculative purposes.

The core management team identifies, evaluates and monitors financial risks in close cooperation with the Target Group's operating units to ensure derivative financial instruments are employed solely for hedging purposes.

(a) Commodity price risk

The Target Group is principally engaged in the mining and processing of mineral ores and trading of non-ferrous metal in the PRC. The major products of the Target Group include copper cathodes and gold, and other products include silver, iron ore and sulphuric acid. As the commodity market are influenced by global as well as PRC supply and demand conditions, any unexpected price change in the markets might affect the Target Group's earnings and performance. To mitigate this risk, the Target Group closely monitors any significant exposures, and may enter into commodity derivative from time to time in accordance with the policies approved by the directors of Daye Metal to manage the exposure with respect to its inventories, forecast sell or firm sell commitments mainly includes copper and gold products. The Target Group does not enter into any commodities futures contracts in respect of silver, iron and other commodities.

Financial assets and liabilities of the Target Group that expose to the commodities price risk – the fair value change, primarily with respect to its outstanding derivative financial instruments, mainly the copper and gold futures contracts, inventories that effectively hedged by commodities futures contracts in accordance with HKFRS, and the provisional price arrangements in respect of purchases of copper concentrates.

Copper

The Target Group enters into copper futures contracts for the purpose of manage its exposure to copper price risk. The Target Group formally designates and documents the hedging relationship at inception of its hedging transactions in respect of its inventories, therefore, a significant portion of the outstanding derivative financial instruments related to copper were assessed to be highly effective in accordance with HKFRS and accounted for as fair value hedges at each reporting date. The fair value changes of these outstanding copper futures contracts will be significantly offset by the corresponding fair value changes in the hedged inventories, as a result, management is of the opinion that any reasonable changes in copper price would not result in a significant change in the Target Group's results in respect of these contracts.

The following table details the Target Group's sensitivity to movement in copper prices in respect of its outstanding copper futures contracts (that are not qualified as hedging accounting). At each reporting date, if the copper prices increased/(decreased) by a reasonable possible change in prevailing market price of copper cathodes with all other variables were held constant, the Target Group's before tax loss/profit would have affected as set out below.

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
Increase/decrease in copper price by	30%	30%	30%	30%
	Increase/ (decrease) in loss before tax	**Decrease/ (increase) in profit before tax**	**Decrease/ (increase) in profit before tax**	**Increase/ (decrease) in profit before tax**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Derivative financial instruments	54,607	1,340	4,229	68,249

Gold

The Target Group also enters into a limited number of gold futures contracts for the purpose of manage its exposure to gold price risk, however, these contracts do not qualified as hedging accounting. Any fair value changes in respect of these outstanding gold futures contracts might affect the results of the Target Group. In addition, as at 30 June 2011, the Target Group has outstanding gold loan balance with a bank, which designated as derivative financial instruments, any change in the fair value of gold loan might affect the results of the Target Group.

The following table details the Target Group's sensitivity to movement in gold prices. At reporting date, if the gold prices increased/(decreased) by a reasonable possible change in prevailing market price of gold with all other variables were held constant, the Target Group's before tax loss/profit would have affected as set out below.

As at 31 December 2008		
Increase/decrease in gold price by	%	10
Increase/decrease in loss before tax		
– Gold futures contracts	*RMB'000*	6,206
As at 30 June 2011		
Increase/decrease in gold price by	%	10
Increase/decrease in profit before tax		
– Gold futures contracts	*RMB'000*	2,402
– Gold loan designed as derivative financial instruments	*RMB'000*	(6,287)

There are no outstanding gold futures contracts as at 31 December 2009 and 2010.

(b) Interest rate risk

The Target Group is exposed to interest rate volatility on deposits and borrowings. Deposits and borrowings at variable rates expose the Target Group to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the Target Group to fair value interest rate risk. Details of the Target Group's restricted deposits, cash and cash equivalents and borrowings have been disclosed in Notes 24, 25 and 27 respectively. The Target Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity of the end of each reporting periods to a reasonably possible change in interest rate, with all other variables held constant, of the Target Group's (loss)/profit before tax as a result of the change in interest income/(expense) for floating rate deposits and borrowings:

	As at 31 December						As at	
	2008		2009		2010		30 June 2011	
Change in interest rate by	+100 basis points	–100 basis points	+100 basis points	–100 basis points	+100 basis points	–100 basis Points	+100 basis points	–100 basis points
	Increase in loss before tax	Decrease in loss before tax	Increase in profit before tax	Decrease in profit before tax	Increase in profit before tax	Decrease in profit before tax	Increase in profit before tax	Decrease in profit before tax
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets								
– Restricted deposits	(2,072)	2,072	1,207	(1,207)	1,627	(1,627)	598	(598)
– Cash and cash equivalents	(11,760)	11,760	5,370	(5,370)	3,040	(3,040)	6,352	(6,352)
Financial liabilities								
– Borrowings	16,147	(16,147)	(27,165)	27,165	(19,497)	19,497	(16,161)	16,161
– Other payables and accruals	788	(788)	(225)	225	–	–	(2,586)	2,586
Total	3,103	(3,103)	(20,813)	20,813	(14,830)	14,830	(11,797)	11,797

(c) Foreign exchange risk

The Target Group operates in the PRC with most of the transactions settled in RMB except for certain purchases from international market that are conducted in United States dollars (US$) and Euro (Euro) and certain borrowings that are denominated in US$. The Target Group's reporting currency and functional currency of the majority of subsidiaries within the Target Group is RMB.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entities' functional currency. The Target Group is exposed to foreign exchange risk primarily with respect to US$ and Euro.

The Target Group manages its foreign exchange risk by performing regular reviews of the Target Group's net foreign exchange exposures and may enter into forward foreign exchange contracts, when necessary, to manage its foreign exchange exposure. During the Relevant Periods, no forward foreign exchange contracts had been entered by the Target Group.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB-US$ and RMB-Euro exchange rates, with all other variables held constant, of the Target Group's profit before tax due to changes in the carrying value of monetary liabilities.

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	Decrease/ (increase) in loss before tax	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in profit before tax**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB – US$				
Increase in exchange rate by 5%	844,238	778,234	723,323	190,893
Decrease in exchange rate by 5%	(844,238)	(778,234)	(723,323)	(190,893)
RMB – Euro				
Increase in exchange rate by 5%	–	–	–	3,510
Decrease in exchange rate by 5%	–	–	–	(3,510)

(d) Credit risk

The carrying amount of trade, bills and other receivables, restricted deposits and cash and cash equivalents included in the combined statements of financial position represent the Target Group's maximum exposure to credit risk in relation to its financial assets.

The Target Group has policies in place to ensure that sales of products on credit terms are made to customers with an appropriate credit history. The credit risk arising from sales to major non-ferrous metals customers are managed by contracts that stipulate an upfront payment of significant portion of the amount of each sale and the remaining balance is normally received within 1 month. The Target Group performs periodic credit evaluations of its customers and slow-moving debts, if any, are regular monitored with timely follow-up action taken. With diversified customer bases and the credit policy as stated above, the Target Group has no significant concentrations of credit risk with respect to a particular customer. Normally the Target Group does not require collaterals from trade debtors. The existing debtors have no significant defaults in the past. The Target Group's historical experience in collection of trade and other receivables falls within the recorded allowances.

Bills receivables are only drawn from major state-owned financial institutions in the PRC. Substantially all the bank balances and restricted deposits as detailed in Notes 24 and 25 are held in major state-owned financial institutions located in the PRC and the Shanghai Futures Exchange ("SHFE"), and substantially all derivative financial instruments also directly entered into with the SHFE, which management believes are of high credit quality. The Target Group has a policy to limit the amount of credit exposure to any financial institution and management does not expect any loss arising from non-performance by these counterparties.

(e) Liquidity risk

The Target Group's treasury department monitors the Target Group's cash flow positions on a regular basis to ensure the cash flows of the Target Group are positive and closely controlled. The Target Group aims to maintain flexibility in funding by keeping committed credit lines available, obtaining debentures from specific financial institutions and borrowing loans from banks.

The table below analyses the Target Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2008					
Trade and bills payables	792,948	–	–	–	792,948
Other payables and accruals	398,163	–	–	–	398,163
Borrowings	3,260,105	21,237	288,578	5,047	3,574,967
Derivative financial instruments	4,327	–	–	–	4,327
	4,455,543	21,237	288,578	5,047	4,770,405
At 31 December 2009					
Trade and bills payables	810,345	–	–	–	810,345
Other payables and accruals	239,696	–	–	–	239,696
Borrowings	4,233,701	100,167	219,846	92,495	4,646,209
Derivative financial instruments	797	–	–	–	797
	5,284,539	100,167	219,846	92,495	5,697,047
At 31 December 2010					
Trade and bills payables	1,270,071	–	–	–	1,270,071
Other payables and accruals	292,674	–	–	–	292,674
Borrowings	4,920,215	101,053	787,022	113,981	5,922,271
Derivative financial instruments	137,952	–	–	–	137,952
	6,620,912	101,053	787,022	113,981	7,622,968
At 30 June 2011					
Trade and bills payables	858,157	–	–	–	858,157
Other payables and accruals	837,715	–	–	–	837,715
Borrowings	4,388,214	222,495	1,323,355	81,177	6,015,241
Derivative financial instruments	440	–	–	–	440
	6,084,526	222,495	1,323,355	81,177	7,711,553

4.2 *Fair value estimation*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Target Group's financial assets and liabilities that are measured at fair value.

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2008				
Assets				
Derivative financial instruments	27,905	–	–	27,905
Liabilities				
Derivative financial instruments	4,327	–	–	4,327
At 31 December 2009				
Liabilities				
Derivative financial instruments	797	–	–	797
At 31 December 2010				
Liabilities				
Derivative financial instruments	137,952	–	–	137,952
At 30 June 2011				
Assets				
Derivative financial instruments	3,988	–	–	3,988
Liabilities				
Derivative financial instruments	440	–	–	440
Gold loan	62,873	–	–	62,873

The fair value of the commodity derivative contracts represents the difference between the quoted market price of commodity derivative contracts on the SHFE at year end of reporting period and the quoted price on the SHFE at inception of the contracts.

The carrying amounts of the Target Group's financial assets, including trade, bills and other receivables, restricted deposits and cash and cash equivalents; and the Target Group's financial liabilities, including borrowings (current), trade and bills payables and other payables and accruals, are assumed to approximate their fair values due to their short maturities.

The nominal values less any credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Target Group for similar financial instruments.

4.3 Capital risk management

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with other entities in the industry, the Target Group monitors capital on the basis of its gearing ratio. This ratio is calculated as net debts divided by total capital. Net debts are calculated as total borrowings (including payable to the Parent Company) less term deposits, restricted deposits and cash and cash equivalents. Total capital is calculated as equity, as shown in the combined statements of financial position plus net debts. The Target Group aims to maintain the gearing ratio at no more than 60%.

	As at 31 December			**As at 30 June**
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total borrowings *(Note 27)*	3,466,296	4,542,234	5,666,200	5,641,658
Payable to the Parent Company *(Note 31)*	78,834	22,505	–	258,645
Less: Term deposits, restricted deposits and cash and cash equivalents	(1,555,098)	(1,352,844)	(1,614,424)	(2,418,452)
Net debt	1,990,032	3,211,895	4,051,776	3,481,851
Total equity	2,849,445	3,191,856	3,600,728	3,726,195
Total capital	4,839,477	6,403,751	7,652,504	7,208,046
Gearing ratio (%)	41.1	50.2	52.9	48.3

The change in the gearing ratio during the year ended 31 December 2009 and six months ended 30 June 2011 resulted primarily from the increase bank borrowings in year ended 31 December 2009 and reduce in net debt contributed by the cash flow generated from operating activities during the six months ended 30 June 2011, respectively.

5 Critical accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of non-financial assets

Non-current assets, including property, plant and equipment, land use rights, mining rights and other intangible assets, are carried at cost less accumulated depreciation/amortisation, and exploration and evaluation assets that are stated at cost less impairment loss, if any. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Target Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(b) Exploration and related expenses

The application of the Target Group's accounting policy for exploration and evaluation expenditure requires judgements in determining whether it is likely that future economic benefits will arise, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalised, information becomes available suggesting that the recovery of capitalised expenditures are unlikely, the amount capitalised is written off in the statement of comprehensive income in the period when the new information becomes available. The carrying amount of exploration and evaluation assets at each reporting dates were detailed in Note 16.

(c) Income taxes

Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The tax liabilities recognised are based on management's assessment of the likely outcome. 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 income tax provisions in the accounting period in which such determination is made.

Deferred tax assets are utilised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits will be available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

(d) Mine reserves

Engineering estimates of the Target Group's mine reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as proven and probable. Proven and probable mine reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. In addition, price and cost levels change from year to year, the estimates of proven and probable mine reserves also change. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the related depreciation/amortisation rate of mining infrastructure and mining rights.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining the depreciation/amortisation expenses, useful lives and impairment losses of mining rights and related mine infrastructure. Depreciation/ amortization rates are determined based on estimated proven and probable mine reserve quantity and capitalised cost of mining infrastructure and mining rights The capitalised costs of mining infrastructure and mining rights are depreciated/amortised based on the proven and probable reserves of the mines using the units-of-production method.

(e) Property, plant and equipment and intangible assets – estimated useful lives and residual values

The Target Group's management determines the estimated useful lives and residual values (if applicable) and consequently related depreciation/amortisation charges for its property, plant and equipment and intangible assets. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions, or based on value-in-use calculations or market valuations according to the estimated periods that the Target Group intends to derive future economic benefits from the use of intangible assets. Management will increase the depreciation/amortisation charge where useful lives are less than previously estimated lives, and it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation/amortisation expense in future periods.

(f) Mine rehabilitation, restoration and dismantling obligations

Provision is made for the anticipated costs of future restoration, rehabilitation and dismantling of mining areas from which natural resources have been extracted. These provisions include future cost estimates associated with plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues.

These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies, engineering cost estimates and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine rehabilitation, restoration and dismantling provisions.

(g) Employee medical obligations

Provision is made for the anticipated costs of compensation paid to those employees injured at work or suffered occupational disease and do not cover by the external insurance plan as required by the relevant rules and regulation in the PRC.

These future cost estimates including reimbursement of medical expenses and other compensation as required by the relevant rules and regulation are discounted to their present value. The calculation of these provision estimates requires assumptions including future medical cost estimates, application of relevant rules and regulation in respect of the amount of compensation, discount rates and the mutual confirmation with the Huangshi Labour and Social Security Bureau on the transfer of the obligation to social security system of Huangshi City, including the timing and the settlement principle, more details have been disclosed in Note 28 (c). Because of the significant uncertainties involved in view of the absence of formal transfer agreement, this estimate is subject to a high degree of measurement uncertainty. A change in any of the assumptions used may have a material impact on the carrying amount of the employee medical obligations provisions.

6 Segment information and revenue

For management purpose, the Target Group has one reportable operating segment: production and sale of copper and other related products. Management monitors the operating results of its business units as a whole for the purpose of making decisions about resource allocation of performance assessment.

Revenue, which is also the Target Group's turnover, represents the net invoiced value of goods sold, after trade discounts and sales related tax, for the Relevant Periods. All transactions within the Target Group have been eliminated.

An analysis of the Target Group's revenue by category is as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Sales of goods					
– copper cathodes	10,938,585	13,219,651	20,065,718	9,227,277	10,444,758
– other copper products	597,637	604,331	1,772,544	934,002	400,597
– gold and other gold products	1,158,776	3,445,327	2,218,874	1,333,070	1,443,066
– silver and other silver products	927,489	818,055	1,311,841	559,715	984,515
– sulphuric and sulphuric concentrate	501,565	61,074	163,389	69,623	114,129
– iron ore	280,511	130,920	218,375	92,924	151,340
– others	290,156	79,824	145,903	47,956	93,666
	14,694,719	18,359,182	25,896,644	12,264,567	13,632,071

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Sales of services					
– copper processing	108,645	119,856	117,672	60,404	37,451
– others	64,076	6,252	5,314	1,487	2,636
	172,721	126,108	122,986	61,891	40,087
Total revenues	14,867,440	18,485,290	26,019,630	12,326,458	13,672,158

Geographical information

(a) Revenue from external customers

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
– Mainland China	14,630,348	18,307,819	25,891,022	12,236,756	13,614,927
– Hong Kong	237,092	177,471	128,608	89,702	57,231
	14,867,440	18,485,290	26,019,630	12,326,458	13,672,158

(b) Non-current assets

All of the non-current assets of the Target Group are located in the PRC. The non-current assets information is based on the location of assets and excludes financial instruments and deferred tax assets.

Information about major customers

Details of the customers accounted for 10% or more of total combined revenue are as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
				(unaudited)	
Percentage to combined revenues					
– Customer A	note	18.2%	note	10.3%	10.3%
– Customer B	note	note	note	note	10.2%

Note: Sales to these customers did not exceed 10% of the combined revenue in the Relevant Periods.

7 Other gains/(losses) and other income

(a) Other gains/(losses), net

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Losses on disposal of property, plant and equipment and intangible assets	(31,489)	(1,491)	(5,407)	(1,045)	(545)
Fair value changes (transactions not qualified as hedges)					
– realised gains/(losses) from commodity derivatives contracts	171,265	(339,648)	(103,035)	(5,925)	(150,286)
– unrealised (losses)/ gains from commodity derivatives contracts	(5,120)	7	(3,002)	1,175	4,190

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Fair value changes – unrealised losses on gold loan designated as financial liabilities at fair value through profit or loss	–	–	–	–	(2,852)
Transactions qualified as fair value hedges					
– inventory hedged by commodity futures contracts	(25,484)	816	136,764	478	544
– fair value gains/(losses) of commodity futures contracts designated as hedging instrument	27,897	(804)	(134,950)	(404)	(642)
(Provision for)/reversal of impairment of:					
– trade receivables *(Note 21)*	(4,112)	809	(35)	(208)	(212)
– other receivables *(Note 22)*	(2,042)	(4,178)	26,745	(1,492)	(2,366)
Others	2,840	7,144	5,870	7,105	(3,497)
	133,755	(337,345)	(77,050)	(316)	(155,666)

(b) Other income

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Value-added tax refund	–	11,156	5,649	–	4,045
Government grants	385	10,450	31,147	28,889	11,664
Others	1,292	1,715	1,488	620	698
	1,677	23,321	38,284	29,509	16,407

8 Operating profit

Operating profit is determined after charging the following:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Cost of direct materials and finished goods	13,097,146	16,433,257	23,668,862	11,170,131	12,202,687
Electricity and water expense	316,232	281,881	332,870	184,270	197,753
Business tax and surcharge	45,688	13,052	27,701	6,182	12,039
Employee benefit expense (including directors' emoluments) *(Note 13)*	537,795	342,546	553,149	257,303	272,532
Depreciation of property, plant and equipment	237,571	220,134	228,501	116,794	138,176
Amortisation of intangible assets and land use rights	14,768	12,749	34,483	8,131	24,117
Provision for impairment of inventories	14,013	–	–	–	–
Operating lease payments	509	359	13,384	6,378	6,378
Auditor's remuneration	1,361	500	1,398	1,048	539

9 Finance costs, net

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Finance costs					
– Interest on borrowings wholly repayable within 5 years	(257,203)	(112,577)	(183,861)	(68,863)	(105,587)
– Interest on borrowings not wholly repayable within 5 years	(373)	(2,732)	(5,414)	(4,448)	(2,334)
– Interest on discounted bills	(9,212)	(12,005)	(4,610)	(1,517)	–
– Interest on loans from the Parent Company	(17,051)	(4,816)	(6,775)	–	(21,937)
– Net exchange losses	–	(2,173)	–	–	–
– Bank charges	(4,775)	(1,407)	(9,574)	(6,532)	(6,853)
– Unwind interest of provisions	(14,924)	(11,945)	(11,014)	(5,506)	(5,217)
	(303,538)	(147,655)	(221,248)	(86,866)	(141,928)
Less: Interest expense capitalised into construction in progress	7,330	13,103	31,024	12,211	26,515
	(296,208)	(134,552)	(190,224)	(74,655)	(115,413)
Finance income					
– Interest on bank deposits	27,250	10,651	21,364	6,732	8,444
– Interest from related parties	11,805	–	–	–	–
– Net exchange gains	74,847	–	30,368	6,322	37,744
	113,902	10,651	51,732	13,054	46,188
Finance costs, net	(182,306)	(123,901)	(138,492)	(61,601)	(69,225)

Capitalisation rate of 7.20%, 3.75%, 4.07%, 3.12% and 5.10% per annum for the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2010 and 2011 were used respectively, representing the weighted average rate of the cost of borrowings to finance the construction in progress.

10 Income tax credit/(expense)

No provision for Hong Kong profits tax has been made as the Group has no assessable profit generated in Hong Kong for the Relevant Periods. Taxation on profits generated in the PRC has been calculated on the estimated assessable profits for the year/period at the statutory tax rate of 25%.

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
PRC corporate income tax	(45,259)	–	(2,837)	–	(7,126)
Deferred income tax *(Note 19)*	102,035	(11,237)	(30,930)	(17,190)	(7,449)
Income tax credit/(expense)	56,776	(11,237)	(33,767)	(17,190)	(14,575)

The tax on the Target Group's profit before income tax differs from the theoretical amount that would arise using the applicable tax rate to profits of the combined companies as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
(Loss)/profit before income tax	(165,103)	110,279	242,762	121,429	137,268
Calculated at PRC corporate income tax rate of 25%	41,276	(27,570)	(60,690)	(30,357)	(34,317)
Effect of tax concession	8,414	4,682	9,086	3,548	2,319
Income not subject to tax *(note)*	14,672	14,231	27,784	12,146	18,744
Expenses not deductible for tax purposes	(7,586)	(2,580)	(9,947)	(2,527)	(1,321)
Income tax credit/(expense)	56,776	(11,237)	(33,767)	(17,190)	(14,575)

Note: Income not subject to tax mainly represents exempted income from the Group's sales of metal products produced using prescribed resources, including silver and vitriol, pursuant to the Article 33 of PRC Corporate Income Tax ("CIT") law and the Article 99 of PRC CIT Detailed Implementation Regulations. According to these tax regulations, 10% of the income derived from the sales of particular products can be deducted from taxable income of an entity if it utilizes certain prescribed resources, that are not restricted or prohibited by the PRC government and satisfy the relevant State and industrial criteria, as the major materials in the production of those products.

11 (Losses)/earnings per share

(Losses)/earnings per share information is not presented as its inclusion, for the purpose of this Financial Information, is not considered meaningful due to the 2011 Reorganisation and the presentation of the results for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 is prepared on a combined basis as disclosed in Note 1.2.

12 Dividends

Other than the dividends declared by the Target Company's subsidiaries as stated in Note 33(b) during the year ended 31 December 2008, no dividend has been declared by the Target Company or any of its subsidiaries during the Relevant Periods.

13 Employee benefit expense, including directors' emoluments

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, wages and bonuses	366,141	242,740	373,472	182,413	183,381
Retirement scheme contributions (note)	71,061	44,870	46,926	21,068	25,913
Staff welfare	28,443	23,676	67,599	21,284	24,776
Medical benefits	21,601	6,032	29,028	16,444	17,620
Other allowances and benefits	50,549	25,228	36,124	16,094	20,842
	537,795	342,546	553,149	257,303	272,532

Note: Retirement scheme contributions

In accordance with applicable regulations in the PRC, the employees of the Target Group located in the PRC participate in retirement benefit plans organised by the provincial and municipal governments, under which the Target Group and its employees are both required to contribute an amount to the plan at the rate specified in the rules of such plans. The Target Group has no other material obligations for the payment of retirement benefit associated with such plans other than the required contributions. The contributions arising from the PRC provincial and municipal government retirement benefit plans are charged to the combined statements of comprehensive income of the Target Group, and represent contributions paid or payable by the Target Group at the rate specified in the rules of the plan.

14 Directors' and senior management's emoluments

(a) Directors' emoluments

The sole director of the Target Company, Mr. Wan Bi Qi, is the Chairman and an Executive Director of the Company and does not receive directors' fees or emoluments from the Target Group during the Relevant Periods.

During the Relevant Periods, Mr. Wan Bi Qi, the sole director of the Target Company received the following remuneration, which consists of remuneration for the director's services to the Company and certain subsidiaries of the Company, including the Target Company, unapportioned, from the Company.

	Fees	Salaries	Share-based -payments Benefits	Discretionary Bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the years ended					
31 December 2008 *(note)*	–	–	–	–	–
31 December 2009	–	1,028	12,128	–	13,156
31 December 2010	1,040	185	–	–	1,225
For the periods ended					
30 June 2010	520	92	–	–	612
30 June 2011	508	111	–	–	619

Note: Mr. Wan Bi Qi was appointed as a director of the Company on 20 April 2009.

(b) Five highest-paid individuals

During the Relevant Periods, none of the five highest paid individuals is director of the Target Company. The aggregate amounts of emoluments of the five highest paid individuals for the Relevant Periods are set out below:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Basic salaries and other benefits	536	509	599	276	319
Bonuses	1,173	1,098	1,454	–	–
	1,709	1,607	2,053	276	319

The emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
Nil – HK$1,000,000	5	5	5	5	5

During the Relevant Periods, no director waived any emoluments and no emoluments were paid or payable by the Target Group to the director or any of the five highest-paid individuals as an inducement to join or upon joining the Target Group or as compensation for loss of office.

15 Property, plant and equipment

	Buildings	Mining infrastructure and property	Plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total property, plant and equipment
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008							
Cost	1,105,187	897,748	1,571,500	102,300	1,567	200,197	3,878,499
Accumulated depreciation	(337,077)	(240,446)	(771,154)	(50,258)	(187)	–	(1,399,122)
Net book amount	768,110	657,302	800,346	52,042	1,380	200,197	2,479,377
Year ended 31 December 2008							
Opening net book amount	768,110	657,302	800,346	52,042	1,380	200,197	2,479,377
Additions	19,887	3,864	69,109	28,158	288	213,856	335,162
Transfers	14,682	13,723	100,503	3,760	1,006	(133,674)	–
Disposals	(31,690)	(2,638)	(25,596)	(2,072)	(12)	–	(62,008)
2008 Capital Reduction *(Note 33 (a))*	(104,650)	–	(77,769)	(27,360)	–	(24,448)	(234,227)
Depreciation charge *(Note 8)*	(59,132)	(43,662)	(121,937)	(12,609)	(231)	–	(237,571)
Closing net book amount	607,207	628,589	744,656	41,919	2,431	255,931	2,280,733

	Buildings	Mining infrastructure and property	Plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total property, plant and equipment
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2008							
Cost	918,053	907,137	1,451,770	72,009	2,827	255,931	3,607,727
Accumulated depreciation	(310,846)	(278,548)	(707,114)	(30,090)	(396)	–	(1,326,994)
Net book amount	607,207	628,589	744,656	41,919	2,431	255,931	2,280,733
Year ended 31 December 2009							
Opening net book amount	607,207	628,589	744,656	41,919	2,431	255,931	2,280,733
Additions	6,059	11,187	58,122	7,571	216	383,558	466,713
Transfers	61,222	16,846	25,417	–	307	(103,792)	–
Disposals	(319)	–	(1,999)	(371)	–	–	(2,689)
Depreciation charge *(Note 8)*	(55,860)	(54,180)	(103,767)	(6,050)	(277)	–	(220,134)
Closing net book amount	618,309	602,442	722,429	43,069	2,677	535,697	2,524,623
At 31 December 2009							
Cost	984,958	935,170	1,510,659	76,983	3,351	535,697	4,046,818
Accumulated depreciation	(366,649)	(332,728)	(788,230)	(33,914)	(674)	–	(1,522,195)
Net book amount	618,309	602,442	722,429	43,069	2,677	535,697	2,524,623
Year ended 31 December 2010							
Opening net book amount	618,309	602,442	722,429	43,069	2,677	535,697	2,524,623
Additions	1,829	2,066	107,579	19,470	11	608,897	739,852
Transfers	38,293	48,735	20,707	–	–	(107,735)	–
Disposals	(512)	(55)	(4,572)	(356)	(196)	–	(5,691)
Depreciation charge *(Note 8)*	(56,057)	(50,518)	(113,566)	(8,069)	(291)	–	(228,501)
Closing net book amount	601,862	602,670	732,577	54,114	2,201	1,036,859	3,030,283

	Buildings	Mining infrastructure and property	Plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total property, plant and equipment
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2010							
Cost	1,022,997	985,873	1,609,579	92,464	3,107	1,036,859	4,750,879
Accumulated depreciation	(421,135)	(383,203)	(877,002)	(38,350)	(906)	–	(1,720,596)
Net book amount	601,862	602,670	732,577	54,114	2,201	1,036,859	3,030,283
Six months ended 30 June 2011							
Opening net book amount	601,862	602,670	732,577	54,114	2,201	1,036,859	3,030,283
Additions	13,549	–	175,658	5,438	517	376,227	571,389
Transfers	555,811	286,265	13,768	–	–	(855,844)	–
Disposals	(1,083)	–	(696)	(54)	(2)	–	(1,835)
Depreciation charge *(Note 8)*	(40,342)	(32,919)	(60,152)	(4,683)	(80)	–	(138,176)
Closing net book amount	1,129,797	856,016	861,155	54,815	2,636	557,242	3,461,661
At 30 June 2011							
Cost	1,589,664	1,272,138	1,794,856	96,210	3,579	557,242	5,313,689
Accumulated depreciation	(459,867)	(416,122)	(933,701)	(41,395)	(943)	–	(1,852,028)
Net book amount	1,129,797	856,016	861,155	54,815	2,636	557,242	3,461,661

Certain borrowings are secured by certain property, plant and equipment with an aggregate net book amount of approximately RMB853,488,000 and RMB116,355,000 as at 31 December 2008 and 2009, respectively. The pledged property, plant and equipment were released prior to 31 December 2010.

16 Exploration and evaluation assets

	Year ended 31 December			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of year/period	–	1,000	42,600	58,469
Additions	1,000	41,600	15,869	4,129
End of year/period	1,000	42,600	58,469	62,598

The exploration and evaluation expenditures of the Target Group represented the capitalised costs incurred during the evaluation phase for the construction-in-progress of mine structures and plant and machinery for which the installation or modification have not yet been completed with respect to the mine located in Fengshan, Tonglushan and Tongshankou in the PRC. Since these assets are not yet available for use, no depreciation of the mine under construction are provided during exploration and evaluation phase.

During the years ended 31 December 2008, 2009 and 2010 and six months period end 30 June 2011, there have been no indicators that the carrying amount of the exploration and evaluation expenditures may not be recoverable and hence a full impairment review is not required. The capitalised expenditures would be assessed for impairment before reclassifying to "Construction in progress" (Note 15).

17 Land use rights

	Year ended 31 December			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of year/period	662,798	568,034	556,130	749,460
Capital contribution *(Notes 26 (c) & 26 (e))*	24,367	–	199,972	–
Additions	606	361	10,757	2,419
2008 Capital Reduction *(Note 33 (a))*	(102,110)	–	–	–
Disposals	(3,164)	–	–	–
Amortisation *(Note 8)*	(14,463)	(12,265)	(17,399)	(9,674)
End of year/period	568,034	556,130	749,460	742,205

All of the Target Group's land use rights are located in the PRC held on leases of between 10 to 50 years as at 31 December 2008, 2009 and 2010 and 30 June 2011.

Certain borrowings are secured by certain land use rights with an aggregate net book amount of approximately RMB62,907,000 (Note 27) as at 31 December 2008.

The Target Group is in the process of obtaining the certificates of the land use rights for certain pieces of land with a net book amount of approximately RMB10,757,000 and RMB2,743,000 as at 31 December 2010 and 30 June 2011, respectively.

18 Intangible assets

	Mining rights	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2008			
Cost	–	2,268	2,268
Accumulated amortisation	–	(135)	(135)
Net book amount	–	2,133	2,133
Year ended 31 December 2008			
Opening net book amount	–	2,133	2,133
Additions	–	1,198	1,198
2008 Capital Reduction *(Note 33 (a))*	–	(33)	(33)
Amortisation charge *(Note 8)*	–	(305)	(305)
Closing net book amount	–	2,993	2,993
At 31 December 2008			
Cost	–	3,433	3,433
Accumulated amortisation	–	(440)	(440)
Net book amount	–	2,993	2,993
Year ended 31 December 2009			
Opening net book amount	–	2,993	2,993
Additions	–	708	708
Amortisation charge *(Note 8)*	–	(484)	(484)
Closing net book amount	–	3,217	3,217

	Mining rights *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 31 December 2009			
Cost	–	4,141	4,141
Accumulated amortisation	–	(924)	(924)
Net book amount	–	3,217	3,217
Year ended 31 December 2010			
Opening net book amount	–	3,217	3,217
Additions	603,001	303	603,304
Amortisation charge *(Note 8)*	(16,484)	(600)	(17,084)
Disposals	–	(500)	(500)
Closing net book amount	586,517	2,420	588,937
At 31 December 2010			
Cost	603,001	3,944	606,945
Accumulated amortisation	(16,484)	(1,524)	(18,008)
Net book amount	586,517	2,420	588,937
Six months ended 30 June 2011			
Opening net book amount	586,517	2,420	588,937
Amortisation charge *(Note 8)*	(14,128)	(315)	(14,443)
Closing net book amount	572,389	2,105	574,494
At 30 June 2011			
Cost	603,001	3,944	606,945
Accumulated amortisation	(30,612)	(1,839)	(32,451)
Net book amount	572,389	2,105	574,494

During the years ended 31 December 2010 and six months period end 30 June 2011, there have been no indicators that the carrying amount of the mining rights may not be recoverable and hence a full impairment review is not required.

19 Deferred income tax assets

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by each of the reporting date.

The movements on the deferred income tax assets/(liabilities) accounts are as follows:

	Accrued expenses	Unrealised profits	Provisions	Impairment losses	Tax losses	Inventory	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(note)*	*RMB'000*	*RMB'000*
At 1 January 2008	19,396	14,126	84,076	14,011	–	(99,379)	–	32,230
(Credited)/charged to the combined statements of comprehensive income	(2,886)	15,931	(9,991)	(1,256)	–	99,379	858	102,035
2008 Capital Reduction *(Note 33 (a))*	(4,384)	–	(7,097)	–	–	–	–	(11,481)
At 31 December 2008	12,126	30,057	66,988	12,755	–	–	858	122,784
(Credited)/charged to the combined statements of comprehensive income	(2,788)	(30,057)	(5,304)	831	21,651	–	4,430	(11,237)
At 31 December 2009	9,338	–	61,684	13,586	21,651	–	5,288	111,547
Charged/(credited) to the combined statements of comprehensive income	5,844	–	(4,576)	(5,936)	(21,651)	–	(4,611)	(30,930)
At 31 December 2010	15,182	–	57,108	7,650	–	–	677	80,617
(Credited)/charged to the combined statements of comprehensive income	(3,499)	–	(2,122)	632	–	–	(2,460)	(7,449)
At 30 June 2011	11,683	–	54,986	8,282	–	–	(1,783)	73,168

The Target Group only recognises deferred tax assets for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses. Management will continue to assess the recognition of deferred tax assets in future reporting periods.

For the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the board of directors of the Target Company confirmed that they do not intend to declare dividends in relation to the unremitted earnings of its subsidiaries in the PRC and such earnings will continue to be retained in the subsidiaries for the development of the business in the PRC for the foreseeable future until such a date that the board of directors decides that it is appropriate to adjust the profit distribution policy. As a result, the board of directors considers that the timing of the reversal of the temporary difference arising on withholding tax that would be payable on the unremitted earnings of the subsidiaries in the PRC is controlled by the Target Group and hence no deferred income tax has been provided pursuant to Hong Kong Accounting Standard 12 "Income Taxes" for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011.

As at 31 December 2008, 2009 and 2010 and 30 June 2011, temporary differences relating to the unremitted earnings of the subsidiaries in the PRC amounted to nil, RMB99,042,000, RMB125,320,000 and RMB247,920,000 respectively. Deferred tax liabilities of nil, RMB4,952,000, RMB6,266,000 and RMB12,396,000 have not been recognised in respect of the tax that would be payable on the remittance of these retained earnings.

Note: Deferred tax liabilities on inventory of RMB99,379,000 as at 1 January 2008 represented the temporary differences arising from the different costing method applied in tax base and the accounting policies of the Target Group. In 2008, the costing method applied in tax base has been changed to align with the accounting policies, accordingly, the temporary differences is eliminated and deferred tax liabilities has been charged to income statement during the year ended 31 December 2008.

20 Inventories

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	1,824,624	2,451,376	2,975,570	2,430,087
Work in progress	195,940	1,079,538	1,007,987	572,044
Finished goods	109,699	83,537	280,538	416,980
	2,130,263	3,614,451	4,264,095	3,419,111

The cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB14,469,267,000, RMB17,595,145,000, RMB25,159,320,000 and RMB13,120,914,000 for the year ended 31 December 2008, 2009, 2010 and six months ended 30 June 2011.

21 Trade and bills receivables

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
– Third parties	9,894	39,490	48,195	52,894
– Related parties *(Note 35 (b))*	296,437	318,986	3,289	26,795
	306,331	358,476	51,484	79,689
Less Provision for impairment	(3,790)	(2,981)	(3,016)	(3,178)
Trade receivables – net	302,541	355,495	48,468	76,511
Bills receivable				
– Bills receivable on hand	18,378	14,935	8,646	116,852
– Discounted to banks *(Note 27)*	188,259	277,800	115,055	10,000
– Endorsed to suppliers *(Note 30)*	1,230	27,485	298,991	146,072
Notes receivable discounted to banks *(Note 27)*	90,000	89,000	78,000	90,000
Total trade and bills receivables	600,408	764,715	549,160	439,435

The majority of sales are made under contractual arrangements whereby a significant portion of amount of each sale is received before delivery or promptly after delivery and the balance is received within 1 to 6 months after delivery. The ageing analysis of the trade receivables at the each of the reporting date is as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
– Less than 1 year	257,371	92,623	45,693	73,752
– 1 – 2 years	32,803	258,839	2,048	1,899
– 2 – 3 years	2,091	4,360	1,523	329
– Over 3 years	14,066	2,654	2,220	3,709
	306,331	358,476	51,484	79,689

The Target Group's trade and bills receivables are denominated in RMB and the fair values approximate their carrying amounts. Bills receivables are with maturity period of less than 6 months.

The Target Group's notes receivable represents the bank acceptance notes issued by third parties. The maturity period of notes receivables are normally 6 months.

As at 31 December 2008, 2009, 2010 and 30 June 2011, trade receivables of RMB14,309,000, RMB31,987,000, RMB25,887,000 and RMB47,187,000 included in aged less than 1 year were neither past due nor impaired.

As at 31 December 2008, 2009 and 2010 and 30 June 2011, trade receivables of RMB281,121,000, RMB317,812,000, RMB15,711,000 and RMB23,481,000 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these receivables are as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
– past due but not impaired				
– Less than 1 year	236,336	58,970	14,670	21,929
– 1 – 2 years	32,778	254,489	1,041	1,552
– 2 – 3 years	–	4,353	–	–
– Over 3 years	12,007	–	–	–
	281,121	317,812	15,711	23,481

As at 31 December 2008, 2009 and 2010 and 30 June 2011, trade receivables of RMB10,901,000, RMB8,677,000, RMB9,886,000 and RMB9,021,000 were impaired and provided for. The amounts of the provision were RMB3,790,000, RMB2,981,000, RMB3,016,000 and RMB3,178,000 respectively. The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations. It was assessed that the remaining portion of RMB7,111,000, RMB5,696,000, RMB6,870,000 and RMB5,843,000 of the receivables are expected to be recovered respectively. The ageing of these receivables are as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
– past due and impaired				
– Less than 1 year	6,726	1,666	5,136	4,636
– 1 – 2 years	25	4,350	1,007	347
– 2 – 3 years	2,091	7	1,523	329
– Over 3 years	2,059	2,654	2,220	3,709
	10,901	8,677	9,886	9,021

Movements on the provision for impairment of trade receivables are as follows:

	Year ended 31 December			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of year/period	10,858	3,790	2,981	3,016
Provision for/(reversal of) impairment of receivables *(Note 7 (a))*	4,112	(809)	35	212
Receivables written off as uncollectable	(3,579)	–	–	(50)
2008 Capital Reduction *(Note 33 (a))*	(7,601)	–	–	–
End of year/period	3,790	2,981	3,016	3,178

22 Other receivables and prepayments

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Other receivables				
– Third parties	86,075	85,847	43,782	59,737
– Related parties *(Note 35 (b))*	42	2,157	33,878	150
	86,117	88,004	77,660	59,887
Less: Provision for impairment	(43,418)	(47,596)	(20,851)	(23,217)
Other receivables – net	42,699	40,408	56,809	36,670
Prepayments				
– Third parties	488,847	112,335	310,169	217,397
– Related parties *(Note 35 (b))*	106,158	18,312	–	6,776
Prepaid other taxes	13,822	13,717	–	–
	651,526	184,772	366,978	260,843
Non-current				
Prepayments for purchases of property, plant and equipment				
– Third parties	28,371	46,524	153,437	222,427
– Related parties *(Note 35 (b))*	18,773	29,264	14,794	40,296
Prepayments for purchase of land use rights	–	–	–	32,053
Others	853	803	803	803
	47,997	76,591	169,034	295,579

The Target Group's other receivables are denominated in RMB and the fair values approximate their carrying amounts. Borrowings are secured by rights on an other receivable of RMB20,500,000 and RMB20,500,000 as at 31 December 2008 and 2009, respectively. The pledged rights on other receivable were released prior to 31 December 2010. Other receivables from related parties are unsecured, interest-free and repayable on demand.

Movements on the provision for impairment of other receivables are as follows:

	Year ended 31 December			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of year/period	41,376	43,418	47,596	20,851
Provision for/(reversal of) impairment of receivables *(note 7 (a))*	2,042	4,178	(26,745)	2,366
End of year/period	43,418	47,596	20,851	23,217

As at 31 December 2008, 2009 and 2010 and 30 June 2011, other receivables of RMB55,480,000, RMB61,801,000, RMB31,714,000 and RMB45,294,000 were impaired and provided for. All of these receivables were aged over 3 years. The amounts of the provision were RMB43,418,000, RMB47,596,000, RMB20,851,000 and RMB23,217,000 respectively. The individually impaired receivables mainly relate to counter parties which are in unexpectedly difficult economic situations. It was assessed that the remaining portion of RMB12,062,000, RMB14,205,000, RMB10,863,000 and RMB22,077,000 of the receivables are expected to be recovered respectively. The remaining balances of the other receivable were neither past due nor impaired.

23 Derivative financial instruments

	Assets				Liabilities			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**	**2008**	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Carried at fair value								
– Copper future contracts	27,905	–	–	3,988	–	797	137,952	–
– Gold future contracts	–	–	–	–	4,327	–	–	440
Total, current portion	27,905	–	–	3,988	4,327	797	137,952	440

Contract type		Buy				Sell			
		As at 31 December			As at 30 June	As at 31 December			As at 30 June
		2008	2009	2010	2011	2008	2009	2010	2011
Copper future contracts									
Quantity	*(tonnes)*	2,000	–	–	4,430	16,455	350	18,055	1,600
Notional principal amount	*(RMB' 000)*	46,020	–	–	301,879	417,074	20,007	1,141,898	108,430
Gold future contracts									
Quantity	*(kg)*	–	–	–	185	350	–	–	110
Notional principal amount	*(RMB'000)*	–	–	–	58,333	62,058	–	–	34,316

The Target Group uses commodity derivative contracts to hedge its commodity price risk. Commodity derivative contracts utilised by the Target Group are mainly standardised copper futures contracts in SHFE.

Under hedge accounting

The Target Group utilises commodity derivative contracts (copper future contracts) to hedge its exposure to variability in fair value changes attributable to price fluctuation risk associated with inventories, mainly includes copper concentrate, copper cathodes and other copper products. For the purpose of hedge accounting, those hedging transactions of the Target Group are classified as fair value hedge.

The Target Group formally designates and documents the hedging relationship at the inception of the hedge, risk management objective and strategy for undertaking the hedges. The fair value hedges of the Target Group were assessed to be highly effective and qualified for hedge accounting.

Details of the fair value gains/losses of commodity derivative contracts designated as fair value hedges of the Target Group and the net fair value losses/gains of the hedged items, inventories, attributable to the risk hedged have been disclosed in Note 7 (a).

Not under hedge accounting

The Target Group did not formally designate or document the hedging transactions with respect to the gold future contracts and hence those transactions were not qualified for hedge accounting.

24 Restricted deposits

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Term deposits *(note (a))*	81,710	665,630	809,950	1,485,191
Bank deposits *(note (b))*	207,234	120,740	162,657	59,815
Other deposits *(note (c))*	90,179	29,468	337,768	119,647
	379,123	815,838	1,310,375	1,664,653
Non-current				
Term deposits *(note (d))*	–	–	–	118,604

All the above balances are denominated in RMB.

Notes:

(a) Term deposits are pledged to banks as security for the Target Group's borrowings. The effective interest rates of term deposits are as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
Weighted average effective interest rate (per annum)	4.14%	2.22%	2.25%	2.77%

(b) Bank deposits are held in designated bank accounts as security for the Target Group's bills payables, letters of credit and borrowings. Bank deposits earn interest at floating rates based on daily bank deposit rates.

(c) Other deposits are held in certain financial institutions as security for the commodities future contracts.

(d) Term deposits has maturity dates ranged from April 2013 to June 2013 and the effective interest rates are ranged from 3.6% to 3.8% per annum. As at 30 June 2011, approximately RMB13,496,000 are pledged to banks as security for the Target Group's outstanding letters of credit.

25 Cash and cash equivalents

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and in hand denominated in:				
RMB	1,173,276	535,228	297,056	632,896
US$	2,699	1,778	6,993	2,299
Cash and cash equivalents	1,175,975	537,006	304,049	635,195

RMB is not a freely convertible currency in the international market. The conversion of RMB into foreign currencies and the remittance of RMB out of the PRC are subject to the rules and regulations of foreign exchange controls promulgated by the PRC authorities.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

The maximum exposure to credit risk approximates the carrying amounts of the Target Group's cash and cash equivalents at each of the reporting dates respectively.

26 Reserves

	Capital reserve	Safety fund surplus reserve *(Note a)*	PRC statutory reserve *(note b)*	Total reserves
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January 2008	1,784,279	254	35,010	1,819,543
Capital contribution *(note (c))*	52,794	–	–	52,794
2008 Capital Reduction *(note 33 (a))*	(336,649)	–	–	(336,649)
Transfer to statutory reserves *(note (b))*	–	–	23,548	23, 548
Others	–	(11)	–	(11)
Balance as at 31 December 2008	1,500,424	243	58,558	1,559,225
Capital contribution *(note (d))*	243,628	–	–	243,628
Others	2,119	(101)	–	2,018

	Capital reserve *RMB'000*	Safety fund surplus reserve *(Note a)* *RMB'000*	PRC statutory reserve *(note b)* *RMB'000*	Total reserves *RMB'000*
Balance as at 31 December 2009	1,746,171	142	58,558	1,804,871
Capital contribution *(note (e))*	185,671	–	–	185,671
Transformation of Daye Metal *(note (f))*	169,866	–	(36,242)	133,624
Transfer to statutory reserves *(note (b))*	–	–	11,962	11,962
Others	–	(58)	–	(58)
Balance as at 31 December 2010	2,101,708	84	34,278	2,136,070
Acquisition of non-controlling interests *(note (g))*	1,231,773	–	–	1,231,773
Others	–	2,647	–	2,647
Balance as at 30 June 2011	3,333,481	2,731	34,278	3,370,490

Nature and purpose of reserves

(a) According to CaiQi 2006 No. 478 "Tentative Measures for the Financial Management of the Production Safety Fund for the High Risk Enterprises" issued by the Ministry of Finance and the Safety Production General Bureau, the Target Group is required to accrue "Safety Fund" to improve the production safety. The Target Group should accrue the Safety Fund from the year 2007. The accrual standard rates are RMB4 per ton for the mine above the ground and RMB8 per ton for the mine under the ground. As for the high risk enterprises, the fund is accrued according to the sales and in a progressive way monthly.

(b) PRC laws and regulations require companies registered in the PRC to provide for statutory reserve, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. Statutory reserves are created for specific purposes. In accordance with the Company Law, PRC companies are required to appropriate 10% of net profits to statutory reserves. A company may discontinue the appropriation when the balance of its statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies or to increase capital of the companies. In addition, a company may make further contribution to discretional surplus reserve using its post-tax profit in accordance with a resolution of the board of directors.

(c) During the year ended 31 December 2008, Beijing Yangtze Power Innovation Investment Management Co., Ltd ("Changdian"), a shareholder of Daye Metal and regarded as a non-controlling interest holder of the Target Group, and SASAC of Hubei Provincial People's Government ("Hubei SASAC"), a shareholder of Daye Metal and regarded as controlling interest holder of the Target Group, injected cash of RMB1,000,000,000 and RMB60,000,000 respectively to the Company as part of the 2008 Reorganisation (details of 2008 Reorganisation are stated in Note 33 (b)). In addition to the 2008 Reorganisation, the Parent Company also contributed certain land use rights at fair value of approximately RMB24,367,000 to the Target Group during the year ended 31 December 2008. Losses on disposal to non-controlling interests of RMB31,573,000 have been recognised in equity as a result of these contributions during the year ended 31 December 2008.

(d) During the year ended 31 December 2009, the Hubei SASAC injected cash of RMB240,000,000 to Daye Metal. A gain on purchase of equity interests from non-controlling interests of RMB3,628,000 has been recognised as a result of the contribution by the Parent Company.

(e) During the year ended 31 December 2010, the Parent Company contributed certain land use rights at fair values of approximately RMB199,972,000 to Daye Metal. A loss on purchase of equity interests from non-controlling interests of RMB14,301,000 has been recognised as a result of the contribution by the Parent Company.

(f) On 26 March 2010, Daye Metal was transformed into a joint stock limited liability company under the PRC Company Law by converting its registered share capital and reserves as of 31 August 2009 into 1,420,000,000 shares of RMB1 each, as a result, statutory reserves and retained profits as at 26 March 2010 based on the management accounts prepared under PRC generally accepted accounting principles have been capitalised in order to satisfy the approved capital reserve amount.

(g) On 22 March 2011, the Parent Company acquired 33.56% equity interests of the Target Group from the non-controlling shareholders at a total cash consideration of approximately RMB1,307,880,000. The total cash consideration is regarded capital contribution from the Parent Company and recognised in the Target Group's capital reserve. The difference between the consideration and the non-controlling interests share of assets and liabilities at the date of acquisition was regarded as loss on purchase of equity interests from non-controlling interests and recognised in the Target Group's capital reserve.

27 Borrowings

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Debentures *(note (a))*	–	–	700,000	–
Current portion of long-term borrowings				
– Secured	25,000	–	–	–
– Unsecured	23,342	352	342	4,724
Short-term borrowings				
– Secured	1,316,856	1,492,091	898,552	2,031,996
– Unsecured	1,542,227	2,244,132	3,016,613	2,027,084
– Advance from banks for discounted bills	188,259	277,800	115,055	10,000
– Advance from banks for discounted notes	90,000	89,000	78,000	90,000
– Gold loan *(note (c))*	–	–	–	62,873
	3,185,684	4,103,375	4,808,562	4,226,677

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Long-term borrowings				
– Secured	198,300	156,905	120,000	620,000
– Unsecured	82,312	281,954	247,638	304,981
Loan from the Parent Company *(note (b))*	–	–	490,000	490,000
	280,612	438,859	857,638	1,414,981
Total borrowings	3,466,296	4,542,234	5,666,200	5,641,658

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings are repayable as follows:				
– Within 1 year	3,185,684	4,103,375	4,808,562	4,226,677
– Between 1 and 2 years	9,342	82,235	57,542	641,924
– Between 2 and 5 years	267,325	233,024	691,028	694,171
– Over 5 years	3,945	123,600	109,068	78,886
	3,466,296	4,542,234	5,666,200	5,641,658

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings are:				
Wholly repayable within 5 years	3,460,643	4,416,928	5,548,220	5,553,953
Wholly repayable after 5 years	5,653	125,306	117,980	87,705
	3,466,296	4,542,234	5,666,200	5,641,658

An analysis of the carrying amounts of the borrowings by type and currency is as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB' 000*	*RMB'000*	*RMB' 000*
RMB				
– at fixed rates	1,247,958	1,287,905	2,936,255	2,283,200
– at floating rates	1,290,918	1,861,819	1,292,819	864,818
	2,538,876	3,149,724	4,229,074	3,148,018
US$				
– at fixed rates	603,665	537,789	780,221	1,609,280
– at floating rates	323,755	854,721	656,905	751,279
	927,420	1,392,510	1,437,126	2,360,559
Euro				
– at fixed rates	–	–	–	70,208
Gold loan				
– at fixed rates	–	–	–	62,873
Total borrowings	3,466,296	4,542,234	5,666,200	5,641,658

The effective interest rates at the end of each reporting period were as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
RMB	5.55%	4.51%	4.31%	5.26%
US$	4.67%	1.32%	2.64%	3.24%
EUR	–	–	–	4.65%
Gold loan	–	–	–	4.00%

The carrying amounts of the current borrowings approximate their fair value.

The fair values of the non-current borrowings are as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fair value				
Long-term borrowings	287,426	445,209	362,690	896,839
Loan from the Parent Company	–	–	486,393	473,205
	287,426	445,209	849,083	1,370,044
Carrying amount	280,612	438,859	857,638	1,414,981

The fair values are based on cash flows discounting using a rate based on the borrowing rate as at 31 December 2008, 2009 and 2010 and 30 June 2011 are 5.10%, 4.86%, 5.04% and 5.76% respectively.

(a) As approved by the National Association of Financial Market Institutional Investors, the Target Group issued certain short-term debentures on 19 March 2010 at par value of RMB700,000,000, with a maturity of 365 days from the date of issuance. The debentures are secured by guarantees by Changdian, a non-controlling interest holder of the Target Company, and bear interests at a fixed rate of 2.75% per annum. The debentures were fully redeemed on 22 March 2011.

(b) The loan from the Parent Company represents the unsecured five years term loan, with fixed interest rate of 4.98% per annum.

(c) The loss arising from change in fair value of gold loan designated as financial instruments of RMB2,852,000 is charged to profit or loss for the six months ended 30 June 2011.

(d) The borrowings of the Target Group were secured as follows:

	RMB,000
As at 31 December 2008	
Secured against certain property, plant and equipment of RMB585,675,000 (borrowings of RMB256,500,000 also secured against the land use rights of RMB62,907,000)	536,500
Secured against certain property, plant and equipment of RMB159,061,000	92,870
Secured against the rights on other receivable of RMB20,500,000 and certain property, plant and equipment of RMB108,752,000	96,800
Secured against the bank deposits of RMB108,880,000	105,256
Secured against the property, plant and equipment of a fellow subsidiary	158,130
Corporate guarantee provided by the Parent Company	550,600
Total secured borrowings	1,540,156
As at 31 December 2009	
Secured against certain property, plant and equipment of RMB116,355,000 (borrowings of RMB66,905,000 also secured against the rights on other receivable of RMB20,500,000)	86,905
Secured against the bank deposits of RMB717,668,000	1,054,802
Corporate guarantee provided by the Parent Company	507,289
Total secured borrowings	1,648,996
As at 31 December 2010	
Secured against the bank deposits of RMB772,135,000	898,552
Corporate guarantee provided by the Parent Company	120,000
Total secured borrowings	1,018,552
As at 30 June 2011	
Secured against the bank deposits of RMB1,444,906,000	1,531,996
Corporate guarantee provided by the Parent Company	1,120,000
Total secured borrowings	2,651,996

28 Provisions

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Provision for mine rehabilitation, restoration and dismantling	25,039	26,076	27,155	27,715
Early retirement	49,922	36,786	25,486	21,797
Employee medical obligation	181,220	175,045	167,477	163,034
	256,181	237,907	220,118	212,546
Current				
Early retirement	19,699	14,462	11,550	9,387
Employee medical obligation	12,644	13,676	14,815	15,435
	32,343	28,138	26,365	24,822
Aggregate				
Provision for mine rehabilitation, restoration and dismantling *(Note (a))*	25,039	26,076	27,155	27,715
Early retirement *(Note (b))*	69,621	51,248	37,036	31,184
Employee medical obligation *(Note (c))*	193,864	188,721	182,292	178,469
	288,524	266,045	246,483	237,368

(a) *Provision for mine rehabilitation, restoration and dismantling*

	Year ended 31 December			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of year/period	24,044	25,039	26,076	27,155
Interest accretion	995	1,037	1,079	560
End of year/period	25,039	26,076	27,155	27,715

The provision for mine rehabilitation, restoration and dismantling includes the anticipated costs of future rehabilitation, restoration and dismantling of mining areas from which natural resources have been extracted. These provisions include future cost estimates associated with plant closures, waste site closures, monitoring, demolition, decontamination, water purification, and permanent storage of historical residues. The discount rate using in determining this provision is 4.14% at the end of each reporting periods.

(b) Early retirement

	Year ended 31 December			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of year/period	136,244	69,621	51,248	37,036
Addition/(Reversal) of provision recognised for the year/period	(1,580)	2,763	6,890	5,977
Interest accretion	5,738	2,882	2,122	767
Payment	(38,155)	(24,018)	(23,224)	(12,596)
2008 Capital Reduction *(Note 33 (a))*	(32,626)	–	–	–
End of year/period	69,621	51,248	37,036	31,184

Daye Metal had made offers to certain employees for encouraging them to accept voluntary redundancy before their normal retirement date (the "Early Retirement Scheme") prior to 31 December 2005. Early retirement benefits are recognised in the statement of comprehensive income in the year in which the Target Group enters into agreements specifying the terms of early retirement or after the individual employees have been advised of the specific terms. The liability related to the benefit obligations existing at the respective reporting dates are calculated by management using future cash flow discounting method. According to the terms of the Early Retirement Scheme, participants are entitled to periodic benefit payments equivalent to certain percentage of their existing income prior to the acceptance of the offer under the Early Retirement Scheme for a specified period. The discount rate used in determining this provision is 4.14% at the end of each reporting periods.

(c) Employee medical obligation

	Year ended 31 December			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of year/period	197,847	193,864	188,721	182,292
Addition/(reversal) of provision recognised for the year/period	1,775	3,932	9,348	(215)
Interest accretion	8,191	8,026	7,813	3,890
Payment	(13,949)	(17,101)	(23,590)	(7,498)
End of year/period	193,864	188,721	182,292	178,469

This provision represents the anticipated costs of compensation paid to those employees injured at work or suffered occupational disease that do not cover by the external insurance plan as required by the relevant rules and regulation in the PRC. These future cost estimates including reimbursement of medical expenses and other compensation as required by the relevant rules and regulation are discounted to their present value. The discount rate using in determining this provision is 4.14% at the end of each reporting periods.

In 2007, management of the Target Group and the Huangshi Labour and Social Security Bureau reached a mutual confirmation on the details of the transfer of the Target Group's employee medical obligation to the social security system of Huangshi City (the "Transfer"), including the timing and the settlement principle, when a number of guidances and notices have been issued by Ministry of Labour and Social Security in 2005 and 2007. Therefore, management is in the opinion that a future transfer is confirmed and the provision is determined by management based on the available information and the best estimates. Other key assumptions also include discount rate of 4.14%.

The Target Group has made periodic contribution to external insurance plans for its employee since 2005 and is not obligated to any further liabilities in respect of the employee injuries since then.

29 Deferred income

	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of year/period	4,606	14,541	26,239	65,458
Government grants obtained	10,320	13,520	44,251	27,240
Credited to statement of comprehensive income	(385)	(1,822)	(5,032)	(1,822)
End of year/period	14,541	26,239	65,458	90,876
Less: Current portion *(Note 31)*	(1,565)	(4,360)	(1,421)	(1,503)
Non-current portion	12,976	21,879	64,037	89,373

Deferred income represents grants obtained from the PRC government in relation to the construction and the purchase of certain plant and machinery by the Target Group.

30 Trade and bills payables

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
– Third parties	593,471	543,916	950,044	554,988
– Related parties *(Note 35 (b))*	38,247	30,124	21,036	157,097
	631,718	574,040	971,080	712,085
Trade payables under endorsed bills *(Note 21)*	1,230	27,485	298,991	146,072
Bills payables	160,000	208,820	–	–
Total trade and bills payables	792,948	810,345	1,270,071	858,157

The ageing analysis of the trade payables as at the end of each reporting period is as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
– Less than 1 year	623,805	568,589	966,247	699,416
– 1 – 2 years	6,103	1,630	3,568	2,980
– 2 – 3 years	905	2,916	95	4,149
– Over 3 years	905	905	1,170	5,540
	631,718	574,040	971,080	712,085

The carrying amounts of the Target Group's trade payables approximate their fair values and are denominated in the following currencies:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	290,009	270,007	673,851	677,234
US$	341,709	304,033	297,229	34,851
	631,718	574,040	971,080	712,085

The carrying amounts of the Target Group's bills payables approximate to their fair values and are denominated in RMB. Bill payables are with maturity of less than 6 months.

31 Other payables and accruals

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accruals				
– Third parties	81,136	84,285	101,806	306,412
– The Parent Company *(Note 35 (b))*	78,834	22,505	–	258,645
– Fellow subsidiaries *(Note 35 (b))*	97,077	52,653	43,880	143,841
Salaries and welfare payables	128,111	68,862	106,276	82,800
Interest payables				
– Third parties	13,005	11,391	35,493	28,936
– The Parent Company *(Note 35 (b))*	–	–	5,219	17,081
Other taxes payables	61,542	65,220	80,106	123,497
Customer's deposits				
– Third parties	77,398	81,665	84,655	199,211
– Fellow subsidiaries *(Note 35 (b))*	12,608	13,127	32,896	35,936
Current portion of deferred income *(Note 29)*	1,565	4,360	1,421	1,503
Total other payables and accruals	551,276	404,068	491,752	1,197,862

The Target Group's other payables are denominated in RMB and approximate their fair values. Other payable to the Parent Company is unsecured, repayable on demand and interest-bearing at floating rates based on the interest rate quoted by the People's Bank of China. Balances with fellow subsidiaries are unsecured, interest-free and repayable on demand.

32 Notes to combined statements of cash flows

Reconciliations of (loss)/profit before income tax to net cash generated from/(used in) operations are as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss)/profit before income tax	(165,103)	110,279	242,762	121,429	137,268
Adjustments for:					
– Interest income	(39,055)	(10,651)	(21,364)	(6,732)	(8,444)
– Interest expense	221,361	134,552	159,856	68,333	77,669
– Depreciation and amortisation	252,339	232,883	262,984	125,015	162,293
– Loss on disposal of property, plant and equipment and intangible assets	31,489	1,491	5,407	1,045	545
– Provision for/(reversal of) impairment of trade receivables	4,112	(809)	35	208	212
– Provision for/(reversal of) impairment of other receivables	2,042	4,178	(26,745)	1,492	2,366
– Provision for early retirement and employee medical obligation	195	6,695	16,238	8,163	5,762
– Unrealised losses on commodity future contracts	4,327	–	–	–	(4,190)
– Amortisation of deferred income	(385)	(1,822)	(5,032)	(2,794)	(1,822)
Changes in working capital:					
– Inventories	515,918	(1,459,763)	(512,489)	466,575	707,674
– Trade and bills receivables	547	(163,498)	215,520	(109,310)	109,513
– Other receivables and prepayments	(313,160)	462,576	(155,461)	(250,946)	103,769
– Trade and bills payables	(119,555)	17,397	459,726	(382,148)	(411,914)
– Other payables and accruals	(184,559)	(87,146)	57,357	111,506	224,775
– Benefits paid for early retirement and employee medical obligation	(52,104)	(41,119)	(46,814)	(23,346)	(20,094)
– Other deposits	80,647	60,711	(308,300)	(43,614)	218,121
Net cash generated from/(used in) operations	239,056	(734,046)	343,680	84,876	1,303,503

33 2008 Capital Reduction and Reorganisation

(a) 2008 Capital Reduction

In December 2008, the Parent Company and other shareholders of Daye Metal entered into agreements to reduce their share capital in Daye Metal, of which Daye Metal transferred the ownership of several branches and subsidiaries with net assets of RMB400,098,000 to the Parent Company and other shareholders (the "2008 Capital Reduction").

Analysis of assets and liabilities transferred:

	2008
	RMB'000
Assets	
Property, plant and equipments	234,227
Land use rights	102,110
Intangible assets	33
Deferred income tax assets	11,481
Interests in associates	710
Inventories	50,799
Trade and bills receivables	8,511
Other receivables and prepayments	75,493
Cash and cash equivalents	54,087
Liabilities	
Provisions	(32,626)
Trade and bills payables	(13,324)
Other payables and accruals	(89,125)
Current income tax liabilities	(2,278)
	400,098

(b) 2008 Reorganisation

After the 2008 Capital Reduction, the Parent Company transferred the entire equity interests of 黄石市豐山銅業有限責任公司 (Huangshi Fengshan Copper Co., Ltd.), 黄石市鑫泰礦業有限責任公司 (Huangshi Xintai Mining Co., Ltd.) and黄石市鑫馬銅業有限責任公司 (Huangshi Xinma Copper Co., Ltd.) (hereinafter collectively the "Mining Entities"), to Daye Metal (the "2008 Reorganisation").

Prior to the completion of 2008 Reorganisation, aggregated dividends amounting to RMB146,518,000 were declared, and RMB142,980,000 were paid to the then owner of the Mining Entities in 2008. With the consent of the then owner of the Mining Entities, the unpaid dividend of RMB3,538,000 was regarded as a contribution to the Target Group and credited to capital reserve in 2009.

The 2008 Reorganisation was regarded as a business combination under common control since the Mining Entities and Daye Metal are under common control of the Hubei SASAC through the Parent Company. Thus, the 2008 Reorganisation was accounted for using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5, "Merger Accounting for Common Control Combinations" issued by the HKICPA, the Financial Information includes the financial position, results and cash flows of Mining Entities on the basis that the group structure resulting from the 2008 Reorganisation had been in existence since the beginning of the Relevant Periods. The difference between the consideration and the predecessor's cost of the Mining Entities has acquired has been adjusted against equity.

As a result of the 2008 Reorganisation, Changdian and Hubei SASAC injected cash of RMB1,000 million and RMB60 million respectively to the Company (the "Cash Injection") (also refer to Note 26 (c) for details).

34 Commitments

(a) Operating leases

The Target Group had future aggregate minimum lease payments to the Parent Company under non-cancellable operating leases of land use rights are as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not later than one year	–	12,754	12,754	12,754
Later than one year but not later than five years	–	51,017	51,017	51,017
Later than five years	–	318,853	306,099	299,722
	–	382,624	369,870	363,493

(b) Capital commitments

Capital commitments at the balance sheet date but not yet incurred are as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment and exploration and evaluation assets				
Authorised but not contracted for	1,905,587	2,113,693	2,272,082	2,065,114
Contracted but not provided for	42,768	29,345	140,982	130,773

35 Significant related party transactions

The Target Group is controlled by Daye Nonferrous Metals Corporation Holdings Limited, a company incorporated in the PRC and wholly owned by the SASAC of Hubei Provincial People's Government, the PRC.

The PRC government also owns a significant portion of productive assets in the PRC. In accordance with Hong Kong Accounting Standard 24 "Related Party Disclosures" issued by the HKICPA, other state-owned enterprises and their subsidiaries (other than subsidiaries of the Parent Company), directly or indirectly controlled by the PRC government, are also defined as related parties of the Target Group. On that basis, related parties include the Parent Company and its related companies, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, and key management personnel of the Target Group and the Parent Company as well as their close family members.

In addition to the related party information and transactions disclosed elsewhere in the Financial Information, the following is a summary of significant related party transactions entered in the ordinary course of business between the Target Group and its related parties during the Relevant Periods.

(a) Transactions with the Parent Company and its group companies (other than those within the Target Group)

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Income:					
Sales of non-ferrous metals to fellow subsidiaries	1,959,682	1,701,383	1,549,754	667,607	1,115,162
Interest income from a fellow subsidiary	11,805	–	–	–	–
Expenses:					
Transportation fees to fellow subsidiaries	64,990	43,010	42,240	20,190	27,489
Processing fees to fellow subsidiaries	40,800	39,800	35,984	11,088	31,074
Utilities fees to a fellow subsidiary	–	237,950	254,630	120,470	139,169
Purchases of non-ferrous metals from					
– Parent Company	–	–	–	–	248,218
– fellow subsidiaries	521,988	433,981	1,300,301	570,099	340,868
– an associate of the Parent Company	–	49,720	83,810	44,760	27,790
Rental expense to the Parent Company	–	–	12,754	6,378	6,378
Medical service fees to a fellow subsidiary	42,980	44,120	47,130	22,310	5,230
Interest expense to the Parent Company	17,051	4,816	6,775	–	21,937
Capital Expenditure:					
Purchase of mining rights from the Parent Company	–	–	603,001	603,001	–
Construction contract fees to fellow subsidiaries	61,000	128,170	202,320	84,520	96,595
Other service fees to fellow subsidiaries	200	1,890	3,890	1,560	1,300

The related party transactions described above were carried out in the ordinary course of business at terms mutually agreed between the Target Group and the respective related parties.

(b) Year/period-end balances

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables from				
– fellow subsidiaries	296,437	318,986	3,289	26,795
Other receivables from				
– the Parent Company	–	–	33,821	–
– fellow subsidiaries	42	2,157	57	150
Prepayments made to				
– the Parent Company	–	–	–	6,778
– fellow subsidiaries	124,931	47,576	14,794	40,294
Trade payables to				
– the Parent Company	668	832	491	248
– fellow subsidiaries	37,579	9,987	19,333	145,913
– an associate of the Parent Company	–	19,305	1,212	10,936
Other payables and accruals to				
– the Parent Company	78,834	22,505	–	258,645
– fellow subsidiaries	97,077	52,653	43,880	143,841
Interest payables to				
– the Parent Company	–	–	5,219	17,081
Customer deposits received from				
– fellow subsidiaries	12,608	13,127	32,896	35,936
Loan from the Parent Company	–	–	490,000	490,000

Except for the loan from the Parent Company (Note 27 (b)) and other payables and accruals to the Parent Company (Note 31), other amounts due from/to the Parent Company and fellow subsidiaries are unsecured, interest-free and repayable on demand.

(c) Guarantees provided by related parties

Details of the guarantees provided by related parties are disclosed in Note 27.

(d) Transactions and balances with other state-owned enterprises

During the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the Target Group's transactions with other state-owned enterprises (excluding the Parent Company and its group companies) are sales of goods and purchases of non-ferrous metals, raw materials, electricity, property, plant and equipment and services and the related receivables and payables balances. In addition, a portion of fixed deposits, cash and cash equivalents and borrowings as of 31 December 2008, 2009 and 2010 and 30 June 2011 and the relevant interest earned or paid during the year are transacted with banks and other financial institutions controlled by the PRC government. The transactions of revenues and expenses in nature conducted with government-related entities were based on terms as set out in the underlying agreements, based on statutory rates or market prices or actual cost incurred, or as mutually agreed.

(e) Key management compensation

The key management personnel remuneration for the Target Group was as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other short-term employee benefits	1,057	1,193	1,867	804	775
Bonuses	2,180	2,117	4,060	–	–
Other long-term benefits	63	46	54	22	21

36 Particulars of subsidiaries

The principal subsidiaries are as follows:

Name of company	Date of incorporation/ establishment	Principal activity and place of incorporation/ establishment	Issued/paid-up share capital	Effective interests held by the Target Company				Auditor	Year of Auditor
				31 December 2008	31 December 2009	31 December 2010	30 June 2011		
Directly held:									
Rainbow Treasure Holdings Limited	30 November 2010	Investment holding, Hong Kong	1 ordinary share of HK$1 each	N/A	N/A	100%	100%	*(note a)*	2010
Indirectly held:									
Daye Non-ferrous Metals Co., Ltd.	31 Mar 2005	Mining and processing of mineral ores and trading of metal concentrates, the PRC	RMB1,490,977,877	56.33%	59.88%	61.79%	95.35%	中勤萬信會計師事務所有限公司	2008-2010
Daye Non-ferrous San You Industry Company Limited, ("大冶有色三友實業有限責任公司")	22 May 1999	Ore processing and selling of metal products, the PRC	RMB7,323,951	50.32%	53.49%	55.20%	85.18%	中勤萬信會計師事務所有限公司	2008-2010

Name of company	Date of incorporation/ establishment	Principal activity and place of incorporation/ establishment	Issued/paid-up share capital	Effective interests held by the Target Company				Auditor	Year of Auditor
				31 December 2008	31 December 2009	31 December 2010	30 June 2011		
Daye Xingke Construction Works Quality Inspection Company Limited, ("大冶有色興科建設工程質量檢測有限公司")	27 July 2006	Quality testing of construction projects, the PRC	RMB1,000,000	56.33%	59.88%	61.79%	95.35%	中勤萬信會計師事務所有限公司	2008-2010
Daye Non-ferrous Design and Research Institute Company Limited ("大冶有色設計研究院有限公司")	01 June 2007	Research and development, the PRC	RMB6,800,000	56.33%	59.88%	61.79%	95.35%	中勤萬信會計師事務所有限公司	2008-2010
黃石市豐山銅業有限責任公司	30 April 2004	Mining, the PRC	RMB123,099,365	56.33%	*(note b)*	*(note b)*	*(note b)*	中勤萬信會計師事務所有限公司	2008
黃石市鑫泰礦業有限責任公司	20 May 2004	Mining, the PRC	RMB75,377,561	56.33%	*(note b)*	*(note b)*	*(note b)*	中勤萬信會計師事務所有限公司	2008
黃石市鑫馬銅業有限責任公司	08 October 2003	Mining, the PRC	RMB5,600,000	56.33%	*(note b)*	*(note b)*	*(note b)*	中勤萬信會計師事務所有限公司	2008

Name of company	Date of incorporation/ establishment	Principal activity and place of incorporation/ establishment	Issued/paid-up share capital	Effective interests held by the Target Company				Auditor	Year of Auditor
				31 December 2008	31 December 2009	31 December 2010	30 June 2011		
陽新富豐礦業有限公司	09 May 2005	Ore processing and selling of metal products, the PRC	RMB3,779,600	56.33%	*(note b)*	*(note b)*	*(note b)*	中勤萬信會計師事務所有限公司	2008
大冶市泰興鉬業有限責任公司	01 December 2005	Ore processing and selling of metal products, the PRC	RMB800,000	56.33%	*(note b)*	*(note b)*	*(note b)*	中勤萬信會計師事務所有限公司	2008

All subsidiaries are limited liability companies.

(a) No statutory audit has been performed by this company as it was newly incorporated in 2010.

(b) These entities were deregistered in 2009.

37 Events after balance sheet date

There have been no matters subsequent that have occurred to the reporting date which have significantly affected, or may significantly affect the Group's operations, results or state of affairs in future years.

III. FINANCIAL INFORMATION OF THE TARGET COMPANY

The Target Company was incorporated on 1 December 2010 with an initial authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On the date of incorporation, 1 ordinary share was issued nil paid to the subscriber, which was subsequently transferred to the Company on the same date. The Target Company had not been involved in any significant business transactions since its date of incorporation to 30 June 2011. As at 31 December 2010 and 30 June 2011, the Target Company had an amount due from China Times, a wholly owned subsidiary of the Company and a share capital of US$1, and an investment in subsidiary, Rainbow Treasures and amount due to the subsidiary of HK$1. Save as aforesaid, it had no other assets, liabilities or distributable reserve as at 31 December 2010 and 30 June 2011.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Target Company and its subsidiaries in respect of any period subsequent to 30 June 2011 and save as disclosed in this report, no dividend or distribution has been declared made or paid by the Target Company or any of its subsidiaries in respect of any period subsequent to 30 June 2011.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE TWO YEARS ENDED 30 APRIL 2008 AND 2009, THE EIGHT MONTHS ENDED 31 DECEMBER 2009, THE YEAR ENDED 31 DECEMBER 2010 AND THE SIX MONTHS ENDED 30 JUNE 2011

The audited financial statements of the Group for each of the two years ended 30 April 2008 and 2009, the eight months ended 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011 prepared by the Company's auditors, Pan-China (H.K.) CPA Limited (formerly known as Patrick Ng & Company and NCN CPA Limited), are unqualified.

The following is a summary of the consolidated financial information of the Group for each of the two years ended 30 April 2008 and 2009, the eight months ended 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011 as extracted from the annual reports and the interim report of the Company for the respective periods.

There were no extraordinary or exceptional items which were required to be disclosed under the audited financial statements of the Group for each of the two years ended 30 April 2008 and 2009, the eight months ended 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011. No dividend was declared or paid for the same periods.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1 May 2007 to 30 April 2008 *HK$'000*	1 May 2008 to 30 April 2009 *HK$'000*	1 May 2009 to 31 December 2009 *HK$'000*	1 January 2010 to 31 December 2010 *HK$'000*	1 January 2011 to 30 June 2011 *HK$'000*
REVENUE	164,330	20,235	1,672	954,314	50,283
COST OF SALES	(142,248)	(27,695)	(645)	(940,955)	(50,789)
	22,082	(7,460)	1,027	13,359	(506)
OTHER REVENUE	1,733	411	300	459	43
GENERAL AND ADMINISTRATIVE EXPENSES	(1,183,864)	(461,724)	(112,988)	(43,353)	(17,712)
OPERATING LOSS FOR THE YEAR/PERIOD	(1,160,049)	(468,773)	(111,661)	(29,535)	(18,175)
IMPAIRMENT OF MINING RIGHT WRITTEN BACK	–	–	87,407	14,038	–
LOSSES ON CHANGES IN FAIR VALUES OF INVESTMENTS HELD FOR TRADING	(9,110)	(4,204)	(1,186)	–	–
LOSS ON DISPOSAL OF A SUBSIDIARY	–	–	–	(1,514)	–
FINANCE COSTS	(452)	(5)	(5)	(5,616)	(6,649)
SHARE OF RESULT OF A JOINTLY CONTROLLED ENTITY	135	–	–	–	–
GAIN ON DISPOSAL OF A JOINTLY CONTROLLED ENTITY	4,493	–	–	–	–
LOSS BEFORE TAXATION	(1,164,983)	(472,982)	(25,445)	(22,627)	(24,824)
INCOME TAX	(1,901)	108,429	(21,852)	(5,640)	–
LOSS FOR THE YEAR/PERIOD	(1,166,884)	(364,553)	(47,297)	(28,267)	(24,824)

	1 May 2007 to 30 April 2008 *HK$'000*	1 May 2008 to 30 April 2009 *HK$'000*	1 May 2009 to 31 December 2009 *HK$'000*	1 January 2010 to 31 December 2010 *HK$'000*	1 January 2011 to 30 June 2011 *HK$'000*
OTHER COMPREHENSIVE INCOME:					
Exchange difference arising on translation of foreign operations					
– Exchange differences arising during the year/period	–	5,850	4	1,518	1,936
– Exchange differences arising on acquisition of subsidiaries	290	–	–	–	–
– Reclassification adjustments relating foreign operations disposed of during the year/period	–	–	–	29	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX	290	5,850	4	1,547	1,936
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	(1,166,594)	(358,703)	(47,293)	(26,720)	(22,888)
LOSS FOR THE YEAR/PERIOD ATTRIBUTABLE TO:					
– owners of the Company	(1,165,896)	(123,313)	(91,168)	(23,073)	(21,723)
– non-controlling interests	(988)	(241,240)	43,871	(5,194)	(3,101)
	(1,166,884)	(364,553)	(47,297)	(28,267)	(24,824)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
– owners of the Company	(1,165,606)	(122,907)	(91,171)	(22,182)	(20,709)
– non-controlling interests	(988)	(235,796)	43,878	(4,538)	(2,179)
	(1,166,594)	(358,703)	(47,293)	(26,720)	(22,888)
Loss per share:					
– Basic	(29.50)	(2.39)	(1.76)	(0.41)	(0.39)
– Diluted	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 April 2008 HK$'000	As at 30 April 2009 HK$'000	As at 31 December 2009 HK$'000	As at 31 December 2010 HK$'000	As at 30 June 2011 HK$'000
NON-CURRENT ASSETS					
Property, plant and equipment	2,455	18,142	18,731	55,535	69,376
Prepaid lease payment	–	–	1,670	1,656	1,667
Jointly controlled entities	–	–	–	–	–
Mining rights	2,488,859	2,055,140	2,142,547	2,156,585	2,156,585
TOTAL NON-CURRENT ASSETS	2,491,314	2,073,282	2,162,948	2,213,776	2,227,628
CURRENT ASSETS					
Deposit for acquisition	–	–	–	170,000	170,000
Prepaid lease payment	–	–	–	44	44
Investments held for trading	33,704	8,821	6,990	–	–
Inventories	–	1,441	1,366	2,885	2,864
Trade and other receivables	80,509	5,102	3,644	82,351	52,418
Cash and bank balances	40,869	97,894	343,961	187,304	190,382
TOTAL CURRENT ASSETS	155,082	113,258	355,961	442,584	415,708
CURRENT LIABILITIES					
Bank overdraft – unsecured	187	–	–	–	–
Trade and other payables	10,028	7,786	10,448	7,521	10,600
Deferred income	–	3,976	3,975	6,966	7,104
Tax payable	1,901	1,901	1,901	4,032	4,032
TOTAL CURRENT LIABILITIES	12,116	13,663	16,324	18,519	21,736
NET CURRENT ASSETS	142,966	99,595	339,637	424,065	393,972
TOTAL ASSETS LESS CURRENT LIABILITIES	2,634,280	2,172,877	2,502,585	2,637,841	2,621,600

	As at 30 April 2008 HK$'000	As at 30 April 2009 HK$'000	As at 31 December 2009 HK$'000	As at 31 December 2010 HK$'000	As at 30 June 2011 HK$'000
NON-CURRENT LIABILITIES					
Cumulative redeemable preference shares	110	110	110	110	110
Convertible notes	–	–	–	89,886	96,533
Deferred tax liabilities	622,214	513,785	535,637	539,146	539,146
TOTAL NON-CURRENT LIABILITIES	622,324	513,895	535,747	629,142	635,789
NET ASSETS	2,011,956	1,658,982	1,966,838	2,008,699	1,985,811
CAPITAL AND RESERVES					
Share capital	257,584	257,584	279,560	279,560	279,560
Reserves	690,425	573,247	815,249	818,792	798,083
Equity attributable to shareholders of	948,009	830,831	1,094,809	1,098,352	1,077,643
Non-controlling interests	1,063,947	828,151	872,029	910,347	908,168
TOTAL EQUITY	2,011,956	1,658,982	1,966,838	2,008,699	1,985,811

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2011

Set out below are the audited financial statements of the Group for the six months ended 30 June 2011 as extracted from the interim report of the Company for the six months ended 30 June 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2011

		For the six months ended 30 June	
		2011	2010
		(audited)	(Unaudited)
			(Note 41)
	Notes	*HK$'000*	*HK$'000*
REVENUE	*6*	50,283	100,861
COST OF SALES		(50,789)	(100,095)
		(506)	766
OTHER REVENUE	*6*	43	1,094
GENERAL AND ADMINISTRATIVE EXPENSES		(17,712)	(14,166)
OPERATING LOSS FOR THE PERIOD	*8*	(18,175)	(12,306)
FINANCE COSTS	*9*	(6,649)	(3)
LOSS BEFORE TAXATION		(24,824)	(12,309)
INCOME TAX	*11*	–	(36)
LOSS FOR THE PERIOD		(24,824)	(12,345)

		For the six months ended 30 June	
		2011	**2010**
		(audited)	**(Unaudited)**
			(Note 41)
	Notes	*HK$'000*	*HK$'000*
OTHER COMPREHENSIVE INCOME:			
Exchange difference arising on translation of foreign operations			
– Exchange differences arising during the period		1,936	992
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX		1,936	992
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(22,888)	(11,353)
LOSS ATTRIBUTABLE TO:			
– owners of the Company		(21,723)	(10,761)
– non-controlling interests		(3,101)	(1,584)
		(24,824)	(12,345)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
– owners of the Company		(20,709)	(9,790)
– non-controlling interests		(2,179)	(1,563)
		(22,888)	(11,353)
		HK cents	*HK cents*
Loss per share:	*13*		
– Basic		(0.39)	(0.19)
– Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	Notes	As at 30 June 2011 HK$'000	As at 31 December 2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	69,376	55,535
Prepaid lease payment	15	1,667	1,656
Jointly controlled entities	18	–	–
Mining rights	16	2,156,585	2,156,585
TOTAL NON-CURRENT ASSETS		2,227,628	2,213,776
CURRENT ASSETS			
Deposit for acquisition	19	170,000	170,000
Prepaid lease payment	15	44	44
Inventories	20	2,864	2,885
Trade and other receivables	21	52,418	82,351
Cash and bank balances	22	190,382	187,304
TOTAL CURRENT ASSETS		415,708	442,584
CURRENT LIABILITIES			
Trade and other payables	23	10,600	7,521
Deferred income	24	7,104	6,966
Tax payable		4,032	4,032
TOTAL CURRENT LIABILITIES		21,736	18,519
NET CURRENT ASSETS		393,972	424,065
TOTAL ASSETS LESS CURRENT LIABILITIES		2,621,600	2,637,841
NON-CURRENT LIABILITIES			
Cumulative redeemable preference shares	25	110	110
Convertible notes	26	96,533	89,886
Deferred tax liabilities	27	539,146	539,146

	Notes	As at 30 June 2011 HK$'000	As at 31 December 2010 HK$'000
TOTAL NON-CURRENT LIABILITIES		635,789	629,142
NET ASSETS		1,985,811	2,008,699
CAPITAL AND RESERVES			
Share capital	*28*	279,560	279,560
Reserves	*30*	798,083	818,792
Equity attributable to owners of the Company		1,077,643	1,098,352
Non-controlling interests		908,168	910,347
TOTAL EQUITY		1,985,811	2,008,699

STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	As at 30 June 2011 HK$'000	As at 31 December 2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,940	2,154
Jointly controlled entities	18	–	–
Interest in subsidiaries	17	2,164,476	2,204,422
TOTAL NON-CURRENT ASSETS		2,166,416	2,206,576
CURRENT ASSETS			
Deposit for acquisition	19	170,000	170,000
Trade and other receivables	21	32,255	11,109
Cash and bank balances	22	15,423	5,798
TOTAL CURRENT ASSETS		217,678	186,907
CURRENT LIABILITIES			
Trade and other payables	23	4,792	3,237
TOTAL CURRENT LIABILITIES		4,792	3,237
NET CURRENT ASSETS		212,886	183,670
TOTAL ASSETS LESS CURRENT LIABILITIES		2,379,302	2,390,246
NON-CURRENT LIABILITIES			
Cumulative redeemable preference shares	25	110	110
Convertible notes	26	96,533	89,886
TOTAL NON-CURRENT LIABILITIES		96,643	89,996
NET ASSETS		2,282,659	2,300,250
CAPITAL AND RESERVES			
Share capital	28	279,560	279,560
Reserves	30	2,003,099	2,020,690
TOTAL EQUITY		2,282,659	2,300,250

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to the owners of the Company										
	Share capital	Share premium	Capital redemption reserve	Warrant reserve	Share-based payment reserve	Exchange reserve	Convertible notes equity reserve	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2010 (Unaudited) *(Note 41)*											
At 1 January 2010	279,560	2,916,091	2,241	3,000	87,627	(38,337)	–	(2,155,373)	1,094,809	872,029	1,966,838
Loss for the period	–	–	–	–	–	–	–	(10,761)	(10,761)	(1,584)	(12,345)
Exchange differences arising on translation of foreign operations:											
– Exchange differences arising during the period	–	–	–	–	–	971	–	–	971	21	992
Total comprehensive income for the period	–	–	–	–	–	971	–	(10,761)	(9,790)	(1,563)	(11,353)
At 30 June 2010	279,560	2,916,091	2,241	3,000	87,627	(37,366)	–	(2,166,134)	1,085,019	870,466	1,955,485
For the six months ended 30 June 2011											
At 1 January 2011	279,560	2,916,091	2,241	3,000	85,003	(37,446)	25,725	(2,175,822)	1,098,352	910,347	2,008,699
Loss for the period	–	–	–	–	–	–	–	(21,723)	(21,723)	(3,101)	(24,824)
Exchange differences arising on translation of foreign operations:											
– Exchange differences arising during the period	–	–	–	–	–	1,014	–	–	1,014	922	1,936
Total comprehensive income for the period	–	–	–	–	–	1,014	–	(21,723)	(20,709)	(2,179)	(22,888)
Lapse of warrants	–	–	–	(3,000)	–	–	–	3,000	–	–	–
At 30 June 2011	279,560	2,916,091	2,241	–	85,003	(36,432)	25,725	(2,194,545)	1,077,643	908,168	1,985,811

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2011

		For the six months ended	
		30 June 2011	**30 June 2010**
		(audited)	**(Unaudited)**
			(Note 41)
	Notes	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(24,824)	(12,309)
Adjustments for:			
Interest income	*6*	(91)	(347)
Finance costs	*9*	6,649	3
Impairment of other receivables		180	–
Amortisation of prepaid lease payment	*15*	22	21
Depreciation of property, plant and equipment	*14*	1,465	1,235
Deferred income recognised	*24*	–	(990)
Loss on disposal of property, plant and equipment		–	1
Operating loss before changes in working capital		(16,599)	(12,386)
Decrease in investments held for trading		–	6,990
Decrease/(Increase) in inventories		21	(134)
Decrease/(Increase) in trade and other receivables		29,753	(11,426)
Increase/(Decrease) in trade and other payables		3,077	(3,646)
Net cash generated from/(used in) operating activities		16,252	(20,602)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	*6*	91	347
Proceeds from disposal of property, plant and equipment		–	4
Purchase of property, plant and equipment	*14*	(14,772)	(1,544)
Net cash used in investing activities		(14,681)	(1,193)
CASH FLOWS FROM FINANCING ACTIVITIES		–	–

		For the six months ended	
		30 June 2011	**30 June 2010**
		(audited)	**(Unaudited)**
			(Note 41)
	Notes	*HK$'000*	*HK$'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,571	(21,795)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		187,304	343,961
Effects of foreign exchange rate changes		1,507	796
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		190,382	322,962
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		190,382	322,962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2011

1. CORPORATE INFORMATION

China Daye Non-Ferrous Metals Mining Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Unit 2001, World Wide House, 19 Des Voeux Road Central, Hong Kong respectively.

During the period, the Company and its subsidiaries (collectively referred to the "Group") was involved in the following principal activities:

– Corporate investment and trading in securities;

– Minerals exploitation; and

– Trading in non-ferrous metals.

In the opinion of the directors, as at 30 June 2011 the ultimate holding company is Daye Nonferrous Metals Group Holdings Co., Limited ("Daye Corp") (formerly known as "Hubei Daye Non-Ferrous Metals Co."), a company incorporated with limited liability under the laws of the People's Republic of China (the "PRC").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

During the period, the Group and the Company have applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKAS 1 (Amendments)	Presentation of Financial Statements
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK (IFRIC) -Int 14 (Amendments)	Prepayments of Minimum Funding Requirement
HK (IFRIC) -Int 19	Extinguishing Financial Liabilities with Equity

The adoption of the new and revised HKFRSs has no material effect on the financial statements of the Group and the Company for the current and prior accounting periods.

The Group and the Company have not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments(1)
HKFRS 10	Consolidated Financial Statements(1)
HKFRS 11	Joint Arrangements(1)
HKFRS 12	Disclosure of Interests in Other Entities(1)
HKFRS 13	Fair Value Measurement(1)
HKAS 1 (Revised)	Presentation of Financial Statements(3)
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets(2)
HKAS 19	Employee Benefits(1)
HKAS 19 (2011)	Employee Benefits(1)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements(1)
HKAS 27 (2011)	Separate Financial Statements(1)
HKAS 28	Investments in Associates (1)
HKAS 28 (2011)	Investments in Associates and Joint Ventures(1)
HK(SIC)-Int 12	Consolidation – Special Purpose Entities(1)
HK(SIC)-Int 13	Jointly Controlled Entities – Jointly Controlled Entities – Non-Monetary Contributions by Venturers(1)

(1) *Effective for annual periods beginning on or after 1 January 2013.*
(2) *Effective for annual periods beginning on or after 1 January 2012.*
(3) *Effective for annual periods beginning on or after 1 July 2012.*

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of financial assets.

The issuance of HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements and HKFRS 12 Disclosure of Interests in Other Entities completes improvements to the accounting requirements for off balance sheet activities and joint arrangements and concludes an important element of the International Accounting Standards Board's comprehensive response to the financial crisis.

– HKFRS 10 Consolidated Financial Statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

– HKFRS 11 Joint Arrangements provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.

– HKFRS 12 Disclosure of Interests in Other Entities is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

HKFRS 13 Fair Value Measurement improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

The amendments to HKAS 1 (Revised) Presentation of Financial Statements require companies preparing financial statements in accordance with HKFRSs to group together items within other comprehensive income (OCI) that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

The issuance of HKAS 19 (2011) Employee Benefits completes improvements to the accounting requirements for pensions and other post-employment benefits and HKAS 19 (2011) makes important improvements by:

– Eliminating an option to defer the recognition of gains and losses, known as the "corridor method", improving comparability and faithfulness of presentation.

– Streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in OCI, thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations.

– Enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by HKICPA, accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for certain financial instruments, which are measured at fair values.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combinations and the non-controlling interests' share of changes in equity since the date of the combination. Losses of non-wholly owned subsidiary are attributed to the owners of the company and non-controlling interest even if that results in deficit balances.

(b) Business combinations

Business combinations not under common control arising on acquisitions prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at fair value at the acquisition date. Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess, after reassessment, is recognised immediately in profit or loss. The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Business combinations not under common control arising on acquisitions on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets acquired and the liabilities assumed are recognised at their fair values at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to the share-based payment transactions of the acquiree or replacement of an acquiree's share-based payment transactions with the share-based payment transaction of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's net identifiable assets. All other components of non-controlling interests shall be measured at their acquisition–date fair values, unless another measurement basis is required by HKFRSs.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

(c) Subsidiary

A subsidiary is an enterprise in which the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another enterprise.

Investment in subsidiaries is included in the Company's statement of financial position at cost less any impairment losses, unless it is classified as held for sale. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets, unless it is classified as held for sale. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the period, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entities recognised for the period.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

From 1 January 2010 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's statement of financial position, investment in associates and jointly controlled entities is stated at cost less impairment losses, unless it is classified as held for sale.

(e) Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Goodwill arising on an acquisition of an associate or a jointly controlled entity represents the excess of the cost of the acquisition over the Group's share of the relevant associate's or jointly controlled entity's net assets at the date of acquisition.

Capitalised goodwill is presented separately in the consolidated statement of financial position and is carried at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, an associate or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(f) Revenue recognition

Revenue, which is measured at the fair value of the consideration received or receivable, is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, on the following bases:

(i) Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes;

(ii) Income arising from sales of trading securities is recognised on the completion of transfer of risks and rewards of ownership of the investments to the transferee and the legal title being passed;

(iii) interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount; and

(iv) Dividend income is recognised when the shareholder's right to receive payment is established.

(g) Leases

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis. Interest in leasehold land is amortised over the lease term on a straight-line basis

(h) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at closing rate. Exchange differences arising are included in the translation reserve.

From 1 January 2010 onwards, upon the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(i) Borrowing costs

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

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

(j) Employee benefits

(i) 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 or paternity leaves are not recognised until the time of leave.

(ii) Employee leave entitlements

Provision for profit sharing and bonus payments due wholly within twelve months after the end of the reporting period are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme set up pursuant to the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "MPF" Scheme) for all qualifying employees are expensed as incurred. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(iv) Retirement benefits schemes

The Company's PRC and Mongolia subsidiaries participate in defined contribution retirements schemes organised by the local government authorities. All of the employees are entitled to an annual pension equivalent to a fixed portion of their basic salaries at their retirement dates. The Company's PRC and Mongolia subsidiaries are required to contribute certain percentage ranged from 11% to 15% of the basic salaries of their employees to the retirement schemes and have no further obligation for post-retirement benefits. The contributions are charged to the profit and loss of the Group as they become payable in accordance with the rules of schemes.

(v) Share-based payments

The Group operates equity-settled share-based payments to certain directors, employees and other parties.

Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) 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 with a corresponding increase in a capital reserve within equity, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained earnings).

Fair value is measured using the Binomial Option Pricing Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

(k) Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods 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 at 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 base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. 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 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 and associates, and interests in joint ventures, 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.

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 at the end of the reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(l) Property, plant and equipment

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

Depreciation is charged so as to write off the cost of property, plant and equipment, after taking into account of their estimated residual value, if any, over their estimated useful lives, using the straight-line method. The principal annual rates are as follows:

Leasehold improvement	20%
Furniture, fixtures and equipment	15% – 20%
Motor vehicles	25%
Plant and machineries	15%
Building and mining structure	5%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year in which the item is derecognised.

Construction in progress, which represents assets under construction, is stated at cost less impairment loss, if any. When the assets are completed and ready for use, the carrying amount of the assets will be reclassified to property, plant and equipment and depreciated in accordance with the policy as set out above.

(m) Mining right

Mining rights are stated at cost less accumulated amortisation and any impairment losses and are amortised on a straight line basis over the estimated useful life of the mines based on the total proven and probable reserves of the mines using the units of production method.

(n) Exploration and related expenses

Exploration and related expenses include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

(o) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of comprehensive income over the expected useful life of the relevant asset by equal annual installments.

(p) Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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 (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 under other standard, in which case the impairment loss is treated as revaluation decrease under other standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 had no impairment loss been recognised for the asset (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 under other standard, in which case the reversal of the impairment loss is treated as a revaluation increase under other standard.

Impairment losses recognised in an interim financial report prepared in compliance with "HKAS 34 Interim Financial Reporting" are not reversed at the end of the financial year to which the interim period relates even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of that financial year.

(q) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective interest method

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

Interest income for financial assets and interest expense for financial liabilities are recognised on an effective interest basis.

(i) Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The accounting policies adopted in respect of each category of financial assets are set out below.

(1) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is a part of and identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At the end of each reporting period subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade receivables, loan receivables, other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

(3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At the end of each reporting period subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

(4) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition.

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

(ii) Financial liabilities

The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities are set out below.

(1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if:

– it has been acquired principally for the purpose of repurchasing in the near future; or

– it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At the end of each reporting period subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability.

(2) Other financial liabilities

Other financial liabilities (including bank and other borrowings, trade and other payables) are subsequently measured at amortised cost, using the effective interest method.

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

(3) Convertible notes

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible notes using the effective interest method.

(iii) Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on purchase, sale, issue or cancellation of the Company's own equity instruments.

Warrants issued by the group entities which will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments, are recorded at the proceeds received, net of direct issue costs.

(iv) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

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

(r) Financial guarantees, provisions and contingent liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The Group has asserted to regard financial guarantee contracts as insurance contracts and elect to apply "HKFRS 4 Insurance Contracts" to account for such contracts. The election applies to all existing contracts and new contracts on a contract-by-contract basis and is irrevocable for each contract elected.

Provisions are recognised when the Group has a present obligation as a result of a past event, and 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 expenditure expected to settle the obligation.

Present obligation is disclosed as a contingent liability where it is not probable that an outflow of economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliably. Possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future event (s) is also disclosed as a contingent liability unless the probability of outflow of economic benefits is remote.

(s) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(t) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(u) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ('reporting entity').

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

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

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

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

(i) The entity and the reporting entity 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 reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(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).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

5. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

(a) Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations as discussed below, which have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(ii) Exploration and related expenses

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgments in determining whether it is likely that future economic benefits will arise, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalised, information becomes available suggesting that the recovery of capitalised expenditures are unlikely, the amount capitalised is written off in the consolidated statement of comprehensive income in the period when the new information becomes available.

(iii) Income taxes

Deferred tax is provided using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgment regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all or the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the consolidated statement of comprehensive income.

(b) 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 the Group's assets and liabilities within the next financial year are discussed below.

(i) Impairment test of assets

The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the subjective judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as proven and probable. Proven and probable mine reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. In addition, price and cost levels change from year to year, the estimates of proven and probable mine reserves also change. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the related amortisation rates of mining rights.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining amortisation expenses and impairment losses of mining rights. Amortisation rates are determined based on estimated proven and probable mine reserve quantity and capitalised costs of mining rights. The capitalised costs of mining rights are amortised over the estimated useful lives of the mines based on the proven and probable reserves of the mines using the units of production method.

(iii) Income taxes

The Group reviews the carrying amount of deferred tax assets at the end of each reporting period and reduces the amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. This requires an estimation of the future taxable profits. Estimating the future taxable profits requires the Group to make an estimate of the expected future earnings from the Group and also to choose a suitable discount rate in order to calculate the present value of the earnings.

(iv) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year the estimate is changed and the future period.

(v) Valuation of share options

Share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the consolidated statement of comprehensive income and share-based payment reserve.

6. REVENUE

(a) An analysis of the Group's revenue for the six months ended 30 June 2011 is as follows:

	For the six months ended 30 June	
	2011	**2010**
	(audited)	**(Unaudited)**
		(Note 41)
	HK$'000	*HK$'000*
Sales of marketable securities	–	7,221
Sales of copper concentrate	935	–
Sales of non-ferrous metals	49,257	93,293
Other interest income	91	347
	50,283	100,861

(b) An analysis of the Group's other revenue for the six months ended 30 June 2011 is as follows:

	For the six months ended 30 June	
	2011	**2010**
	(audited)	**(Unaudited)**
		(Note 41)
	HK$'000	*HK$'000*
Miscellaneous income	43	104
Government grant	–	990
	43	1,094

7. SEGMENT INFORMATION

HKFRS 8 Operating Segments requires the Group to disclose reported segments in accordance with internal reports that are provided to the Group's chief operating decision maker. The Group considers its directors to be the chief operating decision maker. For management purposes, the Group is organised into three operating segments. These operating segments form the basis on which the Group's directors make decisions about resource allocation and performance assessment. The Group has three reportable segments under HKFRS 8:

(a) Corporate investment and trading in securities;

(b) Minerals exploitation; and

(c) Trading in non-ferrous metals.

For the purposes of assessing segment performance and resources allocation between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment revenue represents revenue generated from external customers. There were no inter-segment sales during the period.

Segment result represents the profit/(loss) earned by each segment without allocation of corporate income and expense, central administration cost, directors' salaries, interest income, impairment of other receivables.

Segment assets include all tangible, intangible assets and current assets.

Segment liabilities include all trade and other payables other than tax payable and deferred tax liabilities.

(a) Segment revenues and results

	Six months ended 30 June 2011 (Audited)			
	Corporate investment and trading in securities	Minerals exploitation	Trading in non-ferrous metals	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segments revenue	–	935	49,257	50,192
Segments results	–	(6,672)	(620)	(7,292)
Interest income				91
Unallocated corporate expenses				(10,794)
Impairment of other receivables				(180)
Finance costs				(6,649)
Consolidated loss before taxation				(24,824)

	Six months ended 30 June 2010 (Unaudited) *(Note 41)*			
	Corporate investment and trading in securities	Minerals exploitation	Trading in non-ferrous metals	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segments revenue	7,221	–	93,293	100,514
Segments results	230	(2,821)	218	(2,373)
Interest income				347
Unallocated corporate income				104
Unallocated corporate expenses				(10,384)
Finance costs				(3)
Consolidated loss before taxation				(12,309)

(b) Segment assets and liabilities

	As at 30 June 2011 (Audited)			
	Corporate investment and trading in securities	**Minerals exploitation**	**Trading in non-ferrous metals**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	40	2,287,446	135,578	2,423,064
Unallocated assets				220,272
Consolidated assets				2,643,336
Segment liabilities	56	12,657	47	12,760
Unallocated liabilities				644,765
Consolidated liabilities				657,525

	As at 31 December 2010 (Audited)			
	Corporate investment and trading in securities	**Minerals exploitation**	**Trading in non-ferrous metals**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	40	2,275,798	183,819	2,459,657
Unallocated assets				196,703
Consolidated assets				2,656,360
Segment liabilities	56	10,994	47	11,097
Unallocated liabilities				636,564
Consolidated liabilities				647,661

(c) Other segment information

	Six months ended 30 June 2011 (Audited)		
	Corporate investment and trading in securities	**Minerals exploitation**	**Trading in non-ferrous metals**
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure	–	14,720	–
Depreciation of property, plant and equipment	–	1,198	–
Amortisation of prepaid lease payment	–	22	–

	Six months ended 30 June 2010 (Unaudited) *(Note 41)*		
	Corporate investment and trading in securities	**Minerals exploitation**	**Trading in non-ferrous metals**
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure	–	1,484	–
Depreciation of property, plant and equipment	–	1,084	–
Amortisation of prepaid lease payment	–	21	–

(d) Geographical information

The Group operates in three principal geographical areas – the People's Republic of China (excluding Hong Kong) (The PRC), Hong Kong, and Mongolia.

The Group's revenue from external customers and information about its non-current assets and capital expenditure by geographical location are detailed below:

	Six months ended 30 June 2011 (Audited)			
	Hong Kong	**The PRC**	**Mongolia**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	49,257	935	–	50,192
Other segment information:				
Non-current assets	1,940	1,483,643	742,045	2,227,628
Capital expenditure	52	10,517	4,203	14,772

	Six months ended 30 June 2010 (Unaudited) *(Note 41)*			
	Hong Kong	**The PRC**	**Mongolia**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	100,514	–	–	100,514
Other segment information:				
Non-current assets	1,190	1,452,431	709,821	2,163,442
Capital expenditure	60	1,468	16	1,544

8. OPERATING LOSS FOR THE PERIOD

Operating loss of the Group for the period has been arrived at after charging the followings:

	For the six months ended 30 June	
	2011	**2010**
	(audited)	**(Unaudited)**
		(Note 41)
	HK$'000	*HK$'000*
Staff costs (including directors' remuneration – *note 10*)		
– Salaries and allowances	4,771	3,492
– Other staff costs	301	324
– Retirement benefits scheme contributions	38	31
	5,110	3,847
Amortisation of prepaid lease payment	22	21
Depreciation of property, plant and equipment	1,465	1,235
Auditors' remuneration		
– Audit services	960	–
– Other services	51	66
Operating leases on land and buildings	1,353	786
Impairment of other receivables	180	–

9. FINANCE COSTS

	For the six months ended 30 June	
	2011	**2010**
	(audited)	**(Unaudited)**
		(Note 41)
	HK$'000	*HK$'000*
Dividends on cumulative redeemable preference shares *(note 12)*	2	2
Other interest	–	1
Interest expenses on convertible notes maturing within five years *(note 26)*	6,647	–
	6,649	3

10. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

(i) Directors' emoluments

	1 January 2011 to 30 June 2011 (Audited) Other emoluments				
	Fees *HK$'000*	**Salaries, allowances and other benefits** *HK$'000*	**Employee share option benefits** *HK$'000*	**Retirement benefits scheme** *HK$'000*	**Total** *HK$'000*
Executive directors					
Wan Bi Qi	600	131	–	–	731
Chen Xiang	480	107	–	–	587
Yuan Ping	480	116	–	–	596
Long Zhong Sheng *(note a)*	–	–	–	–	–
Independent non-executive directors					
Wang Guoqi	50	–	–	–	50
Wang Qihong	50	–	–	–	50
Qiu Quan Zhou	50	–	–	–	50
	1,710	354	–	–	2,064

	1 January 2010 to 30 June 2010 (Unaudited) (Note 41) Other emoluments				
	Fees *HK$'000*	**Salaries, allowances and other benefits** *HK$'000*	**Employee share option benefits** *HK$'000*	**Retirement benefits scheme** *HK$'000*	**Total** *HK$'000*
Executive directors					
Wan Bi Qi	600	135	–	–	735
Zhang He *(note b)*	320	1	–	–	321
Chen Xiang	480	106	–	–	586
Yuan Ping	480	100	–	–	580
Independent non-executive directors					
Wang Guoqi	50	–	–	–	50
Wang Qihong	50	–	–	–	50
Qiu Quan Zhou	50	–	–	–	50
	2,030	342	–	–	2,372

Note (a): Appointed on 13 June 2011 and resigned on 15 June 2011

Note (b): Resigned on 1 May 2010

(ii) Five highest paid employees

During the six months ended 30 June 2011, the five highest paid individuals included three directors (for the six months ended 30 June 2010: four), details of whose emoluments are set out above. The emoluments of the remaining two (for the six months ended 30 June 2010: one) highest paid individual(s) were as follows:

	For the six months ended 30 June	
	2011	**2010**
	(audited)	**(Unaudited)**
		(Note 41)
	HK$'000	*HK$'000*
Salaries and other emoluments	989	480
Retirement benefits scheme contributions	6	6
Employee share-based payment	–	–
	995	486

Emoluments of the two (for the six months ended 30 June 2010: one) non-director highest paid individual(s) fell within the following bands:

	Number of individual(s) For the six months ended 30 June	
	2011	**2010**
		(Unaudited)
		(Note 41)
	HK$'000	*HK$'000*
HK$ Nil to HK$1,000,000	2	1

11. INCOME TAX

(a) Income tax expense in the consolidated statement of comprehensive income represents:

	For the six months ended 30 June	
	2011	**2010**
	(audited)	**(Unaudited)**
		(Note 41)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	–	36
Other jurisdictions	–	–
	–	36
Deferred taxation *(note 27)*	–	–
Tax expense for the period	–	36

The statutory tax rate for Hong Kong profit tax is 16.5% (For the six months ended 30 June 2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. No Hong Kong profits tax has been provided for in the consolidated financial statements as there are no assessable profits arising in or derived from Hong Kong during the period ended 31 June 2011 (For the six months ended 30 June 2010: HK$36,000). Overseas income taxes have not been made as the Group's operation in these countries was operating at a loss during the period (For the six months ended 30 June 2010: Nil).

(b) Reconciliation between income tax expense and accounting loss at applicable tax rates is as follows:

	For the six months ended 30 June	
	2011	**2010**
	(audited)	**(Unaudited)**
		(Note 41)
	HK$'000	*HK$'000*
Loss before taxation	(24,824)	(12,309)
Notional tax on loss before taxation, calculated at the tax rates applicable to losses in the jurisdictions concerned	(4,559)	(2,259)
Tax effect of income not taxable	(1)	(38)
Tax effect of expenses not deductible and loss not allowable	4,458	2,333
Tax effect of estimated tax losses not recognised for the period	102	–
Tax expense for the period	–	36

12. DIVIDENDS ON CUMULATIVE REDEEMABLE PREFERENCE SHARES

	For the six months ended 30 June	
	2011	**2010**
	(audited)	**(Unaudited)**
		(Note 41)
	HK$'000	*HK$'000*
Preference shares dividends		
Payable of HK$0.151 per share on 16,485 shares	2	2

13. LOSS PER SHARE

The basic loss per share is calculated based on the loss attributable to owners of the Company of approximately HK$21,723,000 (for the six months ended 30 June 2010: approximately HK$10,761,000) and the weighted average number of 5,591,195,552 (for the period ended 30 June 2010: 5,591,195,552) ordinary shares in issue during the period.

The diluted loss per share for the six months ended 30 June 2011 and 30 June 2010 has not been disclosed as the potential shares arising from the exercise and conversion of the Company's share options, warrants, convertible notes and convertible preference shares would decrease the loss per share of the Group for the period and is regarded as anti-dilutive.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvement *HK$'000*	Furniture, fixtures, and equipment *HK$'000*	Motor vehicles *HK$'000*	Plant and machineries *HK$'000*	Building and mining structure *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
For the six months ended 30 June 2010 (Unaudited) *(Note 41)*							
Cost:							
At 1 January 2010	1,160	689	1,680	5,361	8,996	4,609	22,495
Additions	–	90	–	893	86	475	1,544
Transfer	–	–	–	–	–	–	–
Disposals	–	(9)	–	–	–	–	(9)
Exchange adjustment	–	2	14	65	99	53	233
At 30 June 2010	1,160	772	1,694	6,319	9,181	5,137	24,263
Accumulated depreciation and impairment losses:							
At 1 January 2010	99	338	1,022	1,555	750	–	3,764
Charge for the period	116	55	134	708	222	–	1,235
Written back on disposal	–	(4)	–	–	–	–	(4)
Exchange adjustment	–	1	7	22	10	–	40
At 30 June 2010	215	390	1,163	2,285	982	–	5,035
Net carrying amount:							
At 30 June 2010	945	382	531	4,034	8,199	5,137	19,228

	Leasehold improvement	Furniture, fixtures, and equipment	Motor vehicles	Plant and machineries	Building and mining structure	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2011							
Cost:							
At 1 January 2011	2,337	1,546	2,877	6,607	11,389	37,336	62,092
Additions	–	131	536	11	667	13,427	14,772
Transfer	–	–	–	–	336	(336)	–
Disposals	–	–	–	–	–	–	–
Exchange adjustment	(1)	13	10	131	165	310	628
At 30 June 2011	2,336	1,690	3,423	6,749	12,557	50,737	77,492
Accumulated depreciation and impairment losses:							
At 1 January 2011	362	558	1,712	2,607	1,318	–	6,557
Charge for the period	234	124	327	500	280	–	1,465
Written back on disposal	–	–	–	–	–	–	–
Exchange adjustment	–	3	6	57	28	–	94
At 30 June 2011	596	685	2,045	3,164	1,626	–	8,116
Net carrying amount:							
At 30 June 2011	1,740	1,005	1,378	3,585	10,931	50,737	69,376
At 31 December 2010	1,975	988	1,165	4,000	10,071	37,336	55,535

Company

	Leasehold improvement *HK$'000*	Furniture, fixtures, and equipment *HK$'000*	Total *HK$'000*
For the six months ended 30 June 2010 (Unaudited) *(Note 41)*			
Cost:			
At 1 January 2010	1,160	487	1,647
Additions	–	59	59
At 30 June 2010	1,160	546	1,706
Accumulated depreciation and impairment losses:			
At 1 January 2010	99	266	365
Charge for the period	116	35	151
At 30 June 2010	215	301	516
Net carrying amount:			
At 30 June 2010	945	245	1,190
For the six months ended 30 June 2011			
Cost:			
At 1 January 2011	2,283	557	2,840
Additions	–	52	52
At 30 June 2011	2,283	609	2,892
Accumulated depreciation and impairment losses:			
At 1 January 2011	352	334	686
Charge for the period	228	38	266
At 30 June 2011	580	372	952
Net carrying amount:			
At 30 June 2011	1,703	237	1,940
At 31 December 2010	1,931	223	2,154

15. PREPAID LEASE PAYMENT

	As at 30 June 2011	As at 31 December 2010
	HK$'000	*HK$'000*
Outside of Hong Kong – Lease less than 50 years	1,667	1,656

	For the six months ended 30 June	
	2011 (audited)	2010 (Unaudited) *(Note 41)*
	HK$'000	*HK$'000*
Cost/carrying amount:		
At the beginning of the period	1,743	1,670
Exchange difference	33	18
At the end of the period	1,776	1,688
Accumulated amortisation:		
At the beginning of the period	43	–
Change for the period	22	21
At the end of the period	65	21
Net carrying value:		
At 30 June 2011 and 2010	1,711	1,667
Classified as current portion	44	44
Classified as non-current portion	1,667	1,623

Prepaid lease payment represented cost paid by a subsidiary to acquire land use right in the PRC on 25 December 2009. The subsidiary intends to erect office building on the land for own use. The land use right will be expired on 24 December 2049 and its cost is amortised over the lease term on a straight-line basis.

16. MINING RIGHTS

	As at 30 June 2011 HK$'000	As at 31 December 2010 HK$'000
Cost/carrying amount:		
At the beginning of the period/year	2,156,585	2,142,547
Impairment loss written back	–	14,038
At the end of the period/year	2,156,585	2,156,585

No amortisation was provided during the period as the Group has not yet commenced the exploitation of the ores. The impairment loss written back of HK$14,038,000 was provided in the second half year of 2010.

17. INTEREST IN SUBSIDIARIES

	Company	
	As at 30 June 2011 HK$'000	As at 31 December 2010 HK$'000
Unlisted shares, at cost	–	–
Amounts due from subsidiaries	2,228,335	2,261,281
Amounts due to subsidiaries	(27,099)	(20,099)
	2,201,236	2,241,182
Allowance for impairment losses	(36,760)	(36,760)
	2,164,476	2,204,422

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Particulars of the Company's principal subsidiaries are set out in note 39 to financial statements.

18. JOINTLY CONTROLLED ENTITIES

Details of jointly controlled entities of the Group at the end of the reporting period are as follows:–

	Group		Company	
	As at 30 June 2011	As at 31 December 2010	As at 30 June 2011	As at 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net liabilities	–	–	–	–
Amounts due from jointly controlled entities	–	–	–	–
Amounts due to jointly controlled entities	–	–	–	–
Allowances for impairment losses	–	–	–	–
	–	–	–	–

(a)

Company	Place of Incorporation/ operation	Principal activities	Attributable equity interest
Yetcome Investments Limited	British Virgin Islands	Investment holding	33%
T & T Properties Sdn. Bhd	Malaysia	Property development	33%
Prizevest Sdn. Bhd	Malaysia	Property development	23%
Top Priority Sdn. Bhd.	Malaysia	Property development	23%
Victec Enterprise Sdn. Bhd.	Malaysia	Property development	23%
Prime Harvest Financial Holding Group Limited	British Virgin Islands	Investment holding	40%

Equity accounting for the Group's interests in all these jointly controlled entities has been discontinued since 2004 as the operations of these entities had ceased in consequence of Receivers appointed in the year 2002. The carrying amounts of these jointly controlled entities have been fully impaired.

The amounts due from/(to) these jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

19. DEPOSIT FOR ACQUISITION

On 13 April 2010, the Company entered into framework agreement pursuant to which the Company conditionally agreed to purchase 80% equity interest of Qianyi Limited, a company incorporated with limited liability in the British Virgin Islands which will, upon completion of the reorganisation, indirectly hold 100% equity interest in 新疆同興礦業有限責任公司 (Xinjiang Tong Xing Mining Company Limited), a company incorporated with limited liabilities in the PRC ("Tong Xing"), at the consideration of HK$280 million (the "Consideration"). The Consideration will be satisfied as to HK$60 million by cash and as to HK$220 million by the Company's issuing the convertible notes to the vendor. Details of the acquisition are set out in the announcement of the Company dated 16 April 2010.

On 14 July 2010, the Company entered into a formal agreement. Since there were changes to the proposed reorganisation, the parties now intend that Qianyi Limited will indirectly hold 80% equity interest in Tong Xing (instead of 100% equity interest as previously disclosed in the announcement dated 16 April 2010) upon completion of reorganisation. Details of the formal agreement are set out in the announcement of the Company dated 16 July 2010.

On 30 December 2010, the Company entered into a supplemental agreement, pursuant to which certain terms of the agreement have been amended. Details of the supplemental agreement are set out in the announcement of the Company dated 30 December 2010.

As at 30 June 2011 and 31 December 2010, the Group had paid an aggregate deposit of approximately HK$60 million in cash and delivered the first tranche of convertible notes in the principal amount of HK$110 million for the acquisition.

20. INVENTORIES

	Group	
	As at 30 June 2011	**As at 31 December 2010**
	HK$'000	*HK$'000*
Raw materials	737	210
Work in progress	2,127	1,155
Finished goods	–	1,520
	2,864	2,885

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	As at 30 June 2011	**As at 31 December 2010**	**As at 30 June 2011**	**As at 31 December 2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	1,107	57,468	–	–
Other receivables	5,776	1,925	500	116
Prepayments and deposits	45,535	22,958	31,755	10,993
	52,418	82,351	32,255	11,109

The amount of HK$Nil (31 December 2010: HK$3.4 million) of margin deposit included in the above carrying amount of prepayments and deposits was pledged as a collateral for banking facilities.

The ageing analysis of trade receivables is as follows:

	Group		Company	
	As at 30 June 2011	**As at 31 December 2010**	**As at 30 June 2011**	**As at 31 December 2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 3 months	1,107	39,108	–	–
4 – 6 months	–	18,360	–	–
	1,107	57,468	–	–

The Group normally offered credit terms of not over 180 days to customers.

22. CASH AND BANK BALANCES

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	As at 30 June 2011	As at 31 December 2010	As at 30 June 2011	As at 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	–	–	–	–
Temporary deposits, accruals and other payables	10,600	7,521	4,792	3,237
	10,600	7,521	4,792	3,237

The ageing analysis of trade payable is as follows:

	Group		Company	
	As at 30 June 2011	As at 31 December 2010	As at 30 June 2011	As at 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 3 months	–	–	–	–

24. DEFERRED INCOME

	Group	
	As at 30 June 2011	As at 31 December 2010
	HK$'000	*HK$'000*
Carrying value of deferred income	7,104	6,966

	For the six months ended 30 June 2011 (audited) HK$'000	2010 (Unaudited) *(Note 41)* HK$'000
Government grant received:		
At the beginning of the period	6,966	3,975
Recognition	–	(990)
Exchange adjustment	138	15
At the end of the period	7,104	3,000

25. CUMULATIVE REDEEMABLE PREFERENCE SHARES

	Number of shares	Amount HK$'000
Authorised:		
6% convertible cumulative redeemable preference shares of HK$1 each	100,000,000	100,000
Issued and fully paid:		
Balance at 31 December 2010 and 30 June 2011	16,485	110

A holder of the convertible cumulative redeemable preference shares ("CPS") is entitled to receive a fixed cumulative preferential dividend at the rate of 6% per annum on the notional value of HK$5 per CPS to be paid half-yearly on 30 June and 31 December in each year.

A holder of the CPS may convert his shares held at any time into Ordinary Shares at the conversion price of HK$0.036 per share, subject to adjustment.

The CPS may be redeemed by the holders of the CPS at any time after 30 June 1996 at a redemption price per share equal to the notional value plus accrued dividend.

The Company has the option to redeem all or some of the CPS at any time at the notional value of the CPS if the average of the closing prices of the Ordinary Share quoted on the Stock Exchange over the preceding 30 consecutive dealing days ending on the seventh day prior to the date upon which notice of redemption is given is greater than or equal to 150% of the conversion price in effect on such seventh day.

26. CONVERTIBLE NOTES

With reference to the announcements of the Company on the Stock Exchange of Hong Kong on 16 April 2010 and 16 July 2010, the Company entered into the Formal Agreement on 14 July 2010 for the acquisition of 100% shareholding in Qianyi Limited, a company which will, upon completion of the Reorganisation, indirectly hold 80% equity interest in 新疆同興礦業有限責任公司 (Xinjiang Tong Xing Mining Company Limited) ("Tong Xing").

Part of the Consideration will be satisfied by the Company's issuing two tranches of convertible notes in the principal amount of HK$110 million each (in aggregate, the principal amount is HK$220 million). Only 50% of the Convertible Notes (First Tranche, that is, in the principal sum of HK$110 million) has been delivered to the Vendor and the remaining 50% of the Convertible Notes (Second Tranche, that is, in the principal sum of HK$110 million) will be delivered to the Vendor within 3 business days after the mining license of the Mine is granted to Tong Xing.

On 22 July 2010, the company delivered the First Tranche of convertible notes to the vendor. The notes carried coupon interest rate of 1% per annum, which shall be payable by the company upon redemption of the notes.

The notes entitle the holders to convert to ordinary shares of the Company at an initial conversion price of HK$0.618 per conversion share (subject to the normal adjustments in accordance with the terms of the convertible notes) at any time during the period commencing from the date of issue of convertible notes.

Unless previous converted and cancelled by the Company, the Company shall redeem any outstanding convertible notes at the principal amount together with accrued interest on the maturity date which is the date falling two years after the issuing date.

The Company determined the fair value of the liability component based on the valuations performed by Ascent Partners Group Limited using discounted cash flow approach. The effective interest rate is 14.911%. The residual amount was assigned as the equity component for the conversion option and was included in the convertible notes equity reserve of the Company and the Group.

The liability component is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption.

The movement of different components of the convertible notes during the period is set out below:

	Liability component *HK$'000*	**Equity component** *HK$'000*	**Total** *HK$'000*
At 1 January 2010 and 30 June 2010 (Unaudited) *(Note 41)*	–	–	–
At 31 December 2010	89,886	25,725	115,611
At 1 January 2011	89,886	25,725	115,611
Interest expense *(note 9)*	6,647	–	6,647
At 30 June 2011	96,533	25,725	122,258

27. DEFERRED TAXATION

(a) The major deferred tax liabilities recognised are analysed below:

Group

	Mining rights *HK$'000*
At 1 January 2010 and 30 June 2010 (Unaudited) *(Note 41)*	535,637
At 31 December 2010	539,146
At 1 January 2011 and 30 June 2011	539,146

During the six months ended 30 June 2011 and 30 June 2010, there was no deferred tax charged to consolidated statement of comprehensive income. The amount of deferred tax changed to consolidated statement of comprehensive income was HK$3,509,000 (Unaudited) for the second half year of 2010.

(b) The major deferred tax assets/(liabilities) not recognised are analysed below:

Group

	Property, plant and equipment *HK$'000*	**Unused tax losses** *HK$'000*	**Total** *HK$'000*
For the six months ended 30 June 2010 (Unaudited) *(Note 41)*			
At 1 January 2010 and 30 June 2010	(8)	7,995	7,987
At 31 December 2010	(8)	7,995	7,987
For the six months ended 30 June 2011			
At 1 January 2011 and 30 June 2011	(8)	7,995	7,987

There was no net change in deferred tax assets/(liabilities) not recognised for the period.

Company

	Property, plant and equipment	Unused tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
For the six months ended 30 June 2010 (Unaudited) *(Note 41)*			
At 1 January 2010 and 30 June 2010	(8)	7,995	7,987
At 31 December 2010	(8)	7,995	7,987
For the six months ended 30 June 2011			
At 1 January 2011 and 30 June 2011	(8)	7,995	7,987

There was no net change in deferred tax assets/(liabilities) not recognised for the period.

The Group and the Company have unused tax losses approximately HK$7,995,000 respectively (For the year ended 31 December 2010: The Group and the Company have unused tax losses approximately HK$7,995,000 respectively) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as the Company and its subsidiaries have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

28. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.05 each		
Balance at 31 December 2010 and 30 June 2011	30,000,000,000	1,500,000
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
Balance at 31 December 2010 and 30 June 2011	5,591,195,552	279,560

29. SHARE OPTIONS SCHEME

The Company's share options scheme was adopted by the Company on 13 October 2003 (the "Scheme") for the purpose of enabling the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme, the Board of Directors of the Company may, at it's discretion, invite eligible participants (as contained in the Company's circular of 19 September 2003) to take up options to subscribe for shares of the Company. The principal terms of the Scheme are as follows:

(i) The maximum number of shares in respect of which options may be granted under the Scheme must not, in aggregate, exceed 10% of the issued share capital of the Company as at the date of approval of the Scheme, unless approval of the shareholders has been obtained to renew the limit, and which must not in aggregate (including all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group) exceed 30% of the shares of the Company in issue from time to time.

(ii) The number of shares in respect of which options may be granted to any individual in any 12-month period must not exceed 1% of the shares of the Company in issue as at the date of grant.

(iii) The exercise price is determined by the Board in its absolute discretion at a price not less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (b) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and (c) the nominal value of share.

(iv) An option may be accepted by a proposed grantee within 7 days from the date of the offer of grant of the option. There is no minimum period for which an option must be held before it can be exercised. An option may be exercised at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.

(v) Upon acceptance of the option, the grantee shall pay of HK$1.00 to the Company by way of consideration for the grant of the option.

(vi) The Scheme will remain valid for a period of 10 years commencing on October 2003, being the date on which it was adopted.

Details of the existing share options granted by the Company under the Scheme are as follows:–

		Tranche 1	**Tranche 2**
Date of grant	:	19 June 2009	19 June 2009
Exercisable periods/Fair value at grant date	:	19 June 2009 – 18 June 2019/ HK$0.2836	19 June 2010 – 18 June 2019/ HK$0.2689
Number of share options granted	:	158,600,000	158,600,000
Exercise price	:	HK$0.61	HK$0.61
Share price as at the valuation date	:	HK$0.60	HK$0.60
Expected volatility	:	51.17%	51.17%
Risk-free interest rate as at the valuation date	:	2.276%	2.137%
Expected life of option	:	5 years	4.5 years

The fair value of equity-settled share options granted was estimated as at the date of grant, using the Black-Scholes Option Price Model, taking into account the terms and conditions upon which the share options were granted. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the share options granted was incorporated into the measurement of fair value.

Details of share options granted are as follows:

Date of grant/ acceptance	Exercise period	Exercise price per share	Closing price immediately before date of offer	Closing price immediately before date of grant
19 June 2009	19 June 2009 – 18 June 2019	HK$0.61	HK$ 0.61	HK$ 0.60
19 June 2009	19 June 2010 – 18 June 2019	HK$0.61	HK$ 0.61	HK$ 0.60

At no time during the period was the Company, its holding company, or any its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Share in, or debentures of, the Company or any other body corporate.

Details of the movement of the share options during the period under the Scheme are as follows:

For the six months ended 30 June 2011

	Date of Grant	Exercise price *HK$*	Exercise period	At 1 January 2011	Granted during the period	Lapsed during the period	Forfeited during the period	Cancelled during the period	Exercise during the period	At 30 June 2011
Director	19 June 2009	0.610	19.6.2009 – 18.6.2019	52,500,000	–	–	–	–	–	52,500,000
	19 June 2009	0.610	19.6.2010 – 18.6.2019	52,500,000	–	–	–	–	–	52,500,000
Other employees	19 June 2009	0.610	19.6.2009 – 18.6.2019	3,850,000	–	–	–	–	–	3,850,000
	19 June 2009	0.610	19.6.2010 – 18.6.2019	3,850,000	–	–	–	–	–	3,850,000
Consultants	19 June 2009	0.610	19.6.2009 – 18.6.2019	97,500,000	–	–	–	–	–	97,500,000
	19 June 2009	0.610	19.6.2010 – 18.6.2019	97,500,000	–	–	–	–	–	97,500,000
				307,700,000	–	–	–	–	–	307,700,000

For the six months ended 30 June 2010 (Unaudited) *(Note 41)*

	Date of Grant	Exercise price *HK$*	Exercise period	At 1 January 2010	Granted during the period	Lapsed during the period	Forfeited during the period	Cancelled during the period	Exercise during the period	At 30 June 2010	At 31 December 2010
Director	19 June 2009	0.610	19.6.2009 – 18.6.2019	57,000,000	–	–	(4,500,000)	–	–	52,500,000	52,500,000
	19 June 2009	0.610	19.6.2010 – 18.6.2019	57,000,000	–	–	(4,500,000)	–	–	52,500,000	52,500,000
Other employees	19 June 2009	0.610	19.6.2009 – 18.6.2019	4,100,000	–	–	–	–	–	4,100,000	3,850,000
	19 June 2009	0.610	19.6.2010 – 18.6.2019	4,100,000	–	–	–	–	–	4,100,000	3,850,000
Consultants	19 June 2009	0.610	19.6.2009 – 18.6.2019	97,500,000	–	–	–	–	–	97,500,000	97,500,000
	19 June 2009	0.610	19.6.2010 – 18.6.2019	97,500,000	–	–	–	–	–	97,500,000	97,500,000
				317,200,000	–	–	(9,000,000)	–	–	308,200,000	307,700,000

30. RESERVES

Group

	Share premium	Capital redemption reserve	Warrant reserve	Share-based payment reserve	Exchange reserve	Convertible Notes equity reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2010 (Unaudited) *(Note 41)*								
At 1 January 2010	2,916,091	2,241	3,000	87,627	(38,337)	–	(2,155,373)	815,249
Loss for the period	–	–	–	–	–	–	(10,761)	(10,761)
Exchange difference arising on translation of foreign operations								
– Exchange differences arising during the period	–	–	–	–	971	–	–	971
Total comprehensive income for the period	–	–	–	–	971	–	(10,761)	(9,790)
At 30 June 2010	2,916,091	2,241	3,000	87,627	(37,366)	–	(2,166,134)	805,459
For the six months ended 30 June 2011								
At 1 January 2011	2,916,091	2,241	3,000	85,003	(37,446)	25,725	(2,175,822)	818,792
Loss for the period	–	–	–	–	–	–	(21,723)	(21,723)
Exchange difference arising on translation of foreign operations								
– Exchange differences arising during the period	–	–	–	–	1,014	–	–	1,014
Total comprehensive income for the period	–	–	–	–	1,014	–	(21,723)	(20,709)
Lapse of warrants	–	–	(3,000)	–	–	–	3,000	–
At 30 June 2011	2,916,091	2,241	–	85,003	(36,432)	25,725	(2,194,545)	798,083

Company

	Share premium	Capital redemption reserve	Warrant reserve	Share-based payment reserve	Convertible Notes equity reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2010 (Unaudited) *(Note 41)*							
At 1 January 2010	2,916,091	2,241	3,000	87,627	–	(990,855)	2,018,104
Loss for the period	–	–	–	–	–	(9,340)	(9,340)
At 30 June 2010	2,916,091	2,241	3,000	87,627	–	(1,000,195)	2,008,764
For the six months ended 30 June 2011							
At 1 January 2011	2,916,091	2,241	3,000	85,003	25,725	(1,011,370)	2,020,690
Loss for the period	–	–	–	–	–	(17,591)	(17,591)
Lapse of warrants	–	–	(3,000)	–	–	3,000	–
At 30 June 2011	2,916,091	2,241	–	85,003	25,725	(1,025,961)	2,003,099

(a) Nature and purpose of the reserves are explained below:–

(i) Share premium

The share premium account of the Company is distributable to the equity holders of the Company under the Companies Law of the Bermuda subject to the provisions of the Company's Memorandum and Articles of Association and provided that the Company will be in a position to payoff its debts as they fall due in the ordinary course of business immediately following the date on which the dividend is proposed to be distributed.

(ii) Share options reserve

The share options reserve represents the fair value of the number of unexercised share options granted by the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(j)(v).

(iii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(h).

(iv) Convertible notes equity reserve

The convertible notes equity reserve represents the equity component of outstanding convertible notes issued by the company recognized in accordance with the accounting policy adopted for convertible notes in Note 4(q)(ii)(3).

(b) Distributability of reserves

In the opinion of the directors of the Company, the Company had no balance of distributable reserves available for distribution to equity holders as at 30 June 2011 (For the year ended 31 December 2010: Nil).

31. WARRANTS

In the second quarter of 2009, the Company issued 60,000,000 warrants at an issue price of HK$0.05 per warrant which attaching the rights to subscribe for 60,000,000 ordinary shares of the Company at a subscription price of HK$0.60 per share (which was subsequently adjusted to HK$0.59 per share) to a placing agent. The subscription period commenced from the date of issue of the warrants to the expiry of the second anniversary of the issue of the warrants (both days inclusive) (the "Subscription Period"). None of the warrant had been exercised to subscribe for ordinary shares of the Company during the Subscription Period, and therefore the warrant reserve was transferred to the accumulated losses during the six months period ended 30 June 2011. Details of placing of warrants are set out in the Company's announcement dated 24 April 2009.

32. OPERATING LEASES COMMITMENTS

At the end of the reporting period, the Group had future aggregate minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June 2011 *HK$'000*	**As at 31 December 2010** *HK$'000*
Properties		
– within one year	4,177	1,912
– In the second to fifth years, both inclusive	5,051	184
	9,228	2,096

Operating lease payments represent rental payable by the Group for its office properties and director's apartment.

33. CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2011 and 31 December 2010 not provided for in the financial statements were as follows:

	As at 30 June 2011 *HK$'000*	**As at 31 December 2010** *HK$'000*
Contracted but not provided for		
– acquisition of property, plant and equipment	27,715	25,588
– acquisition of Qianyi Limited and its subsidiaries	89,000	89,000
	116,715	114,588

34. RETIREMENT BENEFIT SCHEMES

The Group participates in the mandatory provident fund scheme (the "MPF Scheme") for its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as a percentage of employee's basic salaries. The retirement benefit costs charged to the profit and loss represent contributions paid and payable by the Group to the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The subsidiaries in the PRC participate in certain employees' retirement schemes implemented by the relevant local municipal governments. Contributions are made by the relevant subsidiaries to these schemes based on certain percentages of the applicable payroll costs.

The Group has no other obligations other than the above-mentioned contributions.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at 30 June 2011	**As at 31 December 2010**
	HK$'000	*HK$'000*
Financial assets		
Loan and receivables		
– Deposit for acquisition	170,000	170,000
– Trade receivables	1,107	57,468
– Prepayments, deposits and other receivables	51,355	24,927
– Cash and bank balances	190,382	187,304
	412,844	439,699
Financial liabilities		
Amortised cost		
– Other payables and accruals	10,600	7,521
– Cumulative redeemable preference shares	110	110
– Convertible notes	96,533	89,886
	107,243	97,517

(b) Financial risk management and policies

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 4 to the consolidated financial statements.

Cash flow interest rate risk

The Group has no significant interest-bearing financial assets and liabilities with a floating interest rate. The Group's results and operating cash flows are substantially independent of changes in market interest rates.

Foreign currency risk

The Group has transactional currency exposures as the sales and purchases, certain trade and other receivables, cash and bank balances, and trade and other payables of the Group were mainly transacted in Renminbi ("RMB"), Mongolia Tugrugs ("T"), United States Dollars ("USD") and Hong Kong Dollars ("HKD").

The exchange rate of RMB and T were comparatively volatile.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate of RMB and T, with all other variables held constant, of the Group's loss before taxation.

	Change in exchange rate	**(Increase)/ decrease in loss before tax**
		HK$'000
At 30 June 2011		
If HKD weakens against RMB	5%	2,278
If HKD strengthens against RMB	5%	(2,278)
If HKD weakens against T	5%	334
If HKD strengthens against T	5%	(334)
At 31 December 2010		
If HKD weakens against RMB	5%	2,199
If HKD strengthens against RMB	5%	(2,199)
If HKD weakens against T	5%	118
If HKD strengthens against T	5%	(118)

At 30 June 2011 and 31 December 2010, the Group had not hedged any foreign currency to reduce such foreign currency risk.

In the opinion of the directors, if the exchange rates of these foreign currencies have continuous fluctuation, they will consider using forward currency contracts to reduce these risks.

Other price risks

As at 30 June 2011 and 31 December 2010, the Group did not hold investments held for trading. It is not exposed to commodity price risk.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the management.

The Group has concentration of credit risk as 100% (31 December 2010: 100%) of the total trade receivables was due from one (31 December 2010: second largest) customer at the end of the reporting period. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Management regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. For non-derivative financial liabilities, the tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

In addition, the following table details the Group's expected maturity for some of its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Effective interest rate	On demand or less than 3 months	More than 3 months but less than 1 year	More than 1 year	Total undiscounted cash flows	Total carrying amount at 30 June 2011
	%	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 30 June 2011						
Non-derivative financial assets						
Cash and bank balances	–	190,382	–	–	190,382	190,382
Non-derivative financial liabilities						
Trade and other payables	–	10,600	–	–	10,600	10,600
Convertible notes	14.91	1,100	–	111,100	112,200	96,533
		11,700	–	111,100	122,800	107,133

	Effective interest rate	On demand or less than 3 months	More than 3 months but less than 1 year	More than 1 year	Total undiscounted cash flows	Total carrying amount at 31 December 2010
	%	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 31 December 2010						
Non-derivative financial assets						
Cash and bank balances	–	187,304	–	–	187,304	187,304
Non-derivative financial liabilities						
Trade and other payables	–	7,521	–	–	7,521	7,521
Convertible notes	14.91	–	1,100	111,100	112,200	89,886
		7,521	1,100	111,100	119,721	97,407

36. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

As at 30 June 2011 and 31 December 2010, the Group did not have any financial assets at fair value through profit or loss.

37. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as debt divided by total equity. Debt represents current and non-current liabilities as shown in the consolidated statement of financial position. Total equity represents the equity as shown in the consolidated statement of financial position.

During the period, the Group's strategy, which was unchanged from 2010, was to maintain the net debt-to-equity ratio at satisfactory level. The net debt-to-equity ratios at 30 June 2011 and 31 December 2010 are as follows:

	Group	
	As at 30 June 2011	**As at 31 December 2010**
	HK$'000	*HK$'000*
Total debt	657,525	647,661
Total equity	1,985,811	2,008,699
Net debt-to-equity ratio	33.11%	32.24%

38. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

On 3 May 2010, China National Information Resources Holdings Limited (a subsidiary of the Company), entered into an agreement for trading of products with 大冶有色金屬股份有限公司 (Daye Nonferrous Metals Co., Ltd.) ("Daye Nonferrous"), a company incorporated in the PRC and is a subsidiary of Daye Nonferrous Metals Group Holdings Co., Limited (formerly known as "Hubei Daye Non Ferrous Metal Co."), the substantial shareholder of the Company. During the period ended 30 June 2011, non-ferrous metals amounted to approximately HK$49,257,000 (for the six months ended 30 June 2010: HK$Nil) were sold to Dajiang International Investment Co., Limited (formerly known as "Hong Kong Dajiang Trading Co., Limited"), a related company of Daye Nonferrous.

Dajiang International Investment Co., Limited (formerly known as Hong Kong Dajiang Trading Co., Limited) shared the company's rental and office expenses by HK$275,000 (for the six months ended 30 June 2010: HK$52,000). Dajiang International Investment Co., Limited is a subsidiary of Daye Nonferrous Metals Group Holdings Co., Limited (formerly known as "Hubei Daye Non Ferrous Metal Co."), a company incorporated in PRC, and is a related party of the Company.

On 10 October 2010, an agreement was entered into between 新疆滙祥永金礦業有限公司 (Xinjiang Huixiang Yong Jin Mining Company Limited) ("Xinjiang Huixiang"), a subsidiary of the Company and 大冶有色建築安裝有限公司 (Daye Non Ferrous Construction Installation Company Limited) ("DNF Construction") for engaging DNF Construction to build an integrated office building situated in 新疆烏恰縣 (Xinjiang Wuqia County) for Xinjiang Huixiang at a consideration of approximately RMB7,905,000 (equivalent to HK$9,091,000). During the six months ended 30 June 2011 and 30 June 2010, no amount was incurred.

On 15 October 2010, an agreement was entered into between Xinjiang Huixiang and 湖北鑫力井巷有限公司 (Hubei Xinli Jing Xiang Company Limited) ("Hubei Xinli"), a company incorporated with limited liability in the PRC, for the construction of slanted mining wells and vertical mining wells by Hubei Xinli for Xinjiang Huixiang at a consideration of approximately RMB26,510,000 (equivalent to HK$30,487,000). During the six months ended 30 June 2011, the amount of construction in progress incurred was approximately RMB4,674,000, equivalent to HK$5,628,000 (six months ended 30 June 2010: Nil).

Key management personnel represent the directors of the Company and their remunerations are set out in note 10.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 30 June 2011 and 31 December 2010 are as follows:–

Name of Company	Place of incorporation/ operation	Form of legal entity	Issue and paid up capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
				Directly	Indirectly	
Ample Year Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding
China National Recycling Int'l Trading Limited	Hong Kong	Limited liability company	HK$1	–	100%	Investment holding

Name of Company	Place of incorporation/ operation	Form of legal entity	Issue and paid up capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company Directly	Indirectly	Principal activities
China National Information Resources Holdings Limited	Hong Kong	Limited liability company	HK$2	–	100%	Trading in non-ferrous metals
China National Resources Investments Limited	Hong Kong	Limited liability company	HK$2	–	100%	Investment holding
China Reservoir Mining Limited	British Virgin Islands	International business company	US$50,000	–	51%	Investment holding
Fuken Investments Limited	British Virgin Islands	International business company	US$1	–	100%	Investment holding
Giant Strong International Limited	British Virgin Islands	International business company	US$3	–	100%	Investment holding
Gold Way Investment International Limited	Hong Kong	Limited liability company	HK$100	–	100%	Investment holding
Golden Brand Investments Limited	British Virgin Islands	International business company	US$1	–	100%	Investment holding
Goldright Finance Limited	British Virgin Islands	International business company	US$1	100%	–	Securities trading
Max Alliance International Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding
Max Alliance Gold Resource Investment Limited	Hong Kong	Limited liability company	HK$1	–	100%	Investment holding

Name of Company	Place of incorporation/ operation	Form of legal entity	Issue and paid up capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
				Directly	Indirectly	
Reservoir (Mongolia) Limited	The Republic of Mongolia	Limited liability company	US$100,000	–	51%	Mineral exploitation
Reservoir Moly Mongolia Limited *(note (a))*	The Republic of Mongolia	Limited liability company	US$10,000	–	28%	Mineral exploitation
Jetlight Investment Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding
Keytrade Investments Limited	British Virgin Islands	International business company	US$1	100%	–	Securities trading
Profit Jumbo Investment Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding
Shinemax Group Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding
Vintage International Financial Holding Group Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding
新疆匯祥永金礦業有限公司	People's Republic of China	Sino-foreign equity joint venture company	RMB121,000,000	–	55%	Mineral exploitation

Note (a) Although the Company does not own more than half of the equity shares of Reservoir Moly Mongolia Limited, and consequently it does not control more than half of the voting power of those shares, however, the Company has the power to appoint and remove the majority of the board of directors in this entity, and hence the control of this entity is by the board. Consequently, Reservoir Moly Mongolia Limited is controlled by the Company and is consolidated in these financial statements.

40. REVERSE TAKEOVER

On 23 January 2011, the Company, 大冶有色金屬集團控股有限公司 (Daye Nonferrous Metals Group Holdings Co., Limited) and the Vendors (China Times Development Limited, 中國信達資產管理股份有限公司 (China Cinda Assets Management Co., Ltd.), 華融資產管理公司 (China Huarong Asset Management Corporation)) entered into the Acquisition Agreement (as supplemented and amended by the Supplemental Agreement dated 31 January 2011), pursuant to which, among other things, the Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Shares (the China Times Sale Shares, Cinda Sale Shares and Huarong Sale Shares) at a total consideration of RMB6,100,000,000 or HK$7,207,334,940 (based on the exchange rate of HK1: RMB0.84636), which will be satisfied by the allotment and issue to the Vendors of an aggregate of 12,406,997,784 Ordinary Shares at the Issue Price of HK$0.50 per Consideration Share and (to China Times only) the issue of the China Times Convertible Notes. The proposed acquisition is to eventually acquire the equity interest in Daye Nonferrous Metals Co., Limited. Details of the acquisition are set out in the announcements of the Company dated 1 February 2011 and 11 August 2011.

41. COMPARATIVE FIGURES

The consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and the related disclosure notes for the six months ended 30 June 2010 of the Group were not audited.

42. APPROVAL OF ACCOUNTS

The consolidated financial statements were approved and authorised for issue by the Company's Board of directors on 26 August 2011.

3. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2010

Set out below are the audited financial statements of the Group for the year ended 31 December 2010 as extracted from the annual report of the Company for the year ended 31 December 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	**1 January 2010 to 31 December 2010** *HK$'000*	**1 May 2009 to 31 December 2009** *HK$'000*
REVENUE	*6*	954,314	1,672
COST OF SALES		(940,955)	(645)
		13,359	1,027
OTHER REVENUE	*6*	459	300
GENERAL AND ADMINISTRATIVE EXPENSES		(43,353)	(112,988)
OPERATING LOSS FOR THE YEAR/PERIOD	*8*	(29,535)	(111,661)
IMPAIRMENT OF MINING RIGHT WRITTEN BACK		14,038	87,407
LOSSES ON CHANGES IN FAIR VALUES OF INVESTMENTS HELD FOR TRADING		–	(1,186)
LOSS ON DISPOSAL OF A SUBSIDIARY	*9*	(1,514)	–
FINANCE COSTS	*10*	(5,616)	(5)
LOSS BEFORE TAXATION		(22,627)	(25,445)
INCOME TAX	*12*	(5,640)	(21,852)
LOSS FOR THE YEAR/PERIOD		(28,267)	(47,297)

	Notes	1 January 2010 to 31 December 2010 HK$'000	1 May 2009 to 31 December 2009 HK$'000
OTHER COMPREHENSIVE INCOME:			
Exchange difference arising on translation of foreign operations			
– Exchange differences arising during the year/period		1,518	4
– Reclassification adjustments relating to foreign operations disposed of during the year/period		29	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX		1,547	4
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		(26,720)	(47,293)
LOSS FOR THE YEAR/PERIOD ATTRIBUTABLE TO:			
– owners of the Company		(23,073)	(91,168)
– non-controlling interests		(5,194)	43,871
		(28,267)	(47,297)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
– owners of the Company		(22,182)	(91,171)
– non-controlling interests		(4,538)	43,878
		(26,720)	(47,293)
		HK cents	*HK cents*
Loss per share:	14		
– Basic		(0.41)	(1.76)
– Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	55,535	18,731
Prepaid lease payment	*16*	1,656	1,670
Jointly controlled entities	*19*	–	–
Mining rights	*17*	2,156,585	2,142,547
TOTAL NON-CURRENT ASSETS		2,213,776	2,162,948
CURRENT ASSETS			
Deposit for acquisition	*20*	170,000	–
Prepaid lease payment	*16*	44	–
Investments held for trading	*21*	–	6,990
Inventories	*22*	2,885	1,366
Trade and other receivables	*23*	82,351	3,644
Cash and bank balances	*24*	187,304	343,961
TOTAL CURRENT ASSETS		442,584	355,961
CURRENT LIABILITIES			
Trade and other payables	*25*	7,521	10,448
Deferred income	*26*	6,966	3,975
Tax payable		4,032	1,901
TOTAL CURRENT LIABILITIES		18,519	16,324
NET CURRENT ASSETS		424,065	339,637
TOTAL ASSETS LESS CURRENT LIABILITIES		2,637,841	2,502,585

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT LIABILITIES			
Cumulative redeemable preference shares	27	110	110
Convertible notes	28	89,886	–
Deferred tax liabilities	29	539,146	535,637
TOTAL NON-CURRENT LIABILITIES		629,142	535,747
NET ASSETS		2,008,699	1,966,838
CAPITAL AND RESERVES			
Share capital	30	279,560	279,560
Reserves	32	818,792	815,249
Equity attributable to the owners of the Company		1,098,352	1,094,809
Non-controlling interests		910,347	872,029
TOTAL EQUITY		2,008,699	1,966,838

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	2,154	1,282
Jointly controlled entities	19	–	–
Interest in subsidiaries	18	2,204,422	2,005,372
TOTAL NON-CURRENT ASSETS		2,206,576	2,006,654
CURRENT ASSETS			
Deposit for acquisition	20	170,000	–
Trade and other receivables	23	11,109	1,724
Cash and bank balances	24	5,798	293,309
TOTAL CURRENT ASSETS		186,907	295,033
CURRENT LIABILITIES			
Trade and other payables	25	3,237	3,913
TOTAL CURRENT LIABILITIES		3,237	3,913
NET CURRENT ASSETS		183,670	291,120
TOTAL ASSETS LESS CURRENT LIABILITIES		2,390,246	2,297,774
NON-CURRENT LIABILITIES			
Cumulative redeemable preference shares	27	110	110
Convertible notes	28	89,886	–
TOTAL NON-CURRENT LIABILITIES		89,996	110
NET ASSETS		2,300,250	2,297,664
CAPITAL AND RESERVES			
Share capital	30	279,560	279,560
Reserves	32	2,020,690	2,018,104
TOTAL EQUITY		2,300,250	2,297,664

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to the owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Warrant reserve HK$'000	Share-based payment reserve HK$'000	Exchange reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 May 2009	257,584	2,670,545	2,241	3,000	62,661	(38,334)	–	(2,126,866)	830,831	828,151	1,658,982
Loss for the period	–	–	–	–	–	–	–	(91,168)	(91,168)	43,871	(47,297)
Exchange differences arising on translation of foreign operations:											
Exchange differences arising during the period	–	–	–	–	–	(3)	–	–	(3)	7	4
Reclassification adjustments relating to foreign operations disposed of during the period	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	(3)	–	(91,168)	(91,171)	43,878	(47,293)
Recognition of share-based payment	–	–	–	–	87,627	–	–	–	87,627	–	87,627
Share option lapsed/cancelled	–	–	–	–	(62,661)	–	–	62,661	–	–	–
Issue of shares	21,976	245,546	–	–	–	–	–	–	267,522	–	267,522
At 31 December 2009 and at 1 January 2010	279,560	2,916,091	2,241	3,000	87,627	(38,337)	–	(2,155,373)	1,094,809	872,029	1,966,838
Loss for the year	–	–	–	–	–	–	–	(23,073)	(23,073)	(5,194)	(28,267)
Exchange differences arising on translation of foreign operations:											
Exchange differences arising during the year	–	–	–	–	–	862	–	–	862	656	1,518
Reclassification adjustments relating to foreign operations disposed of during the year	–	–	–	–	–	29	–	–	29	–	29
Total comprehensive income for the year	–	–	–	–	–	891	–	(23,073)	(22,182)	(4,538)	(26,720)
Capital contributed by non-controlling interests	–	–	–	–	–	–	–	–	–	42,720	42,720
Recognition of the equity component of convertible notes	–	–	–	–	–	–	25,725	–	25,725	–	25,725
Share option forfeited	–	–	–	–	(2,624)	–	–	2,624	–	–	–
Derecognition of non-controlling interests on the disposal of Reservoir (Tungs) Limited	–	–	–	–	–	–	–	–	–	136	136
At 31 December 2010	279,560	2,916,091	2,241	3,000	85,003	(37,446)	25,725	(2,175,822)	1,098,352	910,347	2,008,699

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Notes	1 January 2010 to 31 December 2010 HK$'000	1 May 2009 to 31 December 2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(22,627)	(25,445)
Adjustments for:			
Interest income		(256)	(85)
Impairment on mining right written back		(14,038)	(87,407)
Finance costs		5,616	5
Impairment of other receivables		–	33
Amortisation of prepaid land lease payment		42	–
Inventories written off		–	34
Share-based payment expenses		–	87,627
Losses on changes in fair values of investments held for trading		–	1,186
Depreciation of property, plant and equipment		2,530	1,139
Loss on disposal of a subsidiary	9	1,514	–
Loss on disposal of property, plant and equipment		7	9
Operating loss before changes in working capital		(27,212)	(22,904)
Decrease in investments held for trading		6,990	645
(Increase)/decrease in inventories		(1,519)	41
(Increase)/decrease in trade and other receivables		(78,707)	1,425
(Decrease)/increase in trade and other payables		(2,712)	2,662
Increase in deferred income		2,834	–
Cash used in operations		(100,326)	(18,131)
Interest paid		–	(5)
Net cash used in operating activities		(100,326)	(18,136)

	Notes	1 January 2010 to 31 December 2010 HK$'000	1 May 2009 to 31 December 2009 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposit for acquisition		(60,000)	–
Net cash outflow arising from disposal of a subsidiary	9	(1,569)	–
Interest income		256	85
Proceeds from sales of property, plant and equipment		1	–
Purchase of property, plant and equipment		(36,783)	(1,739)
Prepaid Lease payment		(7)	(1,670)
Net cash used in investing activities		(98,102)	(3,324)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds contributed by non-controlling interests		42,720	–
Net proceeds from issue of ordinary shares		–	267,522
Net cash generated from financing activities		42,720	267,522
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(155,708)	246,062
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD		343,961	97,894
Effects of foreign exchange rate changes		(949)	5
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD		187,304	343,961
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		187,304	343,961

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

1. Corporate information

China Daye Non-Ferrous Metals Mining Limited (the "Company") was incorporated in Bermuda as an exempted Company with limited liability and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Unit 2001, World Wide House, 19 Des Voeux Road Central, Hong Kong respectively.

During the year, the Company and its subsidiaries (collectively referred to the "Group") was involved in the following principal activities:

– Corporate investment and trading in securities;

– Minerals exploitation; and

– Trading in non-ferrous metals.

The financial year end date of the Company has changed from 30 April to 31 December during 2009. The reason for the change is to coincide with the financial year end date of the Company's principal operating subsidiaries, which are mainly situated in the People's Republic of China, and thereby facilitating the preparation of the consolidated financial statements of the Company and its subsidiaries. As a result of the change, the previous financial statements covered a period from 1 May 2009 to 31 December 2009 which was shorter than one year as compared with the current financial statements covered a period from 1 January 2010 to 31 December 2010. The comparative amounts for the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes are not entirely comparable.

In the opinion of the directors, as at 31 December 2010 the ultimate holding company is Daye Non-Ferrous Metals Corporation Holdings Limited ("Daye Corp") (formerly known as "Hubei Daye Non-Ferrous Metals Company"), a company incorporated with limited liability under the laws of the PRC.

2. Application of new and revised hong kong financial reporting standards ("HKFRSs")

In the current year, the Group and the Company have applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKFRS 5 (Amendments)	Non-current Assets Held for Sale and Discontinued Operations
HKAS 1 (Amendments)	Presentation of Financial Statements
HKAS 7 (Amendments)	Statement of Cash Flows
HKAS 17 (Amendments)	Leases
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 28 (as revised in 2008)	Investments in Associates
HKAS 39 (Amendments)	Eligible Hedged Items
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HK – Int 5	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of the new and revised HKFRSs has no material effect on the financial statements of the Group and the Company for the current and prior accounting periods.

The Group and the Company have not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28(1)
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters(2)
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets(5)
HKFRS 9	Financial Instruments(3)
HKAS 1 (Amendments)	Presentation of Financial Statements(5)
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets(6)
HKAS 24 (as revised in 2009)	Related Party Disclosures(4)
HKAS 32 (Amendments)	Classification of Rights Issues(5)
HK(IFRIC)-Int 14 (Amendments)	Prepayments of Minimum Funding Requirement(4)
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity(2)

(1) *Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.*
(2) *Effective for annual periods beginning on or after 1 July 2010.*
(3) *Effective for annual periods beginning on or after 1 January 2013.*
(4) *Effective for annual periods beginning on or after 1 January 2011.*
(5) *Effective for annual periods beginning on or after 1 February 2010.*
(6) *Effective for annual periods beginning on or after 1 January 2012.*

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of financial assets.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on financial statements.

3. Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by The Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for certain financial instruments, which are measured at fair values.

4. Significant accounting policies

(a) Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combinations and the non-controlling interests' share of changes in equity since the date of the combination. Losses of non-wholly owned subsidiary are attributed to the owners of the company and non-controlling interests even if that results in deficit balances.

(b) Business combinations

Business combinations not under common control arising on acquisitions prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at fair value at the acquisition date. Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess, after reassessment, is recognised immediately in profit or loss. The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Business combinations not under common control arising on acquisitions on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets acquired and the liabilities assumed are recognised at their fair values at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to the share-based payment transactions of the acquiree or replacement of an acquiree's share-based payment transactions with the share-based payment transaction of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

(c) Subsidiary

A subsidiary is an enterprise in which the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another enterprise.

Investment in subsidiaries is included in the Company's statement of financial position at cost less any impairment losses, unless it is classified as held for sale. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets, unless it is classified as held for sale. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entities recognised for the year.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

From 1 January 2010 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's statement of financial position, investment in associates and jointly controlled entities is stated at cost less impairment losses, unless it is classified as held for sale.

(e) Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Goodwill arising on an acquisition of an associate or a jointly controlled entity represents the excess of the cost of the acquisition over the Group's share of the relevant associate's or jointly controlled entity's net assets at the date of acquisition.

Capitalised goodwill is presented separately in the consolidated statement of financial position and is carried at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, an associate or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(f) Revenue recognition

Revenue, which is measured at the fair value of the consideration received or receivable, is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, on the following bases:

(i) Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes;

(ii) Income arising from sales of trading securities is recognised on the completion of transfer of risks and rewards of ownership of the investments to the transferee and the legal title being passed;

(iii) interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount; and

(iv) Dividend income is recognised when the shareholder's right to receive payment is established.

(g) Leases

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis. Interest in leasehold land is amortised over the lease term on a straight-line basis.

(h) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at closing rate. Exchange differences arising are included in the translation reserve.

From 1 January 2010 onwards, upon the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(i) Borrowing costs

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

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

(j) Employee benefits

(i) 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 or paternity leaves are not recognised until the time of leave.

(ii) Employee leave entitlements

Provision for profit sharing and bonus payments due wholly within twelve months after the end of the reporting period are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme set up pursuant to the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "MPF" Scheme) for all qualifying employees are expensed as incurred. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(iv) Retirement benefits schemes

The Company's PRC and Mongolia subsidiaries participate in defined contribution retirements schemes organized by the local government authorities. All of the employees are entitled to an annual pension equivalent to a fixed portion of their basic salaries at their retirement dates. The Company's PRC and Mongolia subsidiaries are required to contribute certain percentage ranged from 11% to 15% of the basic salaries of their employees to the retirement schemes and have no further obligation for post-retirement benefits. The contributions are charged to the profits and loss of the Group as they become payable in accordance with the rules of schemes.

(v) Share-based payments

The Group operates equity-settled share-based payments to certain directors, employees and other parties.

Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) 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 with a corresponding increase in a capital reserve within equity, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained earnings).

Fair value is measured using the Binomial Option Pricing Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

(k) Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. 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 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 and associates, and interests in joint ventures, 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.

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 at the end of the reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(l) Property, plant and equipment

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

Depreciation is charged so as to write off the cost of property, plant and equipment, after taking into account of their estimated residual value, if any, over their estimated useful lives, using the straight-line method. The principal annual rates are as follows:

Leasehold improvement	20%
Furniture, fixtures and equipment	15% – 20%
Motor vehicles	25%
Plant and machineries	15%
Building and mining structure	5%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year in which the item is derecognised.

Construction in progress, which represents assets under construction, is stated at cost less impairment loss, if any. When the assets are completed and ready for use, the carrying amount of the assets will be reclassified to property, plant and equipment and depreciated in accordance with the policy as set out above.

(m) Mining right

Mining rights are stated at cost less accumulated amortisation and any impairment losses and are amortised on a straight line basis over the estimated useful life of the mines based on the total proven and probable reserves of the mines using the units of production method.

(n) Exploration and related expenses

Exploration and related expenses include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

(o) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of comprehensive income over the expected useful life of the relevant asset by equal annual installments.

(p) Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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 (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 under other standard, in which case the impairment loss is treated as revaluation decrease under other standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 had no impairment loss been recognised for the asset (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 under other standard, in which case the reversal of the impairment loss is treated as a revaluation increase under other standard.

Impairment losses recognised in an interim financial report prepared in compliance with "HKAS 34 Interim Financial Reporting" are not reversed at the end of the financial year to which the interim period relates even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of that financial year.

(q) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective interest method

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

Interest income for financial assets and interest expense for financial liabilities are recognized on an effective interest basis.

(i) Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The accounting policies adopted in respect of each category of financial assets are set out below.

<u>(1) Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is a part of and identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as fair value through profit or loss upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as fair value through profit or loss.

At the end of each reporting period subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade receivables, loan receivables, other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

(3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At the end of each reporting period subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

(4) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in other comprehensive income is removed and recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition.

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

(ii) Financial liabilities

The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities are set out below.

(1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated as fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if:

– it has been acquired principally for the purpose of repurchasing in the near future; or

– it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as fair value through profit or loss upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as fair value through profit or loss.

At the end of each reporting period subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability.

(2) Other financial liabilities and equity

Other financial liabilities (including bank and other borrowings, trade and other payables) are subsequently measured at amortised cost, using the effective interest method.

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

(3) Convertible notes

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible notes using the effective interest method.

(iii) Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on purchase, sale, issue or cancellation of the Company's own equity instruments.

Warrants issued by the group entities which will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments, are recorded at the proceeds received, net of direct issue costs.

(iv) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

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

(r) Financial guarantees, provisions and contingent liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The Group has asserted to regard financial guarantee contracts as insurance contracts and elect to apply "HKFRS 4 Insurance Contracts" to account for such contracts. The election applies to all existing contracts and new contracts on a contract-by-contract basis and is irrevocable for each contract elected.

Provisions are recognised when the Group has a present obligation as a result of a past event, and 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 expenditure expected to settle the obligation.

Present obligation is disclosed as a contingent liability where it is not probable that an outflow of economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliably. Possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future event(s) is also disclosed as a contingent liability unless the probability of outflow of economic benefits is remote.

(s) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(t) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(u) Related parties

A party is considered to be related to the Group if:

(i) The party, directly or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, the Group; (2) has an interest in the Group that gives it significant influence over the Group; or (3) has joint control over the Group;

(ii) The party is an associate;

(iii) The party is a jointly-controlled entity;

(iv) The party is a member of the key management personnel of the Group or its parent;

(v) The party is a close member of the family of any individual referred to in (i) or (iv);

(vi) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides, with directly or indirectly, any individual referred to in (iv) or (v); or

(vii) The party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

5. Critical accounting judgments and estimates

(a) Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations as discussed below, which have the most significant effect on the amounts recognised in the financial statements.

(i) Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(ii) Exploration and related expenses

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgments in determining whether it is likely that future economic benefits will arise, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of capitalized expenditures are unlikely, the amount capitalized is written off in the income statement in the period when the new information becomes available.

(iii) Income taxes

Deferred tax is provided using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgment regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all or the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the income statement.

(b) 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 the Group's assets and liabilities within the next financial year are discussed below.

(i) Impairment test of assets

The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the subjective judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as proven and probable. Proven and probable mine reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. In addition, price and cost levels change from year to year, the estimates of proven and probable mine reserves also change. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the related amortisation rates of mining rights.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining amortisation expenses and impairment losses of mining rights. Amortisation rates are determined based on estimated proven and probable mine reserve quantity and capitalised costs of mining rights. The capitalised costs of mining rights are amortised over the estimated useful lives of the mines based on the proven and probable reserves of the mines using the units of production method.

(iii) Income taxes

The Group reviews the carrying amount of deferred tax assets at the end of each reporting period and reduces the amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. This requires an estimation of the future taxable profits. Estimating the future taxable profits requires the Group to make an estimate of the expected future earnings from the Group and also to choose a suitable discount rate in order to calculate the present value of the earnings.

(iv) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year the estimate is changed and the future period.

(v) Valuation of share options

Share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the statement of comprehensive income and share-based payment reserve.

6. Revenue

(a) An analysis of the Group's revenue for the year/period is as follows:

	1 January 2010 to 31 December 2010	1 May 2009 to 31 December 2009
	HK$'000	*HK$'000*
Sales of marketable securities	7,221	1,424
Sales of copper concentrate	308	–
Sales of non-ferrous metals	946,529	–
Other interest income	256	85
Dividend income	–	163
	954,314	1,672

(b) An analysis of the Group's other revenue for the year/period is as follows:

	1 January 2010 to 31 December 2010	1 May 2009 to 31 December 2009
	HK$'000	*HK$'000*
Miscellaneous income	44	300
Exchange gain	415	–
	459	300

7. Segment information

HKFRS 8 Operating Segments requires the Group to disclose reported segments in accordance with internal reports that are provided to the Group's chief operating decision maker. The Group considers its directors to be the chief operating decision maker. For management purposes, the Group is organised into three operating segments. These operating segments form the basis on which the Group's directors make decisions about resource allocation and performance assessment. The Group has three reportable segments under HKFRS 8:

(a) Corporate investment and trading in securities;

(b) Minerals exploitation; and

(c) Trading in non-ferrous metals.

For the purposes of assessing segment performance and resources allocation between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment revenue represents revenue generated from external customers. There were no inter-segment sales during the year/period.

Segment result represents the profit/(loss) earned by each segment without allocation of corporate income and expense, central administration cost, directors' salaries, interest income and impairment of other receivables.

Segment assets include all tangible, intangible assets and current assets.

Segment liabilities include all trade and other payables other than tax payable and deferred tax liabilities.

(a) Segment revenues and results

	1 January 2010 to 31 December 2010			
	Corporate investment and trading in securities	**Minerals exploitation**	**Trading in non-ferrous metals**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segments revenue	7,221	308	946,529	954,058
Segments results	216	(12,570)	12,918	564
Interest income				256
Unallocated corporate expenses				(17,831)
Impairment of other receivables				–
Finance costs				(5,616)
Consolidated loss before taxation				(22,627)

	1 May 2009 to 31 December 2009		
	Corporate investment and trading in securities	**Minerals exploitation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Segments revenue	1,587	–	1,587
Segments results	(264)	80,148	79,884
Interest income			85
Unallocated corporate expenses			(105,376)
Impairment of other receivables			(33)
Finance costs			(5)
Consolidated loss before taxation			(25,445)

(b) Segment assets and liabilities

	1 January 2010 to 31 December 2010			
	Corporate investment and trading in securities	**Minerals exploitation**	**Trading in non-ferrous metals**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	40	2,275,798	183,819	2,459,657
Unallocated assets				196,703
Consolidated assets				2,656,360
Segment liabilities	56	10,994	47	11,097
Unallocated liabilities				636,564
Consolidated liabilities				647,661

	1 May 2009 to 31 December 2009		
	Corporate investment and trading in securities	**Minerals exploitation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	8,610	2,166,341	2,174,951
Unallocated assets			343,958
Consolidated assets			2,518,909
Segment liabilities	47	10,292	10,339
Unallocated liabilities			541,732
Consolidated liabilities			552,071

(c) Other segment information

	1 January 2010 to 31 December 2010		
	Corporate investment and trading in securities	**Minerals exploitation**	**Trading in non-ferrous metals**
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure	–	35,596	–
Depreciation of property, plant and equipment	–	1,012	–
Amortisation of prepaid lease payment	–	42	–
Loss on disposal of property, plant and equipment	–	7	–
Loss on disposal of a subsidiary	–	1,514	–
Impairment of mining right written back	–	(14,038)	–

	1 May 2009 to 31 December 2009	
	Corporate investment and trading in securities	**Minerals Exploitation**
	HK$'000	*HK$'000*
Capital expenditure	–	2,068
Depreciation of property, plant and equipment	–	1,008
Impairment of mining right written back	–	(87,407)

(d) Geographical information

The Group operates in three principal geographical areas – the People's Republic of China (excluding Hong Kong) (The PRC), Hong Kong, and Mongolia.

The Group's revenue from external customers and information about its non-current assets and capital expenditure by geographical location are detailed below:

	1 January 2010 to 31 December 2010			
	Hong Kong	**The PRC**	**Mongolia**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	953,750	308	–	954,058
Other segment information:				
Non-current assets	2,154	1,473,282	738,340	2,213,776
Capital expenditure	171,194	22,156	13,439	206,789

	1 May 2009 to 31 December 2009			
	Hong Kong	**The PRC**	**Mongolia**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	1,587	–	–	1,587
Other segment information:				
Non-current assets	–	1,451,859	709,807	2,161,666
Capital expenditure	–	2,061	7	2,068

8. Operating loss for the year/period

Operating loss of the Group for the year/period has been arrived at after charging the followings:

	1 January 2010 to 31 December 2010	**1 May 2009 to 31 December 2009**
	HK$'000	*HK$'000*
Staff costs (including directors' remuneration – *note 11*)		
– Salaries and allowances	9,916	6,993
– Share-based payments *(note a)*	–	33,758
– Other staff costs	–	1,087
– Retirement benefits scheme contributions	67	60
	9,983	41,898
Amortisation of prepaid lease payment	42	–
Depreciation of property, plant and equipment	2,530	1,139
Auditors' remuneration		
– Audit services	780	720
– Other services	313	120
Operating leases on land and buildings	1,847	913
Share-based payments – Consultants *(note a)*	–	53,869
Impairment of other receivables	–	33
Inventories written off	–	34
Exploration and related expenses	16,079	2,360

Note a: During the year/period, share-based payments arising from share options granted to directors, employees and consultants of the Group recognised as expenses in profit and loss are as follows:

	1 January 2010 to 31 December 2009	**1 May 2009 to 31 December 2009**
	HK$'000	*HK$'000*
Directors' emolument	–	31,493
Staff costs	–	2,265
Professional fees	–	53,869
	–	87,627

9. Disposal of a subsidiary

On 17 December 2010, the Group disposed of a subsidiary – Reservoir (Tungs) Limited, which carried out mineral exploration.

Consideration paid

	1 January 2010 to 31 December 2010	1 May 2009 to 31 December 2009
	HK$'000	*HK$'000*
Compensation paid for the disposal	(1,567)	–

Analysis of assets and liabilities over which control was lost

	17/12/2010
	HK$'000
Current assets	
Cash and cash equivalents	2
Other receivables	1
Current liabilities	
Other payables	(221)
Net liabilities disposed of	(218)

Loss on disposal of a subsidiary

	1 January 2010 to 31 December 2010
	HK$'000
Compensation paid for the disposal	(1,567)
Net liabilities disposed of	218
Non-controlling interests	(136)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiary	(29)
Loss on disposal	(1,514)

The loss on disposal is included in the loss for the year in the consolidated statement of comprehensive income.

Net cash outflow on disposal of a subsidiary

	1 January 2010 to 31 December 2010	**1 May 2009 to 31 December 2009**
	HK$'000	*HK$'000*
Compensation paid for the disposal	(1,567)	–
Cash and cash equivalent balances disposed of	2	–
	(1,569)	–

10. Finance costs

	1 January 2010 to 31 December 2010 HK$'000	1 May 2009 to 31 December 2009 HK$'000
Dividends on cumulative redeemable preference shares *(note 13)*	5	5
Interest expenses on convertible notes maturing within five years *(note 28)*	5,611	–
	5,616	5

11. Directors' and five highest paid employees' emoluments

(i) Directors' emoluments

	1 January 2010 to 31 December 2010				
		Other emoluments			
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Employee share option benefits HK$'000	Retirement benefits scheme HK$'000	Total HK$'000
Executive directors					
Wan Bi Qi	1,200	214	–	–	1,414
Zhang He *(note a)*	320	–	–	–	320
Chen Xiang	960	171	–	–	1,131
Yuan Ping	960	221	–	–	1,181
Independent non-executive directors					
Wang Guoqi	50	–	–	–	50
Wang Qihong	50	–	–	–	50
Qiu Quan Zhou	50	–	–	–	50
	3,590	606	–	–	4,196

Note (a): Resigned on 1 May 2010

	1 May 2009 to 31 December 2009				
		Other emoluments			
	Fees	**Salaries, allowances and other benefits**	**Employee share option benefits**	**Retirement benefits scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Wan Bi Qi	–	1,171	13,813	–	14,984
Zhang He *(note a)*	–	1,157	2,486	–	3,643
Chen Xiang	–	900	13,813	–	14,713
Yuan Ping	–	1,022	1,381	–	2,403
Independent non-executive directors					
Wang Guoqi	–	–	–	–	–
Wang Qihong	–	–	–	–	–
Wong Sat *(note b)*	–	–	–	–	–
Qiu Quan Zhou *(note c)*	–	–	–	–	
	–	4,250	31,493	–	35,743

Note (b): Resigned on 14 May 2009

Note (c): Appointed on 14 May 2009

(ii) Five highest paid employees

During the year, the five highest paid individuals included four directors (For the period ended 31 December 2009: four), details of whose emoluments are set out above. The emoluments of the remaining highest paid individual were as follows:

	1 January 2010 to 31 December 2010	1 May 2009 to 31 December 2009
	HK$'000	*HK$'000*
Salaries and other emoluments	1,142	1,242
Retirement benefits scheme contributions	12	8
Employee share-based payment	–	1,934
	1,154	3,184

Emoluments of the one (For the period ended 31 December 2009: one) non-director highest paid individual(s) fell within the following bands:

	Number of individual(s)	
	1 January 2010 to 31 December 2010	1 May 2009 to 31 December 2009
HK$ Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$2,000,000	1	–
HK$2,000,001 to HK$4,000,000	–	1

12. Income tax

(a) Income tax expense in the consolidated statement of comprehensive income represents:

	1 January 2010 to 31 December 2010	**1 May 2009 to 31 December 2009**
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	2,131	–
Other jurisdictions	–	–
	2,131	–
Deferred tax *(note 29)*	3,509	21,852
Tax expense for the year/period	5,640	21,852

Hong Kong profits tax has been provided in the consolidated financial statements at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong during the year (For the period ended 31 December 2009: Nil). Overseas income taxes have not been made as the Group's operation in these countries was operating at a loss during the year (For the period ended 31 December 2009: Nil).

(b) Reconciliation between tax expense and accounting loss at applicable tax rates is as follows:

	1 January 2010 to 31 December 2010 *HK$'000*	**1 May 2009 to 31 December 2009** *HK$'000*
Loss before tax	(22,627)	(25,445)
Notional tax on loss before tax, calculated at the tax rates applicable to profits in the jurisdictions concerned	(4,612)	(10,368)
Tax effect of income not taxable	(2)	(27)
Tax effect of expenses not deductible and loss not allowable	6,745	–
Tax effect of temporary differences not recognised for the year/period	–	(8,741)
Tax effect of estimated tax losses not recognised for the year/period	–	19,136
Increase in deferred tax liabilities arising from mining right *(note 29)*	3,509	21,852
Tax expense for the year/period	5,640	21,852

13. Dividends on cumulative redeemable preference shares

	1 January 2010 to 31 December 2010	**1 May 2009 to 31 December 2009**
	HK$'000	*HK$'000*
Preference dividends		
Payable of HK$0.151 per share on 16,485 shares (For the period ended 31 December 2009 HK$0.151 on 16,485 shares)	3	3
Payable of HK$0.149 per share on 16,485 shares (For the period ended 31 December 2009 HK$0.149 on 16,485 shares)	2	2
	5	5

14. Loss per share

The basic loss per share is calculated based on the loss attributable to owners of the Company of approximately HK$23,073,000 (For the period ended 31 December 2009: approximately HK$91,168,000) and the weighted average number of 5,591,195,552 (For the period ended 31 December 2009: 5,187,804,155) ordinary shares in issue during the year/period.

The diluted loss per share for the year ended 31 December 2010 and period ended 31 December 2009 has not been disclosed as the potential shares arising from the exercise and conversion of the Company's share options, warrants, convertible notes and convertible preference shares would decrease the loss per share of the Group for the year/period and is regarded as anti-dilutive.

15. Property, plant and equipment

Group

	Leasehold improvement	Furniture, fixtures, and equipment	Motor vehicles	Plant and machineries	Building and mining structure	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:							
At 1 May 2009	–	511	1,310	5,352	8,997	4,604	20,774
Additions	1,160	188	376	9	–	6	1,739
Disposals	–	(11)	–	–	–	–	(11)
Exchange adjustment	–	1	(6)	–	(1)	(1)	(7)
At 31 December 2009 and at 1 January 2010	1,160	689	1,680	5,361	8,996	4,609	22,495
Additions	1,172	831	988	1,007	1,065	31,720	36,783
Transfer	–	–	–	–	851	(851)	–
Disposals	–	(17)	–	–	–	–	(17)
Exchange adjustment	5	43	209	239	477	1,858	2,831
At 31 December 2010	2,337	1,546	2,877	6,607	11,389	37,336	62,092
Accumulated depreciation and impairment losses:							
At 1 May 2009	–	288	876	1,018	450	–	2,632
Charge for the period	99	52	152	536	300	–	1,139
Written back on disposal	–	(2)	–	–	–	–	(2)
Exchange adjustment	–	–	(6)	1	–	–	(5)
At 31 December 2009 and at 1 January 2010	99	338	1,022	1,555	750	–	3,764
Charge for the year	262	220	562	964	522	–	2,530
Written back on disposal	–	(9)	–	–	–	–	(9)
Exchange adjustment	1	9	128	88	46	–	272
At 31 December 2010	362	558	1,712	2,607	1,318	–	6,557
Net carrying amount:							
At 31 December 2010	1,975	988	1,165	4,000	10,071	37,336	55,535
At 31 December 2009	1,061	351	658	3,806	8,246	4,609	18,731

Company

	Leasehold improvement	Furniture, fixtures, and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 May 2009	–	306	306
Additions	1,160	181	1,341
At 31 December 2009 and at 1 January 2010	1,160	487	1,647
Additions	1,123	70	1,193
At 31 December 2010	2,283	557	2,840
Accumulated depreciation and impairment losses:			
At 1 May 2009	–	234	234
Charge for the period	99	32	131
At 31 December 2009 and at 1 January 2010	99	266	365
Charge for the year	253	68	321
At 31 December 2010	352	334	686
Net carrying amount:			
At 31 December 2010	1,931	223	2,154
At 31 December 2009	1,061	221	1,282

16. Prepaid lease payment

	As at 31 December 2010	As at 31 December 2009
	HK$'000	*HK$'000*
Cost/carrying amount:		
At the beginning of the year/period	1,670	–
Additions	7	1,670
Exchange difference	66	–
At the end of the year/period	1,743	1,670
Accumulated amortisation:		
At the beginning of the year/period	–	–
Charge for the year/period	42	–
Exchange difference	1	–
At the end of the year/period	43	–
Net carrying value:		
At 31 December	1,700	1,670
Classified as current portion	44	–
Classified as non-current portion	1,656	1,670

Prepaid lease payment represented cost paid by a subsidiary to acquire land use right in the PRC on 25 December 2009. The subsidiary intends to erect office building on the land for own use. The land use right will be expired on 24 December 2049 and its cost is amortised over the lease term on a straight-line basis.

17. Mining rights

	As at 31 December 2010	As at 31 December 2009
	HK$'000	*HK$'000*
Cost/carrying amount:		
At the beginning of the year/period	2,142,547	2,055,140
Impairment loss written back	14,038	87,407
At the end of the year/period	2,156,585	2,142,547

No amortisation was provided during the year/period as the Group has not yet commenced the exploitation of the ores.

18. Interest in subsidiaries

	Company	
	1 January 2010 to 31 December 2010	1 May 2009 to 31 December 2009
	HK$'000	*HK$'000*
Unlisted shares, at cost	–	–
Amounts due from subsidiaries	2,261,281	2,052,231
Amounts due to subsidiaries	(20,099)	(10,099)
	2,241,182	2,042,132
Allowance for impairment losses	(36,760)	(36,760)
	2,204,422	2,005,372

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Particulars of the Company's principal subsidiaries are set out in note 41 to financial statements.

19. Jointly controlled entities

Details of jointly controlled entities of the Group at the end of the reporting period are as follows:

	Group		Company	
	As at 31 December 2010	As at 31 December 2009	As at 31 December 2010	As at 31 December 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net liabilities	–	–	–	–
Amounts due from jointly controlled entities	–	16,315	–	16,301
Amounts due to jointly controlled entities	–	–	–	–
Allowances for impairment losses	–	(16,315)	–	(16,301)
	–	–	–	–

(a)

Company	Place of Incorporation/operation	Principal activities	Attributable equity interest
Yetcome Investments Limited	British Virgin Islands	Investments holding	33%
T & T Properties Sdn. Bhd	Malaysia	Property development	33%
Prizevest Sdn. Bhd	Malaysia	Property development	23%
Top Priority Sdn. Bhd.	Malaysia	Property development	23%
Victec Enterprise Sdn. Bhd.	Malaysia	Property development	23%
Prime Harvest Financial Holding Group Limited	British Virgin Islands	Investments holding	40%

Equity accounting for the Group's interests in all these jointly controlled entities has been discontinued since 2004 as the operations of these entities had ceased in consequence of Receivers appointed in the year 2002. The carrying amounts of these jointly controlled entities have been fully impaired.

The amounts due from/(to) these jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

20. Deposit for acquisition

On 13 April 2010, the Company entered into a framework agreement pursuant to which the Company conditionally agreed to purchase 80% equity interest of Qianyi Limited, a company incorporated with limited liability in the British Virgin Islands which will, upon completion of the reorganisation, indirectly hold 100% equity interest in 新疆同興礦業有限責任公司 (Xinjiang Tong Xing Mining Company Limited), a company incorporated with limited liabilities in the PRC ("Tong Xing"), at the consideration of HK$280 million (the "Consideration"). The Consideration will be satisfied as to HK$60 million by cash and as to HK$220 million by the Company's issuing the convertible notes to the vendor. Details of the acquisition are set out in the announcement of the Company dated 16 April 2010.

On 14 July 2010, the Company entered into a formal agreement. Since there were changes to the proposed reorganisation, the parties now intend that Qianyi Limited will indirectly hold 80% equity interest in Tong Xing (instead of 100% equity interest as previously disclosed in the announcement dated 16 April 2010) upon completion of reorganisation. Details of the formal agreement are set out in the announcement of the Company dated 16 July 2010.

On 30 December 2010, the Company entered into a supplemental agreement, pursuant to which certain terms of the agreement have been amended. Details of the supplemental agreement are set out in the announcement of the company dated 30 December 2010.

As at 31 December 2010, the Group paid an aggregate deposit of approximately HK$60 million and delivered the first tranche of convertible notes in the principal amount of $110 million for the acquisition.

21. Investments held for trading

	Group	
	As at 31 December 2010	**As at 31 December 2009**
	HK$'000	*HK$'000*
Investments held for trading		
– listed in Hong Kong at fair value	–	6,990

22. Inventories

	Group	
	As at 31 December 2010	As at 31 December 2009
	HK$'000	*HK$'000*
Raw materials	210	750
Work in progress	1,155	–
Finished goods	1,520	616
	2,885	1,366

23. Trade and other receivables

	Group		Company	
	As at 31 December 2010	As at 31 December 2009	As at 31 December 2010	As at 31 December 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	57,468	–	–	–
Other receivables	1,925	2,279	116	962
Prepayments and deposits	22,958	1,365	10,993	762
	82,351	3,644	11,109	1,724

The amount of HK$3.4 million of margin deposit included in the above carrying amount of prepayments and deposits was pledged as a collateral for banking facilities.

The aging analysis of trade receivables is as follows:

	Group		Company	
	As at 31 December 2010	As at 31 December 2009	As at 31 December 2010	As at 31 December 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 3 months	39,108	–	–	–
4 – 6 months	18,360	–	–	–
	57,468	–	–	–

The Group normally offered a credit terms of not over 180 days to customers.

24. Cash and bank balances

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

25. Trade and other payables

	Group		Company	
	As at 31 December 2010	As at 31 December 2009	As at 31 December 2010	As at 31 December 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	–	–	–	–
Temporary deposits, accruals and other payables	7,521	10,448	3,237	3,913
	7,521	10,448	3,237	3,913

The aging analysis of trade payable is as follows:

	Group		Company	
	As at 31 December 2010	As at 31 December 2009	As at 31 December 2010	As at 31 December 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 3 months	–	–	–	–

26. Deferred income

	Group	
	As at 31 December 2010	As at 31 December 2009
	HK$'000	*HK$'000*
Government grant received:		
At the beginning of the year/period	3,975	3,976
Additions	2,759	–
Exchange adjustment	232	(1)
At the end of the year/period	6,966	3,975

27. Cumulative redeemable preference shares

	Number of shares	Amount
		HK$'000
Authorised:		
6% convertible cumulative redeemable preference shares of HK$1 each	100,000,000	100,000
Issued and fully paid:		
Balance at 31 December 2009 and 31 December 2010	16,485	110

A holder of the convertible cumulative redeemable preference shares ("CPS") is entitled to receive a fixed cumulative preferential dividend at the rate of 6% per annum on the notional value of HK$5 per CPS to be paid half-yearly on 30 June and 31 December in each year.

A holder of the CPS may convert his shares held at any time into Ordinary Shares at the conversion price of HK$0.036 per share, subject to adjustment.

The CPS may be redeemed by the holders of the CPS at any time after 30 June 1996 at a redemption price per share equal to the notional value plus accrued dividend.

The Company has the option to redeem all or some of the CPS at any time at the notional value of the CPS if the average of the closing prices of the Ordinary Share quoted on the Stock Exchange over the preceding 30 consecutive dealing days ending on the seventh day prior to the date upon which notice of redemption is given is greater than or equal to 150% of the conversion price in effect on such seventh day.

28. Convertible notes

With reference to the announcements of the Company on the Stock Exchange of Hong Kong on 16 April 2010 and 16 July 2010, the Company entered into the Formal Agreement on 14 July 2010 for the acquisition of 100% shareholding in Qianyi Limited, a company which will, upon completion of the Reorganisation, indirectly hold 80% equity interest in 新疆同興礦業有限責任公司 (Xinjiang Tong Xing Mining Company Limited)("Tong Xing").

Part of the Consideration will be satisfied by the Company's issuing two tranches of convertible notes in the principal amount of HK$110 million each (in aggregate, the principal amount is HK$220 million). Only 50% of the Convertible Notes (First Tranche, that is, in the principal sum of HK$110 million) has been delivered to the Vendor and the remaining 50% of the Convertible Notes (Second Tranche, that is, in the principal sum of HK$110 million) will be delivered to the Vendor within 3 business days after the mining license of the Mine is granted to Tong Xing.

On 22 July 2010, the Company delivered the First Tranche of convertible notes to the vendor. The notes carried coupon interest rate of 1% per annum, which shall be payable by the Company upon redemption of the notes.

The notes entitle the holders to convert to ordinary shares of the Company at an initial conversion price of HK$0.618 per conversion share (subject to the normal adjustments in accordance with the terms of the convertible notes) at any time during the period commencing from the date of issue of convertible notes.

Unless previous converted and cancelled by the Company, the Company shall redeem any outstanding convertible notes at the principal amount together with accrued interest on the maturity date which is the date falling two years after the issuing date.

The Company determined the fair value of the liability component based on the valuations performed by ASCENT PARTNERS using discounted cash flow approach. The effective interest rate is 14.911%. The residual amount was assigned as the equity component for the conversion option and was included in the convertible notes equity reserve of the Company and the Group.

The liability component is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption.

The movement of different components of the convertible notes during the year is set out below:

	Liability component	**Equity component**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Issue of convertible notes during the year	84,275	25,725	110,000
Interest expense *(note 10)*	5,611	–	5,611
At 31 December 2010	89,886	25,725	115,611

29. Deferred taxation

(a) The major deferred tax liabilities recognised are analysed below:

Group

	Mining rights
	HK$'000
At 1 May 2009	513,785
Deferred tax charged to statement of comprehensive income	21,852
At 31 December 2009 and at 1 January 2010	535,637
Deferred tax charged to statement of comprehensive income	3,509
At 31 December 2010	539,146

Deferred tax charged to statement of comprehensive income was due to the impairment on fair value of Mongolia's mining right written back.

(b) The major deferred tax assets/(liabilities) not recognised are analysed below:

Group

	Property, plant and equipment *HK$'000*	**Unused tax losses** *HK$'000*	**Total** *HK$'000*
At 1 May 2009	(8)	14,786	14,778
Net change in deferred tax assets/(liabilities) not recognised for the period	–	70	70
At 31 December 2009 and 1 January 2010	(8)	14,856	14,848
Net change in deferred tax assets/(liabilities) not recognised for the year	–	–	–
At 31 December 2010	(8)	14,856	14,848

Company

	Property, plant and equipment *HK$'000*	**Unused tax losses** *HK$'000*	**Total** *HK$'000*
At 1 May 2009	(8)	12,766	12,758
Net change in deferred tax assets/(liabilities) not recognised for the period	–	–	–
At 31 December 2009 and at 1 January 2010	(8)	12,766	12,758
Net change in deferred tax assets/(liabilities) not recognised for the year	–	–	–
At 31 December 2010	(8)	12,766	12,758

The Group and the Company have unused tax losses approximately HK$14,856,000 and HK$12,766,000 respectively (For the period ended 31 December 2009: The Group and the Company have unused tax losses approximately HK$14,856,000 and HK$12,766,000 respectively) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as the Company and its subsidiaries have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

30. Share capital

	Number of shares	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.05 each		
Balance at 31 December 2009 and 31 December 2010	30,000,000,000	1,500,000
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
Balance at 31 December 2009 and 31 December 2010	5,591,195,552	279,560

Note: On 1 December 2009, 439,516,000 ordinary shares were issued at a subscription price of HK$0.64 per share pursuant to placing and subscription agreement entered into between the vendor with the placing agent and the Company on 18 November 2009. Details of placing of subscription agreement are set out in the Company's announcement dated 20 November 2009. The premium of the issue of new shares less related issuing costs amounted to approximately HK$245,546,000 was credited to the Company's share premium account.

31. Share options scheme

The Company's share options scheme was adopted by the Company on 13 October 2003 (the "Scheme") for the purpose of enabling the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme, the Board of Directors of the Company may, at it's discretion, invite eligible participants (as contained in the Company's circular of 19 September 2003) to take up options to subscribe for shares of the Company. The principal terms of the Scheme are as follows:

(i) The maximum number of shares in respect of which options may be granted under the Scheme must not, in aggregate, exceed 10% of the issued share capital of the Company as at the date of approval of the Scheme, unless approval of the shareholders has been obtained to renew the limit, and which must not in aggregate (including all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group) exceed 30% of the shares of the Company in issue from time to time.

(ii) The number of shares in respect of which options may be granted to any individual in any 12-month period must not exceed 1% of the shares of the Company in issue as at the date of grant.

(iii) The exercise price is determined by the Board in its absolute discretion at a price not less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (b) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and (c) the nominal value of share.

(iv) An option may be accepted by a proposed grantee within 7 days from the date of the offer of grant of the option. There is no minimum period for which an option must be held before it can be exercised. An option may be exercised at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.

(v) Upon acceptance of the option, the grantee shall pay of HK$1.00 to the Company by way of consideration for the grant of the option.

(vi) The Scheme will remain valid for a period of 10 years commencing on October 2003, being the date on which it was adopted.

Details of the existing share options granted by the Company under the Scheme are as follows:–

		Tranche 1	**Tranche 2**
Date of grant	:	19 June 2009	19 June 2009
Exercisable periods/Fair value at grant date	:	19 June 2009 – 18 June 2019/ HK$0.2836	19 June 2010 – 18 June 2019/ HK$0.2689
Number of share options granted	:	158,600,000	158,600,000
Exercise price	:	HK$0.61	HK$0.61
Share price as at the valuation date	:	HK$0.60	HK$0.60
Expected volatility	:	51.17%	51.17%
Risk-free interest rate as at the valuation date	:	2.276%	2.137%
Excepted life of option	:	5 years	4.5 years

The fair value of equity-settled share options granted was estimated as at the date of grant, using the Black-Scholes Option Price Model, taking into account the terms and conditions upon which the share options were granted. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the share options granted was incorporated into the measurement of fair value.

Details of share options granted are as follows:

Date of grant/ acceptance	**Exercise period**	**Exercise price per share**	**Closing price immediately before date of offer**	**Closing price immediately before date of grant**
19 June 2009	19 June 2009 – 18 June 2019	HK$ 0.61	HK$ 0.61	HK$ 0.60
19 June 2009	19 June 2010 – 18 June 2019	HK$ 0.61	HK$ 0.61	HK$ 0.60

At no time during the period was the Company, its holding company, or any its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Share in, or debentures of, the Company or any other body corporate.

Details of the movement of the share options during the year/period under the Scheme are as follows:

31 December 2010

	Date of Grant	Exercise price *HK$*	Exercise period	At 1 January 2010	Granted during the year	Lapsed during the year	Forfeited during the year	Cancelled during the year	Exercise during the year	At 31 December 2010
Director	19 June 2009	0.610	19.6.2009-18.6.2019	57,000,000	–	–	(4,500,000)	–	–	52,500,000
	19 June 2009	0.610	19.6.2010-18.6.2019	57,000,000	–	–	(4,500,000)	–	–	52,500,000
Other employees	19 June 2009	0.610	19.6.2009-18.6.2019	4,100,000	–	–	(250,000)	–	–	3,850,000
	19 June 2009	0.610	19.6.2010-18.6.2019	4,100,000	–	–	(250,000)	–	–	3,850,000
Consultants	19 June 2009	0.610	19.6.2009-18.6.2019	97,500,000	–	–	–	–	–	97,500,000
	19 June 2009	0.610	19.6.2010-18.6.2019	97,500,000	–	–	–	–	–	97,500,000
				317,200,000	–	–	(9,500,000)	–	–	307,700,000

1 May 2009 to 31 December 2009

	Date of Grant	Exercise price *HK$*	Exercise period	At 1 May 2009	Granted during the period	Lapsed during the period	Forfeited during the period	Cancelled during the period	Exercise during the period	At 31 December 2009
Director	23 November 2006	0.107	23.11.2006-6.11.2016	11,700,000	–	(11,700,000)	–	–	–	–
	19 June 2009	0.610	19.6.2009-18.6.2019	–	57,000,000	–	–	–	–	57,000,000
	19 June 2009	0.610	19.6.2010-18.6.2019	–	57,000,000	–	–	–	–	57,000,000
Other employees	23 November 2006	0.107	23.11.2007-6.11.2016	300,000	–	–	–	(300,000)	–	–
	19 June 2009	0.610	19.6.2009-18.6.2019	–	4,100,000	–	–	–	–	4,100,000
	19 June 2009	0.610	19.6.2010-18.6.2019	–	4,100,000	–	–	–	–	4,100,000
Consultants	23 November 2006	0.107	23.11.2006-6.11.2016	11,066,381	–	–	–	(11,066,381)	–	–
	7 December 2006	0.185	7.12.2006-28.11.2016	54,000,000	–	(54,000,000)	–	–	–	–
	4 April 2007	0.550	4.4.2007-3.4.2017	93,558,966	–	(93,558,966)	–	–	–	–
	19 June 2009	0.610	19.6.2009-18.6.2019	–	97,500,000	–	–	–	–	97,500,000
	19 June 2009	0.610	19.6.2010-18.6.2019	–	97,500,000	–	–	–	–	97,500,000
				170,625,347	317,200,000	(159,258,966)	–	(11,366,381)	–	317,200,000

32. Reserves

Group

	Share premium HK$'000	Capital redemption reserve HK$'000	Warrant reserve HK$'000	Share-based payment reserve HK$'000	Exchange reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 May 2009	2,670,545	2,241	3,000	62,661	(38,334)	–	(2,126,866)	573,247
Loss for the period	–	–	–	–	–	–	(91,168)	(91,168)
Exchange difference arising on translation of foreign operations								
– Exchange differences arising during the period	–	–	–	–	(3)	–	–	(3)
– Reclassification adjustments relating to foreign operations disposed of during the period	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	(3)	–	(91,168)	(91,171)
Recognition of share-based payment	–	–	–	87,627	–	–	–	87,627
Share option lapsed/cancelled	–	–	–	(62,661)	–	–	62,661	–
Issue of shares	245,546	–	–	–	–	–	–	245,546
At 31 December 2009 and at 1 January 2010	2,916,091	2,241	3,000	87,627	(38,337)	–	(2,155,373)	815,249
Loss for the year	–	–	–	–	–	–	(23,073)	(23,073)
Exchange difference arising on translation of foreign operations								
– Exchange differences arising during the year	–	–	–	–	862	–	–	862
– Reclassification adjustments relating to foreign operations disposed of during the year	–	–	–	–	29	–	–	29
Total comprehensive income for the year	–	–	–	–	891	–	(23,073)	(22,182)
Recognition of the equity component of convertible notes	–	–	–	–	–	25,725	–	25,725
Share option forfeited	–	–	–	(2,624)	–	–	2,624	–
At 31 December 2010	**2,916,091**	**2,241**	**3,000**	**85,003**	**(37,446)**	**25,725**	**(2,175,822)**	**818,792**

Company

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Warrant reserve *HK$'000*	Share-based payment reserve *HK$'000*	Convertible notes equity reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 May 2009	2,670,545	2,241	3,000	62,661	–	(944,721)	1,793,726
Loss for the period	–	–	–	–	–	(108,795)	(108,795)
Recognition of share-based payment	–	–	–	87,627	–	–	87,627
Share option lapsed/cancelled	–	–	–	(62,661)	–	62,661	–
Issue of shares	245,546	–	–	–	–	–	245,546
At 31 December 2009 and at 1 January 2010	2,916,091	2,241	3,000	87,627	–	(990,855)	2,018,104
Loss for the year	–	–	–	–	–	(23,139)	(23,139)
Recognition of the equity component of convertible notes	–	–	–	–	25,725	–	25,725
Share option forfeited	–	–	–	(2,624)	–	2,624	–
At 31 December 2010	**2,916,091**	**2,241**	**3,000**	**85,003**	**25,725**	**(1,011,370)**	**2,020,690**

(a) Nature and purpose of the reserves are explained below:–

(i) Share premium

The share premium account of the Company is distributable to the equity holders of the Company under the Companies Law of Bermuda subject to the provisions of the Company's Memorandum and Articles of Association and provided that the Company will be in a position to payoff its debts as they fall due in the ordinary course of business immediately following the date on which the dividend is proposed to be distributed.

(ii) Share options reserve

The share options reserve represents the fair value of the number of unexercised share options granted by the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(j)(v).

(iii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(h).

(iv) Convertible notes equity reserve

The convertible notes equity reserve represents the equity component of outstanding convertible notes issued by the company recognized in accordance with the accounting policy adopted for convertible notes in Note 4(q)(ii)(3).

(b) Distributability of reserves

In the opinion of the directors of the Company, the Company had no balance of distributable reserves available for distribution to equity holders as at 31 December 2010 (For the period ended 31 December 2009: Nil).

33. Warrants

In previous year, the Company issued 60,000,000 warrants at an issue price of HK$0.05 per warrant which attaching the rights to subscribe for 60,000,000 ordinary shares of the Company at a subscription price of HK$0.60 per share to a placing agent. The subscription period lasted from the date of issue of the warrants to the expiry of the second anniversary of the issue of the warrants (both days inclusive). Details of placing of warrants are set out in the announcement dated 24 April 2009.

34. Operating leases commitments

At the end of the reporting period, the Group had future aggregate minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December 2010	**As at 31 December 2009**
	HK$'000	*HK$'000*
Properties		
– within one year	1,912	1,469
– In the second to fifth years, both inclusive	184	574
	2,096	2,043

Operating lease payments represent rental payable by the Group for its office properties and director's apartment.

35. Capital commitments

Capital commitments outstanding at 31 December 2010 and 2009 not provided for in the financial statements were as follows:

	As at 31 December 2010	As at 31 December 2009
	HK$'000	*HK$'000*
Contracted but not provided for		
– acquisition of property, plant and equipment	25,588	–
– acquisition of Qianyi Limited and its subsidiaries	89,000	–
	114,588	–

36. Retirement benefit schemes

The Group participates in the mandatory provident fund scheme (the "MPF Scheme") for its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as a percentage of employee's basic salaries. The retirement benefit costs charged to the profit and loss represent contributions paid and payable by the Group to the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The subsidiaries in the PRC participate in certain employees' retirement schemes implemented by the relevant local municipal governments. Contributions are made by the relevant subsidiaries to these schemes based on certain percentages of the applicable payroll costs.

The Group has no other obligations other than the above-mentioned contributions.

37. Financial instruments

(a) Categories of financial instruments

The Group

	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000
Financial assets		
Fair value through profit and loss		
– Investments held for trading	–	6,990
Loan and receivables		
– Deposit for acquisition	170,000	–
– Trade receivables	57,468	–
– Prepayments, deposits and other receivables	24,927	3,644
– Cash and bank balances	187,304	343,961
	439,699	347,605
Financial liabilities		
Amortised cost		
– Other payables and accruals	7,521	10,448
– Cumulative redeemable preference shares	110	110
– Convertible notes	89,886	–
	97,517	10,558

(b) Financial risk management and policies

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, other price risks, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note (4) to the financial statements.

Cash flow interest rate risk

The Group has no significant interest-bearing financial assets and liabilities with a floating interest rate. The Group's results and operating cash flows are substantially independent of changes in market interest rates.

Foreign currency risk

The Group has transactional currency exposures as the sales and purchases, certain trade and other receivables, cash and bank balances, and trade and other payables of the Group were mainly transacted in Renminbi ("RMB"), Mongolia Tugrugs ("T"), United States Dollars ("USD") and Hong Kong dollars ("HKD").

The exchange rate of RMB and T were comparatively volatile.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate of RMB and T, with all other variables held constant, of the Group's loss before tax.

	Change in exchange rate	**(Increase)/ decrease in loss before tax**
	%	*HK$'000*
At 31 December 2010		
If HKD weakens against RMB	5%	2,199
If HKD strengthens against RMB	5%	(2,199)
If HKD weakens against T	5%	118
If HKD strengthens against T	5%	(118)
At 31 December 2009		
If HKD weakens against RMB	5%	(163)
If HKD strengthens against RMB	5%	163
If HKD weakens against T	5%	(70)
If HKD strengthens against T	5%	70

At 31 December 2010 and 31 December 2009, the Group had not hedged any foreign currency to reduce such foreign currency risk.

In the opinion of the directors, if the exchange rates of these foreign currencies have continuous fluctuation, they will consider using forward currency contracts to reduce these risks.

Other price risks

The Group is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investment with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities quoted in The Stock Exchange of Hong Kong Limited. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise. At the end of the reporting period, all the marketable securities have been sold.

Sensitivity analysis

If equity prices had been 15% higher/lower (2009: 15% higher/lower), loss before tax for the year ended 31 December 2010 and period ended 31 December 2009 would decrease/increase by approximately HK$0 (2009: approximately HK$1,048,500). This is mainly due to the changes in fair value of marketable securities.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the management.

The Group has concentration of credit risk as 100% (31 December 2009: Nil) of the total trade receivables was due from the Group's second largest customer during the year. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Management regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. For non-derivative financial liabilities, the tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

In addition, the following table details the Group's expected maturity for some of its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Effective interest rate	On demand or less than 3 months	More than 3 months but less than 1 year	More than 1 year	Total undiscounted cash flows	Total carrying amount at 31.12.2010
	%	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 31 December 2010						
Non-derivative financial assets						
Cash and bank balances	–	187,304	–	–	187,304	187,304
Non-derivative financial liabilities						
Trade and other payables	–	7,521	–	–	7,521	7,521
Convertible notes	14.91	–	1,100	111,100	112,200	89,886
		7,521	1,100	111,100	119,721	97,407

	Effective interest rate	On demand or less than 3 months	More than 3 months but less than 1 year	More than 1 year	Total undiscounted cash flows	Total carrying amount at 31.12.2009
	%	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 31 December 2009						
Non-derivative financial assets						
Cash and bank balances	–	343,961	–	–	343,961	343,961
Non-derivative financial liabilities						
Trade and other payables	–	10,448	–	–	10,448	10,448

38. Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

As at 31 December 2010, the Group held the following financial instruments measured at fair value:

Financial assets measured at fair value:

	As at 31 December 2010				As at 31 December 2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fair value through profit or loss								
– investments held for trading	–	–	–	–	6,990	–	–	6,990

During the year/period ended 31 December 2010 and 31 December 2009, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

39. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as debt divided by total equity. Debt represents current and non-current liabilities as shown in the consolidated statement of financial position. Total equity represents the equity as shown in the consolidated statement of financial position.

During the year, the Group's strategy, which was unchanged from 2009, was to maintain the net debt-to-equity ratio at satisfactory level. The net debt-to-equity ratios at 31 December 2010 and 31 December 2009 are as follows:

	Group	
	As at 31 December 2010	**As at 31 December 2009**
	HK$'000	*HK$'000*
Total debt	647,661	552,071
Total equity	2,008,699	1,966,838
Net debt-to-equity ratio	32.24%	28.07%

40. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

On 3 May 2010, China National Information Resources Holdings Limited (a subsidiary of the Company), entered into an agreement for trading of products with 大冶有色金屬股份有限公司 (Daye Nonferrous Metals Co.,Ltd.)("Daye Nonferrous"), a company incorporated in the PRC and is an associated company of Hubei Daye Nonferrous Metals Co, the substantial shareholder of the Company. During the year, non-ferrous metals amounted to approximately $153,274,519.79 were sold to Dajiang International Investment Co., Ltd, an agent of Daye Nonferrous.

On 10 October 2010, an agreement was entered into between 新疆滙祥永金礦業有限公司 (Xinjiang Huixiang Yong Jin Mining Company Limited) ("Xinjiang Huixiang"), a subsidiary of the Company and 大冶有色建築安裝有限公司 (Daye Non Ferrous Construction Installation Company Limited)("DNF Construction") for engaging DNF Construction to build an integrated office building situated in 新疆烏恰縣 (Xinjiang Wuqia County) for Xinjiang Huixiang at a consideration of RMB 7,905,500 (equivalent to HK$9,091,325). DNF Construction is an indirect subsidiary of Hubei Daye Nonferrous Metals Co., the substantial shareholder of the Company.

On 15 October 2010, an agreement was entered into between Xinjiang Huixiang and 湖北鑫力井巷有限公司 (Hubei Xinli Jing Xiang Company Limited)("Hubei Xinli"), a company incorporated with limited liability in the PRC, for the construction of slanted mining wells and vertical mining wells by Hubei Xinli for Xinjiang Huixiang at a consideration of RMB26,510,000 (equivalent to HK$30,486,500). Hubei Xinli is an indirect subsidiary of Hubei Daye Nonferrous Metals Co., the substantial shareholder of the Company.

Key management personnel represent the directors of the Group and their remunerations are set out in note 11.

41. Particulars of principal subsidiaries

Particulars of the principal subsidiaries of the Company at 31 December 2010 and 31 December 2009 are as follows:–

Name of Company	Place of incorporation/ operation	Form of legal entity	Issue and paid up capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company Directly	Indirectly	Principal activities
Ample Year Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding
China National Recycling Int'l Trading Limited	Hong Kong	Limited liability company	HK$1	–	100%	Investment holding
China National Information Resources Holdings Limited	Hong Kong	Limited liability company	HK$2	–	100%	Trading in non-ferrous metals

Name of Company	Place of incorporation/ operation	Form of legal entity	Issue and paid up capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company Directly	Indirectly	Principal activities
China National Resources Investments Limited	Hong Kong	Limited liability company	HK$2	–	100%	Investment holding
China Reservoir Mining Limited	British Virgin Islands	International business company	US$10,000	–	51%	Investment holding
Fuken Investments Limited	British Virgin Islands	International business company	US$1	–	100%	Investment holding
Giant Strong International Limited	British Virgin Islands	International business company	US$3	–	100%	Investment holding
Goldway Investment International Limited	Hong Kong	Limited liability company	HK$100	–	100%	Investment holding
Golden Brand Investments Limited	British Virgin Islands	International business company	US$1	–	100%	Investment holding
Goldright Finance Limited	British Virgin Islands	International business company	US$1	100%	–	Securities trading
Max Alliance International Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding
Max Alliance Gold Resource Investment Limited	Hong Kong	Limited liability company	HK$1	–	100%	Investment holding
Reservoir (Mongolia) Limited *(note (c))*	The Republic of Mongolia	Limited liability company	US$100,000	–	51%	Mineral exploitation
Reservoir Moly Mongolia Limited *(note (a))*	The Republic of Mongolia	Limited liability company	US$10,000	–	28%	Mineral exploitation
Reservoir Tungs Limited *(note (a)) (note (b))*	The Republic of Mongolia	Limited liability company	US$10,000	–	33%	Mineral exploitation
Jetlight Investment Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding

Name of Company	Place of incorporation/ operation	Form of legal entity	Issue and paid up capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company Directly	Indirectly	Principal activities
Keytrade Investments Limited	British Virgin Islands	International business company	US$1	100%	–	Securities trading
Profit Jumbo Investment Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding
Shinemax Group Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding
Vintage International Finance Holding Group Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding
新疆匯祥永金礦業有限公司 *(note (d))*	People's Republic of China	Sino-foreign equity joint venture company	RMB121,000,000	–	55%	Mineral exploitation

Note (a): Although the Company does not own more than half of the entity shares of Reservoir Moly Mongolia Limited and Reservoir Tungs Limited, and consequently it does not control more than half of the voting power of those shares, it has the power to appoint and remove the majority of the board of directors and control of the entity is by the board. Consequently, Reservoir Moly Mongolia Limited and Reservoir Tungs Limited are controlled by the Company and is consolidated in these financial statements.

Note (b): Reservoir Tungs Limited has been disposed of on 17 December 2010.

Note (c): The paid up capital was US$10,000 on 31 December 2009.

Note (d): The paid up capital was RMB 39,000,000 on 31 December 2009.

42. Events after the reporting period

On 23 January 2011, the Company, 大冶有色金屬集團控股有限公司(Daye Non-ferrous Metals Corporation Holdings Limited) and the Vendors (China Times Development Limited, 中國信達資產管理股份有限公司(China Cinda Assets Management Co., Ltd.), 華融資產管理公司(China Huarong Asset Management Corporation) entered into the Acquisition Agreement (as supplemented and amended by the Supplemental Agreement dated 31 January 2011), pursuant to which, among other things, the Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Shares(the China Times Sale Shares, Cinda Sale Shares and Huarong Sale Shares) at a total consideration of RMB6,100,000,000 or HK$7,207,334,940 (based on the exchange rate of HKD1: RMB0.84636), which will be satisfied by the allotment and issue to the Vendors of an aggregate of 12,406,997,784 Ordinary Shares at the Issue Price of HK$0.50 per Consideration Share and (to China Times only) the issue of the China Times Convertible Notes. Details of the acquisition are set out in the announcement of the Company dated 1 February 2011.

43. Approval of accounts

The financial statements were approved and authorised for issue by the Company's Board of directors on 29 March 2011.

4. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE EIGHT MONTHS ENDED 31 DECEMBER 2009 AND THE YEAR ENDED 30 APRIL 2009

Set out below are the audited financial statements of the Group for the eight months ended 31 December 2009 and the year ended 30 April 2009 as extracted from the annual report of the Company for the eight months ended 31 December 2009.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 December 2009

	Notes	1 May 2009 to 31 December 2009 HK$'000	1 May 2008 to 30 April 2009 HK$'000
REVENUE	6	1,672	20,235
COST OF SALES		(645)	(27,695)
		1,027	(7,460)
OTHER REVENUE	6	300	411
GENERAL AND ADMINISTRATIVE EXPENSES		(112,988)	(461,724)
OPERATING LOSS FOR THE PERIOD/YEAR	8	(111,661)	(468,773)
IMPAIRMENT OF MINING RIGHT WRITTEN BACK		87,407	–
LOSSES ON CHANGES IN FAIR VALUES OF INVESTMENTS HELD FOR TRADING		(1,186)	(4,204)
FINANCE COSTS	9	(5)	(5)
LOSS BEFORE TAXATION		(25,445)	(472,982)
INCOME TAX	11	(21,852)	108,429
LOSS FOR THE PERIOD/YEAR		(47,297)	(364,553)

	Notes	1 May 2009 to 31 December 2009 HK$'000	1 May 2008 to 30 April 2009 HK$'000
OTHER COMPREHENSIVE INCOME:			
Exchange difference arising on translation of foreign operations		4	5,850
OTHER COMPREHENSIVE INCOME FOR THE PERIOD/YEAR, NET OF TAX		4	5,850
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR		(47,293)	(358,703)
LOSS FOR THE PERIOD/YEAR ATTRIBUTABLE TO:			
– owners of the Company	12	(91,168)	(123,313)
– non-controlling interests		43,871	(241,240)
		(47,297)	(364,553)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
– owners of the Company		(91,171)	(122,907)
– non-controlling interests		43,878	(235,796)
		(47,293)	(358,703)
DIVIDEND		N/A	N/A
		HK cents	HK cents
Loss per share:	14		
– Basic		(1.76)	(2.39)
– Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	As at 31 December 2009 HK$'000	As at 30 April 2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	18,731	18,142
Prepaid lease payment	16	1,670	–
Jointly controlled entities	19	–	–
Mining rights	17	2,142,547	2,055,140
		2,162,948	2,073,282
CURRENT ASSETS			
Investments held for trading	20	6,990	8,821
Inventories	21	1,366	1,441
Trade and other receivables	22	3,644	5,102
Cash and bank balances	23	343,961	97,894
TOTAL CURRENT ASSETS		355,961	113,258
CURRENT LIABILITIES			
Trade and other payables	24	10,448	7,786
Deferred income	25	3,975	3,976
Tax payable		1,901	1,901
TOTAL CURRENT LIABILITIES		16,324	13,663
NET CURRENT ASSETS		339,637	99,595
TOTAL ASSETS LESS CURRENT LIABILITIES		2,502,585	2,172,877
NON-CURRENT LIABILITIES			
Cumulative redeemable preference shares	26	110	110
Deferred tax liabilities	31	535,637	513,785
TOTAL NON-CURRENT LIABILITIES		535,747	513,895
NET ASSETS		1,966,838	1,658,982
CAPITAL AND RESERVES			
Share capital	27	279,560	257,584
Reserves	29	815,249	573,247
Equity attributable to the owners of the Company		1,094,809	830,831
Non-controlling interests		872,029	828,151
TOTAL EQUITY		1,966,838	1,658,982

STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

	Notes	As at 31 December 2009 HK$'000	As at 30 April 2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	1,282	72
Jointly controlled entities	19	–	–
Interest in subsidiaries	18	2,005,372	2,008,425
TOTAL NON-CURRENT ASSETS		2,006,654	2,008,497
CURRENT ASSETS			
Trade and other receivables	22	1,724	4,571
Cash and bank balances	23	293,309	42,430
TOTAL CURRENT ASSETS		295,033	47,001
CURRENT LIABILITIES			
Trade and other payables	24	3,913	4,078
TOTAL CURRENT LIABILITIES		3,913	4,078
NET CURRENT ASSETS		291,120	42,923
TOTAL ASSETS LESS CURRENT LIABILITIES		2,297,774	2,051,420
NON-CURRENT LIABILITIES			
Cumulative redeemable preference shares	26	110	110
TOTAL NON-CURRENT LIABILITIES		110	110
NET ASSETS		2,297,664	2,051,310
CAPITAL AND RESERVES			
Share capital	27	279,560	257,584
Reserves	29	2,018,104	1,793,726
TOTAL EQUITY		2,297,664	2,051,310

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2009

	Attributable to the owners of the Company									
	Share capital	Share premium	Capital redemption reserve	Warrant reserve	Share-based payment reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2008	257,584	2,670,545	2,241	–	64,137	(38,740)	(2,007,758)	948,009	1,063,947	2,011,956
Loss for the year	–	–	–	–	–	–	(123,313)	(123,313)	(241,240)	(364,553)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	406	–	406	5,444	5,850
Total comprehensive income for the year	–	–	–	–	–	406	(123,313)	(122,907)	(235,796)	(358,703)
Recognition of share-based payment	–	–	–	–	2,729	–	–	2,729	–	2,729
Share option lapsed	–	–	–	–	(4,205)	–	4,205	–	–	–
Issue of warrants	–	–	–	3,000	–	–	–	3,000	–	3,000
At 30 April 2009 and At 1 May 2009	257,584	2,670,545	2,241	3,000	62,661	(38,334)	(2,126,866)	830,831	828,151	1,658,982
Loss for the period	–	–	–	–	–	–	(91,168)	(91,168)	43,871	(47,297)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(3)	–	(3)	7	4
Total comprehensive income for the period	–	–	–	–	–	(3)	(91,168)	(91,171)	43,878	(47,293)
Recognition of share-based payment	–	–	–	–	87,627	–	–	87,627	–	87,627
Share option lasped/cancelled	–	–	–	–	(62,661)	–	62,661	–	–	–
Issue of shares	21,976	245,546	–	–	–	–	–	267,522	–	267,522
At 31 December 2009	279,560	2,916,091	2,241	3,000	87,627	(38,337)	(2,155,373)	1,094,809	872,029	1,966,838

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2009

	1 May 2009 to 31 December 2009	1 May 2008 to 30 April 2009
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(25,445)	(472,982)
Adjustments for:		
Interest income	(85)	(470)
Impairment of mining right written back	(87,407)	–
Finance costs	5	5
Impairment of mining right	–	433,719
Impairment of other receivables	33	–
Inventories written off	34	–
Share-based payment expenses	87,627	2,729
Losses on changes in fair values of investments held for trading	1,186	4,204
Depreciation	1,139	1,934
Loss on disposal of property, plant and equipment	9	–
Operating loss before changes in working capital	(22,904)	(30,861)
Decrease in investments held for trading	645	20,679
Decrease/(increase) in inventories	41	(1,441)
Decrease in trade and other receivables	1,425	78,407
Increase/(decrease) in trade and other payables	2,662	(2,242)
Increase in deferred income	–	3,976
Net Cash (used in)/generated from operations	(18,131)	68,518
Interest paid	(5)	(5)
Net cash (used in)/generated from operating activities	(18,136)	68,513
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	85	470
Purchase of property, plant and equipment	(1,739)	(17,600)
Prepaid lease payment	(1,670)	–

	1 May 2009 to 31 December 2009 *HK$'000*	1 May 2008 to 30 April 2009 *HK$'000*
Net cash used in investing activities	(3,324)	(17,130)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of ordinary shares	267,522	–
Net cash generated from financing activities	267,522	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	246,062	51,383
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR	97,894	40,682
Effects of foreign exchange rate changes	5	5,829
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR	343,961	97,894
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	343,961	97,894

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2009

1. Corporate information

China Daye Non-Ferrous Metals Mining Limited (the "Company") was incorporated in Bermuda as an exempted Company with limited liability and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Unit 2001, World Wide House, 19 Des Voeux Road Central, Hong Kong respectively.

During the period, the Group was involved in the following principal activities:

– Corporate investment and trading in securities; and

– Minerals exploitation.

The financial year end date of the Company was changed from 30 April to 31 December. The reason for the change is to coincide with the financial year end date of the Company's principal operating subsidiaries, which are mainly situated in the People's Republic of China, and thereby facilitating the preparation of the consolidated financial statements of the Company and its subsidiaries. As a result of the change, the current financial statements covered a period from 1 May 2009 to 31 December 2009 which was shorter than one year as compared with the previous financial statements which covered a period from 1 May 2008 to 30 April 2009. The comparative amounts for the statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes are not entirely comparable.

In the opinion of the directors, as at 31 December 2009 the ultimate holding company is Hubei Daye Non Ferrous Metals Co., a company incorporated in the People's Republic of China.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current period, the Group and the Company have applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & HKAS1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRS (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRS (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has no material effect on the financial statements of the Group and the Company for the current and prior accounting periods.

(a) HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

(b) HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 7) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

(c) Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in relation to fair value measurements in accordance with the transitional provision set out in the amendments.

The Group and the Company have not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[(1)]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[(2)]
HKAS 24 (Revised)	Related Party Disclosures[(5)]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[(1)]
HKAS 32 (Amendments)	Classification of Rights Issues[(4)]
HKAS 39 (Amendments)	Eligible Hedged Items[(1)]
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters[(3)]
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions[(3)]
HKFRS 3 (Revised)	Business Combinations[(1)]
HKFRS 9	Financial Instruments[(7)]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of Minimum Funding Requirement[(6)]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[(1)]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity[(6)]

(1) *Effective for annual periods beginning on or after 1 July 2009*
(2) *Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate*
(3) *Effective for annual periods beginning on or after 1 January 2010*
(4) *Effective for annual periods beginning on or after 1 February 2010*
(5) *Effective for annual periods beginning on or after 1 January 2011*
(6) *Effective for annual periods beginning on or after 1 July 2010*
(7) *Effective for annual periods beginning on or after 1 January 2013*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognized financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might not affect the classification and measurement of the leasehold land.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on financial statements.

3. Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain financial instruments, which are measured at fair values.

4. Significant accounting policies

(a) Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combinations and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses.

(b) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(c) Subsidiary

A subsidiary is an enterprise in which the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another enterprise.

Investment in subsidiaries is included in the Company's statement of financial position at cost less any impairment losses, unless it is classified as held for sale. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entities recognised for the year.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's statement of financial position, investment in associates and jointly controlled entities is stated at cost less impairment losses, unless it is classified as held for sale.

(e) Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Goodwill arising on an acquisition of an associate or a jointly controlled entity represents the excess of the cost of the acquisition over the Group's share of the relevant associate's or jointly controlled entity's net assets at the date of acquisition.

Capitalised goodwill is presented separately in the consolidated statement of financial position and is carried at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, an associate or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(f) Revenue recognition

Revenue, which is measured at the fair value of the consideration received or receivable, is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, on the following bases:

(i) Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes;

(ii) Income arising from sales of trading securities is recognised on the completion of transfer of risks and rewards of ownership of the investments to the transferee and the legal title being passed;

(iii) interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount; and

(iv) Dividend income is recognised when the shareholder's right to receive payment is established.

(g) Leases

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis. Interest in leasehold land is amortised over the lease term on a straight-line basis

(h) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate prevailing at the end of the reporting period. Exchange differences arising are included in the translation reserve.

(i) Borrowing costs

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

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

(j) Employee benefits

(i) 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 or paternity leaves are not recognised until the time of leave.

(ii) Employee leave entitlements

Provision for profit sharing and bonus payments due wholly within twelve months after the end of the reporting period are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme set up pursuant to the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "MPF" Scheme) for all qualifying employees are expensed as incurred. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Company's PRC and Mongolia subsidiaries participate in defined contribution retirements schemes organized by the local government authorities. All of the employees are entitled to an annual pension equivalent to a fixed portion of their basic salaries at their retirement dates. The Company's PRC and Mongolia subsidiaries are required to contribute certain percentage of the basic salaries of their employees to the retirement schemes and have no further obligation for post-retirement benefits. The contributions are charged to the profits and loss of the Group as they become payable in accordance with the rules of schemes.

(iv) Share-based payments

The Group operates equity-settled share-based payments to certain directors, employees and other parties.

Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) 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 with a corresponding increase in a capital reserve within equity, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained earnings).

Fair value is measured using the Black-Scholes Option Price Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

(k) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement 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 at the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. 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 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 and associates, and interests in joint ventures, 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.

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 at the end of the reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(l) Property, plant and equipment

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

Depreciation is charged so as to write off the cost of property, plant and equipment, after taking into account of their estimated residual value, if any, over their estimated useful lives, using the straight-line method. The principal annual rates are as follows:

Leasehold improvement	20%
Furniture, fixtures and equipment	15% – 20%
Motor vehicles	25%
Plant and machineries	15%
Building and mining structure	5%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Construction in progress, which represents assets under construction, is stated at cost less impairment loss, if any. When the assets are completed and ready for use, the carrying amount of the assets will be reclassified to property, plant and equipment and depreciated in accordance with the policy as set out above.

(m) Leases of land and buildings

Whenever necessary in order to classify and account for a lease of land and buildings, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception of the lease.

The land element is classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term. The buildings element is classified as a finance or operating lease in the same way as leases of other assets.

If the lease payments on a lease of land and building cannot be allocated reliably between the land and building elements at the inception of the lease, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

(n) Mining right

Mining rights are stated at cost less accumulated amortisation and any impairment losses and are amortised on a straight line basis over the estimated useful life of the mines based on the total proven and probable reserves of the mines using the units of production method.

(o) Exploration and related expenses

Exploration and related expenses include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

(p) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset by equal annual installments.

(q) Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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 (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 under other standard, in which case the impairment loss is treated as revaluation decrease under other standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 had no impairment loss been recognised for the asset (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 under other standard, in which case the reversal of the impairment loss is treated as a revaluation increase under other standard.

Impairment losses recognised in an interim financial report prepared in compliance with "HKAS 34 Interim Financial Reporting" are not reversed at the end of the financial year to which the interim period relates even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of that financial year.

(r) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective interest method

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

Interest income for financial assets and interest expense for financial liabilities are recognized on an effective interest basis.

(i) Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The accounting policies adopted in respect of each category of financial assets are set out below.

(1) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is a part of and identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At the end of each reporting period subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade receivables, loan receivables, other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

(3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At the end of each reporting period subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

(4) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition.

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

(ii) Financial liabilities

The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

(1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if:

– it has been acquired principally for the purpose of repurchasing in the near future; or

– it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At the end of each reporting period subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability.

(2) Other financial liabilities and equity

Other financial liabilities (including bank and other borrowings, trade and other payables) are subsequently measured at amortised cost, using the effective interest method.

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

(3) Convertible bonds

Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the conversion option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible bonds using the effective interest method.

(iii) Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on purchase, sale, issue or cancellation of the Company's own equity instruments.

Warrants issued by the group entities which will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments, are recorded at the proceeds received, net of direct issue costs.

(s) Financial guarantees, provisions and contingent liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The Group has asserted to regard financial guarantee contracts as insurance contracts and elect to apply "HKFRS 4 Insurance Contracts" to account for such contracts. The election applies to all existing contracts and new contracts on a contract-by-contract basis and is irrevocable for each contract elected.

Provisions are recognised when the Group has a present obligation as a result of a past event, and 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 expenditure expected to settle the obligation.

Present obligation is disclosed as a contingent liability where it is not probable that an outflow of economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliably. Possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future event(s) is also disclosed as a contingent liability unless the probability of outflow of economic benefits is remote.

(t) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(u) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(v) Related parties

A party is considered to be related to the Group if:

(i) The party, directly or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, the Group; (2) has an interest in the Group that gives it significant influence over the Group; or (3) has joint control over the Group;

(ii) The party is an associate;

(iii) The party is a jointly-controlled entity;

(iv) The party is a member of the key management personnel of the Group or its parent;

(v) The party is a close member of the family of any individual referred to in (i) or (iv);

(vi) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides, with directly or indirectly, any individual referred to in (iv) or (v); or

(vii) The party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(w) Segment reporting

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

5. Critical accounting judgments and estimates

(a) Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations as discussed below, which have the most significant effect on the amounts recognised in the financial statements.

(i) Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(ii) Exploration and related expenses

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgments in determining whether it is likely that future economic benefits will arise, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of capitalized expenditures are unlikely, the amount capitalized is written off in the income statement in the period when the new information becomes available.

(iii) Income taxes

Deferred tax is provided using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgment regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all or the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the income statement.

(b) 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 the Group's assets and liabilities within the next financial year are discussed below.

(i) Impairment test of assets

The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the subjective judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as proven and probable. Proven and probable mine reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. In addition, price and cost levels change from year to year, the estimates of proven and probable mine reserves also change. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the related amortization rates of mining rights.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining amortization expenses and impairment losses of mining rights. Amortization rates are determined based on estimated proven and probable mine reserve quantity and capitalized costs of mining rights. The capitalized costs of mining rights are amortized over the estimated useful lives of the mines based on the proven and probable reserves of the mines using the units of production method.

(iii) Income taxes

The Group reviews the carrying amount of deferred tax assets at the end of each reporting period and reduces the amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. This requires an estimation of the future taxable profits. Estimating the future taxable profits requires the Group to make an estimate of the expected future earnings from the Group and also to choose a suitable discount rate in order to calculate the present value of the earnings.

(iv) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year the estimate is changed and the future period.

(v) Valuation of share options

Share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the profit and loss and share-based payment reserve.

6. Revenue

(a) An analysis of the Group's revenue for the period/year is as follows:

	1 May 2009 to 31 December 2009	**1 May 2008 to 30 April 2009**
	HK$'000	*HK$'000*
Sales of marketable securities	1,424	19,429
Other interest income	85	470
Dividend income	163	336
	1,672	20,235

(b) An analysis of the Group's other revenue for the period/year is as follows:

	1 May 2009 to 31 December 2009	**1 May 2008 to 30 April 2009**
	HK$'000	*HK$'000*
Miscellaneous income	300	410
Exchange gain	–	1
	300	411

7. Segment information

Segment information reported to the chief operating decision maker, directors of the Company, is the type of goods delivered by the Group's operating division for the purposes of resource allocation and performance assessment. The Group's operating and reportable segments under HKFRS 8 are as follows:

The Group is currently organized into two major business division:

(a) Corporate investment and trading in securities; and

(b) Minerals exploitation.

For the purposes of assessing segment performance and resources allocation between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment revenue represents revenue generated from external customers. There were no inter-segment sales during the period/year.

Segment result represents the profit/(loss) earned by each segment without allocation of corporate income and expense, central administration cost, directors' salaries, interest income, impairment of other receivables and finance costs.

Segment assets include all tangible, intangible assets and current assets.

Segment liabilities include all trade and other payables other than tax payable and deferred tax liabilities.

(a) Segment revenues and results

	1 May 2009 to 31 December 2009		
	Corporate investment and trading in securities	**Minerals exploitation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Segments revenue	1,587	–	1,587
Segments results	(264)	80,148	79,884
Interest income			85
Unallocated corporate expenses			(105,376)
Impairment of other receivables			(33)
Finance costs			(5)
Consolidated loss before taxation			(25,445)

	1 May 2008 to 30 April 2009		
	Corporate investment and trading in securities	Minerals exploitation	Total
	HK$'000	*HK$'000*	*HK$'000*
Segments revenue	19,765	–	19,765
Segments results	(23,623)	(449,444)	(473,067)
Interest income			470
Unallocated corporate expenses			(380)
Finance costs			(5)
Consolidated loss before taxation			(472,982)

(b) Segment assets and liabilities

	1 May 2009 to 31 December 2009		
	Corporate investment and trading in securities	Minerals exploitation	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	8,610	2,166,341	2,174,951
Unallocated assets			343,958
Consolidated assets			2,518,909
Segment liabilities	47	10,292	10,339
Unallocated liabilities			541,732
Consolidated liabilities			552,071

	1 May 2008 to 30 April 2009		
	Corporate investment and trading in securities	Minerals exploitation	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	55,928	2,083,380	2,139,308
Unallocated assets			47,232
Consolidated assets			2,186,540
Segment liabilities	4,220	7,522	11,742
Unallocated liabilities			515,816
Consolidated liabilities			527,558

(c) ***Other segment information***

	1 May 2009 to 31 December 2009	
	Corporate investment and trading in securities	Minerals exploitation
	HK$'000	*HK$'000*
Capital expenditure	–	2,068
Depreciation	–	1,008
Impairment of mining right written back	–	(87,407)

	1 May 2008 to 30 April 2009	
	Corporate investment and trading in securities	**Minerals exploitation**
	HK$'000	*HK$'000*
Capital expenditure	27	17,573
Depreciation	47	1,887
Impairment of mining right	–	433,719

(d) Geographical segments

The following tables present revenue and certain assets and expenditure information for the Group's geographical segments for the period ended 31 December 2009 and year ended 30 April 2009.

	1 May 2009 to 31 December 2009			
	Hong Kong	**The PRC**	**Mongolia**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	1,587	–	–	1,587
Other segment information:				
Non-current assets	–	1,451,859	709,807	2,161,666
Capital expenditure	–	2,061	7	2,068

	1 May 2008 to 30 April 2009			
	Hong Kong	**The PRC**	**Mongolia**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	19,765	–	–	19,765
Other segment information:				
Non-current assets	72	1,450,817	622,393	2,073,282
Capital expenditure	27	17,573	–	17,600

8. Operating loss for the period/year

Operating loss of the Group for the period/year has been arrived at after charging the followings:

	1 May 2009 to 31 December 2009 *HK$'000*	1 May 2008 to 30 April 2009 *HK$'000*
Staff costs (including directors' remuneration – *note 10*)		
– Salaries and allowances	6,993	4,886
– Share-based payments *(note a)*	33,758	558
– Other staff costs	1,087	416
– Retirement benefits scheme contributions	60	31
	41,898	5,891
Depreciation	1,139	1,934
Auditors' remuneration		
– Audit services	720	720
– Other services	120	120
Operating leases on land and buildings	913	984
Share-based payments – Consultants *(note a)*	53,869	2,171
Impairment of mining right	–	433,719
Impairment of other receivables	33	–
Inventories written off	34	–
Exploration and related expenses	2,360	9,787

Note a: During the period/year, share-based payments arising from share options granted to directors, employees and consultants of the Group recognised as expenses in profit and loss are as follows:–

	1 May 2009 to 31 December 2009 *HK$'000*	1 May 2008 to 30 April 2009 *HK$'000*
Directors' emolument	31,493	558
Staff costs	2,265	–
Professional fees	53,869	2,171
	87,627	2,729

9. Finance costs

	1 May 2009 to 31 December 2009	1 May 2008 to 30 April 2009
	HK$'000	*HK$'000*
Dividends on cumulative redeemable preference shares *(note 13)*	5	5
	5	5

10. Directors' and five highest paid employees' emoluments

(i) Directors' emoluments

1 May 2009 to 31 December 2009

		Salaries,	Other emoluments	Retirement	
		allowances and other	Employee share option	benefits scheme	
	Fees	benefits	benefits	contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Wan Bi Qi	–	1,171	13,813	–	14,984
Zhang He	–	1,157	2,486	–	3,643
Chen Xiang	–	900	13,813	–	14,713
Yuan Ping	–	1,022	1,381	–	2,403
Independent Non-executive Directors					
Wang Guoqi	–	–	–	–	–
Wang Qihong	–	–	–	–	–
Wong Sat *(note a)*	–	–	–	–	–
Qiu Quan Zhou *(note b)*	–	–	–	–	–
	–	4,250	31,493	–	35,743

Note (a): Resigned on 14 May 2009

Note (b): Appointed on 14 May 2009

1 May 2008 to 30 April 2009

	Fees	Other emoluments: Salaries, allowances and other benefits	Other emoluments: Employee share option benefits	Other emoluments: Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Wang Jian Sheng *(note b)*	–	–	–	–	–
Wan Bi Qi *(note c)*	–	–	–	–	–
Li Qiao Feng *(note a)*	–	345	302	–	647
Zhang He	–	950	196	–	1,146
Chen Xiang *(note c)*	–	–	–	–	–
Yuan Ping *(note c)*	–	–	–	–	–
Non-Executive Directors					
Wang Bao Lin *(note b)*	–	110	–	–	110
Independent Non-executive Directors					
Wang Guoqi	–	30	20	–	50
Wang Qihong	–	–	20	–	20
Wong Sat *(note d)*	–	–	20	–	20
Qiu Quan Zhou *(note e)*	–	–	–	–	–
	–	1,435	558	–	1,993

Note (a): Resigned on 16 April 2009

Note (b): Resigned on 20 April 2009

Note (c): Appointed on 20 April 2009

Note (d): Resigned on 14 May 2009

Note (e): Appointed on 14 May 2009

(ii) Five highest paid employees

During the period, the five highest paid individuals included four directors (For the year ended 30 April 2009: three), details of whose emoluments are set out above. The emoluments of the remaining highest paid individual were as follows:

	1 May 2009 to 31 December 2009	1 May 2008 to 30 April 2009
	HK$'000	*HK$'000*
Salaries and allowances	1,242	1,530
Retirement benefits scheme contributions	8	21
Employee share-based payment	1,934	–
	3,184	1,551

Emoluments of the one (For the year ended 30 April 2009: two) non-director highest paid individual(s) fell within the following bands:

	Number of individual(s)	
	1 May 2009 to 31 December 2009	1 May 2008 to 30 April 2009
HK$ Nil to HK$1,000,000	–	1
HK$1,000,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$4,000,000	1	–

11. INCOME TAX

(a) Income tax expense in the consolidated statement of comprehensive income represents:

	1 May 2009 to 31 December 2009	1 May 2008 to 30 April 2009
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	–	–
Other jurisdictions	–	–
	–	–
Deferred tax *(note 31)*	(21,852)	108,429
Tax (expense)/income for the period/year	(21,852)	108,429

Hong Kong profits tax has not been made as the Group has no assessable profits arising in or derived from Hong Kong during the period (For the year ended 30 April 2009: Nil). Overseas income taxes have not been made as the Group's operation in these countries was operating at a loss during the period (For the year ended 30 April 2009: Nil).

(b) Reconciliation between tax expense and accounting loss at applicable tax rates is as follows:

	1 May 2009 to 31 December 2009	**1 May 2008 to 30 April 2009**
	HK$'000	*HK$'000*
Loss before tax	(25,445)	(472,982)
Notional tax on loss before tax, calculated at the tax rates applicable to profits in the jurisdictions concerned	(10,368)	(49,569)
Tax effect of income not taxable	(27)	(119)
Tax effect of expenses not deductible and loss not allowable	–	451
Tax effect of temporary differences not recognised for the period/year	(8,741)	(3)
Tax effect of estimated tax losses not recognised for the period/year	19,136	49,240
(Increase)/decrease in deferred tax liabilities arising from mining right *(note 31)*	(21,852)	108,429
	(21,852)	108,429

12. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to the owners of the Company for the period ended 31 December 2009 includes a loss of approximately HK$108,795,000 (For the year ended 30 April 2009: approximately HK$11,268,000) which has been dealt with in the financial statement of the Company.

Reconciliation of the above amount to the Company's loss for the period/year is as follows:

	1 May 2009 to 31 December 2009 *HK$'000*	1 May 2008 to 30 April 2009 *HK$'000*
Amount of consolidated loss attributable to owners of the Company dealt with in the Company's financial statements	(105,110)	(11,268)
Impairment loss on amount due from subsidiaries	(3,308)	–
Impairment loss on other receivables	(377)	–
Company's loss for the period/year	(108,795)	(11,268)

13. DIVIDENDS ON CUMULATIVE REDEEMABLE PREFERENCE SHARES

	1 May 2009 to 31 December 2009 ***HK$'000***	1 May 2008 to 30 April 2009 *HK$'000*
Preference dividends		
Payable of HK$0.151 per share on 16,485 shares (For the year ended 30 April 2009: HK$0.151 on 16,485 shares)	3	3
Payable of HK$0.149 per share on 16,485 shares (For the year ended 30 April 2009: HK$0.149 on 16,485 shares)	2	2
	5	5

14. LOSS PER SHARE

The basic loss per share is calculated based on the loss attributable to owners of approximately HK$91,168,000 (For the year ended 30 April 2009: approximately HK$123,313,000) and the weighted average number of 5,187,804,155 (For the year ended 30 April 2009: 5,151,679,552) ordinary shares in issue during the period/year.

The diluted loss per share for the period ended 31 December 2009 and year ended 30 April 2009 has not been disclosed as the potential shares arising from the exercise and conversion of the Company's share options and convertible preference shares would increase the loss per share of the Group for the period/year and is regarded as anti-dilutive.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvement	Furniture, fixtures and equipment	Motor vehicles	Plant and machineries	Building and mining structure	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:							
At 1 May 2008	–	421	1,379	1,431	–	–	3,231
Additions	–	86	–	2	906	16,606	17,600
Transfer	–	–	–	3,911	8,091	(12,002)	–
Exchange adjustment	–	4	(69)	8	–	–	(57)
At 30 April 2009 and at 1 May 2009	–	511	1,310	5,352	8,997	4,604	20,774
Additions	1,160	188	376	9	–	6	1,739
Disposals	–	(11)	–	–	–	–	(11)
Exchange adjustment	–	1	(6)	–	(1)	(1)	(7)
At 31 December 2009	1,160	689	1,680	5,361	8,996	4,609	22,495
Accumulated depreciation and impairment losses:							
At 1 May 2008	–	195	526	55	–	–	776
Charge for the year	–	93	425	966	450	–	1,934
Exchange adjustment	–	–	(75)	(3)	–	–	(78)
At 30 April 2009 and at 1 May 2009	–	288	876	1,018	450	–	2,632
Charge for the period	99	52	152	536	300	–	1,139
Written back on disposal	–	(2)	–	–	–	–	(2)
Exchange adjustment	–	–	(6)	1	–	–	(5)
At 31 December 2009	99	338	1,022	1,555	750	–	3,764
Net carrying amount:							
At 31 December 2009	1,061	351	658	3,806	8,246	4,609	18,731
At 30 April 2009	–	223	434	4,334	8,547	4,604	18,142

Company

	Leasehold improvement	Furniture, fixtures and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 May 2008	–	279	279
Additions	–	27	27
At 30 April 2009 and at 1 May 2009	–	306	306
Additions	1,160	181	1,341
At 31 December 2009	1,160	487	1,647
Accumulated depreciation and impairment losses:			
At 1 May 2008	–	187	187
Charge for the year	–	47	47
At 30 April 2009 and at 1 May 2009	–	234	234
Charge for the period	99	32	131
At 31 December 2009	99	266	365
Net carrying amount:			
At 31 December 2009	1,061	221	1,282
At 30 April 2009	–	72	72

16. PREPAID LEASE PAYMENT

	As at 31 December 2009 HK$'000	As at 30 April 2009 HK$'000
Cost/carrying amount:		
At the beginning of the period/year	–	–
Additions	1,670	–
At the end of the period/year	1,670	–
Accumulated amortization:		
At the beginning of the period/year	–	–
Charge for the period/year	–	–
At the end of the period/year	–	–
Net carrying value:		
At 31 December/30 April	1,670	–

Prepaid lease payment represented cost paid by a subsidiary to acquire land use right in the PRC on 25 December 2009. The subsidiary intends to erect office building on the land for own use. The land use right will be expired on 24 December 2049 and its cost is amortised over the lease term on a straight-line basis. No amortisation was provided during the period as the land use right was acquired during the end of the period.

17. MINING RIGHTS

	As at 31 December 2009 HK$'000	As at 30 April 2009 HK$'000
Cost/carrying amount:		
At the beginning of the period/year	2,055,140	2,488,859
Impairment loss	–	(433,719)
Impairment loss written back	87,407	–
At the end of the period/year	2,142,547	2,055,140

No amortisation was provided during the period/year as the Group has not yet commenced to exploit the ores.

18. INTEREST IN SUBSIDIARIES

	Company	
	1 May 2009 to 31 December 2009	1 May 2008 to 30 April 2009
	HK$'000	*HK$'000*
Unlisted shares, at cost	–	–
Amounts due from subsidiaries	2,052,231	2,051,976
Amounts due to subsidiaries	(10,099)	(10,099)
	2,042,132	2,041,877
Allowance for impairment losses	(36,760)	(33,452)
	2,005,372	2,008,425

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Particulars of the Company's principal subsidiaries are set out in note 38 to financial statements.

19. JOINTLY CONTROLLED ENTITIES

Details of jointly controlled entity of the Group at the balance sheet date are as follows:–

	Group		Company	
	As at 31 December 2009	As at 30 April 2009	As at 31 December 2009	As at 30 April 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net liabilities	–	–	–	–
Amounts due from jointly controlled entities	16,315	16,315	16,301	16,301
Allowances for impairment losses	(16,315)	(16,315)	(16,301)	(16,301)
	–	–	–	–

Company	Place of Incorporation/ operation	Principal activities	Attributable equity interest
Yetcome Investments Limited	British Virgin Islands	Investments holding	33%
T & T Properties Sdn. Bhd.	Malaysia	Property development	33%
Prizevest Sdn. Bhd.	Malaysia	Property development	23%
Top Priority Sdn. Bhd.	Malaysia	Property development	23%
Victec Enterprise Sdn. Bhd.	Malaysia	Property development	23%
Prime Harvest Financial Holding Group Limited	British Virgin Islands	Investments holding	40%

Equity accounting for the Group's interests in all these jointly controlled entities has been discontinued since 2004 as the operations of these entities had ceased in consequence of Receivers appointed in the year 2002. The carrying amounts of these jointly controlled entities have been fully impaired.

The amounts due from these jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

20. INVESTMENTS HELD FOR TRADING

	Group	
	As at 31 December 2009	**As at 30 April 2009**
	HK$'000	*HK$'000*
Investments held for trading – at fair value	6,990	8,821

The investments included above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices.

21. INVENTORIES

	Group	
	As at 31 December 2009	As at 30 April 2009
	HK$'000	*HK$'000*
Raw materials	750	825
Finished goods	616	616
	1,366	1,441

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	As at 31 December 2009	As at 30 April 2009	As at 31 December 2009	As at 30 April 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	–	–	–	–
Other receivables	2,279	3,342	962	3,410
Prepayments and deposits	1,365	1,760	762	1,161
	3,644	5,102	1,724	4,571

The aging analysis of trade receivables is as follows:

	Group		Company	
	As at 31 December 2009	As at 30 April 2009	As at 31 December 2009	As at 30 April 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 3 months	–	–	–	–

23. CASH AND BANK BALANCES

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

24. TRADE AND OTHER PAYABLES

	Group		Company	
	As at 31 December 2009	As at 30 April 2009	As at 31 December 2009	As at 30 April 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	–	–	–	–
Temporary deposits, accruals and other payables	10,448	7,786	3,891	4,078
	10,448	7,786	3,891	4,078

The aging analysis of trade payable is as follows:

	Group		Company	
	As at 31 December 2009	As at 30 April 2009	As at 31 December 2009	As at 30 April 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 3 months	–	–	–	–

25. DEFERRED INCOME

	Group	
	As at 31 December 2009	**As at 30 April 2009**
	HK$'000	*HK$'000*
Government grant received:		
At the beginning of the period/year	3,976	–
Additions	–	3,976
Exchange adjustment	(1)	–
At the end of the period/year	3,975	3,976

26. CUMULATIVE REDEEMABLE PREFERENCE SHARES

	Number of shares	**Amount**
		HK$'000
Authorised:		
6% convertible cumulative redeemable preference shares of HK$1 each	100,000,000	100,000
Issued and fully paid:		
Balance at 1 May 2008, 30 April 2009 and 31 December 2009	16,485	110

A holder of the convertible cumulative redeemable preference shares ("CPS") is entitled to receive a fixed cumulative preferential dividend at the rate of 6% per annum on the notional value of HK$5 per CPS to be paid half-yearly on 30 June and 31 December in each year.

A holder of the CPS may convert his shares held at any time into Ordinary Shares at the conversion price of HK$0.036 per share, subject to adjustment.

The CPS may be redeemed by the holders of the CPS at any time after 30 June 1996 at a redemption price per share equal to the notional value plus accrued dividend.

The Company has the option to redeem all or some of the CPS at any time at the notional value of the CPS if the average of the closing prices of the Ordinary Share quoted on the Stock Exchange over the preceding 30 consecutive dealing days ending on the seventh day prior to the date upon which notice of redemption is given is greater than or equal to 150% of the conversion price in effect on such seventh day.

27. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.05 each		
Balance at 1 May 2008, 30 April 2009 and 31 December 2009	30,000,000,000	1,500,000
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
Balance at 1 May 2008 and 30 April 2009	5,151,679,552	257,584
Issue of shares *(note)*	439,516,000	21,976
Balance at 31 December 2009	5,591,195,552	279,560

Note: On 1 December 2009, 439,516,000 ordinary shares were issued at a subscription price of HK$0.64 per share pursuant to placing and subscription agreement entered into between the vendor with the placing agent and the Company on 18 November 2009. Details of placing of subscription agreement are set out in the Company's announcement dated 20 November 2009. The premium of the issue of new shares less related issuing costs amounted to approximately HK$245,546,000 was credited to the Company's share premium account.

28. SHARE OPTIONS SCHEME

The Company's share options scheme was adopted by the Company on 13 October 2003 (the "Scheme") for the purpose of enabling the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme, the Board of Directors of the Company may, at it's discretion, invite eligible participants (as contained in the Company's circular of 19 September 2003) to take up options to subscribe for shares of the Company. The principal terms of the Scheme are as follows:

(i) The maximum number of shares in respect of which options may be granted under the Scheme must not, in aggregate, exceed 10% of the issued share capital of the Company as at the date of approval of the Scheme, unless approval of the shareholders has been obtained to renew the limit, and which must not in aggregate (including all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group) exceed 30% of the shares of the Company in issue from time to time.

(ii) The number of shares in respect of which options may be granted to any individual in any 12-month period must not exceed 1% of the shares of the Company in issue as at the date of grant.

(iii) The exercise price is determined by the Board in its absolute discretion at a price not less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (b) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and (c) the nominal value of share.

(iv) An option may be accepted by a proposed grantee within 7 days from the date of the offer of grant of the option. There is no minimum period for which an option must be held before it can be exercised. An option may be exercised at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.

(v) Upon acceptance of the option, the grantee shall pay of HK$1.00 to the Company by way of consideration for the grant of the option.

(vi) The Scheme will remain valid for a period of 10 years commencing on October 2003, being the date on which it was adopted.

Details of the existing share options granted by the Company under the Scheme are as follows:–

		Tranche 1	Tranche 2
Date of grant	:	19 June 2009	19 June 2009
Vesting periods/Fair value at grant date	:	19 June 2009 – 18 June 2019/ HK$0.2836	19 June 2010 – 18 June 2019/ HK$0.2689
Number of share options granted	:	158,600,000	158,600,000
Exercise price	:	HK$0.61	HK$0.61
Share price as at the valuation date	:	HK$0.60	HK$0.60
Expected volatility	:	51.17%	51.17%
Risk-free interest rate as at the valuation date	:	2.276%	2.137%
Excepted life of option	:	5 years	4.5 years

The fair value of equity-settled share options granted was estimated as at the date of grant, using the Black-Scholes Option Price Model, taking into account the terms and conditions upon which the share options were granted. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the share options granted was incorporated into the measurement of fair value.

Details of share options granted are as follows:

Date of grant/ acceptance	Exercise period	Exercise price per share	Closing price immediately before date of offer	Closing price immediately before date of grant
19 June 2009	19 June 2009 – 18 June 2019	HK$ 0.61	HK$ 0.61	HK$ 0.60
19 June 2009	19 June 2010 – 18 June 2019	HK$ 0.61	HK$ 0.61	HK$ 0.60

At no time during the period was the Company, its holding company, or any its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Share in, or debentures of, the Company or any other body corporate.

Details of the movement of the share options during the period/year under the Scheme are as follows:

1 May 2009 to 31 December 2009

	Date of Grant	Exercise price *HK$*	Exercise period	At 1 May 2009	Granted during the period	Lapsed during the period	Cancelled during the period	Exercise during the period	At 31 December 2009
Director	23 November 2006	0.107	23.11.2006-6.11.2016	11,700,000	–	(11,700,000)	–	–	–
	19 June 2009	0.610	19.6.2009-18.6.2019	–	57,000,000	–	–	–	57,000,000
	19 June 2009	0.610	19.6.2010-18.6.2019	–	57,000,000	–	–	–	57,000,000
Other employees	23 November 2006	0.107	23.11.2007-6.11.2016	300,000	–	–	(300,000)	–	–
	19 June 2009	0.610	19.6.2009-18.6.2019	–	4,100,000	–	–	–	4,100,000
	19 June 2009	0.610	19.6.2010-18.6.2019	–	4,100,000	–	–	–	4,100,000
Consultants	23 November 2006	0.107	23.11.2006-6.11.2016	11,066,381	–	–	(11,066,381)	–	–
	7 December 2006	0.185	7.12.2006-28.11.2016	54,000,000	–	(54,000,000)	–	–	–
	4 April 2007	0.550	4.4.2007-3.4.2017	93,558,966	–	(93,558,966)	–	–	–
	19 June 2009	0.610	19.6.2009-18.6.2019	–	97,500,000	–	–	–	97,500,000
	19 June 2009	0.610	19.6.2010-18.6.2019	–	97,500,000	–	–	–	97,500,000
				170,625,347	317,200,000	(159,258,966)	(11,366,381)	–	317,200,000

1 May 2008 to 30 April 2009

	Date of Grant	Exercise Price *HK$*	Exercise period	At 1 May 2008	Granted during the year	Lasped during the year	Cancelled during the year	Exercised during the year	At 30 April 2009
Director	23 November 2006	0.107	23.11.2006-6.11.2016	11,700,000	–	–	–	–	11,700,000
	7 December 2006	0.185	7.12.2006-28.11.2016	9,000,000	–	(9,000,000)	–	–	–
Other employees	23 November 2006	0.107	23.11.2007-6.11.2016	1,800,000	–	(1,500,000)	–	–	300,000
Consultants	23 November 2006	0.107	23.11.2006-6.11.2016	11,066,381	–	–	–	–	11,066,381
	7 December 2006	0.185	7.12.2006-28.11.2016	54,000,000	–	–	–	–	54,000,000
	4 April 2007	0.550	4.4.2007-3.4.2017	93,558,966	–	–	–	–	93,558,966
				181,125,347	–	(10,500,000)	–	–	170,625,347

29. RESERVES

Group

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Warrant reserve *HK$'000*	Share-based payment reserve *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 May 2008	2,670,545	2,241	–	64,137	(38,740)	(2,007,758)	690,425
Loss for the year	–	–	–	–	–	(123,313)	(123,313)
Exchange difference arising on translation of foreign operations	–	–	–	–	406	–	406
Total comprehensive income for the year	–	–	–	–	406	(123,313)	(122,907)
Recognition of share-based payment	–	–	–	2,729	–	–	2,729
Share option lapsed	–	–	–	(4,205)	–	4,205	–
Issue of warrants	–	–	3,000	–	–	–	3,000
At 30 April 2009 and at 1 May 2009	2,670,545	2,241	3,000	62,661	(38,334)	(2,126,866)	573,247
Loss for the period	–	–	–	–	–	(91,168)	(91,168)
Exchange difference arising on translation of foreign operations	–	–	–	–	(3)	–	(3)
Total comprehensive income for the period	–	–	–	–	(3)	(91,168)	(91,171)
Recognition of share-based payment	–	–	–	87,627	–	–	87,627
Share option lapsed/cancelled	–	–	–	(62,661)	–	62,661	–
Issue of shares	245,546	–	–	–	–	–	245,546
At 31 December 2009	2,916,091	2,241	3,000	87,627	(38,337)	(2,155,373)	815,249

Company

	Share premium	Capital redemption reserve	Warrant reserve	Share-based payment reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2008	2,670,545	2,241	–	64,137	(937,658)	1,799,265
Loss for the year	–	–	–	–	(11,268)	(11,268)
Recognition of share-based payment	–	–	–	2,729	–	2,729
Share option lapsed	–	–	–	(4,205)	4,205	–
Issue of warrants	–	–	3,000	–	–	3,000
At 30 April 2009 and at 1 May 2009	2,670,545	2,241	3,000	62,661	(944,721)	1,793,726
Loss for the period	–	–	–	–	(108,795)	(108,795)
Recognition of share-based payment	–	–	–	87,627	–	87,627
Share option lapsed/cancelled	–	–	–	(62,661)	62,661	–
Issue of shares	245,546	–	–	–	–	245,546
At 31 December 2009	2,916,091	2,241	3,000	87,627	(990,855)	2,018,104

(a) Nature and purpose of the reserves are explained below:–

(i) Share premium

The share premium account of the Company is distributable to the equity holders of the Company under the Companies Law of the Cayman Islands subject to the provisions of the Company's Memorandum and Articles of Association and provided that the Company will be in a position to payoff its debts as they fall due in the ordinary course of business immediately following the date on which the dividend is proposed to be distributed.

(ii) Share options reserve

The share options reserve represents the fair value of the number of unexercised share options granted by the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(j)(iv).

(iii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(h).

(b) Distributability of reserves

In the opinion of the directors of the Company, the Company had no balance of distributable reserves available for distribution to equity holders as at 31 December, 2009 (For the year ended 30 April 2009: Nil).

30. WARRANTS

In previous year, the Company issued 60,000,000 warrants at an issue price of HK$0.05 per warrant which attaching the rights to subscribe for 60,000,000 ordinary shares of the Company at a subscription price of HK$0.60 per share to a placing agent. The subscription period lasted from the date of issue of the warrants to the expiry of the second anniversary of the issue of the warrants (both days inclusive). Details of placing of warrants are set out in the announcement dated 24 April 2009.

31. DEFERRED TAXATION

(a) The major deferred tax liabilities recognised are analysed below:

Group

	Mining rights
	HK$'000
At 1 May 2008	622,214
Deferred tax credited to statement of comprehensive income	(108,429)
At 30 April 2009 and at 1 May 2009	513,785
Deferred tax charged to statement of comprehensive income	21,852
At 31 December 2009	535,637

Deferred tax charged to statement of comprehensive income was due to the impairment on fair value of Mongolia's mining right written back.

(b) The major deferred tax assets/(liabilities) not recognised are analysed below:

Group

	Property, plant and equipment	**Unused tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 May 2008	(5)	9,681	9,676
Temporary differences not recognised in previous year	–	1,599	1,599
Net change in deferred tax assets/ (liabilities) not recognised for the year	(3)	3,506	3,503
At 30 April 2009 and at 1 May 2009	(8)	14,786	14,778
Net change in deferred tax assets/ (liabilities) not recognised for the period	–	70	70
At 31 December 2009	(8)	14,856	14,848

Company

	Property, plant and equipment	**Unused tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 May 2008	(5)	9,681	9,676
Temporary differences not recognised in previous year	–	1,599	1,599
Net change in deferred tax assets/ (liabilities) not recognised for the year	(3)	1,486	1,483
At 30 April 2009 and at 1 May 2009	(8)	12,766	12,758
Net change in deferred tax assets/ (liabilities) not recognised for the period	–	–	–
At 31 December 2009	(8)	12,766	12,758

The Group and the Company have unused tax losses approximately HK$14,856,000 and HK$12,766,000 respectively (2009: The Group and the Company have unsued tax losses approximately HK$14,786,000 and HK$12,766,000 respectively) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company and its subsidiaries have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

32. OPERATING LEASES COMMITMENTS

At the end of the reporting period, the Group had future aggregate minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December 2009	As at 30 April 2009
	HK$'000	*HK$'000*
Properties		
– within one year	1,469	369
– In the second to fifth years, both inclusive	574	–
	2,043	369

Operating lease payments represent rental payable by the Group for its office properties and director's apartment.

33. RETIREMENT BENEFIT SCHEMES

The Group participates in the mandatory provident fund scheme (the "MPF Scheme") for its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as a percentage of employee's basic salaries. The retirement benefit costs charged to the profit and loss represent contributions paid and payable by the Group to the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The subsidiaries in the PRC participate in certain employees' retirement schemes implemented by the relevant local municipal governments. Contributions are made by the relevant subsidiaries to these schemes based on certain percentages of the applicable payroll costs.

The Group has no other obligations other than the above-mentioned contributions.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December 2009 HK$'000	As at 30 April 2009 HK$'000
Financial assets		
Fair value through profit and loss		
– Investments held for trading	6,990	8,821
Loan and receivables		
– Prepayments, deposits and other receivables	3,644	5,102
– Cash and bank balances	343,961	97,894
	347,605	102,996
Financial liabilities		
Amortised cost		
– Other payables and accruals	10,448	7,786
– Cumulative redeemable preference shares	110	110
	10,558	7,896

(b) Financial risk management and policies

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, other price risks, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note (4) to the financial statements.

Cash flow interest rate risk

The Group has no significant interest-bearing financial assets and liabilities with a floating interest rate. The Group's results and operating cash flows are substantially independent of changes in market interest rates.

Foreign currency risk

The Group has transactional currency exposures as the sales and purchases, certain other receivables, cash and bank balances, and trade and other payables of the Group were mainly transacted in Renminbi ("RMB"), Mongolia Tugrugs ("T"), United States dollars ("USD") and Hong Kong dollars ("HKD").

The exchange rate of RMB and T were comparatively volatile.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate of RMB and T, with all other variables held constant, of the Group's loss before tax.

	Change in exchange rate	**(Increase)/ decrease in loss before tax**
	%	*HK$'000*
At 31 December 2009		
If HKD weakens against RMB	5%	(163)
If HKD strengthens against RMB	5%	163
If HKD weakens against T	5%	(70)
If HKD strengthens against T	5%	70
At 30 April 2009		
If HKD weakens against RMB	5%	373
If HKD strengthens against RMB	5%	(373)
If HKD weakens against T	5%	(25)
If HKD strengthens against T	5%	25

At 31 December 2009 and 30 April 2009, the Group had not hedged any foreign currency to reduce such foreign currency risk.

In the opinion of the directors, if the exchange rate of these foreign currencies have continuous fluctuation, they will consider to use forward currency contracts to reduce these risks.

Other price risks

The Group is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investment with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities quoted in The Stock Exchange of Hong Kong Limited. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

If equity prices had been 15% higher/lower (2009: 15% higher/lower), loss before tax for the period ended 31 December 2009 and year ended 30 April 2009 would decrease/increase by approximately HK$1,048,500 (2009: approximately HK$1,323,000). This is mainly due to the changes in fair value of marketable securities.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the management.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and trade and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Management regularly reviews its major founding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. For non-derivative financial liabilities, the tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

In addition, the following table details the Group's expected maturity for some of its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Effective interest rate	On demand or less than 3 months	More than 1 year	Total undiscounted cash flows	Total carrying amount at 31.12.2009
	%	*HK$*	*HK$*	*HK$*	*HK$*
At 31 December 2009					
Non-derivative financial assets					
Cash and bank balances	–	343,961	–	343,961	343,961
Non-derivative financial liabilities					
Trade and other payables	–	10,448	–	10,448	10,448

	Effective interest rate	On demand or less than 3 months	More than 1 year	Total undiscounted cash flows	Total carrying amount at 30.4.2009
	%	HK$	HK$	HK$	HK$
At 30 April 2009					
Non-derivative financial assets					
Cash and bank balances	–	97,894	–	97,894	97,894
Non-derivative financial liabilities					
Trade and other payables	–	7,786	–	7,786	7,786

35. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

As at 31 December 2009, the Group held the following financial instruments measured at fair value:

Financial assets measured at fair value:

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Listed investments held for trading	6,990	–	–	6,990

During the period ended 31 December 2009, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

36. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as debt divided by total equity. Debt represents current and non-current liabilities as shown in the consolidated statement of financial position. Total equity represents the equity as show in the consolidated statement of financial position.

During the period, the Group's strategy, which was unchanged from 2009, was to maintain the net debt-to-equity ratio at satisfactory level. The net debt-to-equity ratios at 31 December 2009 and 30 April 2009 are as follows:

	Group	
	As at 31 December 2009	**As at 30 April 2009**
	HK$'000	*HK$'000*
Total debt	552,071	527,558
Total equity	1,966,838	1,658,982
Net debt-to-equity ratio	28.07%	31.80%

37. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Key management personnel represent the directors of the Group and their remunerations are set out in note 10.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 December 2009 and 30 April 2009 are as follows:–

Name of Company	Place of incorporation/ operation	Form of legal entity	Issue and paid up capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company Directly	Indirectly	Principal activities
Ample Year Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding
China National Recycling Int'l Trading Limited	Hong Kong	Limited liability company	HK$1	–	100%	Investment holding
China National Information Resources Holdings Limited	Hong Kong	Limited liability company	HK$2	–	100%	Investment holding
China National Resources Investments Limited	Hong Kong	Limited liability company	HK$2	–	100%	Investment holding
China Reservoir Mining Limited	British Virgin Islands	International business company	US$10,000	–	51%	Investment holding
Fuken Investments Limited	British Virgin Islands	International business company	US$1	–	100%	Investment holding
Giant Strong International Limited	British Virgin Islands	International business company	US$3	–	100%	Investment holding
Goldway Investment International Limited	Hong Kong	Limited liability company	HK$100	–	100%	Investment holding
Golden Brand Investments Limited	British Virgin Islands	International business company	US$1	–	100%	Investment holding
Goldright Finance Limited	British Virgin Islands	International business company	US$1	100%	–	Securities trading
Reservoir (Mongolia) Limited	The Republic of Mongolia	Limited liability company	US$10,000	–	51%	Mineral exploration
Reservoir Moly Mongolia Limited *(note (a))*	The Republic of Mongolia	Limited liability company	US$10,000	–	28%	Mineral exploration
Reservoir Tungs Limited *(note (a))*	The Republic of Mongolia	Limited liability company	US$10,000	–	33%	Mineral exploration

Name of Company	Place of incorporation/ operation	Form of legal entity	Issue and paid up capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company Directly	Indirectly	Principal activities
Jetlight Investment Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding
Keytrade Investments Limited	British Virgin Islands	International business company	US$1	100%	–	Securities trading
Profit Jumbo Investment Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding
Vast Profits Limited	British Virgin Islands	International business company	US$3	67%	–	Investment holding
Vintage International Finance Holding Group Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding
新疆匯祥永金礦業有限公司	People's Republic of China	Sino-foreign equity joint venture company	RMB39,000,000	–	55%	Mineral exploration

Note (a): Although the Company does not own more than half of the entity shares of Reservoir Moly Mongolia Limited and Reservoir Tungs Limited, and consequently it does not control more than half of the voting power of those shares, it has the power to appoint and remove the majority of the board of directors and control of the entity is by the board. Consequently, Reservoir Moly Mongolia Limited and Reservoir Tungs Limited are controlled by the Company and is consolidated in these financial statements.

39. EVENTS AFTER THE REPORTING PERIOD

On 13 April 2010, the Company entered into framework agreement pursuant to which the Company conditionally agreed to purchase 80% equity interest of Qianyi Limited, a company incorporated with limited liability in the British Virgin Islands which will, upon completion of the reorganisation, indirectly hold 100% equity interest in 新疆同興礦業有限責任公司 (Xinjiang Tong Xing Mining Company Limited), a company incorporated with limited liabilities in the PRC ("Tong Xing"), at the consideration of HK$280 million (the "Consideration"). The Consideration will be satisfied as to HK$60 million by cash and as to HK$220 million by the Company's issuing the convertible notes to the vendor. Details of the acquisition are set out in the announcement of the Company dated 16 April 2010.

40. APPROVAL OF ACCOUNTS

The financial statements were approved and authorised for issue by the Company's Board of directors on April 28, 2010.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the financial position and results of operations of the Group for the two years ended 30 April 2008 and 2009, the eight months ended 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011.

For the year ended 30 April 2008

Financial review

During the year under review, the Group recorded a turnover of approximately HK$164 million (2007: HK$125 million), representing an increase of approximately 31% against the prior year. Net loss attributable to shareholders amounted to approximately HK$1,166 million (2007: net loss HK$62.5 million). The reason of loss incurred for the year was due to the impairment losses on goodwill arising on acquisition of 51% interest in CRML (a subsidiary of the Company). Details of acquisition were set out in the circular of the Company dated 29 June 2007. Pursuant to the purchase agreement, the purchase consideration was determined at HK$300 million by the issue of shares of the Company at HK$0.30 per share which represented the fair value on acquisition of 51% interest in CRML.

The Company issued 1,000 million shares to vendors at date of completion of acquisition. However, the value of the shares issued was required to state at the market price HK$1.30 per share at the date of allotment of shares to vendors in accordance with the HKFRS3 Business Combinations. The excess value over the fair value of subsidiary acquired was charged to the income statement as impairment loss.

Liquidity and financial resources

As at 30 April 2008, the Group's current ratio was 12.8, based on the current assets of HK$155 million and current liabilities of HK$12 million. The Group's gearing ratio was 24%, based on the total liabilities of HK$634 and total assets of HK$2,646 million.

As at 30 April 2008, the Group was in a net cash position and has sufficient funding to pay off all the outstanding liabilities, and meet its working capital requirement.

Bank borrowings and pledge of assets

As at 30 April 2008, the Group had neither bank borrowings nor assets pledged to fund/loan providers.

Foreign exchange exposure

The Group's cash balance and short term investments are in the currency of Hong Kong Dollars. Nonetheless, the effect of the exchange rate on the Group's cash flow is minimal and the Group had not employed any financial instrument for hedging purpose.

Contingent liabilities

As at 30 April 2008, the Group had no contingent liabilities.

For the year ended 30 April 2009

Financial review

Revenue of the Group for 2009 was HK$20.2 million, representing a decrease of HK$144.1 million (or 87.7%) over 2008. Loss attributable to equity shareholders of the Company for 2009 was HK$123.3 million, representing a decrease of HK$1,042.6 million (or 89.4%) over 2008. Basic loss per share for 2009 was HK cents 2.39, representing a decrease of HK cents 27.11 (or 92%) over 2008. Total assets decreased from HK$2,646.4 million to HK$2,186.5 million. The reason for the loss incurred for the year was due to the impairment losses on the valuation of the mining rights of the Group with reference to the valuation report issued by the independent valuer. Since the value of the mining rights as at 30 April 2009 has dropped compared to that as at 30 April 2008, the impairment loss of HK$433,719,000 was charged to the income statement to reflect the fair value of the mining right.

During the year, total revenue from corporate investment and trading in securities was approximately HK$20.2 million (2008: HK$163.2 million). For the year ended 30 April 2009, due to the global crisis on financial markets, the price of the listed securities held by Group dropped throughout the year under review. Accordingly, the Group recorded a loss of approximately HK$23.2 million (2008: HK$24.3 million) arising from the securities trading and investments, where losses on changes in fair value of investments held for trading amounted to approximately HK$4.2 million (2008: HK$9.1 million).

Liquidity and financial resources

As at 30 April 2009, the Group's current ratio was 8.25, based on the current assets of HK$113 million and current liabilities of HK$13.7 million. The Group's gearing ratio was 31.8%, based on the total liabilities of HK$527.6 million and total equity of HK$1,659 million.

As at 30 April 2009, the Group was in a net cash position and has sufficient funding to pay off all the outstanding liabilities, and meet its working capital requirement.

Bank borrowings and pledge of assets

As at 30 April 2009, the Group had neither bank borrowings nor assets pledged to fund/loan providers.

Foreign exchange exposure

The Group's cash balance and short term investments are mainly in the currency of Hong Kong Dollars. Nonetheless, the effect of the exchange rate on the Group's cash flow is minimal and the Group had not employed any financial instrument for hedging purpose.

Contingent liabilities

As at 30 April 2009, the Group had no contingent liabilities.

For the eight months ended 31 December 2009

Financial review

Revenue of the Group for the period ended 31 December 2009 was HK$1.6 million, representing a decrease of HK$18.6 million (or 91.7%) over the year ended 30 April 2009. Loss attributable to the owners of the Company for the period ended 31 December 2009 was HK$91.1 million, representing a decrease of HK$32.2 million (or 26.1%) over the year ended 30 April 2009. Basic loss per share for the period ended 31 December 2009 was HK cents 1.76, representing a decrease of HK cents 0.63 (or 26.4%) over the year ended 30 April 2009. Total assets increased from HK$2,186.5 million to HK$2,518.9 million. The reason for the loss incurred for the period was mainly due to recognition of share-base payment of approximately HK$87,627,000 in the statement of comprehensive income. Nevertheless, as compared to previous year, the Group's net loss was narrowed significantly. Due to an increase in the fair value of mining right as at 31 December 2009, the Group recorded an impairment of mining right written back amounted to approximately HK$87,407,000.

During the period, total revenue from corporate investment and trading in securities was approximately HK$1.6 million (for the year ended 30 April 2009: HK$20.2 million). For the period ended 31 December 2009, the financial markets started to recover from global crisis, the price of certain listed securities held by the Company increased throughout the period under review. Accordingly, the Company recorded a gross profit of approximately HK$1,027,000 (for the year ended 30 April 2009: gross loss of HK$7,460,000) arising from the investment in securities trading. Nevertheless, the Company incurred a loss on the changes in fair value of investment held for trading amounted to approximately HK$1,186,000 (for the year ended 30 April 2009: HK$4,204,000).

Liquidity and financial resources

As at 31 December 2009, the Group's current ratio was 21.81, based on the current assets of HK$356 million and current liabilities of HK$16 million. The Group's gearing ratio was 28.07%, based on the total liabilities of HK$552 million and total equity of HK$1,967 million.

As at 31 December 2009, the Group was in a net cash position and has sufficient funding to pay off all the outstanding liabilities, and meet its working capital requirement.

Bank borrowings and pledge of assets

As at 31 December 2009, the Group had neither bank borrowings nor assets pledged to fund/ loan providers.

Foreign exchange exposure

The Group's cash balance and short term investments are mainly in the currency of Hong Kong Dollars. Nonetheless, the effect of the exchange rate on the Group's cash flow is minimal and the Group had not employed any financial instrument for hedging purpose.

Contingent liabilities

As at 31 December 2009, the Group had no contingent liabilities.

For the year ended 31 December 2010

Financial review

Revenue of the Group for the year ended 31 December 2010 was HK$954.3 million, representing an increase of HK$952.6 million (or 56,976.2%) over the period ended 31 December 2009. Loss attributable to the owners of the Company for the year ended 31 December 2010 was HK$23.1 million, representing a decrease of HK$68.1 million (or 74.7%) over the period ended 31 December 2009. Basic loss per share for the year ended 31 December 2010 was HK cents 0.41, representing a decrease of HK cents 1.35 (or 76.7%) over the period ended 31 December 2009. Total assets increased from HK$2,518.9 million to HK$2,656.4 million. During the year, owing to an increase in the fair value of the mining right as at 31 December 2010, the Group recorded an impairment on mining right written back amounted to HK$14.04 million (for the period ended 31 December 2009: HK$87.4 million). As compared to previous fiscal period, the Group's turnover was increased and the net loss was narrowed significantly. The reason is that the Group engaged in trading non-ferrous metals which recorded a turnover amounted to HK$946.5 million and a gross profit amounted to HK$13.19 million. In addition, the loss of the Group for the period ended 31 December 2009 was significantly disoriented by the one-off share based payment amounted to HK$87.6 million.

During the year, total revenue from corporate investment and trading in securities was approximately HK$7.2 million (for the period ended 31 December 2009: HK$1.6 million). For the year ended 31 December 2010, the financial markets continued to recover from global crisis, the price of certain listed securities held by the Company increased throughout the year under review. Accordingly, the Company recorded a gross profit of approximately HK$0.2 million (for the period ended 31 December 2009: HK$1 million) arising from the investment in securities trading. All the investment in securities was sold during the year.

On 19 January 2010, the Board announced that the financial year end date of the Company has been changed from 30 April to 31 December. The reason for such a change is to coincide with the financial year end date of the Company's principal operating subsidiaries, which are mainly situated in the PRC, and thereby facilitating the preparation of the consolidated financial statements of the Company and its subsidiaries.

Liquidity and financial resources

As at 31 December 2010, the Group's current ratio was 23.9, based on the current assets of HK$442.6 million and current liabilities of HK$18.5 million. The Group's gearing ratio was 32.24%, based on the total liabilities of HK$647.7 million and total equity of HK$2,008.7 million.

As at 31 December 2010, the Group was in a net cash position and has sufficient funding to pay off all the outstanding liabilities, and meet its working capital requirement.

Bank borrowings and pledge of assets

As at 31 December 2010, the amount of HK$3.4 million of margin deposit included in the carrying amount of prepayments and deposits was pledged as a collateral for banking facilities. Save as disclosed above, the Group had neither bank borrowing nor asset pledged to fund/loan providers.

Foreign exchange exposure

The Group has transactional currency exposures as the sales and purchases, certain trade and other receivables, cash and bank balances, and trade and other payables of the Group were mainly transacted in Renminbi ("RMB"), Mongolia Tugrugs ("T"), United States Dollars ("USD") and Hong Kong dollars ("HKD").

The exchange rate of RMB and T were comparatively volatile.

At 31 December 2010, the Group had not hedged any foreign currency to reduce such foreign currency risk. The management will monitor this risk, if the exchange rates of these foreign currencies have continuous fluctuation, the management will consider using forward currency contracts to reduce these risks.

Contingent liabilities

As at 31 December 2010, the Group had no contingent liabilities.

For the six months ended 30 June 2011

Financial review

For the six months ended 30 June 2011, the Group recorded a revenue of approximately HK$50,283,000 (for the six months ended 30 June 2010: HK$100,861,000) and had an audited loss attributable to shareholders of approximately HK$21,723,000 whereas an unaudited loss of approximately HK$10,761,000 was recorded for the six months ended 30 June 2010. As at 30 June 2011, the net assets of the Group amounted to approximately HK$1,985,811,000 (as at 31 December 2010: HK$2,008,699,000).

During the six months ended 30 June 2011, the Group did not buy or sell any marketable securities.

As compared to previous corresponding period, the Group's revenue decreased because there was a significant decrease in the trading of non-ferrous metals recorded in a subsidiary of the Company.

In addition, the Group's net loss increased because (i) the increase in the interest expenses on convertible notes amounted to approximately HK$6,647,000; (ii) the increase in legal and professional fee amounted to approximately HK$920,000; (iii) the increase in staff costs of the Group amounted to approximately HK$1,285,000 and (iv) the decrease in the gross profit of the Group amount to approximately HK$1,272,000.

Liquidity and capital resources

As at 30 June 2011, the Group had cash and bank balances of approximately HK$190,382,000; with net assets totaling approximately HK$1,985,811,000; with current ratio, based on the current assets of approximately HK$415,708,000 and current liabilities of approximately HK$21,736,000 of 19.13. The Group's gearing ratio was 33.11% based on the total liabilities of approximately HK$657,525,000 and total equity of approximately HK$1,985,811,000.

Bank borrowings and pledge of assets

As at 30 June 2011, the Group had neither bank borrowings nor assets pledged to fund/ loan providers.

As at 30 June 2011, the Group had unutilised credit facilities granted by independent banks in the aggregate amount of up to US$20 million to meet its working capital and trading requirements.

Foreign exchange exposure

The Group has transactional currency exposures as the sales and purchases, certain trade and other receivables, cash and bank balances, and trade and other payables of the Group were mainly transacted in Renminbi ("RMB"), Mongolia Tugrugs ("T"), United States Dollars ("USD") and Hong Kong Dollars ("HKD").

The exchange rate of RMB and T were comparatively volatile.

At 30 June 2011, the Group had not hedged any foreign currency to reduce such foreign currency risk. The management will monitor this risk, if the exchange rates of these foreign currencies have continuous fluctuation, the management will consider using forward currency contracts to reduce these risks.

Contingent liabilities

As at 30 June 2011, the Group had no contingent liabilities.

Material acquisitions and disposals

On 27 March 2007, Ample Year Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Sherryknoll Enterprises Limited, Kalagate Limited and Choronell Limited, pursuant to which the Company has conditionally agreed to acquire an aggregate of 51% equity interest in CRML, a company incorporated in the BVI, for a total consideration of HK$300 million. The consideration for the acquisition was satisfied by the issue of the consideration shares at HK$0.30 per share to the vendors. The acquisition was completed on 25 September 2007. Details of the acquisition were disclosed in the circular of the Company dated 29 June 2007.

On 19 November 2007, Profit Jumbo Investment Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with Mr. Chen Liang, Mr. Lu Jian Yang and Mr. Hon Hak Ka, pursuant to which Profit Jumbo Investment Limited has conditionally agreed to acquired the entire issued share capital of Fuken Investments Limited, Golden Brand Investments Limited and Giant Strong International Limited and the loan owed by those companies to the vendors for an aggregate acquisition consideration of up to HK$1,452 million, which comprised the initial acquisition consideration of HK$1,136 million and the additional acquisition consideration of up to HK$316 million. The initial acquisition consideration was satisfied as to (i) HK$1,106 million by the issue of 700,000,000 new shares upon the acquisition completion to the vendors by the Company for the partial settlement of the initial acquisition consideration; and (ii) HK$30 million by way of set-off of the amount of consideration payable by Mr. Chen Liang (one of the vendors) to the Company for the acquisition of the entire issued share capital of Great Began Holdings Limited and Sharp Faith Holdings Limited (subsidiaries of the Company) and the loan due from those companies to the Group. The additional acquisition consideration was satisfied by the issue of 200,000,000 new shares. The acquisition was completed in February 2008. Details of the acquisition were disclosed in the circular of the Company dated 31 January 2008.

On 17 December 2010, the Group disposed of a subsidiary, Reservoir (Tungs) Limited, which carried out mineral exploration in Mongolia. The disposal resulted in a loss of HK$1.5 million.

Save as disclosed above, the Group did not make any material acquisitions and disposals during the two years ended 30 April 2008 and 2009, the eight months ended 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011.

Human Resources

As at 30 April 2008, 30 April 2009, 31 December 2009, 31 December 2010 and 30 June 2011, the Group had a total of 75, 53, 55, 59 and 63 employees, respectively.

During the two years ended 30 April 2008 and 2009, the eight months ended 31 December 2009, the year ended 31 December 2010 and the six months ended 30 June 2011, the employee remuneration package consisted of basic salary, retirement benefits scheme contributions, medical insurance, and other benefits considered as appropriate. Remuneration packages were generally structured by reference to market terms, individual qualification and performance. They were under periodic review based on individual merit and other market factors. The Company adopted a share option scheme on 13 October 2003 to enable the Company to grant options to selected participants, including employees and directors of the Group, as incentive or rewards for their contribution to the Group.

6. INDEBTEDNESS

As at 31 October 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular:

(i) the Group had outstanding borrowings of approximately HK$101,302,000. The borrowings comprised (i) 1% coupon convertible notes with aggregate principal amount of approximately HK$101,192,000; and (ii) cumulative redeemable preference shares of approximately HK$110,000;

(ii) the Group's banking facilities are secured by the pledge deposit of approximately HK$63,512,000; and

(iii) save as disclosed in (i) and (ii) above, the Group did not have any other outstanding bank or other borrowings, mortgages, charges, debentures or other loan capital or other similar indebtedness, guarantee, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase or other finance lease commitments, indemnities or other material contingent liabilities.

For the purpose of the above statement of indebtedness, foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing at RMB1: HK$1.2176 and USD1: HK$7.8.

The Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group since 31 October 2011.

7. MATERIAL CHANGE

The Directors confirm that save as disclosed in the section headed "Other Information-Litigation – The Group" in Appendix X to this circular, there was no material change in the financial or trading position or outlook of the Group since 30 June 2011, being the date to which the latest published audited financial statements of the Company was made up, and up to the Latest Practicable Date.

Please refer to part 2 of this circular for the full text of the unaudited pro forma information of the Enlarged Group.

Please refer to part 2 of this circular for the full text of the property valuation of the Enlarged Group.

Please refer to part 2 of this circular for the full texts of the Competent Person's Reports on the Four Mines, the Aleinuer Mine, the Sareke Mine and the Hami Mine.

Please refer to part 2 of this circular for the full text of the valuation report on mining assets of the Target Group.

Please refer to part 2 of this circular for the full text of the valuation report on the overall assets of the Target Group.

Please refer to part 2 of this circular for the full texts of the reports on the valuation of the mining assets and overall assets of the Target Group.

Please refer to part 2 of this circular for the full text of the summary of the constitution of the Company and Bermuda company law.

Please refer to part 2 of this circular for the full text of this appendix.

APPENDIX XI DOCUMENTS AVAILABLE FOR INSPECTION

Please refer to part 2 of this circular for the full text of this appendix.

中國大冶有色金屬礦業有限公司
China Daye Non-Ferrous Metals Mining Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00661)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of China Daye Non-Ferrous Metals Mining Limited (the "**Company**") will be held at 10:00 a.m. on Monday, 16 January 2012 at Harbour View Ballroom III, Level 4, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company, with or without amendments. Capitalised terms defined in the circular of the Company dated 29 December 2011 (the "**Circular**") shall have the same meanings when used in this notice unless otherwise specified.

Resolution in relation to the Acquisition Agreement, the First Supplemental Agreement and the Second Supplemental Agreement

1. (1) "**THAT** the Acquisition Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified."

   (2) "**THAT** the First Supplemental Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified."

   (3) "**THAT** the Second Supplemental Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified."

   (4) "**THAT** the Directors be and are hereby authorized to do all such acts or things and to sign or execute, or affix the common seal of the Company to, all such documents for and on behalf of the Company as they may consider necessary or desirable in connection with paragraphs (1) to (3) of this resolution no. 1."

Resolution in relation to the Whitewash Waiver

2. "**THAT**, subject to the passing of resolution no. 1, and the Executive granting to China Times and persons acting in concert with it the Whitewash Waiver and the satisfaction of any condition attached to the Whitewash Waiver imposed by the Executive, the waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation on China Times and persons acting in concert with it to make a mandatory general offer for all the issued shares of the Company not already owned or agreed to be acquired by China Times and persons acting in concert with it pursuant to the Acquisition Agreement which could arise under Rule 26.1 of the Takeovers Code as a result of the allotment and issue of the China Times Consideration Shares be and is hereby approved."

Resolution in relation to the grant of specific mandate for the allotment and issue of the China Times Consideration Shares, Cinda Consideration Shares, China Times Convertible Notes and Conversion Shares

3. "**THAT**, subject to the passing of resolutions nos. 1 and 2, the grant of a specific mandate for the allotment and issue of the China Times Consideration Shares, Cinda Consideration Shares, China Times Convertible Notes and Conversion Shares in accordance with the terms of the Acquisition Agreement be and is hereby approved, and the Directors be and are hereby authorized to do all such acts or things and to sign or execute, or affix the common seal of the Company to, all such documents for and on behalf of the Company as they may consider necessary or desirable in connection with this resolution no. 3."

Resolution in relation to the Non-Exempt Continuing Connected Transaction Agreements and the Annual Caps

4. "**THAT**, subject to the passing of resolution no. 1, each of the Non-Exempt Continuing Connected Transaction Agreements and the Annual Caps be and are hereby approved and the Directors be and are hereby authorized to do all such acts or things and to sign or execute, or affix the common seal of the Company to, all such documents for and on behalf of the Company as they may consider necessary or desirable in connection with this resolution no. 4."

By order of the Board
China Daye Non-Ferrous Metals Mining Limited
Wan Bi Qi
Chairman