Wanguo International Mining Group Limited
萬國國際礦業集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 3939

PLACING AND PUBLIC OFFER

Sole Sponsor

國泰君安國際
GUOTAI JUNAN INTERNATIONAL
Guotai Junan Capital Limited

Sole Global Coordinator

國泰君安國際
GUOTAI JUNAN INTERNATIONAL
Guotai Junan Securities (Hong Kong) Limited

Joint Bookrunners and Joint Lead Managers

國泰君安國際
GUOTAI JUNAN INTERNATIONAL
Guotai Junan Securities (Hong Kong) Limited

華晉證券有限公司
China Rise Securities Co. Limited

If you are in any doubt about the contents of this prospectus, you should obtain independent professional advice.

Wanguo International Mining Group Limited
萬國國際礦業集團有限公司

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PLACING AND PUBLIC OFFER

Number of Offer Shares	:	150,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	15,000,000 Shares (subject to reallocation)
Number of International Placing Shares	:	135,000,000 Shares (subject to the Over-allotment Option and reallocation)
Offer Price	:	Not more than HK$2.10 and expected to be not less than HK$1.75 per Offer Share (payable in full upon application in Hong Kong dollars and subject to refund on final pricing), plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%
Par value	:	HK$0.10 per Share
Stock code	:	3939

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A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies and Available for Inspection" in Appendix VIII to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance of Hong Kong, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong (the "**SFC**") and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between us and the Joint Bookrunners (acting for itself and on behalf of the Underwriters) on the Price Determination Date or such later date as may be agreed between us and the Joint Bookrunners but in any event no later than 5:00 p.m. on Friday, 6 July 2012. The Offer Price will be not more than HK$2.10 per Offer Share and is currently expected to be not less than HK$1.75 per Offer Share. The Joint Bookrunners (acting for themselves and on behalf of the Underwriters) may reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction of the number of the Hong Kong Offer Shares and/or the indicative Offer Price range will be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the number of Hong Kong Offer Shares and/or the indicative Offer Price range is so reduced, such applications cannot subsequently be withdrawn. If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (on behalf of the Underwriters) on or before Friday, 6 July 2012, the Share Offer will not become unconditional and will lapse immediately.

We are incorporated under the laws of the Cayman Islands and our businesses are located in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between these countries and Hong Kong. Potential investors should also be aware that the regulatory frameworks in these countries are different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the Shares. Such differences and risk factors are set out in the section headed "Risk Factors" and "Appendix VI – Summary of the Constitution of our Company and the Cayman Islands Companies Law" in this prospectus.

Pursuant to the force majeure provisions contained in the Underwriting Agreement in respect of the Offer Shares, the Joint Bookrunners (on behalf of the Underwriters) have the right in certain circumstances, in their sole and absolute discretion, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be Tuesday, 10 July 2012). Further details of the terms of the force majeure provisions are set out in the section headed "Underwriting – Underwriting arrangements and expenses – (a) Hong Kong Public Offering – Grounds for termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred within the United States.

28 June 2012

Latest time to complete electronic applications through the **HK eIPO White Form** service through the designated website at www.hkeipo.hk *(Note 2)*	11:30 a.m. on Wednesday, 4 July 2012
Application lists for the Hong Kong Public Offering open *(Note 3)*	11:45 a.m. on Wednesday, 4 July 2012
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving electronic application instructions to HKSCC *(Note 4)*	12:00 noon on Wednesday, 4 July 2012
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) *(Note 3)*	12:00 noon on Wednesday, 4 July 2012
Application lists for the Hong Kong Public Offering close *(Note 2)*	12:00 noon on Wednesday, 4 July 2012
Expected Price Determination Date *(Note 5)*	Wednesday, 4 July 2012
Announcement of the Offer Price, the level of indication of interest in the International Placing, level of applications under the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published (a) in The Standard (in English) and the Hong Kong Economic Times (in Chinese) and (b) on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.wgmine.com	Monday, 9 July 2012
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers or Hong Kong business registration numbers, where appropriate) to be available through a variety of channels, including the website of the Stock Exchange at www.hkexnews.hk, the website of our Company at www.wgmine.com and the designated website at www.tricor.com.hk/ipo/result as described in "How to apply for the Hong Kong Offer Shares – Publication of Results" from	Monday, 9 July 2012
Despatch of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before *(Notes 7 to 12)*	Monday, 9 July 2012
Despatch of e-Auto Refund payment instructions/refund cheques in respect of wholly successful (where applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before *(Notes 6, 8 to 12)*	Monday, 9 July 2012
Dealings in Shares on the Main Board to commence on	Tuesday, 10 July 2012

Notes:

1. All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in "Structure of the Share Offer".

2. You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., the applicant will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 4 July 2012, the application lists will not open on that day. Further information is set out in "How to apply for the Hong Kong Offer Shares – Effect of bad weather on the opening of the application lists" . If the application lists do not open and close on Wednesday, 4 July 2012, the dates mentioned in "Expected timetable" may be affected. An announcement will be made by us in such event.

4. Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for the Hong Kong Offer Shares – How to apply by giving electronic application instructions to HKSCC" in this prospectus.

5. The Price Determination Date is expected to be on or about Wednesday, 4 July 2012, and in any event will be on or before Friday, 6 July 2012. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (acting for itself and on behalf of the Underwriters) and us on or before Friday, 6 July 2012, the Share Offer will not proceed.

6. e-Auto Refund payment instruction/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.

7. Share certificates for the Hong Kong Offer Shares will become valid certificates of title at 8:00 a.m. on Tuesday, 10 July 2012 provided that (i) the Share Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.

8. Applicants who have applied on **WHITE** Application Forms or through the **HK eIPO White Form** service for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated in their applications that they wish to collect any refund cheque(s) and/or Share certificate(s) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, may do so in person from 9:00 a.m. to 1:00 p.m. on Monday, 9 July 2012. Applicants being individuals who are applying for 1,000,000 Hong Kong Offer Shares or more and opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Hong Kong Offer Shares or more and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations' chop. Identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar, Tricor Investor Services Limited, must be produced at the time of collection.

9. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering may collect their refund cheque(s), where applicable, in person but may not elect to collect their Share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheque(s) for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants specified in note (8) above.

10. For applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC, their refund (if any) will be credited to their designated bank account or the designated bank account of the designated CCASS Participant through which they made their application on Monday, 9 July 2012. For applicants who have instructed their designated CCASS Participant (other than CCASS Investor Participant) to give **electronic application instructions** on their behalf, they can check the amount of refund (if any) payable to them with that designated CCASS Participant. For applicants who have applied as CCASS Investor Participant, they can check the amount of refund (if any) payable to them via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 9 July 2012 or in the activity statement showing the amount of refund money credited to their designated

bank account made available to them by HKSCC immediately after the credit of refund money to their bank account. Please refer to the section headed "How to apply for the Hong Kong Offer Shares – Despatch/Collection of Share certificates and refund of application money" for details.

11. For applicants who have applied through the **HK eIPO White Form** service and paid the application monies from a single bank account, refund monies (where applicable) will be despatched to their application payment bank account in the form of e-Auto Refund payment instructions on Monday, 9 July 2012. For applicants who have applied through **HK eIPO White Form** service and paid the application monies from multiple bank accounts, refund monies (where applicable) in the form of refund cheque(s) will be despatched on Monday, 9 July 2012 by ordinary post at their own risk. Please refer to the section headed "How to apply for the Hong Kong Offer Shares – Despatch/Collection of Share certificates and refund of application money" in this prospectus for details.

12. Uncollected Share certificate(s) and refund cheque(s) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. Further details are set out in the section headed "How to apply for the Hong Kong Offer Shares – Despatch/Collection of share certificates and refund of application money" in this prospectus.

For details of the structure of the Share Offer, including the conditions thereof, please refer to the section headed "Structure of the Share Offer" in this prospectus.

This prospectus is issued by Wanguo International Mining Group Limited solely in connection with the Hong Kong Public Offering and Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information which is different from that contained in this prospectus. Any information or representation not made in this prospectus must not be relied upon by you as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer.

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you. You should read the whole document before you decide to invest in our Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Shares are summarised in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in our Shares.

BUSINESS MODEL

Our Group is principally engaged in the business of mining, ore processing and sale of the concentrates products in the PRC. Copper concentrates and iron concentrates are our core commodities which, in aggregate, contributed approximately 75.0%, 77.7% and 69.6% of our total concentrates sales for the three years ended 31 December 2011, respectively.

Production

Currently, we, through our wholly-owned subsidiaries, own the entire equity interest in Yifeng Wanguo which in turn owns the Xinzhuang Mine that has a production system separated into a mining system and a processing system. Our Group does not conduct any open pit mining and only conducts underground mining. Mining capacity refers to the capability of the mining system to produce ore under normal operation conditions while processing capacity refers to the capability of the processing system to treat the ore produced from the mining system under normal operation conditions. Currently, the Xinzhuang Mine is covered by a mining licence issued by the Department of Land and Resources of Jiangxi Province valid until April 2032 covering an aggregate area of 3.7692 km^2 pursuant to which we can conduct underground mining for copper, lead, zinc and iron ores at a rate of 600,000 tpa. As at 31 December 2011, we had a mining capacity of approximately 300,000 tpa and a processing capacity of approximately 400,000 tpa.

Third-party Contractors

To minimise costs, we outsource our underground mining works to third-party contractors. Since 2008, Wenzhou No.2, an Independent Third Party contractor holding a Grade II Construction Qualification for Mining (礦山工程施工總承包貳級證書) issued by the Department of Construction of Zhejiang Province, has been engaged as our third-party contractor for carrying out our underground mining works. Yifeng Wanguo will conduct a tender each year in selecting the third-party contractor for underground mining works in the future. For further details, please refer to the section headed "Business – Mining – Third-party Contractors" on pages 130 to 131 of this prospectus.

Mineral Resources and Reserves

We have engaged Behre Dolbear Asia, Inc., an internationally reputable mining consultant and an Independent Third Party, to evaluate the resources and reserves at the Xinzhuang Mine in accordance with the JORC Code and prepare the Independent Technical Expert's Report. The Independent Technical Expert confirms that defined mineral resources and ore reserves reviewed in the Independent Technical Expert's Report are contained within the limits of our mining licence.

The following tables, which are extracted from Tables 6.2 and 6.3 as contained in the Independent Technical Expert's Report, the text of which has been set out in Appendix V to this prospectus, provide information on the resources and reserves of the Xinzhuang Mine as at 31 December 2011 under the JORC Code.

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

JORC Mineral Resource Category	Tonnage	Contained Metals Cu	Pb	Zn	TFe	mFe
	kt	*kt*	*kt*	*kt*	*kt*	*kt*
Measured	11,008	59.08	21.51	111.88	1,096	790
Indicated	19,929	107.73	47.60	103.74	1,686	1,116
Subtotal	**30,937**	**166.81**	**69.12**	**215.62**	**2,782**	**1,907**
Inferred	1,577	6.34	1.41	15.52	141	99
Total	**32,514**	**173.14**	**70.52**	**231.14**	**2,922**	**2,006**

The Xinzhuang Mine Ore Reserve Summary – as at 31 December 2011

JORC Ore Reserve Category	Tonnage	Contained Metals Cu	Pb	Zn	TFe	mFe
	kt	*kt*	*kt*	*kt*	*kt*	*kt*
Proved	9,104	45.71	15.12	78.80	1,005	862
Probable	9,480	48.68	17.02	44.37	797	663
Total	**18,584**	**94.39**	**32.14**	**123.17**	**1,802**	**1,525**

For a description of the categories of measured, indicated and inferred mineral resources under the JORC Code and the level of confidence attributable to each category, you should refer to the section headed "The JORC Code" on pages 25 to 26 of this prospectus.

All of the ore reserves are included within the mineral resource statements under the JORC Code.

Historical and Forecast Operating Costs for the Xinzhuang Mine

The table below, which is extracted from Table 11.1 in the Independent Technical Expert's Report, the text of which has been set out in Appendix V to this prospectus, sets forth a summary of the historical and forecast operating costs for the Xinzhuang Mine for the periods indicated.

Item	Historical 2009	2010	2011	Forecast 2012	2013	2014
Total Operating Cost						
(RMB/t of milled ore)	279.42	316.79	357.34	308.9	299.7	291.4
(US$/t of milled ore)	44.35	50.28	56.72	49.04	47.58	46.25
Total Production Cost						
(RMB/t of milled ore)	305.27	350.16	393.75	339.31	327.05	321.04
(US$/t of milled ore)	48.46	55.58	62.50	53.86	51.91	50.96

The Independent Technical Expert believes that the operating cost forecasts are generally reasonable and achievable provided that there are no significant inflation and labour cost increase as inflation factors and cost increase for labours are not considered in the unit operating cost forecast while these factors have contributed significantly for the cost increase for the last three years. For further details, please refer to the section headed "11.0 Operating Costs" of the Independent Technical Expert's Report on pages V-57 to page V-60 of this prospectus.

Expansion Plan

We plan to undergo an expansion plan for our mining and ore processing facilities, when completed, are expected to have a mining capacity and a processing capacity of both 600,000 tpa since 2014. According to the Independent Technical Expert's Report, as at 31 December 2011, the reserves at the Xinzhuang Mine were estimated to be sufficient for production at the planned long-term production rate of 600,000 tpa for approximately 31 years. The ore reserve mine life based on the production rate of 300,000 tpa, as at 31 December 2011, is estimated to be approximately 61.9 years. The planned reserve depletion rate is equivalent to our planned production rate. We plan to focus on the production of copper concentrates and iron concentrates as our core commodities by expanding our production at the Xinzhuang Mine under the expansion plan. Our expansion plan is subject to, among other things, the approvals from the relevant government authorities for our operations pursuant to our expansion plan and to increase the mining and ore processing capacity. You should refer to the section headed "Business – Our Expansion Plan" on pages 134 to 136 of this prospectus for further details.

SALES BREAKDOWN BY PRODUCTS

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

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

Notes:

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

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

3. Trading of other ore commodities represents trading of ingots of lead, zinc and aluminium. Since 2010, Yifeng Wanguo has engaged in the metal ingots trading business in which it purchased metal ingots (including ingots of lead, zinc and aluminium) from trading enterprises and subsequently resold them. For details, please refer to the section headed "Business – Other Business" on page 158 of this prospectus.

OUR CUSTOMERS

With a view to developing stable relationship with our customers, during the Track Record Period and in 2012, our strategy was to enter into sale agreements with our customers. We target to enter into sale agreements with longer term with our existing customers to maintain stable and long term customer relationship and enter into sale agreements with shorter term with new customers to avoid uncertainty and maintain flexibility. We generally enter into sale agreements with our customers in the first quarter of a year. The term of those sale agreements entered into during the Track Record Period ranged from one month to 15 months. In addition, in 2012, we further entered into the Three-year Agreements with some of our major customers to secure our sale stability. Since the beginning of 2012 and up to the Latest Practicable Date, we had entered into 12 sale agreements, 10 of which will continue after Listing. As advised by our PRC Legal Advisers, the sale agreements above are legally binding on the relevant parties. The major terms set out under the above sale agreements include the pricing policy for our concentrates products and the delivery mechanism. Under the above sale agreements, the quantity of products to be sold by us to our customers (i) is unspecified and to be agreed with our customers separately at each transaction; or (ii) has been fixed for each month of the year, or specified but can be adjusted appropriately; or (iii) has been pre-determined with a specific annual minimum purchase volume. Under the sale agreements as referred to under (ii) above, both of us and the customers have the right to request for an adjustment and the parties will negotiate on the adjustment on a case-by-case basis or with reference to our actual production volume. Our Directors confirm that, in the event that the volume of our products could not meet the volume set out in the agreements in a particular monthly transaction, we would negotiate with our customers to adjust the sale volume accordingly. Our Directors also confirm that, during the Track Record Period, there was no dispute between us and our customers during the negotiation of the above adjustment.

In order to further secure our sale stability and to maintain long term relationship with our customers, in 2012, we began to enter into the Three-year Agreements with some of our major customers such that the sale quantity to them has been pre-determined with a specific annual minimum purchase volume for the period between 2012 and 2014 (these agreements fall into the category (iii) above) while the actual sale quantity of each sale transaction is subject to negotiation by the parties. As advised by our PRC Legal Advisers, under the agreements, our customers are under an obligation to purchase a minimum quantity of products from us annually (which may be further increased by us upon notification in writing), failing which would result in a breach of the agreement by the customer, while there is no liability on us if we supply at a lower level upon notification in advance. If the customers request to purchase a quantity of products exceeding the annual minimum purchase volume, it would be subject to further negotiation by the parties. Given the commodity market is highly volatile and in line with common industry practice, the actual unit sale price of our products at each sale transaction is subject to negotiation and adjustment based on factors including the then market price of the respective metals in the concentrates quoted on the domestic public domains or the then market price of the concentrates, the grade of concentrates and the complexity in extracting the relevant minerals contained in the concentrates as discussed in the section headed "Business – Sale of Products – Pricing policy" in this prospectus. In December of each year, the parties will negotiate on the terms such as pricing mechanism, quality standard, delivery mechanism and payment method for the subsequent year. During the first half of 2012, we had entered into the Three-year Agreements with customers including our five largest customers for the year ended 31 December 2011. Our PRC Legal Advisers confirm that all terms of the Three-year Agreements such as annual minimum sale quantity, pricing mechanism, agreement period, quality standard, delivery mechanism and payment method are legally binding while the actual unit sale price and sale quantity at each transaction are subject to negotiation and adjustment as discussed above.

Based on our unaudited management accounts, for the four months ended 30 April 2012, we recorded an aggregate revenue of approximately RMB98.1 million from the above three types of sale agreements, approximately RMB84.4 million of which was attributable to agreements as referred to under (iii) above. For further details, please refer to the section headed "Business – Sale of Products – Our customers" on pages 141 to 143 of this prospectus.

The table below summarises the details of our sale to our five largest customers for the year ended 31 December 2011, which are domestic enterprises engaged in mineral trading business, and the details of the sale agreements we entered into with them in 2012.

	For the year ended 31 December 2011				2012 to 2014
Customers ranking (in terms of sales amount)	**Revenue** *RMB'000*	**Percentage of our total revenue** *%*	**Years of relationship**	**Product type**	**Annual minimum quantity to be purchased by customer**
1	112,560	37.9	Three	Copper concentrates	2,000t of copper in copper concentrates (actual sale quantity in 2011: 1,846t)
2	53,498	18.0	One	Copper concentrates and zinc concentrates	2,000t of zinc in zinc concentrates (actual sale quantity in 2011: 2,330t)
3	29,934	10.1	Four	Iron concentrates	20,000t of iron concentrates (actual sale quantity in 2011: 35,455t)
4	27,222	9.2	Two	Iron concentrates	20,000t of iron concentrates (actual sale quantity in 2011: 30,597t)
5	15,063	5.1	Four	Sulfur concentrates	30,000t of sulfur concentrates (actual sale quantity in 2011: 36,685t)

If the quantity of products to be sold by us has been specified in the above sale agreements under the terms as set out in categories (ii) and (iii) above, our Group can claim damages from the relevant customers by commencing legal actions at courts if they eventually do not purchase the specified quantity of products (subject to adjustment in (ii) above) from us, such damages should include the loss of our Group actually caused by such customers' breach of contract and the specific compensation amount (if any) set out in the sale agreements. However, if the quantity of products to be sold by us to our customers is unspecified under the sale agreements, our Group cannot claim damages from the relevant customers if they eventually do not purchase any products from us after entering into the sale agreements with us. Our Directors are of the view that the salient terms of the above sale agreements including pricing mechanism are in line with industry standard.

The table below summarises the breakdown of our revenue from sales of concentrates for the three years ended 31 December 2011 in respect of sale quantity determination method:

	Year ended 31 December					
	2009		**2010**		**2011**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Sale quantity determination method						
Quantity of products is unspecified and to be agreed separately at each transaction	38,965	45.0	85,250	47.1	124,358	47.2
Quantity of products has been fixed for each month of the year, or specified but can be adjusted appropriately	44,856	51.8	95,928	52.9	139,050	52.8
Quantity of products has been pre-determined with a specific annual minimum purchase amount[(Note)]	–	–	–	–	–	–
One-off ad-hoc sale	2,694	3.2	–	–	–	–
Total	86,515	100.0	181,178	100.0	263,408	100.0

Note: We did not enter into sale agreements with a pre-determined specific annual minimum purchase volume for our products during the Track Record Period. We began to enter into such agreements with our customers in 2012.

As a result of our policy of entering into the above sale agreements for a significant portion of our production, we generally made our sales to a limited number of customers during the Track Record Period. Our top five customers are mineral trading and brokerage enterprises which direct us to deliver our products to smelters directly or generally resell our products for further processing. For the three years ended 31 December 2011, revenue attributable to our top five customers together accounted for approximately 97.3%, 81.5% and 80.3% of our total revenue, respectively, while the largest customer accounted for approximately 55.1%, 41.6% and 37.9% of our total revenue, respectively. Until 31 December 2011, we have developed three years of relationship with our largest customer during the Track Record Period. We have developed an average of approximately 2, 2 and 3 years of relationship with our top five customers ranging from 1 to 2, 1 to 3, and 1 to 4 years of relationship for the three years ended 31 December 2011 as at the end of the respective period. As at the Latest Practicable Date, none of our Directors, their respective associates or any Shareholders (who to the knowledge of our Directors owned more than 5% of our issued share capital) had any interest in any of our five largest customers during the Track Record Period. Our Directors have confirmed that our top five customers were and are all Independent Third Parties.

With reference to information available to the public of various companies engaged in the mining industry and listed on the Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange, our Directors are of the view that it is not an uncommon industry practice to rely on a few major customers. We strive to enhance our customer relationship by maintaining regular contact with our customers in respect of the quality of our products and our customers' satisfaction. We would request our clients to complete questionnaire in relation to our products and services regularly so that we could receive regular feedback from them in order to maintain our quality standard and monitor our customers' satisfactory level in general. During the Track Record Period, our mining capacity and processing capacity were occupied by the orders placed by our major customers to a substantial extent as these purchase orders were usually quite large. Our Directors are of the view that maintaining a close and stable relationship with our major customers together with the fact that a substantial quantity of our products being sold to them would enhance our bargaining power during price negotiation with them. In order to further expand our customer network and diversify our customer base, our plan is to expand our existing mining capacity and processing capacity to accommodate orders from new customers.

To further enhance our effort to explore new business opportunities, we have entered into five non-binding memoranda of understanding separately with various companies engaged in smelting and mineral trading business, pursuant to which we may further negotiate and develop business relationship with them for our concentrates sales. These potential customers include companies within the group of reputable state-owned enterprises engaged in smelting and mineral trading business and companies listed on the stock exchanges in the PRC. We would review our progress of negotiation with them based on our business needs. In particular, in the event that we lose any of our major customers, we would proceed to engage in more substantive negotiation with the above potential customers pursuant to the memoranda of understanding in order to minimise such impact.

For details of our effort in exploring new business opportunities, you should refer to the section headed "Business – Sale of Products – Our customers" on pages 141 to 143 of this prospectus.

PRICING POLICY

The current pricing mechanism under the Three-year Agreements and sale agreements entered into during the Track Record Period in general is set out below.

In respect of copper concentrates and zinc concentrates

Since domestic public domains and exchanges providing transparent market price as reference for copper, zinc, silver and gold are available in the PRC, each of our Three-year Agreements (and sale agreements entered into during the Track Record Period in general) would set out the basis of calculation for the unit sale price for each sale transaction by making reference to the market price quoted on the public domains and exchanges (i.e. copper prices quoted on the Shanghai Future Exchange, zinc prices quoted on the SMM and the Shanghai Future Exchange, gold prices quoted on the Shanghai Gold Exchange and silver prices quoted on the Shanghai White Platinum & Silver Exchange) at the time of the transaction.

Under the Three-year Agreements (and sale agreements entered into during the Track Record Period in general), the unit sale price for each sale transaction would be set at the then market price of the respective mineral quoted on the above public domain at the time of each sale transaction, after deducting a certain discount. The extent of discount applied will depend on, among others, the particular type of concentrate and the grade of the concentrates and in cases of gold and silver, the amount of gold or silver contained in the concentrates, the then market price of the respective metal content quoted on the public domain, and the complexity in extracting the relevant minerals contained in the concentrates. The discount essentially represents the treatment fee being (i) the profit and cost of our customers, being mineral trading and brokerage enterprises for trading the concentrates, plus (ii) the profit and cost of downstream enterprises for further processing the concentrates into the respective metal as end products. During the Track Record Period, the discount ranged from 11.3% to 23.2% of the market prices for copper, 31.3% to 46.2% of the market prices for zinc, 13.9% to 25.2% of the market prices for gold, and 22.9% to 30.1% of the market prices for silver contained in copper concentrates. Due to the complexity for extracting silver from zinc concentrates by the smelters, instead of offering a discount to the market price quoted on the public domain at the time of each sale transaction which is similar to the pricing mechanism of the above metals, silver contained in zinc concentrates was sold at a fixed unit price which was significantly lower than the prices of the silver contained in copper concentrates determined pursuant to our sale agreements in general during the Track Record Period. Sales generated from silver contained in zinc concentrates were attributable to approximately 0.17%, 0.05% and 0.07% of our total revenue for each of the three years ended 31 December 2011.

In respect of iron concentrates and sulfur concentrates

Unlike copper concentrates and zinc concentrates where market price references in public domains are available in the PRC for the respective mineral content therein as tradable end products after processing, there is no similar domestic public domain as transparent market price reference in respect of iron concentrates and sulfur concentrates.

Under the Three-year Agreements (and those sale agreements entered into during the Track Record Period in general), the parties will agree on the unit sale price for the concentrates at each transaction separately for iron concentrates and sulfur concentrates with reference to the then market price of the respective concentrates. The parties will negotiate under an arm's length basis for the sale of the concentrates. Our Directors confirm that our Group will determine the prices of iron concentrates and sulfur concentrates with reference to local benchmarks such as domestic concentrate prices provided by research companies, selling prices quoted by other third-party domestic mines in the near-by region as well as the purchase prices of certain smelters obtained through our communications with them and the grade of concentrates sold at the time.

For further details, you should refer to the section headed "Business – Sale of Products – Pricing policy" on pages 143 to 144 of this prospectus.

OTHER BUSINESS

In 2010, Yifeng Wanguo started to engage in the metal ingots trading business in which it purchased metal ingots (including ingots of lead, zinc and aluminium) from trading enterprises and subsequently resold them. The Group entered into the metal ingots trading business in 2010 because it had idle cash at that time and intended to explore new business opportunities. Our Directors confirmed that our final purchase of metal ingots was conducted in September 2011 and we have not purchased additional ingots since then and will cease the metal ingots trading business once our existing metal ingots inventories are sold as our Directors consider that it would be more favourable for our Group to focus in our business of mining and ore processing given the low profit margin in the metal ingots trading business. For details, please refer to the section headed "Business – Other Business" on page 158 of this prospectus.

RISK FACTORS

There are certain risks involved in our operations, many of which are beyond our control. You should refer to the section headed "Risk Factors" on pages 31 to 57 of this prospectus for further details in respect of risks related to our business, risks related to the industry in which we operate, risks related to the PRC and risks related to the Share Offer.

CAPITAL REDUCTION AGREEMENT

We had entered into the Capital Reduction Agreement with West-Jiangxi Brigade, pursuant to which the registered capital of Yifeng Wanguo shall be reduced and West-Jiangxi Brigade shall redeem its 12% equity investment in Yifeng Wanguo for approximately RMB207.9 million payable by us by instalments until 2018, and Yifeng Wanguo shall provide a mortgage in favour of West-Jiangxi Brigade over Yifeng Wanguo's right in the State-owned Land Use Rights Certificate numbered "Yifeng County State-owned 2011-556" (宜豐縣國用(2011)第556號) for securing the obligations of Yifeng Wanguo in paying the redemption monies under the Capital Reduction Agreement.

As a result of the capital reduction of Yifeng Wanguo, our Group had recorded a current liability of approximately RMB12 million and a long-term liability of approximately RMB142 million which are the present values of the redemption monies payable by Yifeng Wanguo to West-Jiangxi Brigade. As to the net asset position of our Group, the net assets of our Group had been reduced by approximately RMB154 million as a result of the reduction in the total equity of Yifeng Wanguo of approximately RMB154 million upon completion of the Capital Reduction Agreement. Our Directors currently anticipate that the reduction in net assets of our Group as a result of the completion of the capital reduction would be offset entirely by the estimated net proceeds of approximately RMB182 million (based on the Offer Price of HK$1.75, being the low end of the Offer Price range) to be received by our Group from the Share Offer.

We obtained the necessary approval for the Capital Reduction Agreement in April 2012 and the Capital Reduction Agreement has been completed and become effective and legally binding. Yifeng Wanguo has become a wholly-owned subsidiary of HK Taylor since the Capital Reduction Agreement becoming effective. For details, you should refer to the section headed "History and Development – Yifeng Wanguo – Capital Reduction Agreement" on pages 110 to 113 of this prospectus.

OUR RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Upon completion of the Capitalisation Issue and the Share Offer, Mr. Gao, via Victor Soar, will indirectly and beneficially own approximately 50.25% of the issued share capital of our Company taking no account of Shares which may be issued pursuant to the exercise of the

Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme. Apart from the mining business operated by our Group, Mr. Gao and his associates are currently operating the Excluded Businesses which will not form part of our Group upon completion of the Reorganisation and after Listing. For further details, please refer to the section headed "Our Relationship with Controlling Shareholders – Delineation of Business" on page 163 of this prospectus.

SELECTED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND STATEMENTS OF FINANCIAL POSITION ITEMS

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	86,515	204,428	296,737
Gross profit	32,150	89,885	151,607
Profit and total comprehensive income for the year	13,822	53,827	81,694
Attributable to:			
Owners of our Company	10,558	48,430	73,258
Non-controlling interests	3,264	5,397	8,436

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	48,243	98,480	90,446
Current liabilities	140,042	159,593	72,085
Net current (liabilities)/assets	(91,799)	(61,113)	18,361
Non-current assets	129,215	148,354	207,098
Non-current liabilities	42,961	51,525	57,937
Net (liabilities)/assets	(5,545)	35,716	167,522

WORKING CAPITAL

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

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

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

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

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

THE PERFORMANCE OF OUR GROUP SUBSEQUENT TO 31 DECEMBER 2011

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

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

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

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

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

OFFER STATISTICS

	Based on an Offer Price of HK$1.75 per Share	**Based on an Offer Price of HK$2.10 per Share**
Market capitalisation of the Shares*(Note 1)*	HK$1,050.0 million	HK$1,260.0 million
Historical price/earnings multiple*(Note 2)*	11.8 times	14.2 times
Unaudited pro forma adjusted net tangible asset value per Share*(Note 3, 4 and 5)*	RMB0.54	RMB0.61

Notes:

1. The calculation of the market capitalisation of the Shares is based on the respective Offer Price of HK$1.75 and HK$2.10 per Share and 600,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue but does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option or of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issuing Mandate and the Repurchase Mandate.

2. The calculation of the historical price/earnings multiple is based on the historical earnings per share of RMB0.12 for the year ended 31 December 2011, the respective Offer Price of HK$1.75 and HK$2.10 per Share and on the assumption that 600,000,000 Shares, comprising Shares in issue as at the date of this prospectus and Shares to be issued pursuant to the Share Offer and the Capitalisation Issue, had been in issue throughout the year.

3. The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the section headed "Financial Information" in this prospectus, the respective Offer Price of HK$1.75 and HK$2.10 per Share and on the basis of 600,000,000 Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issuing Mandate and the Repurchase Mandate.

4. The unaudited pro forma adjusted net tangible asset value per Share has been arrived at without taking into account the effect of the capital reduction pursuant to the Capital Reduction Agreement, which was completed in April 2012. For further details of the Capital Reduction Agreement, please refer to the section headed "History and Development – Yifeng Wanguo – Capital Reduction Agreement" on pages 110 to 113 of this prospectus.

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

DIVIDEND POLICY

We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. For further details, please refer to the section headed "Financial Information – Dividend and Dividend Policy" on pages 219 to 220 of this prospectus. However, we will consider paying dividends if no attractive mine acquisition and investment opportunities arise. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to our Shareholders in compliance with relevant laws and regulations.

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

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

USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.925 per Share (being the mid-point of the estimated price range), we estimate that the net proceeds to us from the Share Offer will be approximately HK$241 million, after deducting the underwriting commissions and other estimated expenses payable by us in relation to the Share Offer. We intend to use the net proceeds to us from the Share Offer as follows:

	Total	**Percentage of allocation of the net proceeds from the Share Offer**
	HK$ million	
Expansion project at the Xinzhuang Mine	181.0	75%
Exploration activities in the surrounding areas of the Xinzhuang Mine	24.0	10%
Miscellaneous technological improvement and renovation projects	12.0	5%
Additional working capital and other general corporate purposes	24.0	10%

For further details, you should refer to the section headed "Future Plans and Use of Proceeds – Use of Proceeds" on pages 223 to 224 of this prospectus.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this prospectus.

"Achieve Ample"	Achieve Ample Investments Limited (達豐投資有限公司), a company incorporated in the BVI as a limited liability company on 10 March 2011, which is wholly-owned by Ms. Gao
"AME"	AME Mineral Economics (Asia) Limited, an independent research house that specialises in research on the global metals and related commodities industries
"AME Report"	the report dated 15 June 2012 on the global and PRC copper, iron, zinc, lead, gold and silver industries prepared by AME
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s), individually or collectively, as the context requires
"Articles of Association" or "Articles"	the articles of association of our Company conditionally adopted on 12 June 2012, as amended from time to time
"associate(s)"	has the meaning ascribed thereto in the Listing Rules
"Board" or "Board of Directors"	the board of directors of our Company
"Business Day"	any day (other than a Saturday, a Sunday or a public holiday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Capital Reduction Agreement"	the capital reduction agreement dated 3 March 2012 entered into among Yifeng Wanguo, West-Jiangxi Brigade and HK Taylor as further described in the section headed "History and Development – Yifeng Wanguo – Capital Reduction Agreement" in this prospectus
"Capitalisation Issue"	the issue of Shares to be made upon capitalisation of part of the amount standing to the credit of the share premium account of our Company referred to in the paragraph headed "A. Further Information about our Group – 3. Resolutions of our Shareholders" in Appendix VII to this prospectus

"Cayman Islands Companies Law"	the Companies Law of the Cayman Islands (2011 Revision) of the Cayman Islands, as amended, supplemented, or otherwise modified
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, but for the purposes of this prospectus and for geographical reference only (unless otherwise indicated), excluding Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong
"China Rise" or "Joint Bookrunner" or "Joint Lead Manager"	China Rise Securities Company Limited, a licensed corporation to carry on business in type 1 (dealing in securities) regulated activities as defined under the SFO, acting as a Joint Bookrunner and a Joint Lead Manager
"Company", "our Company", "we" or "us"	Wanguo International Mining Group Limited (萬國國際礦業集團有限公司), formerly known as Multinational International Group Limited (萬國國際集團有限公司), a company incorporated in the Cayman Islands on 13 May 2011 as an exempted company with limited liability
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and in the context of this prospectus, Mr. Gao and Victor Soar
"Covenantor(s)"	Mr. Gao, Victor Soar, Ms. Gao and Achieve Ample, or any one of them

"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the Chinese national securities markets
"Deed of Indemnity"	a deed of indemnity dated 12 June 2012 given by the Controlling Shareholders in favour of our Company
"Deed of Non-competition"	a deed of non-competition dated 12 June 2012 given by the Controlling Shareholders in favour of our Company
"Director(s)"	the director(s) of our Company
"EIT"	the PRC Enterprise Income Tax
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) issued on 16 March 2007 and became effective on 1 January 2008
"EIT Rules"	the Implementing Rules of the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例), issued on 6 December 2007 and became effective on 1 January 2008
"Excluded Businesses"	businesses operated by Mr. Gao and his associates as described in the section headed "Our Relationship with Controlling Shareholders – Excluded Businesses" in this prospectus
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company
"Group", "our Group", "our", "we" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
"Guotai Junan Capital" or "Sole Sponsor"	Guotai Junan Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as defined under the SFO, acting as the sole sponsor to the Share Offer
"Guotai Junan Securities" or "Sole Global Coordinator" or "Joint Bookrunner" or "Joint Lead Manager"	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO, acting as the sole global coordinator of the Share Offer, a Joint Bookrunner and a Joint Lead Manager

"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** (www.hkeipo.hk)
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified on the designated website (www.hkeipo.hk)
"HK Taylor"	Taylor Investment International Limited (捷達投資國際有限公司), a company incorporated in Hong Kong on 14 August 2006 with limited liability, which is our indirectly wholly-owned subsidiary
"HK$" or "HK dollars" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Hong Kong Offer Shares"	the 15,000,000 Shares initially offered by us for subscription pursuant to the Hong Kong Public Offering subject to re-allocation as described in the section headed "Structure of the Share Offer" in this prospectus
"Hong Kong Public Offering"	the offering by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage of 1% of the Offer Price, SFC transaction levy of 0.003% of the Offer Price and Stock Exchange trading fee of 0.005% of the Offer Price) on the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Tricor Investor Services Limited

"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 27 June 2012 relating to the Hong Kong Public Offering entered into by, amongst other parties, our Company, the Controlling Shareholders, the Joint Bookrunners and the Hong Kong Underwriters as further described in the section headed "Underwriting" in this prospectus
"IFRSs"	International Financial Reporting Standards, including International Accounting Standards and Interpretations, promulgated by the International Accounting Standard Board
"Independent Technical Expert"	Behre Dolbear Asia, Inc.
"Independent Technical Expert's Report"	the independent technical report for the Xinzhuang Mine, dated 28 June 2012, prepared by the Independent Technical Expert as set out in Appendix V to this prospectus
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, are independent of our Company and its connected persons
"International Placing"	the conditional placing of the International Placing Shares by the International Underwriters on behalf of our Company with professional and institutional investors for cash at the Offer Price as further described in the section headed "Structure of the Share Offer" in this prospectus
"International Placing Shares"	the 135,000,000 Shares initially offered pursuant to the International Placing subject to Over-allotment Option and re-allocation as described in the section headed "Structure of the Share Offer" in this prospectus
"International Underwriters"	the underwriters expected to enter into the International Underwriting Agreement to underwrite the International Placing

"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or before the Price Determination Date by, amongst other parties, our Company, the Controlling Shareholders, the Joint Bookrunners and the International Underwriters in respect of the International Placing, as further described in the section headed "Underwriting" in this prospectus
"Issuing Mandate"	the general unconditional mandate given to our Directors by the Shareholders relating to the issue of new Shares, further details of which are contained in the section headed "Share Capital" in this prospectus
"Jianyang Jinshan"	Fujian Jianyang Jinshan Mining Co., Ltd (福建省建陽金山礦業有限公司), a domestic enterprise established in the PRC in 2003, which, as at the Latest Practicable Date, was owned as to 50% by Quanzhou Wanguo and 50% by Fujian Geological Science Research Institute (福建省地質科學研究所), an Independent Third Party
"Jianyang Wanguo"	Fujian Jianyang Wanguo Mining Co., Ltd (福建省建陽萬國礦業有限公司), a domestic enterprise established in the PRC in 2000, which, as at the Latest Practicable Date, was owned as to 80% by Mr. Gao and 20% by Ms. Gao, respectively
"Joint Bookrunner(s)"	Guotai Junan Securities and China Rise, being the joint bookrunners of the Share Offer, and each of them, a Joint Bookrunner
"Joint Lead Manager(s)"	Guotai Junan Securities and China Rise, being the joint lead managers of the Share Offer, and each of them, a Joint Lead Manager
"Latest Practicable Date"	21 June 2012, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
"Listing"	listing of the Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about 10 July 2012, on which our Shares are listed and dealings in our Shares commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)

"Main Board"	the exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company conditionally adopted on 12 June 2012, as amended from time to time
"MIH"	Multinational International Holdings Limited (萬國國際控股有限公司), formerly known as Globalbaron Holdings Limited, a limited liability company incorporated in the BVI on 23 November 2007, which is directly wholly-owned by our Company
"Ministry of Finance"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部)
"MOLAR"	the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
"Mr. Gao"	Mr. Gao Mingqing (高明清), an executive Director and a Controlling Shareholder. Immediately upon completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, he will be interested in 301,500,000 Shares, representing approximately 50.25% of the total issued share capital of our Company
"Ms. Gao"	Ms. Gao Jinzhu (高金珠), an executive Director
"NDRC"	the National Development and Reform Commission of the PRC
"Nerin"	China Nerin Engineering Company Limited (中國瑞林工程技術有限公司), formerly known as Nanchang Nonferrous Metallurgical Engineering and Research Institute, an Independent Third Party

"Offer Price"	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) of not more than HK$2.10 and expected to be not less than HK$1.75, at which the Offer Shares are to be offered for subscription pursuant to the Share Offer, to be agreed upon by the Joint Bookrunners (acting for themselves and on behalf of the Underwriters) and us on or before the Price Determination Date
"Offer Share(s)"	the Hong Kong Offer Shares and the International Placing Shares, collectively, and where relevant, together with any additional Shares issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option granted by us to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters subject to the terms and conditions of the International Underwriting Agreement pursuant to which we may be required to issue up to an additional aggregate of 22,500,000 Shares (representing 15% of the Shares initially being offered under the Share Offer) at the Offer Price to cover over-allocations in the International Placing, details of which are described in the section headed "Structure of the Share Offer – Over-allotment and Stabilisation" in this prospectus
"PBOC"	the People's Bank of China
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), which was enacted by the Standing Committee of the NPC on 29 December 1993 and became effective on 1 July 1994, as the same may be amended, supplemented or otherwise modified from time to time
"PRC GAAP"	the generally accepted accounting principles in the PRC
"PRC Government"	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"PRC Legal Advisers"	Commerce & Finance Law Offices, the legal advisers to our Company as to PRC laws

"Price Determination Date"	the time expected to be on or about Wednesday, 4 July 2012 or such later time as the Joint Bookrunners (on behalf of the Underwriters) may agree but in any event not later than 5:00 p.m. (Hong Kong time) on Friday, 6 July 2012, on which the Offer Price is determined
"Quanzhou Wanguo"	Quanzhou Wanguo Development Co., Ltd. (福建省泉州萬國發展有限公司), a domestic enterprise incorporated in the PRC, which was owned as to 88% by Mr. Gao and 12% by Ms. Gao as at the Latest Practicable Date
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the reorganisation arrangements undergone by us in preparation for the Listing as described in the section headed "History and Development – Reorganisation" in this prospectus
"Repurchase Mandate"	the general unconditional mandate to repurchase Shares given to the Directors by the Shareholders, further details of which are contained in the paragraph headed "A. Further Information about our Group – 3. Resolutions of our Shareholders" in Appendix VII to this prospectus
"RMB" and "Renminbi"	the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC, which is the PRC Government agency responsible for matters relating to foreign exchange administration
"SAFE Circular No. 75"	Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Return Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Vehicle (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), issued by SAFE on 21 October 2005, effective on 1 November 2005
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

"Share(s)" or "our Share(s)"	ordinary share(s) in the share capital of our Company, with a par value of HK$0.10 each
"Share Offer"	the Hong Kong Public Offering and the International Placing
"Share Option Scheme"	the share option scheme conditionally approved and adopted by our Company on 12 June 2012, the principal terms of which are summarised in the section headed "E. Share Option Scheme" in Appendix VII to this prospectus
"Shareholder(s)"	holder(s) of the Shares
"SMM"	Shanghai Metals Market (上海有色網), formerly known as Shanghai Non-ferrous Metals Market (上海有色金屬網), the official website of Shanghai Nonferrous Metals Trade Association at www.smm.cn
"Stabilising Manager"	Guotai Junan Securities
"State"	the government authorities authorised to perform specified duties in the name of the PRC according to the PRC laws, including without limitation the NPC and the State Council
"Stock Borrowing Agreement"	the stock borrowing agreement which is expected to be entered into between the Controlling Shareholders and the Sole Global Coordinator on or before the Price Determination Date pursuant to which the Controlling Shareholders will agree to lend up to 22,500,000 Shares to the Sole Global Coordinator on the terms set out therein, further details of which are set out in the section headed "Structure of the Share Offer – Over-allotment and Stabilisation" in this prospectus
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed thereto in section 2 of the Hong Kong Companies Ordinance
"Substantial Shareholder(s)"	shall have the meaning as defined in the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers

"Three-year Agreements"	sale agreements entered into between us and various customers for a term between 2012 and 2014, details of which are set out in the section headed "Business – Sale of Products – Sale strategy" in this prospectus
"Track Record Period"	comprises the three financial years ended 31 December 2011
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"US$" or "US dollars"	United States dollars, the lawful currency for the time being of the United States
"Victor Soar"	Victor Soar Investments Limited, a company incorporated in the BVI as a limited liability company on 10 March 2011, which is wholly-owned by Mr. Gao. Immediately upon completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, Victor Soar will be a Controlling Shareholder and interested in 301,500,000 Shares, representing approximately 50.25% of the total issued share capital of our Company
"Wenzhou No.2"	Wenzhou No.2 Well and Tunnel Construction Company (溫州第二井巷工程公司), an Independent Third Party
"West-Jiangxi Brigade"	Brigade of Geological Survey of West-Jiangxi of the Bureau of Geology and Mineral Exploration of Jiangxi Province (江西省地質礦產勘查開發局贛西地質調查大隊)
"Xinzhuang Mine"	Xinzhuang Copper, Lead, Zinc Mine (新莊銅鉛鋅礦), an operating mine located in Jiangxi Province, the PRC, operated by Yifeng Wanguo in which our Group holds the entire equity interest through our wholly-owned subsidiary, HK Taylor

"Yifeng Wanguo"	Jiangxi Province Yifeng Wanguo Mining Co., Ltd. (江西省宜豐萬國礦業有限公司), a limited liability company established in the PRC on 26 November 2003, converted into a sino-foreign equity joint venture enterprise on 8 January 2008 and converted into a wholly foreign-owned enterprise on 27 April 2012. As at the Latest Practicable Date, Yifeng Wanguo was owned as to 100% by HK Taylor
"%"	per cent

Unless otherwise specified, translations of (i) HK$ into RMB and RMB into HK$; and (ii) HK$ into US$ and US$ into HK$ in this prospectus are based on the rates set out below respectively (for the purpose of illustration only):

HK$1.00	:	RMB0.81
HK$7.80	:	US$1.00

Any discrepancies in any table or chart between the total shown and the sum of amounts listed are due to rounding.

The English names of the PRC entities, the PRC laws or regulations or the PRC government authorities mentioned in this prospectus are translation or transliteration from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

No representation is made that any amounts in RMB and HK$ and/or US$ and HK$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

In this prospectus, we have used a number of terms defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). The JORC Code is an internationally accepted mineral resource and ore reserve classification system which was first published in 1989 and last revised in December 2004. The JORC Code has previously been used in competent person's reports for mineral resource and ore reserve statements for other PRC based public companies reporting to the Stock Exchange. The JORC Code is used by the Independent Technical Expert to report the mineral resources and ore reserves of the Xinzhuang Mine in this prospectus.

The JORC Code definition of "mineral resource" or "resource" is provided in the section headed "Glossary of Technical Terms" in this prospectus. Mineral resources are sub-divided in the order of increasing geological confidence of the estimate into the following categories:

- ***inferred mineral resource*** – is that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability;

- ***indicated mineral resource*** – is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed; and

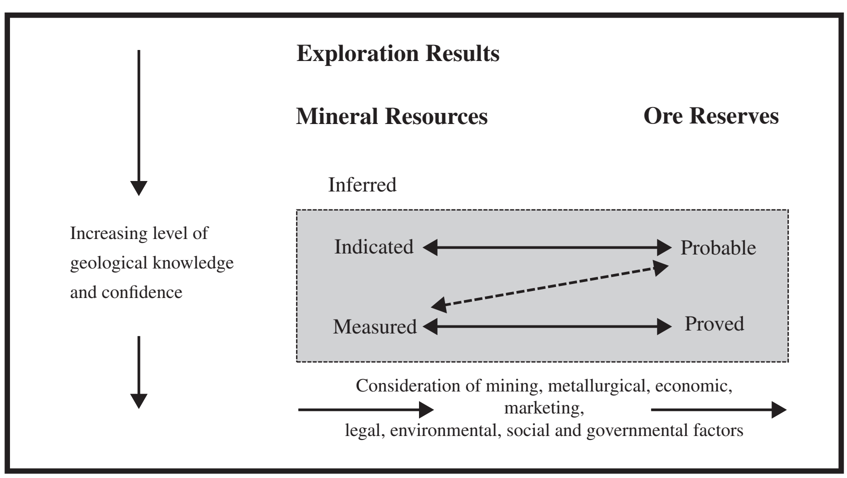
- ***measured mineral resource*** – is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

The JORC Code definition of "ore reserve" or "reserve" is provided in the section headed "Glossary of Technical Terms" in this prospectus. Ore reserves are converted from measured and indicated mineral resources after consideration of the relevant modifying factors – which include mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that economic extraction could reasonably be justified. The JORC Code deems inferred mineral resources to be too poorly delineated to be transferred into an ore reserve category. Ore reserve figures incorporate mining dilution, mining losses and are based on an appropriate level of mine planning, design and scheduling. Ore reserves are sub-divided into the following categories:

- ***probable ore reserve or probable reserve*** – is the economically mineable part of an indicated mineral resource, and in some circumstances, a measured mineral resource which has a lower level of confidence than "proved ore reserves", but is of sufficient quality to serve as the basis for a decision on the development of the deposit; and

- ***proved ore reserve or proved reserve*** – is the economically mineable part of a measured mineral resource which has the highest confidence category of reserve estimates. The style of mineralisation or other factors could mean proved ore reserves are not achievable in some deposits.

The following diagram summarises the general relationships between exploration results, mineral resources and ore reserves under the JORC Code:



Ore reserves are generally quoted as comprising a portion of the total mineral resource rather than the mineral resources being additional to the ore reserves quoted. Under the JORC Code either procedure is acceptable, provided the method adopted is clearly identified. The Independent Technical Expert's Report in this prospectus reports all of the ore reserves as part of the mineral resource statements.

This glossary contains definitions of certain terms used in this prospectus in connection with our Group and our business. Some of these may not correspond to standard industry definitions.

"Ag"	the symbol for the chemical element of silver
"Au"	the symbol for the chemical element of gold
"Bt"	billion tonnes
"concentrate"	a powdery product containing an upgraded mineral content resulting from initial processing of mined ore to remove some waste materials. A concentrate is an intermediary product, which would still be subject to further processing, such as smelting, to effect recovery of metal
"crusher"	a machine for crushing rocks to a smaller grain size
"Cu"	the symbol for the chemical element of copper
"Cu-Fe mineralisation"	copper-iron mineralisation. Copper occurring as chalcopyrite is the major economic element in this type of mineralisation, but it may also contain various amounts of magnetite, pyrite and locally some galena and sphalerite
"deposit"	a body of mineralisation containing a sufficient average grade of metal or metals to warrant further exploration and/or development expenditure. A deposit may not have a realistic expectation of being mined, therefore it may not be classified as a resource or a reserve
"dilution"	the reduction of grade for mined ore from the in-situ estimated grade due to the inclusion of waste material in the mined ore
"drilling"	a technique or process of making a small circular hole in the ground with a drilling machine, which is typically used to obtain a cylindrical or chip sample of rocks and/or ore. Alternatively, blasthole drilling is where the drilling technique is used to create a hole to house an explosive charge in preparation for blasting a zone of rock
"exploration"	activity to search for and/or prove the location, volume and quality of an ore body
"Fe"	the symbol for the chemical element of iron

"Fe-Cu mineralisation"	iron-copper mineralisation. Iron occurring as magnetite is the major economic element in this type of mineralisation, but it also contains various amounts of copper as chalcopyrite and pyrite
"ferrous"	containing iron
"flotation"	a process by which some mineral particles are induced to become attached to bubbles of froth and float, and others to sink, so that the valuable minerals are concentrated and separated from the remaining rock or mineral material
"g/t"	grams per tonne
"grade" or "ore grade"	the relative amount of valuable elements or minerals contained in a parcel of ore material. For gold and silver, grade is commonly expressed in grams per tonne terms; for copper and iron, grade is commonly expressed in percent
"km"	kilometre(s), a metric unit measure of distance
"km^2"	square kilometre
"koz"	thousand ounces, a unit of weight
"kt"	thousand tonnes, a metric unit of weight
"ktpa"	kt per annum
"mFe"	magnetic iron
"mineral deposits"	a natural occurrence of a useful mineral on sufficient degree of concentration and size to suggest it may be economically extracted
"mineral resource(s)" or "resource(s)"	a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction, as defined in the JORC Code. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge
"mining dilution"	the waste material that is taken in the process of ore extraction

"mining loss"	that part of an ore reserve which is not recovered during the mining process
"Mt"	million tonnes
"mu"	mu (畝), a unit of area commonly used in China. 1 mu equals approximately 666.67 square metres
"non-ferrous metals"	metals other than iron and alloys that do not contain appreciable amount of iron
"open pit mining"	mining of a deposit from a pit open to surface and usually carried out by stripping of overburden materials
"ore"	mineral-bearing rock which can be mined and treated profitably under current or immediately foreseeable economic conditions
"ore body"	natural mineral accumulations which can be extracted for use under existing economic conditions and using existing extraction techniques
"ore processing" or "processing"	the process which in general refers to the extraction of usable portions of ores by using physical and chemical methods
"ore reserve(s)" or "reserve(s)"	the economically mineable part of a measured and/or indicated mineral resource, as defined by the JORC Code. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore resources are subdivided into probable and proved, as described in the section headed "The JORC Code" in this prospectus
"ounce(s)", "troy ounce(s)" or "oz"	troy ounce(s), a unit of weight. One troy ounce equals 31.10348 grams
"Pb"	the symbol for the chemical element of lead
"PPE"	personal protection equipment

"recovery rate"	the percentage of metal produced compared to the amount of metal contained in the feed ore in the context of a processing plant, or the percentage of metal produced compared to the amount of metal contained in the feed concentrates in the context of a smelting plant
"refining"	the final stage of the metallurgical process of refining crude metal products to a pure or very pure end-product
"S"	the symbol for the chemical element of sulfur
"smelting"	a pyro-metallurgical process of separating metal by fusion from those impurities with which it is chemically combined or physically mixed
"t"	tonne(s), a metric unit of weight
"tailings"	the waste materials (residue) produced by the processing plant after extraction of valuable minerals
"tailings storage facility", "tailings dam", or "TSF"	a storage facility for tailings
"TFe"	total iron
"tpa"	tonnes per annum
"tpd"	tonnes per day
"underground mine"	openings in the earth accessed via shafts and adits below the land surface to extract minerals
"vein"	a tabular mass of minerals formed by fracture filling or replacement of host rock
"Zn"	the symbol for the chemical element of zinc

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks and uncertainties associated with an investment in our Company before making any investment decision regarding our Company. You should pay particular attention to the fact that our Company was incorporated in the Cayman Islands and all of our Group's operations are conducted in the PRC and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

We believe that an investment in our Shares involves certain risks, some of which are beyond our control. These risks can be broadly categorised into (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to the PRC; and (iv) risks relating to the Share Offer.

RISKS RELATING TO OUR BUSINESS

Our mining operations are concentrated at one mining site.

Our operations are exposed to uncertainties in relation to the Xinzhuang Mine, which will be our only operating mine immediately following the Share Offer and we expect operations thereat to continue in the future. Therefore, all of our current operating cash flows and sales are derived from the sale of concentrates produced from this single mine. Any significant operational or other difficulties in the mining, processing, storing and transporting of our products at or from the Xinzhuang Mine could reduce, disrupt or halt our production, which would materially and adversely affect our business, prospects, financial condition and results of operations.

We have pledged the mining right for the Xinzhuang Mine to secure banking facilities at a sum of RMB45,000,000 as at 30 April 2012 which had been completely drawn down. Such mining right mortgage will be released upon repayment of all borrowings under the banking facilities in 2016. If such mining right mortgage is foreclosed due to our failure to perform our obligations under the banking facilities, we may lose our mining right for the Xinzhuang Mine or our operations at the Xinzhuang Mine may be interrupted, in which case our business, financial conditions and results of operations could be materially and adversely affected.

We are running a developing mining business. Our limited operating history may not serve as an adequate basis to judge our future operating results and prospects.

We only commenced commercial production at the Xinzhuang Mine in August 2007 and are still in a stage of development, and there is limited historical information available upon which you can base in evaluating our business and prospects. Our revenue experienced significant growth in a relatively short period of time, increasing from RMB86.5 million in 2009 to RMB296.7 million in 2011. Our revenue may not be able to continue to grow at similar rates, if at all. Our gross profit margin was 37.2%, 44.0% and 51.1% for the three years ended 31 December 2011, respectively. Our net profit margin was 16.0%, 26.3% and 27.5% for the three years ended 31 December 2011, respectively. There is no assurance that our gross profit margin and net profit margin will continue to grow or will not fall, if at all. Each of the risks described in this "Risk Factors" section, as well as other factors, may affect our future results of operations and profitability. You should consider our future prospects in light of the risks and challenges encountered by a company with a limited operating history.

We have encountered and may continue to encounter risks and uncertainties frequently experienced by developing-stage companies, including but not limited to those relating to:

– our ability to maintain effective control of our operating costs and expenses;

– our ability to develop and maintain internal personnel, systems and procedures to ensure compliance with the extensive regulatory requirements applicable to the mining industry in the PRC;

– our ability to respond to changes in our regulatory environment; and

– our ability to implement, monitor and enhance our internal controls system.

If we are unable to address these risks, our financial condition and operating results may be materially and adversely affected.

The accuracy of the mineral resources and reserves estimates of the Xinzhuang Mine is based on a number of assumptions, and we may produce less mineral concentrates than our current estimates.

The mineral resources and reserves estimates of the Xinzhuang Mine are based on a number of assumptions that have been made by the Independent Technical Expert in accordance with the JORC Code. However, we cannot assure you that the resources and reserves estimates as presented in this prospectus will be recovered in the quantities, quality or yields presented in this prospectus. Resources and reserves estimates involve expressions of judgement based on various factors such as knowledge, experience and industry practice, and the accuracy of these estimates may be affected by many factors, including quality of the results of exploration drilling and sampling of the ore body and analysis of the ore samples, as well as the procedures adopted by and experience of the person making the estimates.

Estimates of the resources and reserves at the Xinzhuang Mine may change significantly when new information becomes available or new factors arise, and interpretations and deductions on which resources and reserves estimates are based may prove to be inaccurate. Resources estimates indicate in-situ mineral occurrences from which valuable or useful minerals may be recovered, but do not take into account whether such resources could be mined or whether valuable or useful minerals could be recovered economically from them, nor do resources estimates incorporate mining dilution or allow for mining losses. The reserves estimates contained in this prospectus represent the amount of mineral that we believe can be profitably mined and processed and are calculated based on estimates of future production costs and mineral prices. In the future, we may need to revise the reserves estimates of the Xinzhuang Mine, if, for instance, our production costs increase or prices for mineral decrease and as a result the extraction of a portion (or all) of the mineral reserves at the Xinzhuang Mine becomes uneconomical.

The inclusion of resources and reserves estimates should not be regarded as a representation that all these amounts can be economically exploited, and nothing contained in this prospectus (including, without limitation, the estimates of mine lives) should be interpreted as assurances of the economic viability of the Xinzhuang Mine or the profitability of our future operations.

Our failure to achieve our production estimates could have a material adverse effect on our future results of operations.

Estimates of future production for our mining and ore processing operations are subject to change. We cannot give any assurance that we will achieve our production estimates. Our failure to achieve our production estimates could have a material and adverse effect on our future results of operations.

The production estimates are based on, among other things, reserve estimates, assumptions regarding ground conditions and physical characteristics of ores, utilisation of production facilities, costs of production and conditions of the industry and general economy. Actual production may vary from estimates for a variety of reasons, some of which are set out below:

– deviation of actual ore mined from estimates in grade, tonnage, and metallurgical and other characteristics;

– unusual or unexpected geological conditions;

– mining dilution;

– lower-than-estimated recovery rate;

– industrial accidents;

– equipment failures;

– natural phenomena such as weather conditions, floods, blizzards, droughts, rock slides and earthquakes;

– changes in power costs and potential power shortages;

– shortages of principal supplies needed for operation, including but not limited to explosives, fuels, sulfuric acid and equipment parts; and

– other restrictions or policies imposed by government authorities.

Such occurrences could result in damage to mining properties or processing facilities, interruptions in production, injury or death to persons, damage to our property or the property of others, monetary losses and legal liabilities. 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, for instance, feasibility studies prepared by our personnel and/or external consultants, but it is possible that actual cash operating costs and economic returns will differ significantly from those derived from currently estimated production data.

In addition, the estimates regarding operating costs of the Xinzhuang Mine are based on the Independent Technical Expert's Report. Such estimates are based upon, among other things, (i) anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed; (ii) anticipated recovery rates of minerals from the ore; (iii) cash operating costs of comparable facilities and equipment; and (iv) anticipated geographic and climatic conditions. If any of those factors changes or any of the assumptions is inaccurate, the actual operating costs, production level and economic returns may differ significantly from those estimates.

We rely on a third-party contractor to provide mining service in respect of the Xinzhuang Mine.

We outsource substantially all of our mining activities to a third-party contractor. As a result, our operations will be affected by the performance of the third-party contractor. We monitor the work of the third-party contractor but we may not be able to control the quality, safety and environmental standards of the work done by such third-party contractor to the same extent as when the work is performed by our own employees. Any failure by the third-party contractor to meet our quality, safety and environmental standards may result in our liabilities to third parties and have a material adverse effect on our business, reputation, financial condition and results of operations. Any failure by the third-party contractor could also affect our compliance with government rules and regulations relating to mining and workers' safety. Moreover, any failure by us to retain our third-party contractor or obtain replacements on favourable terms or at all may have a material adverse effect on our business and results of operations.

The contracting fees payable to the third-party contractor for mining works recorded in our consolidated statements of comprehensive income for the three years ended 31 December 2011 were approximately RMB39.3 million, RMB32.6 million and RMB36.8 million, respectively. For further information in relation to our third-party contractor, please refer to the section headed "Business – Mining – Third-party Contractors" in this prospectus.

We rely on a small number of major customers.

We rely on our major customers to purchase a significant portion of our products. For the three years ended 31 December 2011, revenue attributable to our top five customers together accounted for approximately 97.3%, 81.5% and 80.3% of our total revenue, respectively, while the largest customer accounted for approximately 55.1%, 41.6% and 37.9% of our total revenue, respectively.

There can be no assurance that we will be able to retain these customers or that they will maintain their current level of business with us. If there is a reduction or cessation of orders from these customers for whatever reasons and we are unable to obtain suitable orders of a comparable size in substitution, our business, financial condition and results of operations may be materially and adversely affected. Moreover, given that most of our revenue is derived from our sale to our five largest customers, any deterioration on their ability to purchase our products will have a material adverse effect on our results of operations.

Our business is exposed to uncertainties in relation to our expansion plans, further exploration opportunities and future acquisitions.

We are currently investing in an expansion of our mining and ore processing facilities. Our expansion plan requires significant development of the Xinzhuang Mine to bring it to the planned levels of production. It may take longer than we currently anticipate to implement our expansion plan and there may be unforeseen delays before our expanded ore processing facilities are able to operate at our planned capacity. As a result of any delay in completing our expansion, cost overruns, failure to obtain the intended economic benefits from our expansion or other reasons, our business, financial condition and operations may be adversely affected.

If we cannot operate the Xinzhuang Mine at the planned production levels, it will materially and adversely affect our business, financial condition and the results of operations.

There is no assurance that we can obtain or renew approvals, permits and licences necessary for the exploration, mining or ore processing at the Xinzhuang Mine or in respect of any mines we acquire in the future.

Under the relevant laws and regulations of the PRC, all mineral resources in the PRC are owned by the State. Mining enterprises, including us, must obtain certain exploration and mining approvals, permits and licences prior to undertaking any exploration or mining activities, and the exploration and mining licences are limited to a specific geographic area and time period. As a result, whether we can carry out exploration, mining and ore processing activities at the Xinzhuang Mine or in respect of any mines we acquire in the future depends on our ability to obtain the requisite exploration, mining and production approvals, permits and licences from the relevant PRC authorities or to obtain necessary renewals of such approvals, permits and licences when they expire.

As a result of our failure to complete the construction of our backfill system and ventilation system before the end of July 2008, our mining activities had been suspended since 30 July 2008 until we were allowed to resume our mining operations in April 2009. For details, please refer to the section "Business – Occupational Health and Safety" in this prospectus.

During the Track Record Period, pursuant to our then mining licence for the Xinzhuang Mine, we were able to conduct underground mining of ore at a rate of 300,000 tpa. In the three years ended 31 December 2011, the ore production volume at the Xinzhuang Mine was approximately 300,570 tonnes, 306,580 tonnes and 300,070 tonnes, respectively, and exceeded the limit set out in our then mining licence. Our Directors confirmed that the excessive production volumes were caused as a result of a lack of comprehensive system controlling production volume at the early stage of development at the Xinzhuang Mine given that we commenced trial production in January 2007 with an initial designed mining capacity and processing capacity of 200,000 tpa and we reached our expanded mining capacity of approximately 300,000 tpa only in 2009. As advised by our PRC Legal Advisers, according to PRC laws, the mining right owner may be ordered to rectify such excessive activities within a time limit. If the mining right owner cannot meet the relevant requirements after the rectification, it will be ordered to close its mine.

These production-related approvals and licences will expire from time to time. There can be no assurance that we will be able to fully and economically utilise the entire mineral resources of the Xinzhuang Mine during the periods under the currently effective licence and approval or to obtain grant of any extension and renewal of such licences and approvals. Moreover, there can be no assurance that we will be able to obtain mining or production-related licences and approvals in respect of resources we identify in the future either at the Xinzhuang Mine or at any mines we acquire in the future. If we are unable to obtain any of such licences and approvals or to renew any of such licences and approvals upon their expiration, our business and results of operations will be materially and adversely affected.

We are facing certain hydrological issues due to surface water and underground water present in the area of the Xinzhuang Mine.

According to the Independent Technical Expert's Report, we are facing certain hydrological issues at the Xinzhuang Mine due to surface water and underground water present in the area of the Xinzhuang Mine. The Independent Technical Expert advised that special attention should be paid to this issue at all times of our underground mining operation. For details, please refer to the section headed "Business – Hydrological Issue" in this prospectus and sections headed "8.2.2 Hydrological Issues" and "15.0 Risk Analysis" in the Independent Technical Expert's Report set forth in Appendix V to this prospectus.

Should we fail to monitor the hydrological issues and to apply sufficient mitigation and rectification measures against them, the underground mine could be flooded and our mining operation would have to stop and our business and results of operations will be materially and adversely affected.

Discount between market prices and our unit sale prices of respective metals in our concentrates may increase and fall outside the range experienced in the Track Record Period.

We sell our copper concentrates and zinc concentrates to the mineral trading and brokerage enterprises at a price that is equal to market prices of the metals contained in our concentrates products at a discount which essentially represents the treatment fees being (i) the profit and cost of our customers, plus (ii) the profit and cost for the downstream enterprises for processing the concentrates into the respective metal as end products. The discount during the Track Record Period ranged from 11.3% to 46.2% of the market prices of the metals contained in our concentrates. For details, please refer to the section headed "Business – Pricing Policy" in this prospectus.

There can be no assurance that in the future such discount will not increase and fall outside the range of discount experienced in the Track Record Period, in which case our revenue and results of operations will be materially and adversely affected.

We may be unable to pass the annual verification of our mining right of the Xinzhuang Mine.

Our mining right of the Xinzhuang Mine is subject to verification on an annual basis by the relevant competent department of land and resources. In the annual verification, the relevant authorities will consider whether our mining activities in the past year were in compliance with the relevant laws and regulations. If we are unable to meet the relevant requirements or found in material breach of any laws or regulations, we will fail the annual verification and we will be penalised according to the relevant laws and regulations or given a deadline to rectify the situation, failing which our mining right could be revoked. We cannot assure you that we will be able to pass the annual verification of our mining right in the future. Should these rights be suspended or revoked or we fail to pass the annual verification, our operation and financial performance will be materially and adversely affected.

Our operations may face material risk of liability, delays and increased production costs from design defects, environmental hazards and rehabilitation, industrial accidents such as mishandling of dangerous articles and other factors such as severe weather conditions, natural disasters, community protests or civil unrest.

By its nature, the business of mineral exploration and development, mining and ore processing involves significant risk and hazards. The continuous success of our business is dependent on many factors such as (i) successful design and construction of our mining and processing facilities, and (ii) successful commissioning and operating of our mining and ore processing facilities.

The Xinzhuang Mine is subject to technical risks in that our infrastructure may not perform as designed. Increased development costs, lower output or higher operating costs may all combine to make a mine less profitable than expected at the time of the development decision. We cannot assure you that we will be adequately compensated by third-party mine design and construction companies in the event that our mine does not meet its expected design specifications.

Our business may also be disrupted by a variety of other risks and hazards, including environmental hazards, industrial accidents (including but not limited to mishandling of dangerous articles), technical or mechanical failures, processing deficiencies, labour disputes, community protests or civil unrest, unusual or unexpected geological occurrences, severe seismic activity, flooding, discharge of toxic chemicals, fire, explosions, and other delays. Accidents, technical difficulties, mechanical failures or plant breakdowns encountered in the exploration and development, mining and processing activities could result in disruptions to our operations and increases in our operating costs or personal injuries.

As a result of our failure to complete the construction of our backfill system and ventilation system before the end of July 2008, our mining activities had been suspended since 30 July 2008 until we were allowed to resume our mining operations in April 2009. For details, please refer to the section "Business – Occupational Health and Safety".

Our production and operations are subject to laws, rules and regulations imposed by the PRC government regarding environmental matters, such as the treatment and discharge of hazardous wastes and materials and environmental rehabilitation. PRC laws and regulations set a series of standards for waste substances (such as waste water) that may be discharged into the environment, and impose fees for the discharge of such waste substances. In addition, we are required under current PRC laws and regulations to conduct our mining operations in a manner that minimises the impact on the environment, such as through rehabilitation and revegetation of mined land. In the future, we may have rehabilitation obligations in respect of areas we have cleared for mining and production purposes and in respect of our tailings dams.

One of the main environmental issues in the mining industry is wastewater, dust and tailings management. Wastewater, dust and tailings can contain substances that are potentially harmful to human beings and the environment, especially in large quantities. The risk of spills can be increased in steep sloping areas, such as those in which we operates. We may be subject to claims for damages to persons or properties resulting from any discharge or overflow of wastewater, dust or tailings residue into the environment, rivers in particular.

Furthermore, environmental events such as changes in the water table (man-made or naturally occurring), mud-slides and instability of the stopes, and all other potential hazards including but not limited to geotechnical issues and hydrological issues as identified by the Independent Technical Expert, could materially and adversely affect our underground mining. Environmental hazards may occur in connection with our operations as a result of human negligence, force majeure or otherwise. In addition, mishandling of dangerous articles such as explosives and toxic materials such as carbon monoxide, carbon dioxide, nitrogen oxide, carbon disulfide and turpentine produced in the course of our operations could result in material disruptions to our operations. The occurrence of any of these risks and hazards could result in environmental damage, damage to or destruction of production facilities, personal injury, property damage, business interruption, delay in production, increased production costs, monetary losses, possible legal liability (including compensatory claims, fines and penalties) and damage to our reputation, which could materially and adversely affect our business and results of operations. Such incidents may also result in a breach of the conditions of our mining licence, or other consents, approvals or authorisations, which may result in fines or penalties imposed by relevant regulatory authorities.

We may also be subject to actions by environmental protection groups or other interested parties who object to the actual or perceived environmental impact of the operation at the Xinzhuang Mine or other actual or perceived condition at the Xinzhuang Mine. These actions may delay or halt our production or may create negative publicity related to us.

We are also subject to extensive laws, rules and regulations imposed by the PRC government regarding production safety. In particular, our mining operations involve the handling and storage of explosives and other dangerous articles. There can be no assurance that accidents will not occur in the future.

For details, please refer to the section headed "Business – Occupational Health and Safety" in this prospectus.

In the future, we may experience increased costs of production arising from compliance with environmental and production safety laws and regulations. There can be no assurance that more stringent laws, regulations or policies regarding environmental and production safety will not be implemented or that the existing laws, regulations and policies will not be more stringently enforced. We may not be able to comply with all existing or future laws, regulations and policies in relation to environment and production safety economically or at all. Should we fail to comply with any production safety laws or regulations, we would be required to rectify the production safety problems within a limited period. Failure to rectify any problem could lead to suspension of our operations. In addition, there can be no assurance that risks and hazards, including environmental hazards, industrial accidents (including but not limited to mishandling of dangerous articles), technical or mechanical failures, processing deficiencies, labour disputes, community protests or civil unrest, unusual or unexpected geological occurrences, severe seismic activity, flooding, discharge of toxic chemicals, fire, explosions, and other delays will not occur in the future. Should we fail to comply with any relevant laws, regulations or policies or should any industrial accident occur, our business, reputation, financial condition and results of operations may be adversely affected, and we may be subject to penalties, civil liabilities or criminal liabilities.

We may not be able to renew the relevant temporary approvals required for the use of the land within our mining area for the construction of facilities under our expansion plan. We may also be subject to punishments for commencement of construction prior to obtaining the relevant temporary approvals.

We have leased three parcels of land which are collectively-owned land within the coverage of our mining licence for mining, tailings storage and ancillary purposes. Pursuant to our expansion plan, it is expected that three new shafts, new tailings storage facilities and certain related ancillary structures will be located in these areas. Details of the land and the relevant lease agreements are as follows:

Location	Total site area/mu (畝)	Term
Longxi Village, Yichun Municipal, Jiangxi Province	334	March 2012 to December 2031
Kouxi Village, Yichun Municipal, Jiangxi Province	29.746	March 2012 to December 2031
Zhangjia Village, Yichun Municipal, Jiangxi Province	1.2	March 2012 to March 2032

With a view to ensuring the stability of our long term operation, we have begun the process to obtain the relevant state-owned land use rights certificate for the above land and agreed to pay the total relocation compensations of about RMB32 million, of which approximately RMB29 million was paid as of 31 December 2011. However, pursuant to the relevant laws and regulations, given the three parcels of land are collectively-owned land, we may only obtain the state-owned land use right certificates for the three parcels of land from the authorities after (i) they have been converted into state-owned land from collectively-owned land; (ii) the authorities have entered into the state-owned land use right agreement with us; and (iii) we have paid the relevant land premium to the authorities.

We have already obtained relevant temporary approvals for our use of the above collectively-owned land for the aforesaid purposes for a term of two years until March or April 2014 from the relevant department of land and resources.

There is no assurance that we can renew the necessary temporary approvals in the future, failing which our results of operations and our ability to expand our operations as planned may be materially and adversely affected.

We started the construction of the three new shafts and certain auxiliary facilities on the parcel of land located at Kouxi Village before we obtained the relevant temporary approval. As advised by our PRC Legal Advisers, pursuant to relevant PRC laws and regulations, we may be subject to an order to suspend construction and confiscate the constructed structure, and a maximum fine of approximately RMB30 per square metre as a result of our use of the land without obtaining the necessary approvals prior to the commencement of our construction.

There is no assurance that the relevant competent PRC authority will not impose any sanction against us in the future, including but not limited to, confiscating or ordering us to demolish the constructed structures, or imposing any fine on us, for the use of the above land by us before the grant of the relevant temporary approvals.

For further details, please refer to the section headed "Business – Properties – Land – Leased land in the PRC for our expansion plan" in this prospectus.

Non-compliance with the social insurances and housing fund contribution regulations in the PRC by us could lead to imposition of penalties or other liabilities on us.

Our operating subsidiary in China, namely, Yifeng Wanguo, is required to make social insurances contributions and housing fund contribution for the benefit of its own employees under the PRC laws and regulations. Due to the differences in local regulations, inconsistent implementation of the PRC laws and regulations by local authorities and different levels of acceptance of the social insurances and housing fund systems by employees, Yifeng Wanguo had not made social insurances contributions and housing fund contribution in full for all of its employees before April 2011. According to the relevant PRC laws and regulations, enterprises which have not paid the social insurances contributions or have not contributed to social insurances payments on behalf of employees according to the relevant rules will be required to pay such amounts by the relevant labour insurance administrative departments within a required period and a late charge calculated at 0.05% per day of the outstanding amount will be charged from the date of the default payment. Enterprises which do not make requisite registration or complete procedures to open relevant accounts to make housing fund contributions for their employees will be ordered by the relevant housing fund management centre to make such payment or complete such procedures within a required period. If the necessary procedures are not completed within the required period, such enterprises will be subject to a penalty of not less than RMB10,000 and not more than RMB50,000. If any employee of the enterprises not having paid the social insurances contributions or housing fund contribution in full succeeds in a labour dispute against such enterprises with respect to the outstanding contributions and/or fund, such enterprises may be required to make such outstanding contributions.

Yifeng Wanguo completed the registration process as to social insurances with the relevant social insurances authorities in April 2009 and has made contributions in respect of all of its eligible employees since April 2011. Yifeng Wanguo also completed the requisite registration and opened the requisite housing fund accounts with the relevant housing authorities in accordance with the relevant laws and regulations in April 2011, and has commenced payments of housing fund contributions for all eligible employees since April 2011. As at the Latest Practicable Date, the aggregate outstanding amount of social insurances contribution and housing fund contribution was approximately RMB3.4 million and RMB0.6 million, respectively.

There is no assurance that the social insurances and/or housing authorities in the PRC or their supervising authorities in the future will not take a position different from the confirmation letter as mentioned in the section headed "Business – Employees" in this prospectus, such that we may be ordered by the relevant authorities to make the outstanding contributions. Further, if we are found to be liable for previous non-contributions of social insurances and/or housing fund, we will make the outstanding social insurance and housing fund contributions as required, and the late payment penalties will apply according to the relevant laws and regulations. Payment of significant contributions, penalties and other liabilities could have an adverse effect on our reputation, cash flow and results of operation.

We may not be adequately insured against losses and liabilities arising from our operations.

We face various operational risks in connection with our business. However, we are not insured against certain risks. For example, we do not maintain any business interruption insurance or third party liability insurance against claims for property damage, personal injury and environmental liabilities other than third party liability insurance for our vehicles. Our third party liability insurance for our vehicles is limited and may not be sufficient to cover major vehicle accidents in the future.

According to the relevant PRC laws and regulations, we will be liable for losses and costs arising from accidents resulting from fault or omission on the part of us or our employees. We do not maintain insurance in respect of such losses or costs and, as a result, our financial condition could be materially or adversely affected if we become liable for losses and costs arising from fault or omission on the part of an employee.

Due to the nature of our business, we handle highly flammable and explosive materials and operate under perilous conditions. We may experience accidents in the course of our operations which may cause significant property damage, personal injuries or other liabilities. Losses and liabilities incurred or payments we may be required to make arising from the accidents, if not adequately insured against, could have a material adverse effect on our results of operations or otherwise materially disrupt our operations.

We do not maintain any insurance policy to cover possible losses, damage or costs resulting from accidents, fault or omission of the third-party contractor and/or its employees. Under our outsourcing contracts, the third-party contractor shall comply with our safety standard as well as the applicable laws and regulations and safety requirements imposed by the relevant government authorities and that all losses caused by, or incurred pursuant to, the underground mining works of our third-party contractor as a result of its failure to maintain proper safety standard shall be borne by it.

If any claim in respect of the outsourced activities is made by third parties against us directly, we may have to incur costs and devote resources to defend ourselves against such claims. Any such claim could damage our reputation and lead to loss of customers and revenue.

We may not be able to maintain the provision of adequate and uninterrupted supplies of electricity, water, necessary raw materials, auxiliary materials, equipment and spare parts at favourable prices or at all.

Major raw materials and auxiliary materials used in our mining and processing for our concentrates production include forged steel grinding balls, chemical products, explosives and diesel oil. All our raw materials and auxiliary materials and equipment are sourced from suppliers in PRC. Electricity and water are the main utilities used in our mining and ore processing operations. We obtain our electricity from the local power grid and our water supply from Shishui River, ground water and local water supplier. There can be no assurance that supplies of electricity, water, raw materials and auxiliary materials, equipment or spare parts will not be interrupted or that their prices will not increase in the future. If there is any increase in the prices, our ability to pass the increased costs to our customers is limited. In the event that our existing suppliers cease to supply us with electricity, water, raw materials and auxiliary materials, equipment or spare parts at existing or lower prices or at all, our financial condition and results of operations will be adversely affected. An interruption in supply of electricity or other materials will materially and adversely affect our underground production and our safety by disrupting operations such as water pumping and ventilation. In addition, an interruption in the supply of electricity, water, auxiliary materials, equipment or spare parts will materially and adversely affect the operation of our ore processing plant and other facilities and a suspension of operation may happen as a result. There can be no assurance that our future operation will not be adversely affected by an interruption in the supplies of electricity, water, auxiliary materials, equipment or spare parts or an increase of their prices.

Our financial performance may be affected by fluctuations in raw material prices as our ability to pass on the increase in raw material costs to our customers is limited and we currently do not have any mitigating policy to minimise the potential impact of such increase.

Fluctuations in the prices of raw materials consumed for our productions have a direct impact on the results of our operations. The major raw materials for our productions include, among other things, forged steel grinding balls, explosives, chemicals products and diesel oil. Their prices may fluctuate depending on the grade, demand and supply of these raw materials. As we price our concentrates with reference to respective market prices of minerals contained therein at the time of each transaction less discount or with reference to the then market price of the concentrates, our ability to pass on any increase in raw material costs to the customers is limited. For the three years ended 31 December 2011, our material costs accounted for 21.1%, 14.3% and 11.7% of our total cost of sales. If there is a significant increase in the prices of raw materials in the future, our profitability would be adversely affected. We will monitor the significance of our material costs and review the necessity of implementing specific mitigating policy based on our future operations.

Severe weather conditions could materially and adversely affect our business and results of operations.

Severe weather conditions, such as unexpected snowstorm or floods, may require us to evacuate personnel or curtail operations and may result in damage to our mines, our equipment or our facilities, which could result in the temporary suspension of operations or a reduction in our productivity. During periods of curtailed activity due to adverse weather conditions, we may continue to incur operating expenses even though production has slowed down or ceased altogether. Any damages to our projects or delays in our operations caused by severe weather could materially and adversely affect our business and results of operations.

Our mining operations have a finite life and eventual closure of these operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards.

Our existing mining operations in the Xinzhuang Mine have a finite life and will eventually close. The key tasks for mine closures are (i) long-term management of permanent engineered structures and acid rock drainage; (ii) achievement of environmental closure standards; (iii) orderly retrenchment of employees and our third-party contractor; and (iv) relinquishment of the site with associated permanent structures and community development infrastructure and programmes to new owners. The successful completion of these tasks is dependent on our ability to successfully implement negotiated agreements with the relevant government, community and employees. A difficult closure can lead to consequences such as increased closure costs, handover delays, ongoing environmental rehabilitation costs and damage to our reputation if desired outcomes cannot be achieved, which could materially and adversely affect our business and results of operations.

We may not be able to retain or secure key qualified personnel, key senior management or other personnel for our operations.

We depend on certain key qualified personnel, key senior management and other employees in our business, particularly those set out in the section headed “Directors and Senior Management” in this prospectus. There can be no assurance that such parties will continue to provide services to us or will honour the agreed terms and conditions of their employment or service contracts. Any loss of key personnel or failure to recruit and retain personnel for our future operations and development may have a material adverse effect on our business.

If we fail to manage our liquidity situation carefully, our ability to expand and, in turn, our results of operations may be materially and adversely affected.

As at 31 December 2009 and 2010, we had net current liabilities of approximately RMB91.8 million and RMB61.1 million, respectively, primarily due to outstanding balance due to a Shareholder. As at 31 December 2011, we had net current assets of approximately RMB18.4 million, and the change was mainly due to the waiver of short-term shareholders' borrowings. Our gearing ratio was 1.0, 0.8 and 0.4 as at 31 December 2009, 2010 and 2011 respectively. High gearing ratio as at 31 December 2009 was principally due to substantial capital investment financed by short-term shareholders' borrowings with relatively low assets base. The decrease in gearing ratio as at 31 December 2010 and 31 December 2011 was mainly due to increase in our assets under the growth of our business. A net current liability position may impair our ability to make necessary capital expenditures, develop business opportunities or make strategic acquisitions.

There can be no assurance that our business will generate sufficient cash flow from operations in the future to service any future debts and make necessary capital expenditures, in which case we may seek additional financing, dispose of certain assets or seek to refinance some of or all our future debts. In the event that we are unable to meet our liabilities when they fall due or if our creditors take legal action against us for default payment, we may have to liquidate our long-term assets to repay our creditors. We may encounter difficulty converting our long-term assets into current assets and may suffer losses upon the sale of our long-term assets. This would materially and adversely affect our operations and prevent us from successfully implementing our business strategies.

Our memoranda of understanding with potential customers may not be materialised.

We have entered into several non-binding memoranda of understanding with various companies engaged in smelting and trading business, pursuant to which we may further negotiate and develop business relationship with them for our concentrates sales. As the memoranda of understanding are of a non-binding nature, they may not be materialised and there is no assurance that we will enter into sale agreements or any sale transactions with these potential customers.

We may be unable to obtain financing on favourable terms, or at all, to fund our ongoing operations, existing and future capital expenditure requirements, acquisition and investment plans and other funding requirements, and our ability to raise additional financing could be materially affected by the fluctuations in the capital markets.

Mining and processing of mineral resources are very capital intensive. To fund our current and future operations, capital expenditure requirements, acquisition and investment plans and other funding requirements, we need sufficient internal sources of liquidity or access to additional financing from external sources. We currently fund our capital expenditures with long-term bank loans, cash flow from our operating activities and capital contributions from our Shareholders. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including, for example, (i) obtaining the PRC Government approvals, where necessary, to raise financing in the domestic or international markets; (ii) obtaining the PRC Government approvals to remit to the PRC the proceeds from any financings raised in international markets; (iii) our future financial condition, results of operations and cash flows; (iv) the condition of the global and domestic financial markets; and (v) changes in the monetary policy of the PRC Government with respect to bank interest rates and lending practices and conditions.

The disruptions, uncertainty or volatility in the capital and credit markets resulting from the recent financial turmoil may limit our ability to obtain financing and bank loans to meet our funding requirements. If adequate funding is not available to us on favourable terms in time, or at all, it may materially and adversely affect our ability to fund our existing operations, or develop our business. Additionally, if we decide to raise additional funds through the incurrence of debt, our interest and debt repayment obligations will increase, and we may be subject to additional covenants, which could limit our ability to access cash flows. If we decide to raise additional funds through the issuance of our Shares or other securities, the interests of our Shareholders may be substantially diluted.

Our existing and future major capital expenditure projects may not be completed within the expected time frame and within our budget, or at all, and may not achieve the intended economic results.

We intend to invest in projects at our existing operations to increase our production efficiency, as well as to expand and develop our mining and ore processing capabilities. We have conducted and will continue to conduct feasibility studies to determine whether to undertake significant construction projects. Actual results may differ significantly from those anticipated by our feasibility studies.

Such projects could be delayed or adversely affected by a variety of factors, including the failure to obtain the necessary regulatory approvals or sufficient funding, construction difficulties, technical difficulties and manpower or other resource constraints. In particular, the disruptions, uncertainty or volatility in the capital and credit markets resulted from the recent financial turmoil may limit our ability to obtain financing to meet our funding requirements and we may postpone certain construction projects if our Directors determine that doing so would be in the interest of our Group after taking into consideration the then market conditions, our financial performance and other relevant factors. Costs of these projects may also exceed our planned investment budget. Even if we are able to complete the projects without any delay and within our budget, as a consequence of changes in market circumstances or other factors, we may not achieve the intended economic results of these projects. As a consequence of any delay in completing our capital expenditure projects, cost overruns, changes in market circumstances or other factors, the intended economic benefits from these capital expenditure projects may not materialise, and our financial condition and results of operations may be materially and adversely affected.

Our acquisition and investment strategies may not be successful.

Part of our business strategies is to grow our business through investment in, or acquisition of, additional assets or business operations relating to mineral mining and processing. However, there can be no assurance that we will be able to identify attractive acquisition targets, negotiate acquisitions on favourable terms, obtain necessary government approvals, if applicable, accurately estimate the resources and reserves of these acquisition targets or obtain the necessary funding to complete such acquisitions on commercially acceptable terms or at all. Moreover, we cannot assure you that any business acquired by us will be integrated successfully into our operations or that we will be able to operate it profitably. Further, acquisitions may require utilisation of debt, equity or other capital resources that may lead to a diversion of financial resources from other operations. In addition, the key personnel of the acquired company may decline to work for us. These challenges associated with acquisitions may disrupt our continuing business and divert resources and management's attention from our other business concerns. If we are unable to carry out our acquisition strategy successfully, our business, financial condition and results of operations may be materially and adversely affected.

Our operations may be adversely affected as a result of entering into the Capital Reduction Agreement.

Pursuant to the Capital Reduction Agreement, the redemption monies of approximately RMB207.9 million shall be payable by Yifeng Wanguo to West-Jiangxi Brigade by instalments between 2012 and 2018. For details of the payment terms of the Capital Reduction Agreement, please refer to the section headed "History and Development – Yifeng Wanguo – Capital Reduction Agreement" in this prospectus. Pursuant to the Capital Reduction Agreement, we shall provide a mortgage in favour of West-Jiangxi Brigade over Yifeng Wanguo's right in the State-owned Land Use Rights Certificate numbered "Yifeng County State-owned 2011-556" (宜豐縣國用(2011)第556號) for securing the obligations of Yifeng Wanguo in paying the redemption monies under the Capital Reduction Agreement. If we have any difficulties in generating sufficient operating cashflow and are not able to obtain the necessary debt and/or equity financing, we may not be able to repay the redemption monies pursuant to the terms of the Capital Reduction Agreement and the West-Jiangxi Brigade may take legal action against us, including but not limited to enforcing the mortgage over certain land owned by us. In the event that Yifeng Wanguo fails to pay the redemption monies and rectify within 90 days as requested by West-Jiangxi Brigade in accordance with the Capital Reduction Agreement, the mortgage shall become exercisable by West-Jiangxi Brigade.

Certain supporting facilities such as office buildings and staff quarters are currently under construction on the land covered by the above land use right certificate and the completion of which is expected to take place around the end of 2012. If the above mortgage is enforced after the completion of construction of the relevant office buildings and staff quarters due to our failure to perform our obligations under the Capital Reduction Agreement, we may be ordered to evacuate from the above area and required to seek for other alternative area.

As to the net asset position of our Group, the net assets of our Group had been reduced by approximately RMB154 million as a result of the reduction in the total equity of Yifeng Wanguo of approximately RMB154 million upon completion of the Capital Reduction Agreement. Our Directors currently anticipate that the reduction in net assets of our Group as a result of the completion of the capital reduction would be offset entirely by the estimated net proceeds of approximately RMB182 million (based on the Offer Price of HK$1.75, being the low end of the Offer Price range) to be received by our Group from the Share Offer. Regulations in the PRC currently permit declaration of dividends by PRC companies only out of retained profits as determined in accordance with the PRC generally accepted accounting principles. As such, Yifeng Wanguo will not be able to declare dividends to HK Taylor and the ability of Yifeng Wanguo to transfer funding outside the PRC to our Company would be limited if it has accumulated losses recorded on its balance sheets. For further details of the restrictions on our PRC subsidiary in paying dividends to us, please refer to the section headed "Risk Factors – Risks Relating to the Share Offer – We rely on dividends paid by our PRC subsidiary for our cash needs, and limitations on the ability of our PRC subsidiary to pay dividends to us could have a material adverse effect on our business, prospects, financial condition and results of operations".

We grant credit period to our customers to make payments, but any delay in payments from or non-payment by our customers may affect our working capital and cash flow.

Taking into account their business size, the length of established business relationship, the contract amount and their past payment records, we may grant up to 60 days credit period to our customers to settle outstanding purchase balances after our product delivery. However, delays in receiving payments from or non-payment by our customers may adversely affect our cash flow position and our ability to meet our working capital requirements. In addition, default in payments to us can materially and adversely affect our business operations and financial conditions. We cannot assure you that our customers will make payment in full to us on a timely basis or that we will be able to efficiently manage the level of bad debt arising from overdue payments.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Fluctuations in the market price of copper, iron and other metals contained in the concentrates we produce could materially and adversely affect our profitability and cash flows.

Our revenue is generated from the sale of concentrates we produce. The price we obtain for our concentrates is determined by the amount of copper, iron and other metals contained in the concentrates and the market prices for these metals. Historically, the market price of these metals has fluctuated widely and each has experienced periods of significant decline. We have limited ability to anticipate and manage commodity price fluctuations. There can be no assurance that the market price of any or all of these metals will not decline in the future or that such prices will otherwise remain at sufficiently high levels to support our profitability. A significant decline in the market price of any of these metals, and in particular copper, iron, zinc, gold, silver, etc., could materially adversely affect our business and result of operations.

Approximately 43.6% and 26.0% of our total concentrates sales for the year ended 31 December 2011, respectively, were attributable to copper concentrates and iron concentrates we sold. We have no control over the factors that affect the copper and iron market price. There can be no assurance that the market price of copper and iron will not continue to fluctuate in the future. If copper and iron prices should fall or remain below our cost of production for a sustained period, the prices of our Shares and our results of operations could be materially and adversely affected. Please refer to the section headed "Industry Overview" in this prospectus for a more detailed description of the factors affecting the copper and iron prices.

We face competition from domestic and international competitors.

According to the AME Report, we face competition from both domestic and international concentrates producers. We believe some of our competitors have competitive advantages over us, including more abundant financial, technical and raw material resources, greater economies of scale, broader name recognition and more established relationships in certain markets. Competitive pressure may force us to lower our prices, lead to a decrease in our sales and ultimately may have a material adverse impact on our business, financial condition and results of operations.

Changes to the PRC regulatory regime for the copper, iron and other minerals mining industry may have an adverse impact on our results of operations.

The PRC local, provincial and central authorities exercise a substantial degree of control over the copper, iron and other minerals industry in the PRC. Our operations are subject to a range of PRC laws, regulations, policies, standards and requirements in relation to, among other things, mine development, production, taxation, labour standards, occupational health and safety, waste treatment and environmental protection and operation management. Any changes to these laws, regulations, policies, standards and requirements or to the interpretation or enforcement thereof may increase our operating costs and thus adversely affect our results of operations.

There is no assurance that we will be able to comply with any new PRC laws, regulations, policies, standards and requirements applicable to the copper, iron and other minerals mining industry or any changes in existing laws, regulations, policies, standards and requirements economically or at all. Further, any such new PRC laws, regulations, policies, standards and requirements or any such change in existing laws, regulations, policies, standards and requirements may also constrain our future expansion plans and adversely affect our development, operations and profitability.

Changes in PRC tax laws and regulations applicable to the mining industry may adversely affect our results of operations.

We are subject to, among other things, corporate income tax, resources tax, value-added tax, city maintenance and construction tax, education surcharge and property tax under PRC laws and regulations. Mineral and other by-products produced and sold by us are subject to value-added tax at the rate of 17%. The PRC government increased the resources tax rates of copper and zinc ore effective on 1 August 2007, and the rates applicable to the Xinzhuang Mine range from RMB5 to RMB10 per tonne of copper, iron, lead and zinc ore mined. There is no assurance that the PRC government will not further raise the rates of resources tax or other taxes. Any increase in the rates of resources tax or other taxes will have an adverse impact on our results of operations. For details, please refer to Appendix IV to this prospectus.

The EIT Law and its regulations were enacted and became effective on 1 January 2008. Under this law and the EIT Rules, if we are deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to us by our PRC incorporated subsidiary, unless we are entitled to reduction or elimination of such tax, including by tax treaties. Please refer to the section headed "Risk Factors – Risks relating to the PRC – Restrictions on the payment of dividends under applicable regulations may limit the ability of our PRC operating subsidiary to remit dividends to us, which could affect our liquidity and our ability to pay dividends" in this prospectus.

Mineral markets are highly competitive and are affected by factors beyond our control.

We sell all of the concentrates we produce in the PRC market. We compete with domestic and foreign producers in the PRC concentrates market. Competition in the PRC concentrates market is based on many factors, including, among others, price, mining capacity and processing capacity, concentrates quality and characteristics, transportation capability and costs, blending capability and brand name. Due to their location, some of our PRC competitors may have lower transportation costs than we do. The PRC concentrates market is highly fragmented and we face price competition from some small local concentrates producers that produce concentrates for significantly lower costs than us due to various factors, including their lower expenditure on safety and regulatory compliance. Some of our international competitors may have greater mining capacity and processing capacity as well as more financial, marketing, distribution and other resources than we do, and may benefit from their more established brand names in international markets. Our inability to maintain our competitive position as a result of these or other factors could materially and adversely affect our business, prospects, financial condition and results of operation.

RISKS RELATING TO THE PRC

Changes in the PRC's economic, political and social conditions and government policies may have an adverse effect on us.

Substantially all of our assets and operations are located in the PRC and all of our revenue is derived from the PRC. Accordingly, our business operations and prospects are subject, to a significant degree, to the economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in a number of respects, including structure, degree of government involvement, level of development, control of capital investment, growth rate, control of foreign exchange and allocation of resources.

Before its adoption of reform and open door policies in the late 1970s, the PRC was primarily a planned economy. Since that time, the PRC government has been reforming the PRC economic system and has also begun reforming the government structure in recent years. These reforms have resulted in significant economic growth and social progress. However, despite such transformation, the PRC government continues to play a significant role in regulating various industries by imposing industrial policies and continually adjusting economic reform measures. As such, we cannot assure that we may be able to benefit from all, or any, of the measures that are under continuous adjustments. In addition, we cannot predict whether changes in the political, economic and social conditions in the PRC or changes in the laws, regulations and policies promulgated by the PRC government will have any adverse effect on our current or future business, financial condition and results of operations.

Any significant change in, or promulgation of, laws and regulations may increase our costs of production, and our failure to comply with any of these developments could result in legal liabilities for us.

Our operations are subject to the PRC laws and regulations, which include, but are not limited to laws and regulations governing the mining industry, foreign investment, labour and insurance matters, tax, levy, tariff, foreign exchange and environmental protection. Any significant change in the scope or application of these laws or regulations or any promulgation of new laws and regulations may increase our costs of production and profit margins (as the case may be) and have an adverse effect on our financial condition and results of operations. Further, the production safety and environmental regulations and their implementation regulations govern the operations of our business. Any failure to comply with such laws and regulations could result in fines, suspension of operations, loss of any licences, penalties or lawsuits. There can also be no assurance that the PRC government will not impose additional or stricter laws or regulations in the future, which could give rise to significant compliance costs that we may be unable to pass on to our customers.

The legal system of the PRC is not fully developed, and there are inherent uncertainties which may affect the protection afforded to our business and our Shareholders.

Most if not all of our business and operations are governed by the legal system of the PRC. The PRC legal system is based on written statutes and their interpretations by the Standing Committee of the National People's Congress. Prior court decisions may be used for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations that had the effect of enhancing the protections afforded to corporate organisations and their governance, as well as various forms of foreign investments in the PRC. However, since these laws and regulations are relatively new and as the PRC legal system continues to evolve rapidly, the interpretation and enforcement of these laws, regulations and rules involves significant uncertainty and different degrees of inconsistency, limiting potentially the available legal protections to our business operations. In addition, the PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms. Therefore, it is difficult to evaluate the outcome of administrative and court proceedings and the actual level of legal protection we enjoy. These uncertainties may affect our judgement on the relevance of legal requirements and our decisions on the measures and actions to be taken to fully comply therewith, and may affect our ability to realise our contractual and tort rights. Further, we cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-exemption of local regulations by national laws. We cannot therefore assure that we will enjoy the same level of legal protection in the future, nor such new laws and regulations will not affect our operations, causing adverse effects on our financial condition and results.

As an investor holding our Shares, you hold an indirect interest in our PRC incorporated subsidiary, which is subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. The PRC Company Law and these regulations, in general, and the provisions for the protection of Shareholders' rights and access to information, in particular, are less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions. Therefore, our PRC subsidiary (and indirectly, you) does not enjoy certain shareholder protections that are available in the more developed jurisdictions.

Our labour costs may increase for reasons such as the implementation of the PRC Labour Contract Law.

The PRC Labour Contract Law (中華人民共和國勞動合同法) became effective on 1 January 2008 in the PRC. It imposes more stringent requirements on employers in relation to entry into fixed term employment contracts and dismissal of employees. Pursuant to the PRC Labour Contract Law, the employer is required to make compensation payment to fixed-term contract employees when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or are better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law. In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected by the employees themselves, the employer is also required to enter into non-fixed term employment contracts with employees who have previously entered into fixed term employment contracts for two consecutive terms.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. As a result of the PRC Labour Contract Law and the Regulation on Paid Annual Leave for Employees, our labour costs (inclusive of those incurred by our contractor) may increase. Further, under the PRC Labour Contract Law, when we terminate our PRC employees' employment, we may be required to compensate them for such amount which is determined based on their length of service with us, and we may not be able to efficiently terminate non-fixed term employment contracts under the PRC Labour Contract Law without cause. In the event we decide to significantly change or decrease our workforce, the PRC Labour Contract Law could adversely affect our ability to effect these changes cost-effectively or in the manner we desire, which could result in adverse impact to our business, operations or profitability.

Further, if there is a shortage of labour or for any reason the labour cost in the PRC rises significantly, the cost of production of our products is likely to increase. This may in turn affect the selling prices of our products, which may then affect the demand of such products and thereby adversely affect our sales and financial condition. Increase in costs of other components required for production of our products may cause similar adverse effects, particularly if we are unable to identify and employ other appropriate means to reduce our costs of production. In such circumstances, our profit margin may decrease and our financial results may be adversely affected.

Government control of currency conversion and fluctuations in the exchange rate between RMB and other currencies could negatively affect our financial condition, operations and our ability to pay dividends.

Substantially all of our revenue is denominated and settled in RMB. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE provided that certain procedural requirements are satisfied. However, approval from SAFE or its local counterpart is required where RMB 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. Since a significant amount of our future cash flow from operations will be denominated in RMB, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside China or fund our business activities that are conducted in foreign currencies. This could also affect the ability of our subsidiaries in China to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us.

The exchange rate of the RMB against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC Government and changes in the PRC's and international political and economic conditions. Any future exchange rate volatility relating to RMB may give rise to uncertainties in the value of our net assets, earnings and dividends. An appreciation of RMB may result in increased competition from foreign competitors; a devaluation of RMB may adversely affect the value of our net assets, earnings and dividends in foreign currency terms. Moreover, to the extent that we need to convert the net proceeds from the Share Offer and future financing into the RMB for our operations, appreciation of the RMB against the relevant foreign currencies would have an adverse effect on the RMB amount we would receive from the conversion. On the other hand, because the dividends on our Shares, if any, will be paid in Hong Kong dollars, any devaluation of the RMB against the Hong Kong dollar could adversely affect the amount of any cash dividends on our Shares in Hong Kong dollar terms.

It may be difficult to effect service of process or to enforce foreign judgements in the PRC.

A substantial amount, if not all, of our assets are located in the PRC. Further, the majority of our Directors and officers reside in the PRC as well as their personal assets. Therefore, investors may encounter difficulties in effecting service of process from outside the PRC upon us or most of our Directors and officers. Moreover, it is understood that the enforcement of foreign judgements in the PRC is still subject to uncertainties. A judgement of a court from a foreign jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if the judgements of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requisite requirements. However, the PRC does not have treaties with Japan, the United Kingdom, the United States and most other countries providing for the reciprocal enforcement of judgements. Also, Hong Kong has no arrangement for reciprocal enforcement of judgements with the United States, causing uncertainties in relation to the enforcement of foreign judgements.

We may be required to pay income tax on capital gains from the transfer of equity interests in our PRC subsidiary held by our offshore subsidiaries.

In connection with the EIT Law which came into effect on 1 January 2008, the Ministry of Finance (財政部) and the SAT jointly issued, on 30 April 2009, the Circular on Issues Concerning Process of Corporate Income Tax in Enterprise Restructuring Business (Cai Shui [2009] No. 59) (關於企業重組業務企業所得稅處理若干問題的通知) (財稅[2009]59號), which became effective retrospectively on 1 January 2008. In preparation for the Share Offer, our Group and its subsidiaries commenced the Reorganisation. For more details of the Reorganisation, please refer to the section headed "History and Development – Reorganisation" in this prospectus. The transfer of equity interests in certain PRC subsidiaries indirectly held by offshore subsidiaries of our Group to other offshore subsidiaries of our Group is subject to an income tax of 10% on capital gains which may be determined as the difference between the fair value of the equity interests transferred and the cost of investment. On 10 December 2009, the SAT issued the Notice on Strengthening the Management on Corporate Income Tax for Non-resident Enterprises Equity Transfer (Guo Shui Han [2009] No. 698) (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) (國稅函[2009]698號), which became effective retrospectively on 1 January 2008. The notice clarified the definition cost of investment and other relevant details on the EIT management regarding the share transfer of a PRC resident enterprise by non-PRC resident enterprises directly or indirectly. We have not made any provision for the payment of any income tax on any capital gain that may arise under the above circular and notice as it is currently unclear how the relevant PRC tax authorities will implement or enforce the above circular and notice and whether such income tax on capital gains treatment will be subject to further change. In the event that we are required to pay the income tax on capital gains by the relevant PRC tax authorities, our tax liability may increase and our net profits and cash flow may be affected.

We may be deemed to be a PRC tax resident under the EIT Law and be subject to PRC taxation on our worldwide income.

Under the EIT Law, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and will generally be subject to a uniform 25% EIT on their worldwide income. Under the EIT Rules, "de facto management bodies" are defined as bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Substantially all of our management is currently based in the PRC and may remain in the PRC. Therefore, we may be treated as a PRC resident enterprise for EIT purposes and thus be subject to EIT on our worldwide income. However, a PRC resident enterprise is exempt from dividend income received from qualified resident enterprises. The tax consequences of such treatment are currently unclear, as they will depend on the implementation regulations and how local tax authorities apply or enforce the EIT Law and the EIT Rules. Our business, financial condition and operating results may be materially and adversely affected if we are subject to PRC taxation on our worldwide income.

Restrictions on the payment of dividends under applicable regulations may limit the ability of our PRC operating subsidiary to remit dividends to us, which could affect our liquidity and our ability to pay dividends.

As a holding company, we currently conduct substantially all of our business through our operating subsidiary, Yifeng Wanguo, incorporated in the PRC. We rely on dividends paid by the PRC subsidiary for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our Shareholders, to service any foreign currency debt we may incur and to make any offshore acquisitions. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit declaration of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Our PRC subsidiary is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. We anticipate that in the foreseeable future our PRC subsidiary will need to continue to set aside 10% of the respective after-tax profits to its statutory reserves. These limitations on the ability of our PRC subsidiary to transfer funds to us limit our ability to receive and utilise such funds. In addition, if our PRC subsidiary incurs debt in the future, the instruments governing the debt may restrict its abilities to pay dividends or make other distributions to us. As a result, our PRC subsidiary may be restricted in its abilities to transfer the net profit to us in the form of dividends. If our PRC subsidiary cannot pay dividends due to government regulations or contractual restrictions, or because it cannot generate the requisite cash flow, we may not be able to pay dividends, service our debt or pay our expenses which may have a material adverse effect on our business, prospects, financial condition and results of operations.

PRC regulations relating to loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the net proceeds of the Share Offer to contribute additional capital or make loans to our PRC subsidiary.

We are an offshore holding company conducting our operations in the PRC through our PRC subsidiary, Yifeng Wanguo. In utilising the net proceeds, we expect to receive from the Share Offer for the purposes described in the section headed "Future Plans and Use of Proceeds" in this prospectus, we may make loans or additional capital contributions to our PRC subsidiary, Yifeng Wanguo.

Any loans to our PRC subsidiary, which is treated as a foreign invested enterprise under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to Yifeng Wanguo to finance its activities cannot exceed statutory limits and must be registered with SAFE or its local counterpart. We may also determine to finance Yifeng Wanguo by means of capital contributions. These capital contributions must be approved by the MOFCOM or its local counterpart.

We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the net proceeds from the Share Offer to capitalise or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders or our PRC subsidiary to liabilities or penalties, limit our ability to inject capital into our PRC subsidiary or limit the ability of our PRC subsidiary to distribute profits to us.

According to SAFE Circular No. 75, PRC residents establishing or taking control of a special purpose company abroad and domestic enterprises receiving round-trip investments from funds raised by an offshore special purpose company controlled by PRC residents are required to effect foreign exchange registration with the local foreign exchange bureau. As advised by our PRC Legal Advisers, it is not necessary for Mr. Gao and Ms. Gao to make the foreign exchange registration with SAFE and our Company, our Controlling Shareholders and Substantial Shareholders are considered to be in compliance with the relevant laws and regulations on foreign exchange. According to the relevant guidance with respect to the operational rules on such foreign exchange registration issued by SAFE to its local branches, if any PRC shareholder of an offshore special purpose company fails to make the required SAFE registration and amendment, the PRC subsidiaries of that offshore special purpose company may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer, the principal and interests of shareholder's loans, advance recovery of investment or liquidation to the offshore special purpose company, otherwise could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, which would materially and adversely affect our business and your investment in our Shares.

Restrictions on foreign investment in the PRC mining industry could materially and adversely affect our business and results of operations.

In the PRC, foreign companies have in the past been, and are currently, required to operate within a framework that is different from that imposed on domestic PRC companies. However, the PRC government has been opening up opportunities for foreign investment in mining projects and this process is expected to continue, especially following the PRC's accession into the World Trade Organisation. However, if the PRC government should reverse this trend, or impose greater restrictions on foreign companies, or seek to nationalise our PRC operations, our business and results of operations could be materially and adversely affected. For a description of the laws and regulations applicable to foreign mining companies, please refer to Appendix IV to this prospectus.

The outbreak of any severe contagious diseases, natural disasters, acts of war, political unrest and other related events in the PRC, if uncontrolled, could adversely affect our business and results of operations.

The outbreak of any severe communicable disease in the PRC could have severe effects on the overall business sentiments and environment in the PRC, and may in turn lead to a slower economic growth in the PRC economy. Examples of such contagious diseases may include Severe Acute Respiratory Syndrome ("**SARS**"), and also more recently, the H1N1 Influenza (originally referred to as the swine flu), as discovered in April 2009. As evident from past events, the outbreak of such major diseases, especially SARS in 2003 has caused significant damage to the global economy, slowing down economic growth in the whole world. As such, recurrence or outbreak of any types of similar diseases may cause such damage to the global market, causing a worldwide slowdown in the levels of economic activity, and may in turn adversely affect our results of operations and the price of our Shares.

Moreover, political unrests, acts of war, terrorist attacks and natural disasters may cause damage or disruption to the PRC economy as a whole, and/or our operations, employees and production facilities, and in turn causing adverse effects on our sales, costs of raw materials, our financial condition and results of operations. This is evident from previous events of terrorist attacks globally, the 8.0 magnitude earthquakes in Sichuan and also the 2004 tsunami events. We cannot control the occurrence of these catastrophic events and our business operations will at all times be subject to the risks of these uncertainties.

Inflation in the PRC could materially and adversely affect our profitability and growth.

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for our products rise at a rate that is insufficient to compensate for the rise in our costs, our business may be materially and adversely affected. In order to control inflation in the past, the PRC Government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such an austerity policy can lead to a slowing of economic growth. A slowdown in the PRC economy could also materially and adversely affect our business and prospects.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares, and an active trading market may not develop after the Share Offer.

Prior to the Share Offer, there has been no public market for our Shares. The Offer Price for our Shares will be determined by agreement between the Joint Bookrunners (acting for and on behalf of the Underwriters) and us on the Price Determination Date. The Offer Price may not be indicative of the price at which our Shares will trade following the completion of the Share Offer. Moreover, there can be no assurance that there will be an active trading market for our Shares, or if it exists, that it can be sustained following the completion of the Share Offer, or that the price at which our Shares will trade will not decline below the Offer Price.

The Offer Price may not be indicative of prices that will prevail in the trading market and such market prices and the liquidity of our Shares following the Share Offer could be volatile.

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements of new technologies, strategic alliances or acquisitions, safety or environmental accidents suffered by us or other similar mining companies or fluctuations in the market prices of minerals contained in our concentrates could cause large and sudden changes in the volume and price at which our Shares will trade. We cannot assure that such development will not occur. In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced substantial price and volume fluctuations in the past. As a result, the prices of our Shares are subject to price fluctuations that may not be directly related to our financial or business performance.

We rely on dividends paid by our PRC subsidiary for our cash needs, and limitations on the ability of our PRC subsidiary to pay dividends to us could have a material adverse effect on our business, prospects, financial condition and results of operations.

We are a holding company incorporated in the Cayman Islands and conduct substantially all of our operations through our PRC subsidiary. We will rely on dividends paid by our PRC subsidiary for our future cash needs that cannot be provided by equity issuance or borrowings outside of the PRC, including the funds necessary to pay dividends and other cash distributions to our Shareholders, to service any debt we may incur and to pay our operating expenses in excess of such amounts will depend on dividends from our PRC subsidiary. Regulations in the PRC currently permit payment of dividends by the PRC subsidiary only out of accumulated profits as determined in accordance with the PRC generally accepted accounting principles. According to applicable PRC laws and regulations, our PRC subsidiary is required to set aside at least 10% of its after-tax profit based on the PRC generally accepted accounting principles each year for its statutory reserves until the amount of such reserves reach 50% of its registered capital. These reserves are not distributable as dividends. Contributions to such reserves are made from our PRC subsidiary's net profit after taxation. In addition, the instruments governing the debt incurred by our PRC subsidiary in its own name may restrict its ability to pay dividends or make other distributions to us. As a result, our PRC subsidiary is restricted in its ability to transfer the net profit to us in the form of dividends. If our PRC subsidiary cannot pay dividends due to government policy and regulations or any restrictions on making payments to our Company contained in any financing or other agreements, or because it cannot generate the requisite cash flow, we may not be able to pay dividends, service our debt or pay our expenses, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our current dividend policy and our historical dividend payment should not be taken as an indication of our future ability to pay dividends and we may not be able to pay any dividends in the future.

Our Company may declare dividends in Hong Kong dollars to be paid to our Shareholders in general meetings but no dividends may be declared in excess of the amount recommended by our Board. Our Company may also make a distribution to our Shareholders out of share premium in general meetings. No dividend or distribution may be paid out of share premium unless immediately following the date on which the distribution or dividend is proposed to be paid, our Company will be able to pay its debts as they fall due in the ordinary course of business.

Our Directors may declare dividends after taking into account, among other things, our results of operations, financial condition and position, the amount of distributable profits based on IFRSs, our Memorandum and Articles of Association, the Cayman Islands Companies Law, applicable laws and regulations and other factors that our Directors deem relevant. For further details of our dividend policy, please see the section headed "Financial Information – Dividend and Dividend Policy" in this prospectus. Our future payments of dividends will be at the absolute discretion of our Board. We cannot assure you when or whether we will pay dividends in the future.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to the PRC and any provinces, cities or regions thereof contained in this prospectus, the reliability of which cannot be assumed or assured.

Certain facts and statistics in this prospectus relating to the PRC, its economy and the industries in which we operate within the PRC are derived from official government publications generally believed to be reliable. We cannot guarantee the quality or reliability of such facts and statistics. These facts and statistics have not been prepared or independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners or the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, or materials prepared based on such facts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other difficulties, the statistics presented in this prospectus may be inaccurate or may not be comparable from period to period or to statistics produced for other economics and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight or importance they should place upon all such facts and statistics.

Forward looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains statements that are forward-looking and uses words typically used for forward-looking statements such as "will," "expect," "estimate," "anticipate," "plan," "believe", "may", "intend", "ought to", "continue", "project", "should", "seek", "potential" and other similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Purchasers of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although we believe that the assumptions upon which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be incorrect and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but not limited to, those identified in this "Risk Factors" section, many of which are not within our control. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us that our plans and objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise.

Future issuances or sales, or perceived issuances or sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares and our Company's ability to raise capital in the future.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, including sales by our Substantial Shareholders, or the issuance of new Shares by our Company, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favourable to us, and the Shareholders would experience dilution in their holdings upon issuance or sale of additional securities in the future. While we are not aware of any intentions of our existing Shareholders to dispose of significant amounts of their Shares upon expiry of the relevant lock-up periods, the details of which are set out in the section headed "Underwriting" in this prospectus, we are not in a position to give any assurances that they will not dispose of any Shares they own now or may own in the future.

The Offer Price per Share is higher than the net tangible asset book value per Share, and, consequently, purchasers of our Shares will incur immediate dilution.

The Offer Price of our Shares is higher than the net tangible asset book value per Share immediately prior to the Share Offer. Therefore, purchasers of our Shares in the Share Offer will experience an immediate dilution in their Share from the Offer Price per Share to the unaudited pro forma adjusted consolidated net tangible asset book value of HK$0.71 per Share (assuming an Offer Price of HK$1.925, which is the mid-point of the indicative range of the Offer Price of HK$1.75 to HK$2.10 per Share), and our existing Shareholders will receive an increase in the net tangible asset book value per Share in respect of their Shares. If we issue additional Shares in the future at a price lower than the then net tangible asset book value per Share, purchasers of our Shares may experience further dilution.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law, which law may provide different protection to minority shareholders than the laws of Hong Kong and other jurisdictions.

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Cayman Islands Companies Law. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that our minority Shareholders, including you, may have less protection than they and you would otherwise have under the laws of other jurisdictions. For further information, please see Appendix VI to this prospectus.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or disseminated through other media relating to us and/or the Share Offer, some of which may not be consistent with the information contained in this prospectus.

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Share Offer, the disclosure of which has not been authorised by us but included certain financial information, projections, valuations and other information about us (the "**Unauthorised Information**"). We wish to emphasise to potential investors that we do not accept any responsibility for any such Unauthorised Information. The Unauthorised Information was not sourced from or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the Unauthorised Information. To the extent that any of the Unauthorised Information is inconsistent with, or conflicts with, the information contained in this prospectus, we disclaim it. Accordingly, prospective investors are cautioned to make their investment decisions based solely on the information contained in this prospectus and should not rely on any of the Unauthorised Information.

WAIVER FROM RULE 8.12 OF THE LISTING RULES

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Our Company does not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. Our Company has applied for a waiver from strict compliance with Rule 8.12 of the Listing Rules on the basis that, as our Company's core business operations are based, managed and conducted in the PRC, our Company's management is best able to attend to its functions by being based in the PRC. Our Company has received from the Stock Exchange a waiver from compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

a) our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as our Company's principal communication channel with the Stock Exchange and will ensure that our Company complies with the Listing Rules at all times. The two authorised representatives are Mr. Gao, an executive Director, and Mr. Wong Chi Wah, our company secretary. The authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile or e-mail, and are authorised to communicate on behalf of our Company with the Stock Exchange;

b) in compliance with Rule 3A.19 of the Listing Rules, our Company will appoint Guotai Junan Capital Limited to act as compliance adviser for a period commencing on the Listing Date and ending on the date on which our Company distributes the annual report for the first full financial year commencing after the Listing Date in accordance with Rule 13.46 of the Listing Rules to provide our Company with advices on the obligation in compliance with the Listing Rules, all other applicable laws, rules, codes and guidelines. The compliance adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing and, where our Company's authorised representatives are unavailable, act as an additional channel of communication between the Stock Exchange and our Company at least for the period commencing from the Listing Date and ending on the date that our Company publishes its first full financial year results pursuant to Rule 3A.19 of the Listing Rules;

c) both the authorised representatives have means of contacting our Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matters. Our Company has implemented a policy whereby (i) each Director will provide his or her mobile phone number, residential phone number, fax number and e-mail address to the authorised representatives; (ii) each executive Director will provide valid phone numbers or means of communication to the authorised representatives when he or she is travelling; and (iii) all Directors will provide his or her mobile phone numbers, residential phone numbers, office phone numbers, fax numbers and e-mail addresses to the Stock Exchange; and

d) all Directors who do not ordinarily reside in Hong Kong have confirmed that they possess or will apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules, the SFO and the Listing Rules for the purposes of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus 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 prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Share Offer comprises the Hong Kong Public Offering of initially 15,000,000 Shares and the International Placing of initially 135,000,000 Shares (subject, in each case, to reallocation on the basis described in the section headed "Structure of the Share Offer" in this prospectus).

The listing of the Shares on the Stock Exchange is sponsored by Guotai Junan Capital. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters and the International Placing is expected to be managed by the Joint Lead Managers and underwritten by the International Underwriters. The International Underwriting Agreement is expected to be entered into on or about the Price Determination Date, subject to the agreement on the Offer Price between our Company and the Joint Bookrunners, on behalf of the Underwriters. If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners, for itself and on behalf of the Underwriters, the Share Offer will not proceed.

Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date on or about 5:00 p.m. (Hong Kong time) on Wednesday, 4 July 2012, or such later date as may be agreed between the Joint Bookrunners and our Company but in any event no later than 5:00 p.m. (Hong Kong time) on Friday, 6 July 2012.

If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before the Price Determination Date, the Share Offer will not become unconditional and will lapse.

RESTRICTIONS ON SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of Hong Kong Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a Hong Kong Public Offering of the Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other persons or parties involved in the Share Offer.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer (including Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option) and upon the exercise of options which may be granted under the Share Option Scheme, being up to 10% of the Shares in issue on the Listing Date.

Save as disclosed herein, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Hong Kong Companies Ordinance, any allotment made in respect of any application will be void if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to us by the Stock Exchange.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares in issue or to be issued pursuant to the Share Offer will be registered on our Company's register of members to be maintained in Hong Kong. Our Company's principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

Dealings in the Shares registered in our register of members in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in HK dollars in respect of Shares will be paid to the Shareholders listed on our register of members in Hong Kong of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each shareholder of our Company.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of our Company, the Underwriters, the Sole Sponsor, any of their respective directors, supervisors, agents or advisers or any other person involved in the Share Offer accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of Shares.

OVER-ALLOTMENT AND STABILISATION

In connection with the Share Offer, the Sole Global Coordinator (on behalf of the International Underwriters) or any person acting for it may over-allocate and/or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period. However, there is no obligation on the Sole Global Coordinator or any person acting for it to do this. Such stabilisation action, if taken, may be discontinued at any time and is required to be brought to an end after a limited period.

In connection with the Share Offer, our Company will grant to the International Underwriters the Over-allotment Option, which will be exercisable in full or in part by the Sole Global Coordinator from the Listing Date up to the day which is the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to issue and allot at the Offer Price up to an aggregate of 22,500,000 additional Shares, representing 15% of the total number of Shares initially available under the Share Offer, for the sole purpose of covering over-allocations in the International Placing, if any.

Further details with respect to stabilisation and the Over-allotment Option are set out in the section headed "Structure of the Share Offer – Over-allotment and Stabilisation" in this prospectus.

PROCEDURES FOR APPLICATION FOR SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and on the relevant Applications Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus.

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Gao Mingqing (高明清)	53 Huxiu South Road Baoshan Garden Quanzhou Fujian PRC	St Kitts and Nevis
Gao Jinzhu (高金珠)	61 Huxiu South Road Baoshan Garden Quanzhou Fujian PRC	St Kitts and Nevis
Xie Yaolin (謝要林)	Block C, Wanguo Mining Xinzhuang Town Yifeng County Jiangxi PRC	Chinese
Liu Zhichun (劉志純)	Block C, Wanguo Mining Xinzhuang Town Yifeng County Jiangxi PRC	Chinese
Non-executive Directors		
Li Kwok Ping (李國平)	Flat E, 24/F, Block 2 Hoi Kwong CT 9-15 Hoi Kwong Street Quarry Bay Hong Kong	Chinese
Lee Hung Yuen (李鴻淵)	Flat A, 27/F, Block 3 Bel Air No. 8 8 Bel-Air Peak Ave Hong Kong	Chinese
Wen Baolin (文保林)	Unit 101, 1/F, Block 35 Yingui Yuan No. 369 Xinyao South Road Tianxin District Changsha Hunan PRC	Chinese

Independent Non-executive Directors

Lu Jian Zhong (吕建中)	Room 1201 No. 20, 1399 Lane Ding Xiang Road Shanghai PRC	Australian
Qi Yang (祁楊)	Hunan You Se Building No. 290 Laodong West Road Changsha Hunan PRC	Chinese
Shen Peng (沈鵬)	1105, Level 11, 68 York Street New South Wales Australia, 2000	Chinese

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	Guotai Junan Capital Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Sole Global Coordinator	Guotai Junan Securities (Hong Kong) Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Joint Bookrunners and Joint Lead Managers	Guotai Junan Securities (Hong Kong) Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong China Rise Securities Company Limited Room 1611, 16/F West Wing, Shun Tak Centre 168-200 Connaught Road Central Hong Kong

Auditors and reporting accountants	Deloitte Touche Tohmatsu *Certified Public Accountants* 35/F, One Pacific Place 88 Queensway Hong Kong
Legal advisers to our Company	*As to Hong Kong law:* O'Melveny & Myers 31/F, AIA Central 1 Connaught Road Central Hong Kong *As to PRC law:* Commerce & Finance Law Offices 6F NCI Tower, A12 Jianguomenwai Avenue Chaoyang District Beijing PRC (Postcode: 100022) *As to Cayman Islands law:* Harney Westwood & Riegels 7502 International Commerce Centre One Austin Road West Kowloon Hong Kong
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* Li & Partners 22/F, World-Wide House Central Hong Kong *As to PRC law:* Jingtian & Gongcheng 34/F, Tower 3, China Central Place 77 Jianguo Road, Chaoyang District Beijing PRC (Postcode: 100025)
Property Valuer	DTZ Debenham Tie Leung Limited 16/F, Jardine House Central Hong Kong

Independent Technical Expert

Behre Dolbear Asia, Inc.
999 Eighteenth Street
Suite 1500
Denver CO 80202
United States

Receiving banker

Wing Lung Bank Limited
45 Des Voeux Road
Central
Hong Kong

Registered Office	3rd Floor, Queensgate House 113 South Church Street P.O. Box 10240 Grand Cayman, KY1-1002 Cayman Islands
Principal place of business in Hong Kong	Unit 1, 30/F Singga Commercial Centre 144-151 Connaught Road West Hong Kong
Headquarter and principal place of business in the PRC	Xinzhuang Township Yifeng County Jiangxi Province PRC
Compliance adviser	Guotai Junan Capital Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Company secretary	Wong Chi Wah *(HKICPA, FCCA)*
Authorised representatives	Mr. Gao Mingqing 53 Huxiu South Road Baoshan Garden Quanzhou Fujian PRC
	Mr. Wong Chi Wah Flat F, 8/F Block 2, Site 11 Whampoa Garden, Hung Hom Kowloon Hong Kong
Audit committee	Shen Peng *(Chairman)* Qi Yang Lu Jian Zhong
Remuneration committee	Qi Yang *(Chairman)* Lu Jian Zhong Liu Zhichun
Nomination committee	Shen Peng *(Chairman)* Qi Yang Gao Jinzhu

Hong Kong Share Registrar	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Cayman Islands share registrar and transfer office	Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall Cricket Square Grand Cayman KY1-1102 Cayman Islands
Principal banker	Bank of China, Yifeng Branch 239 Xinchang West Street Yifeng County Jiangxi Province PRC
Company website address	www.wgmine.com*

* The contents of the website do not form part of this prospectus.

We commissioned AME to provide the AME Report for use in whole or in part in this prospectus. In particular, unless otherwise specified, all of the data presented in this Industry Overview has been based on or derived from the AME Report.

AME prepared its report based on its in-house database, general industry knowledge, independent third-party reports and publicly available data from reputable industry organisations. The information contained herein has been obtained from official government and non-official sources believed by AME to be reliable. However, since such information is unavoidably subject to certain assumptions and estimates made by third parties, there can be no assurance as to the accuracy or completeness of included information. As certain economic data is collected on a sample basis or estimated by AME, each table and figure should be assumed to include estimated information.

Forward-looking statements, forecasts and assumptions included in the AME Report are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including, without limitation, the actions of governments, individuals, third parties and competitors. As such, there can be no assurance that forward-looking statements, forecasts and assumptions will prove to be accurate; actual results and future events could differ materially from such statements. Specific factors that could cause actual results to differ materially include, among others, prices, 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. Investors are cautioned not to put undue reliance on forecast and forward-looking information.

Investors should note that no independent verification has been carried out on any facts or statistics that are directly or indirectly derived from official government and non-official sources. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false, inaccurate or misleading or that any part has been omitted that would render such information false, inaccurate or misleading. The Company, the Sole Sponsor, the Underwriters, their respective directors and advisers and other persons or parties involved in the Share Offer make no representation as to the accuracy of the information from official government and non-official sources, which may not be accurate or consistent with other information. Accordingly, the official government and non-official sources contained herein and the research methodology adopted by AME should not be relied upon.

A total fee of US$123,250 is payable to AME for the preparation and update of the AME Report.

INTRODUCTION

The developing world, and in particular, Asia, is likely to be the main source of growth over the next decade. Ultimately, economic progression in the developed world will be hindered by the uncertainty in Europe and the United States over the near term. Caution is raised as a result of current global economic instability stemming from financial uncertainty and high sovereign debt levels. Assuming this volatility stabilises, the dominant growth in materials demand will come from the developing world consumption over the short to medium term.

Broadly, the large increase in developing world apparent demand for metals (in particular China) has displaced much demand from the industrialised world. The world's labour-intensive manufacturing industries have shifted to lower cost locations. A large proportion of this production has been exported back to the developed world but consumption in the developing world is also increasing rapidly as incomes rise.

According to AME Report, it is believed the overarching theme of Chinese resource security will shape the materials industry in the long run. Over the last decade, Chinese industry has grown rapidly and is now the largest producer and consumer of steel and metals. Since 1999, China has gone from a net exporter of mined ores and concentrates to being the world's largest importer. The robust demand of the Chinese metal and steel industry has been fed increasingly by imported raw materials. Rising commodity prices (attributable primarily to the changing role of China in commodity trade) and the increased politicisation of the resources industry is leading Chinese policy makers and industrialists to consider carefully the long term supply situation.

The demand by China for concentrates remains strong, especially for iron ore and copper, although year-on-year growth in China recently does appear to be slowing down. Despite a slow down in demand growth, domestic supply streams are also impacted by growth limiting trends such as declining grades and comparatively less high-quality and easily accessible mines being available.

With respect to copper, the global demand for copper is such that China, as the world's largest refined copper consuming nation, is likely to consume both domestically produced copper and imported copper concentrate. Given the demand in China for copper, an increase in domestic production through the commissioning of new operations may be absorbed domestically.

According to AME Report, in regards to iron ore, it is believed that imports are likely to remain as an important source of supply to meet Chinese domestic demand as a supplement to domestic production. Domestic production faces the issue of falling domestic iron ore grades which impact the saleable iron product extracted from the crude ore mined. In 2011, global iron ore consumption was estimated to be in excess of 1.8 Bt; this is expected to continue to grow to around 1.9 Bt in 2012. Based on China Custom's data, China is estimated to have imported around 0.7 Bt of saleable iron ore in 2011 whilst its domestic production is estimated to have been 1.3 Bt on a crude ore basis. China is considered to account for over 50% of global demand.

As commodity prices continue to escalate over the decade, exploration and new project development has become an increasing focus for industry and policy makers. This is for the purposes of securing long term supply of raw materials with aspirations to enter the industry for value-added downstream beneficiation. Projects which may not appear viable on simple revenue from sales less costs basis, may be viable under a model of an integrated producer looking to secure a stable supply of raw materials.

As such, Chinese investment in overseas projects has increased significantly in recent times. This was accelerated during the global financial downturn in 2008-2009 when western mining companies experiencing financial challenges became attractive. Chinese companies have also been keen to secure long term off-take agreements with foreign miners, in particular junior miners. This has often been in reciprocation for subsidised development financing. In addition to portfolio equity positions in miners, Chinese mining companies have become more active investors through acquisitions of direct stakes in projects.

According to AME Report, generally, it is expected that the entire cost structure of the materials industry may shift up over the long term. This is due to declining ore grades globally and the move by producers to enter unexplored terrain in high political risk areas, thereby increasing, for example, mining and labour costs. Such risks include the ability and willingness of the State to enforce a miner's right to their tenement, the ability to reliably procure necessary supplies (including staff), to successfully operate in more difficult locations as well as the more indirect risk of higher or punitive taxes on the sector.

COPPER

Material Analysis

Overview

Copper is a reddish-brown coloured metal and amongst the most widely used chemical elements in the world.

The copper mineralogy is varied. Copper ore deposits vary in size and grade and commercial extraction typically targets sulphide or oxide ore bodies. Copper ore bodies are widely spread around the world however global production is dominated by a relatively small number of countries.

Copper sulphide ores are typically extracted at grades of between 0.5%-7.0%. These ores are beneficiated onsite by crushing and grinding and converting into copper concentrate. Copper concentrates usually have grades of approximately 25%-35%. Concentrate is sold to smelters around the world which smelt the copper concentrate. This smelted product is then refined into pure, saleable copper. According to AME Report, it is estimated that sulphide ores account for around 80% of mined copper production.

The global copper market is a deep and transparent commodity market with many market participants. Copper is traded on the London Metals Exchange (LME), Shanghai Futures Exchange (SHFE) and the CME Group COMEX exchange.

Description and uses

Copper's chemical properties make it a ductile, corrosion resistant and malleable element and an excellent conductor of heat and electricity. Copper can also be alloyed with other metals such as zinc to create brass, aluminium or tin to create bronze or nickel for specialised alloys including coins and marine applications.

Over the course of the economic cycle, construction is generally the largest end use sector for copper. According to AME Report, it is estimated that the construction sector accounts for approximately 40% of copper end use, closely followed by the manufacture of consumer durable and electric goods (35-40%). The transportation sector is the third largest sector.

Copper is one of the most recycled of all metals. Recycled copper (or 'secondary' copper) is indiscernible from copper produced from ores (or 'primary' copper).

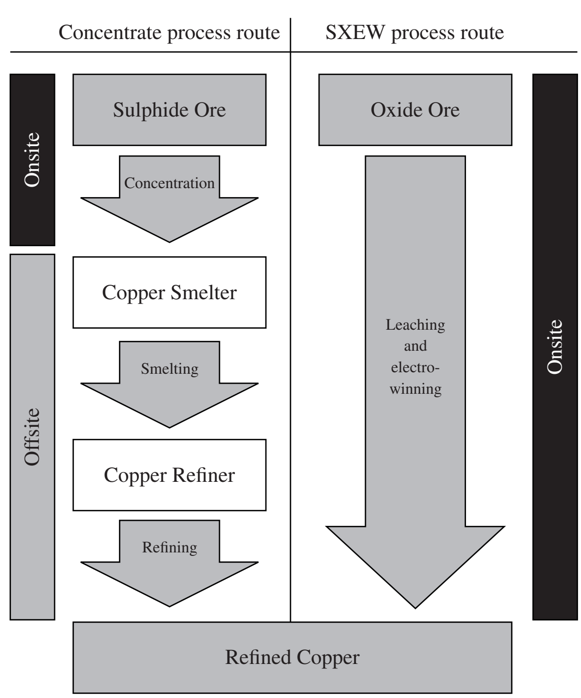
Copper mining and beneficiation

Copper concentrate is the main saleable sulphide product of copper mines. Miners are paid for the metallic copper content of their concentrates. In addition, miners may also receive revenue for the metallic by-product elements in their concentrates such as gold, silver and molybdenum. A deduction is usually made for the presence of deleterious elements in the concentrate such as arsenic and fluorine. The presence of metallic by-products or deleterious elements in a concentrate can have a very substantial impact on the profitability of a mine.

Copper oxide ores can typically be economically extracted at grades lower than sulphide ores. These ores are typically beneficiated onsite through a process called Solvent Extraction Electro-Winning (SXEW). With the SXEW process, copper ore is processed to refined copper, a saleable product. SXEW processes do not incur any smelter or refiner treatment charges or refining costs. SXEW is a chemical process whereby the ore is crushed and the copper leached from the ore at the mine site.

Figure 1 shows diagrammatically the two primary copper process routes, concentration and SXEW. In addition to these process routes, a smaller amount of copper is produced as a by-product at other base metals mines including zinc, gold, nickel and lead mines.

Figure 1: Copper mine process routes

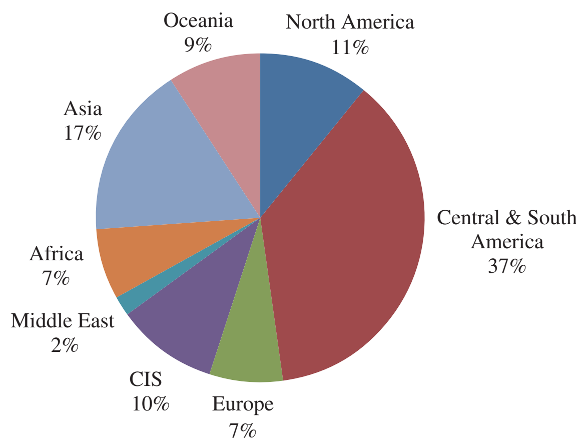


Industry Analysis

Source of copper supply

Chile is the world's largest supplier of copper contained in concentrate, producing around 3.2 Mt (or over a quarter of global concentrate supply) in 2011. Behind Chile were China, Peru and Australia producing approximately 1.3 Mt, 1.1 Mt and 0.9 Mt, respectively. These countries are likely to continue to dominate global production over the forecast period.

Figure 2: Estimated copper contained in concentrate production by region, 2011



Source: AME

Copper ore bodies are widely dispersed by geography and vary substantially by grade, by-product credits and impurities. The table below summarises copper contained in reserves by country for 2011. Central and South America, and in particular Chile, are home to the largest share of global copper reserves.

Table 1: Estimated world copper reserves (contained copper) by country, 2011

Country	*(Mt)*
Chile	190
Peru	90
Australia	86
Mexico	38
United States	35
Russia	30
China	30
Indonesia	28
Poland	26
Zambia	20
Congo (Kinshasa)	20
Kazakhstan	7
Canada	7
Other	80
Total	**687**

Source: AME; USGS

The US Geological Survey (USGS) estimates global land based copper resources exceed 3 billion tonnes (Bt), of which 1.3 Bt is located in the Andes Mountains of South America. In addition, the USGS estimates deep sea nodules to contain additional copper resources. However, there are no commercial operations currently extracting ore from seabed ore bodies.

There are a number of copper mines scheduled to commence production over the short to medium term. However, this may change as a result of construction delays and market conditions.

For a mine owner or investor, the mine construction process is fraught with numerous risks. The varying, and on occasion, unpredictable geology of different mines can mean that construction projects encounter construction delays or difficulties in metallurgical recovery. This can mean that production from planned projects run behind schedule and that the concentrate market faces possibility of supply disruptions. These risks are not specific to copper mines but to all mine development projects.

Mine development is more exposed to geological and political risks than other industries. Geological risks include risks such as that the valuable metallic component of ores cannot be liberated as economically from ores as expected, or that reserves are not able to be realised as planned. There have been instances of unexpected geological events causing delays and increased costs in mine development.

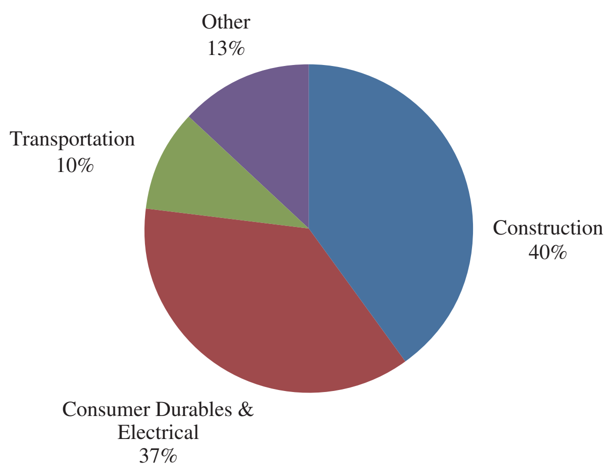
Political risk is a broad group of risks encompassing the risk of the ability and willingness of the state to enforce a miner’s right to their tenement, the ability to reliably procure necessary supplies (including staff) to successfully operate in more difficult locations as well as the more indirect risk of higher taxes or royalties.

An increasing number of copper mine projects are located in countries which AME assesses as having higher levels of political risk, such as the Democratic Republic of Congo. Projects in these locations are exposed to additional risks. According to AME Report, it is forecasted that production on a mine by mine basis. In forecasting production and ramp up periods, AME made an assessment of the likely start date and ramp up period for each mine. However, some events such as strikes and natural disasters can materially affect mine development schedule but are not able to be forecasted.

Source of copper demand

According to AME Report, it is estimated that the construction sector accounts for approximately 40% of refined copper end user demand however this does vary over the economic cycle. Copper and brass are commonly used in plumbing, fittings and valves. Copper can be favoured over plastic as it does not burn or melt in the event of fire. The anti-microbial properties of copper also make it suitable for use in water pipes, as well as for roofing.

Figure 3: Estimated refined copper demand by end use



Source: AME

After construction, the consumer durable and electrical products are the second largest demand component for copper. According to AME Report, it is estimated that household and electrical product/machinery account for approximately 35-40% of end use copper demand. Copper is frequently used in electrical networks as it allows for electricity and data transmission in traditional telephone lines and electrical cabling. Copper is the best non-precious metal conductor of electricity and its malleability and ductile nature makes it highly suitable to these applications.

The transportation sector is the third largest end use demand sector for copper. Car and truck engine components contain various amounts of copper in wiring and parts such as connectors, brakes and radiators. The International Copper Study Group estimates that the average mid-sized car contains 22.5 kg (or 50 lb) of copper.

Forecasts and Assumptions

According to AME Report, its general pricing opinions are based upon our economic model which is driven by the following assumptions. Naturally, these assumptions do not reflect potential future events.

Economic Assumptions

The table overleaf shows the estimated and forecast global gross domestic product ("GDP") and industrial production ("IP") numbers utilised by AME in our analysis in the AME Report.

Table 2: Estimated global GDP % change p.a. by selected country

	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
World	*4.5%*	*5.2%*	*5.4%*	*2.8%*	*-0.6%*	*5.3%*	*3.9%*	*3.5%*	*4.1%*
US	3.1%	2.7%	1.9%	-0.3%	-3.5%	3.0%	1.7%	2.1%	2.4%
Brazil	3.2%	4.0%	6.1%	5.2%	-0.3%	7.5%	2.7%	3.0%	4.1%
France	1.8%	2.7%	2.2%	-0.2%	-2.6%	1.4%	1.7%	0.5%	1.0%
Germany	0.8%	3.9%	3.4%	0.8%	-5.1%	3.6%	3.1%	0.6%	1.5%
Italy	16.1%	2.2%	1.7%	-1.2%	-5.5%	1.8%	0.4%	-1.9%	-0.3%
UK	8.0%	2.6%	3.5%	-1.1%	-4.4%	2.1%	0.7%	0.8%	2.0%
Eurozone	4.9%	6.6%	6.0%	2.6%	-3.2%	3.0%	3.6%	1.0%	2.4%
Russia	6.4%	8.2%	8.5%	5.2%	-7.8%	4.3%	4.3%	4.0%	3.9%
China	11.4%	12.7%	14.2%	9.6%	9.2%	10.4%	9.2%	8.2%	8.8%
India	9.0%	9.5%	10.0%	6.2%	6.6%	10.6%	7.2%	6.9%	7.3%
Japan	-4.3%	1.7%	2.2%	-1.0%	-5.5%	4.4%	-0.7%	2.0%	1.7%
Korea	4.0%	5.2%	5.1%	2.3%	0.3%	6.3%	3.6%	3.5%	4.0%

Source: IMF

Copper demand outlook

According to AME Report, it is expected that it is likely the supply side will continue to be relatively tight in the short term. The shortage of mined copper supply is the bottleneck in the supply chain and any additional supply of mined production may be absorbed by the smelting industry.

According to AME Report, it is estimated that in 2010 refined copper demand reached 19.4 million tonnes (Mt). The table below shows estimated copper demand from 2007, including AME's forecasts for 2012-2013.

Table 3: Estimated & forecast refined copper demand (Mt), 2007-2013

2007	2008	2009	2010	2011	2012	2013
18.2	18.1	18.2	19.4	20.0	20.6	21.5

Source: AME

According to AME Report, it is forecasted that copper demand to increase by approximately 3% in 2012 and around 4% in 2013. According to AME Report, though the market for refined copper may see robust growth rates in the consecutive years, it is forecasted that similar growth rates in the copper concentrate market as in the refined market. Consequently, according to AME Report, it is anticipated that a market in equilibrium over the medium-term.

Copper demand can be examined in both first use and end use terms. First use of copper is the demand for copper products from builders and manufacturers and is typically in the form of copper wire and copper pipes which are transformed into end use goods. The main end use sectors for copper are construction, transportation and consumer durable goods.

Copper supply outlook

In 2011, global copper contained in concentrate supply is estimated to have been around 12.5 Mt. Over the last decade, copper contained in concentrate production grew relatively strongly but slowed in 2008 with the economic downturn. The table below shows estimated copper contained in concentrate production over the period 2007 to 2013.

Table 4: Estimated & forecast world copper contained in concentrate production (Mt), 2007-2013

2007	2008	2009	2010	2011	2012	2013
12.3	12.2	12.5	12.6	12.5	13.6	15.7

Source: AME

Copper pricing

According to AME Report, it is forecasted that following a high in 2011 an average copper price of US380¢/lb in 2012 and US358¢/lb in 2013.

The near term copper narrative continues to be a supply side story. Though mined supply shortfalls due to strikes in key countries such as Chile and Peru are not unlikely going forward, according to AME Report, it is expected that these incidents will not substantially impact the supply chain. The recent record copper prices have attracted a significant number of miners into the copper market, resulting in operations ramping up and an increase in exploration projects. Therefore, according to AME Report, it is expected that the additional volume of copper concentrate coming online in the subsequent years may weigh on the copper price.

According to AME Report, it is forecasted that the market may move to rebalance in 2012 however, the market during the forecast period may remain susceptible to supply shocks and any disruptions may shift the market further into deficit.

Table 5: Estimated & forecast copper price 2007-2013

	2007	2008	2009	2010	2011	2012	2013
Copper Prices, US$/t	7,127	6,955	5,174	7,537	8,819	8,380	7,900
Copper Prices, US¢/lb	323	315	235	342	400	380	358

Notes:

1. Historical prices are provided in a nominal basis

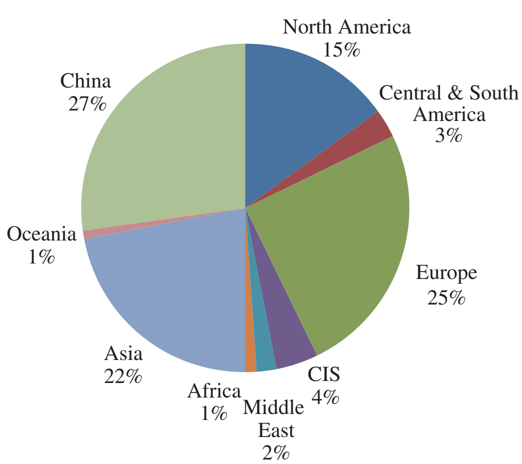
2. Forecast prices (2012, 2013) are prices on a real 2011 term basis

Source: AME, LME

China copper market overview

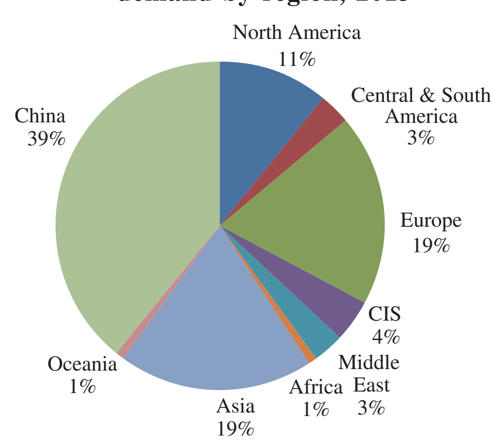
Demand for refined copper is dominated by Asia. In 2011, China accounted for almost 40% of global refined copper demand. According to AME Report, despite the financial downturn during 2009, it is estimated that Chinese copper demand grew by approximately 37% in that year.

Figure 4: Estimated refined copper demand by region, 2007



Source: AME

Figure 5: Estimated refined copper demand by region, 2013



Source: AME

According to AME Report, between 2007 and 2013, it is estimated that Chinese refined copper demand may increase from around 5 Mt to over 8 Mt, or a Compound Annual Growth Rate (CAGR) of approximately 9%, and over the same period, it is estimated that Indian refined demand increased by a CAGR of approximately 5%. According to AME Report, it is expected that Asia to remain the global centre of demand growth over the next two years. The continuing modernisation and urbanisation in China and the rest of developing Asia requires the construction of new offices, factories, shops and apartments, which is expected to account for a large amount of copper consumption over the forecast period and beyond.

Also, higher incomes will mean that consumers in the developing world should continue to consume more copper in end use products. This will take the form of new houses, household items and cars. Assuming current market volatilities stabilise, according to AME Report, it is estimated that the construction sectors continued to grow across developing countries in Asia including China, India, Indonesia, Malaysia and Vietnam. Despite this anticipated growth, the world economy has changed significantly in recent times and the risk of financial instability is apparent. Caution is raised as a result of current global economic instability stemming from financial uncertainty and high sovereign debt levels.

As current unemployment rates in these countries are typically lower, and income growth is expected to be faster than in the relatively more mature OECD economies; according to AME Report, it is expected that demand growth for consumer durable products like televisions and washing machines in developing Asia to be faster than in more mature markets.

China is the world's largest consuming nation for copper and iron and steel. China is a significant importer of refined copper as Chinese demand runs higher than consumption. As such, according to AME Report, it would expect that Chinese copper smelters and steel plants would service the domestic construction industry and manufacturers.

Table 6: Estimated Chinese import volumes of copper concentrate (Mt)

2007	2008	2009	2010	2011
4.5	5.2	6.1	6.5	6.4

Source: Chinese Customs, The Ministry of Commerce of PRC

Although according to AME Report, it sees an increase in mining activities in China, it is expected that both industries – concentrate and refined – will grow in tandem over the forecast period. Therefore, according to AME Report, it is considered that imports into China may help close the supply chain gap.

IRON ORE

Material Analysis

Overview

Iron ore is the basic material that is predominantly used to make steel. It is the fourth most abundant resource in the Earth's crust and when pure it is a dark, silvery-grey metal. It is a highly reactive element and oxidises (rusts) easily. Impurities such as sulfur, phosphorous, titanium, silica and alumina may influence or preclude commercial value. There are two principle ores in iron that are used for steel production: hematite and magnetite.

Hematite is a high grade ore generally found in large deposits of hematite rock, most commonly a banded iron formation (BIF). Generally the cut off grades for hematite are greater than 60% iron content. Hematite ore is usually found in large scale deposits in Brazil, Australia, China and India.

Magnetite type ore typically has relatively lower iron content than hematite. It is generally found in banded iron formations and predominantly composed of magnetite and silica. Magnetite ore can be found in various countries including Australia, South Africa, India and Chile. Due to its lower iron ore content, magnetite ores require beneficiating for it to be suitable for sale. The magnetic properties of magnetite enable it to be readily refined into an iron ore concentrate, suitable as feedstock for the production of steel. The final concentrate is of a sufficient iron making grade – typically 66% iron or greater.

Description and uses

Iron ore is traded in three principal intermediate forms: fines, lump and pellets for use in a steel blast furnace.

Fines comprise a wide range of products, which fall into three size categories:

- "Natural" fines, which consist of particles commonly less than 6.8 mm in diameter, and with less than 10-15% below 150 mm (microns);

- Concentrates, which have undergone a beneficiation process to produce a grain size less than 1 mm in diameter;

- The finest grained material, typically below 75 mm with a high proportion below 4.5 mm, used for pellet feed.

Lump is essentially unbeneficiated naturally occurring pellets or clumps of iron ore.

- There are relatively few deposits worldwide that produce lump ore, making it a more expensive product than fines. The grade, or iron content, is also important. Sources of lump ore suitable for direct reduction plants (high iron, low acid gangue content and very low friability) are even more limited.

Pellets are the product of an agglomeration process that involves very fine, pure ore (pellet feed) being mixed with a binder (e.g. a slurry of bentonite), rolled into green ball like pellets and then fired on a grate or in a kiln at about 1,200°C to produce the final indurated product.

- Pelletisation is usually undertaken by the concentrate producer themselves, however it is not uncommon for concentrates to be added to sinter feed blends – particularly in China. With a high iron grade and low-impurity levels they are a valuable "in-use" product.

Lumps and pellets are most commonly used as charge straight to a blast furnace or in a direct reduction plant. Fines make up the bulk of the world's run of mine production and are used mainly as either sinter or pellet feed, the resulting agglomerated product being charged to the blast furnace.

Industry Analysis

Source of iron ore demand

The dominant driver of iron ore demand is steel production. Global crude steel production is estimated to have increased by around 16% in 2010 as the world economy emerged from recession and GDP reverted to trend. Global crude steel production fell around 8% in 2009 to 1.2 Bt but recovered to approximately 1.4 Bt in 2010.

China is the largest producer of steel globally. Chinese steel production growth has outpaced the global average each year from 2007 to 2009. China's ongoing industrialisation and new construction and infrastructure projects, coupled with a recovery in export markets, is considered to sustain Chinese production over the forecast period.

However, according to AME Report, it is expected that Chinese steel production growth to ease back towards global averages in 2011. The slowdown in growth reflects a number of factors including directives by China's Ministry of Industry and Information Technology to eliminate older and more inefficient iron-making capacity and steel-making capacity as well as continuing maturation of the market.

Source of iron ore supply

Global iron ore production in 2011 is estimated to have been around 2.0 Bt. Between 2008 and 2011, global iron ore production is estimated to have grown by a CAGR of approximately 5% from approximately 1.7 Bt to 2.0 Bt. The table below shows estimated iron ore production over the last three years as well as AME's forecasts for production for 2012 and 2013.

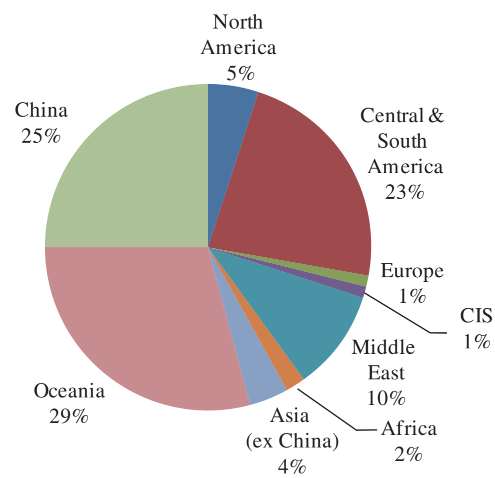
Table 7: Estimated & forecast world iron ore production (wet saleable Bt), 2007-2013

2007	2008	2009	2010	2011	2012	2013
1.7	1.7	1.6	1.8	2.0	2.1	2.2

Source: AME

A few of the significant iron ore producers in terms of volume include China, Brazil, Australia, India, Russia and South Africa. China, the largest iron ore consumer, has deposits of predominantly low iron grade. The rest of the significant producers have higher than average estimated iron grade but, due to lower domestic demand needs, are globally significant exporters.

Figure 6: Estimated major world producers by key regions and countries, 2011



Source: AME

The iron ore industry, unlike other commodities, is dominated by three key players, being Vale in Brazil and Rio Tinto and BHP Billiton in Australia. There are other emerging iron ore producers and integrated steel companies which produce iron ore.

China's iron ore production in 2011 is estimated at 1.8 Bt (based on crude ore). Average ROM ore grades at Chinese operations are comparatively lower than other producers, with some operations having estimated ROM ore grade lower than 20%. As China's domestic ROM ore grades have declined, the country's reliance on iron ore imports has grown and further grade declines in the future may lead to an even greater dependence on seaborne supply capacity.

In 2011, China's seaborne iron ore imports are estimated at approximately 0.7 Bt, an increase of around 11% from 2010. This increase is supported by China's steel demand and appetite for high grade iron ore feed.

Australia is estimated to have provided for around 43% of the iron ore imports into China in 2011 while Brazil is estimated to have accounted for 21%. India and South Africa are believed to be the third and fourth biggest exporters of iron ore to China respectively. However, India's clampdown on illegal mining and higher export duties in 2011 has provided increased scope for non-traditional exporters, such as Canada and Russia, to export to China.

Producers in Jiangxi province are not only in competition with other domestic producers but also contend with foreign exporters of iron ore supply. Chinese iron ore mines are estimated to have relatively higher operating costs given the lower ROM ore grades which necessitate additional beneficiation before producing a final concentrate. According to AME Report, it is expected that new iron ore supply from lower cost producers in Australia's Pilbara and Mid-West regions could displace some of the highest cost Chinese operations in the medium to long term.

Iron ore production costs

Generally, the cost of production across the iron ore industry is defined by several primary factors:

- Mining and logistics costs are typically the largest cost components in iron ore production. Low material movement drastically reduces the costs at bulk commodity mining operations. Low cost operations are often defined by their low strip ratios and high ore-to-product yields. High-cost operations (such as those in China) often operate with high strip ratios and low ore-to-product yields; and

- Processing costs are typically the third largest cost component in iron ore mining (excluding royalty payments). This cost relates to the associated processing required at an operation to produce a saleable product from mined ore.

The landmark move from annual to quarterly pricing after numerous decades has made iron prices more dynamic and responsive to market trends. Relatively high spot prices in 2011 and increases in contract prices since 2009 have enabled some high-cost Chinese producers to achieve margins still viable to continue producing, despite their high costs.

Freight costs, whilst not considered on a FOB (Free On Board) basis will undoubtedly remain one of the determinants of project viability over the next decade. This will be particularly pertinent for iron ore planned for export to China. Some freight costs have increased from their lows of 2009 but actual cost trends will vary by mode of transport.

- Rail is expected to remain as one of the most cost effective modes of transport and according to AME Report, it is expected that its discount relative to other modes to increase. This may be because of the lower labour component of rail transport.

- Sea freight costs are more volatile. From its peak level in May 2008 to November 2008, the Baltic Dry Index (the benchmark index for bulk commodity freight rates) has fallen by around 90% to its lowest level since 1986.

- A steep run up in shipping costs over 2006-2008 and the tremendous crash in 2009 will have ramifications on shipping costs over the coming years. The growth in commodity demand prior to the tightening of credit in 2008 has caused ship builder order books to swell. These orders that were scheduled for delivery over the period 2010-2013 have caused an oversupply of vessels at the face of weak shipping demand and high fuel costs.

Forecasts and Assumptions

Iron ore demand outlook

Table 8: Estimated & forecast world crude steel production (Bt), 2007-2013

2007	2008	2009	2010	2011	2012	2013
1.3	1.3	1.2	1.4	1.5	1.6	1.6

Source: AME

Table 9: Estimated & forecast Chinese crude steel production (Bt), 2007-2011

2007	2008	2009	2010	2011
0.5	0.5	0.6	0.6	0.7

Source: AME

Table 10: Estimated & forecast world iron ore consumption (Bt), 2007-2013

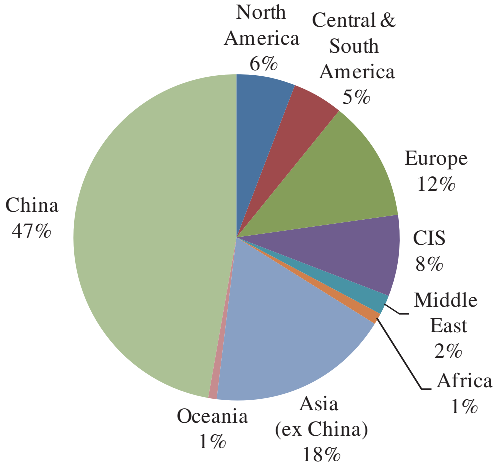
2007	2008	2009	2010	2011	2012	2013
1.6	1.6	1.5	1.7	1.8	1.9	2.0

Source: AME

Crude steel production growth is expected to steadily increase over the forecast period. Steel production will drive iron ore demand as developing nations such as China and India continue their industrialisation process. Notwithstanding, Europe and the United States are expected to recover over the longer term from recent economic instabilities.

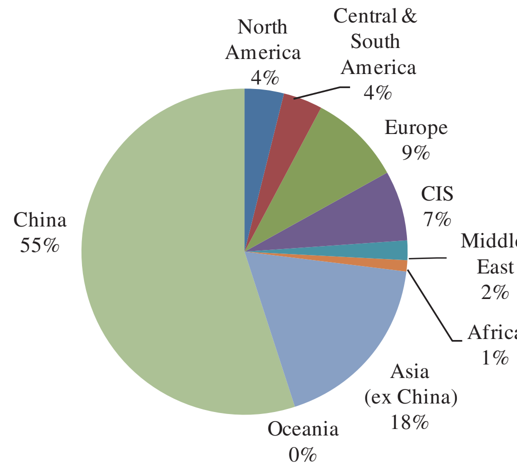
Apart from China, the other main demand growth areas include: India, the CIS and the Middle East. Meanwhile, Asian demand (excluding China and India) will be underpinned by steel industry growth in South Korea, Taiwan, Malaysia and the Philippines. Limited scrap supply means that much of this growth will be pig iron based.

Figure 7: Estimated iron ore demand by region, 2007



Source: AME

Figure 8: Estimated and forecast iron ore demand by region, 2013



Source: AME

Iron ore supply outlook

Iron ore bodies are widely dispersed by geography and vary substantially by grade, ore-type and impurities. The table below summarises estimated iron ore reserves and implied iron ore (Fe) grade by country.

Table 11: Estimated world iron ore reserves and indicative grade by country, 2011

	Reserve (Bt)		Indicated
Country	**Crude Ore**	**Iron Content**	**Iron (Fe) Grade**
Australia	35	17	49%
Brazil	29	16	55%
China	23	7	31%
India	7	5	64%
Russia	25	14	56%
South Africa	1	1	65%
Other	46	21	45%
World Total (rounded)	**170**	**80**	**47%**

Note: Country level reserves information is derived from a variety of sources. Country reserves estimates compiled by government agencies, company reports, presentations by company representatives, and trade journal articles, or a combination of these, serve as the basis for the reserves information reported. Further, definitions of reserves differ between countries. Some countries have specific definitions for reserves data, and reserves for each country are assessed separately, based on reported data and definitions.

Source: USGS; AME

There are numerous iron ore projects and expansions planned to commission in the short to medium term. New capacities and the operational ramp up of recently commissioned projects may see the tightness in the iron ore market begin to ease. However, not all of these projects will be commissioned or commence operation in the proposed timeframe. There may be constraints on the progress of mine developments such as the challenge of securing financing for typically capital-intensive iron ore projects, elongated and difficult approvals process, and limitations on the availability or access to transport infrastructure. According to AME Report, it is believed that lower cost operations will typically proceed over those that are more expensive and lacking in transport infrastructure. Furthermore, operating companies with a track record in execution are more likely to get a project producing over a smaller explorer with less project experience.

According to AME Report, it is anticipated that new capacities to come online over the medium to long term of which the more significant projects include: CITIC Pacific's Sino Iron Ore Project, Vale's Carajas project and BHP Billiton's Orebody 24 mine, and Rio Tinto's Hope Downs 4.

Iron ore pricing

Unlike base metals, which have inventories stocked at global exchanges such as the London Metal Exchange and tracked stockpiles, there are no official inventories reported for the iron ore market.

Inventories exists in private company stockpiles, at ports or in transit, and in the supply chain for steel making. The properties of iron ore make it difficult to store, needing protection from moisture or dust contamination.

According to AME Report, it is believed that the pricing power of the major producers was demonstrated during the JFY2009 negotiations. A 28-45% price drop across the major iron ore benchmarks products did not represent a dramatic reduction considering the financial events over the previous 18 months and the resultant impact these have had on the world economy, particularly if the price rises of recent years are considered alongside. This pricing power is not expected to diminish in the short run.

According to AME Report, moving into JFY2011, it is expected that iron ore producers to retain negotiating power as concerns persist about insufficient supply growth. Iron ore producers, led by Vale, Rio Tinto and BHP Billiton have implemented a quarterly pricing benchmark system to shorten the reference period in negotiations to bring contract pricing closer to that of the spot market.

AME estimates iron ore demand levels to remain robust over the short to medium term as China continues to urbanise and grow. In turn, iron ore price levels will continue to be supported in the near term due to a lack of new major supply coming on-stream.

Table 12: Estimated & forecast iron ore prices 2007-2013

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Pilbara Blend/Newman Fines into Asian Basin (JFY, US¢/dmtu)	80	145	97	210	265	237	230

Notes:

1. Historical prices are provided on nominal basis.

2. Forecast prices are provided on real 2011 terms.

Source: AME, UNCTAD, IMF

Market mechanism

Under the traditional "benchmark pricing system", iron ore was priced through annual negotiations between the world's largest steelmakers and their suppliers. Prices based on the Japanese Financial Year (JFY) (April 1 of current calendar year to March 31 of following calendar year) were generally negotiated and settled in April.

In JFY2009, through China Iron and Steel Association (CISA), the major steel makers in China took a more collaborative role in price negotiations. In the same year, the old benchmark system broke down as negotiations dragged on beyond the customary April settlement date amid a volatile spot pricing environment. Currently, the benchmark pricing system is largely quarterly based among the major producers. However, some such as BHP Billiton and Atlas Iron are now beginning to implement monthly reference pricing periods.

China market overview

In terms of crude ore production, China is the largest producing country of iron ore and is expected to maintain a substantial proportion of global iron ore production over the forecast period. However, China has a lower iron grade relative to iron rich countries such as Brazil, Australia and India. Therefore, it will continually need to mine increasing amounts of waste to obtain an equivalent level of iron as high grade imported ore.

Many mines in China are currently mining ROM ore grades of approximately 10% to 30% (or lower in some instances) iron before beneficiation. According to AME Report, it does not expect domestic iron-ore production to gain market share over imported iron ore in the medium term. As China's domestic ROM ore grades continue to decline, China's reliance on iron ore imports is expected to grow and the market may see an even greater dependence on imported supply. According to AME Report, it is expected that by around 2014, many of these high cost producers may be displaced by new and cheaper supply capacity from producers abroad.

Presently, China possesses the largest blast furnace pellet making capacity, estimated at over 100 Mt in 2010. The expansion of China's pellet making industry and shift away from sinter to pellets has been prompted by poorer quality domestic ores and the global decrease of DSO sinter feed grades. In recent years, lower global lump supply, continued growth in steel production and a reluctance to pay pellet premiums to Brazilian producers has witnessed the use of pellets as an agglomerated blast furnace feed increase in popularity. This has supported China's demand for iron ore concentrates and pellet feeds.

ZINC

Material Analysis

Overview

Zinc is a greyish-white element and in 2010 was the third most widely used base metal after aluminium and copper. Zinc is primarily used as a corrosion protection for steel with galvanising accounting for the majority of first usage. In addition, zinc compounds are used in chemical production including for paints and in the manufacture of other products such as rubber. Zinc is also an essential element for human health.

Description and uses

Over the course of the economic cycle, the construction sector is the largest end use sector for zinc. AME estimates that the construction sector accounts for the majority of zinc end use, followed by the transportation sector and manufacture of consumer durable and electric goods.

Zinc is a recyclable material but less zinc is recycled compared to other metals. Recovery of zinc from old scrap, mainly in the form of diecastings, brass and bronze (not including the simple remelting of zinc, brass, etc. for reuse without further treatment) represents about 7% of total supply. Some zinc is recovered as dust from scrap steel furnaces processing galvanised scrap steel.

Most of the world's zinc is extracted from sulphide ores which are mined from both underground and open pit mines. Zinc ore bodies are widely spread around the world; however global production is dominated by a smaller number of countries. Zinc sulphide ores are typically extracted at grades between 1% and 20%, depending on the other by-products in the ore. The viability of a zinc mine is often determined by the presence of by-product metals in the ores. Lead is the most common by-product found in zinc ores.

Zinc ores are first beneficiated onsite by crushing and grinding and converting into concentrate. Zinc concentrate usually has a grade of around 45-55%. Concentrate is sold to smelters around the world which smelt and refine the zinc concentrate. SXEW production of zinc is still at an earlier stage relative to copper. The Skorpion mine in Namibia was the first commercial zinc SXEW plant. According to AME Report, it is noted that there are additional zinc SXEW operations at planning and feasibility stages but SXEW will remain a relatively minor process route of the forecast period.

Industry Analysis

Source of zinc supply

Zinc ores bodies are widely dispersed by geography and vary substantially by grade, by-product credits and impurities. The US Geological Survey (USGS) estimated in 2011 that world resources (identified resources) contain around 1.9 Bt of zinc, almost totally in sulphide mineralisation. The parts of the reserve base that are assessed to be economic to extract (the current reserves) are estimated to total around 250 Mt. The table below summarises zinc contained in reserves by country for 2011.

Table 13: Estimated world zinc reserves (contained zinc, Mt) by country, 2011

Country	*(Mt)*
Australia	56
China	43
Peru	19
Mexico	17
United States	12
India	12
Kazakhstan	12
Bolivia	5
Canada	4
Ireland	2
Other	68
Total	**250**

Source: USGS

Global zinc reserves have recently been revised, resulting in Australia holding the world's largest share of zinc reserves. Australia is home to the largest share of global zinc reserves, comprising approximately 22% followed by China with approximately 17%.

There is a number of zinc/lead mines scheduled to commence production over the period 2012-2013. According to AME Report, it has identified a number of zinc mines which it expects to enter commercial production over the forecast period. The expected start dates for mines may change as a result of construction delays and market conditions.

Source of zinc demand

Zinc demand can be looked at in both first use and end use terms. First use of zinc is the demand for zinc products from builders and manufacturers. The most prevalent first use of zinc is for galvanising which accounts for the majority of zinc first use.

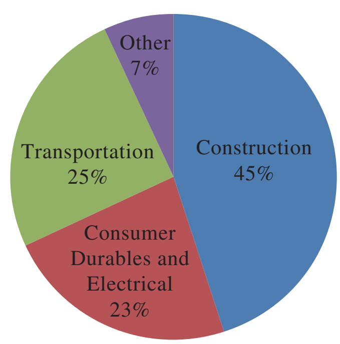
The main end use sectors for zinc are construction, transportation and consumer durable goods. These sectors commonly make use of galvanised steel as well as zinc in other alloys.

- According to AME Report, it is estimated that the construction sector accounts for between 40-50% of refined zinc end user demand. Galvanised steel is commonly used in construction as it is resistant to corrosion. According to AME Report, it is expected that, as the quality of construction in the developing world improves, a higher proportion of galvanised steel will be used. Galvanised steel is more expensive than ungalvanised steel but lasts longer and is more resistant to corrosion.

- The transportation sector is the second largest end use demand sector for zinc, accounting for an approximate 25% of end use zinc demand. Car and truck bodies are usually galvanised and other components can contain various amounts of zinc in alloys or die-cast engine parts.

- After the construction and transportation sectors, the consumer durable and household products sector is the next largest demand sector for zinc. According to AME Report, it is estimated that consumer durables and household products account for between 20-25% of end use zinc demand. Galvanised components as well as die-cast zinc alloys are used in consumer durable and household goods.

Figure 9: Estimated zinc demand by end use



Source: AME

Forecasts and Assumptions

Zinc demand outlook

According to AME Report, it is estimated that in 2011 refined zinc demand reached approximately 12.6 Mt. The table below shows estimated zinc demand from 2007, including AME's forecasts for 2012-2013.

Table 14: Estimated & forecast world refined zinc demand (Mt)

2007	2008	2009	2010	2011	2012	2013
11.2	11.5	10.9	12.5	12.6	13.5	14.1

Source: AME

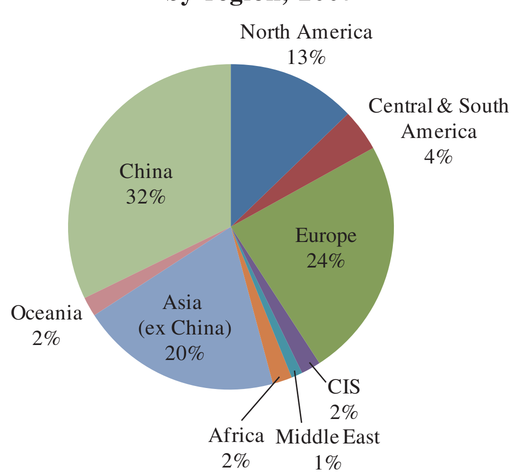
According to AME Report, it is forecasted that refined zinc demand to increase at robust rates over the forecast period as the developing world remains the main driver of zinc demand due to continuing urbanisation and industrialisation.

Global zinc demand profile

In recent years, Asia (including China) accounted for the majority of new zinc demand. Assuming current market volatilities stabilise, according to AME Report, it is expected that Asia to remain the global centre of demand growth over the short to medium term. The continuing modernisation and urbanisation in China and the rest of developing Asia requires the construction of new offices, factories, shops and apartments, which is expected to account for a large share of galvanised steel, and in turn zinc consumption over the forecast period and beyond.

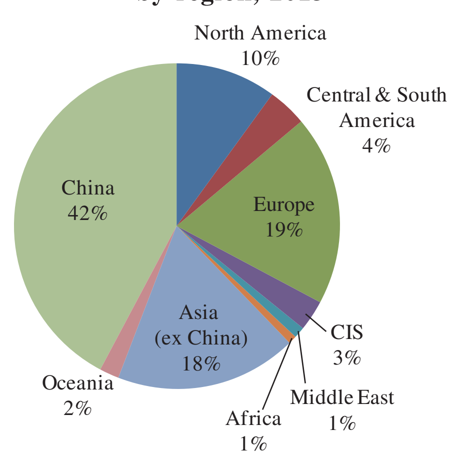
Higher incomes will mean that consumers in the developing world should continue to consume more zinc per capita in end use products. This will take the form of galvanised steel in new houses and cars as well as zinc components in household items. Improving incomes may theoretically lift the quality of construction and this is supportive of zinc demand. Galvanised steel is more expensive but is higher quality and longer lasting. According to AME Report, it is expected that improvements in the quality of buildings and a shift towards more galvanised products, especially in the developing world, would lead to higher zinc demand.

Figure 10: Estimated refined zinc demand by region, 2007



Source: AME

Figure 11: Estimated refined zinc demand by region, 2013



Source: AME

As market stabilise from recent global economy uncertainty, particularly in Europe and the United States, according to AME Report, it is estimated that the construction sectors is likely to grow across developing countries in Asia including China, India, Indonesia, Malaysia and Vietnam.

As current unemployment rates in these countries are typically lower, and income growth is expected to be faster than in the relatively more mature OECD economies; according to AME Report, it is expected that demand growth for consumer durable products like televisions and washing machines in developing Asia to be faster than in more mature markets.

Mined zinc supply outlook

According to AME Report, it is estimated that in 2011 global zinc mined supply was around 12.8 Mt. Over the last decade mined zinc production experienced relatively strong growth however fell by approximately 4% in 2009 with the global economic downturn. The table below shows estimated zinc contained in concentrate production over the last five years as well as AME's forecasts for production for 2012 and 2013.

Table 15: Estimated & forecast world zinc contained in concentrate production (Mt), 2007-2013

2007	2008	2009	2010	2011	2012	2013
11.2	11.7	11.2	12.1	12.8	13.4	13.6

Source: AME

According to AME Report, it is forecasted that zinc contained in concentrate production to increase by approximately 5% throughout 2012 and another estimated 1% to 2% in the following year. The increase in production will be as a result of mines returning to production from care and maintenance, new mines entering production as well as brownfield expansions and production increases.

Refined zinc supply outlook

According to AME Report, it is estimated that world refined zinc supply increased over 10% in 2010 as the global demand recovered, supported by a strengthening global economy after the financial downturn in 2008-2009. The increase in production was not uniform – Asian producers increased refined production relatively faster than elsewhere reflecting growing demand for metals in the Asian basin.

Table 16: Estimated & forecast global refined zinc supply (Mt), 2007-2013

2007	2008	2009	2010	2011	2012	2013
11.3	11.7	11.4	12.8	13.1	13.5	14.0

Source: AME

Secondary smelter feedstock or recycled zinc represents only a small proportion of total refined zinc supply. According to AME Report, it is estimated that in 2010 refined zinc produced from secondary materials equated to around 7% of refined production.

China market overview

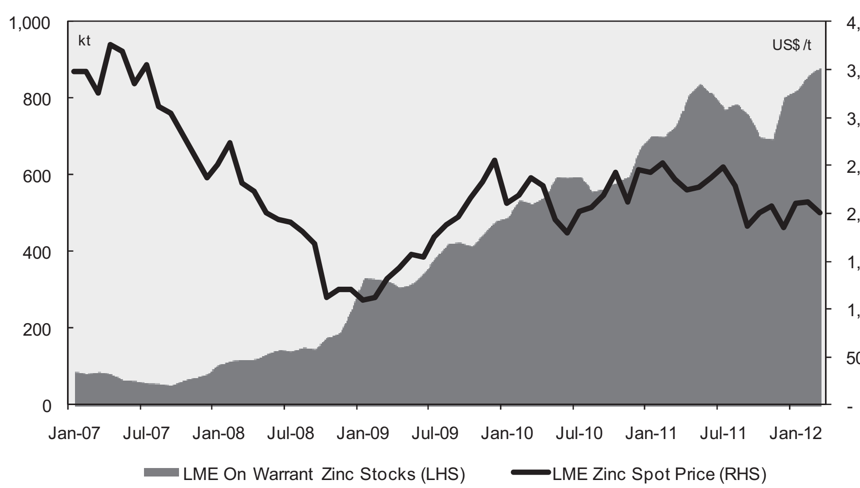
Demand for refined zinc is dominated by China. In 2011, China accounted for over 40% of global refined zinc demand. Despite the global downturn during 2009, it is estimated that Chinese zinc demand grew by approximately 12% in 2009 and increased further by approximately 15% in 2010 as the commodity market rebounded in 2010. Post 2010, growth in demand has been subdued.

China is considered to be the world's largest supplier of zinc contained in concentrate, producing approximately 4.2 Mt, over 30% of global supply in 2010. After China, other relatively large producing countries include Australia and Peru having produced around 1.4 Mt and 1.3 Mt respectively and the United States at around 0.8 Mt. According to AME Report, it is forecasted that China and Peru to continue to be major zinc producing nations over the forecast period. China holds a crucial position in the refined zinc industry. The need for concentrate and refined zinc arises from China's growing economy and manufacturing industries. According to AME Report, it is expected that urbanisation trends to continue in China. Furthermore, according to AME Report, it is expected that with increasing incomes to see consumer durables sales increase, supporting an overall increase in concentrate and refined zinc production in China.

Zinc pricing

The price of zinc is readily observable as it trades on the London Metals Exchange (LME) and the Shanghai Futures Exchange (SHFE). Figure 12 below shows the relationship between the LME spot zinc price and LME zinc stocks since 2007.

Figure 12: Estimated LME zinc prices and stocks



Over the period from 2007 to 2010 the zinc market was in surplus with estimated refined production exceeding demand in each year.

This surplus has seen LME zinc stocks increase substantially since 2009. In response to higher zinc prices, the majority of refiners ramped up their production to full capacity in 2010, leading growing zinc inventories.

The London Metal Exchange is recognised as the principal market for zinc, and its price quotations form the basis for trade in concentrates and metals. According to AME Report, it is forecasted that average zinc prices of around US98¢/lb in 2012 and approximately US118¢/lb in 2013.

Table 17: Estimated & forecast zinc prices, 2007-2013

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Zinc Prices, US$/t	3,250	1,870	1,662	2,159	2,186	2,150	2,600
Zinc Prices, US¢/lb	147	85	75	98	99	98	118

Notes:

1. Historical prices are provided on nominal basis.

2. Forecast prices are provided on real 2011 terms.

Source: AME, LME

LEAD

Material Analysis

Overview

Lead is a soft, dullish grey coloured metal. It was one of the first metals to be exploited as it is highly ductile and malleable and easy to smelt. Lead is a toxic metal which can cause damage to the brain and nervous system and cause other detrimental health effects. It is for this reason that it has been substituted from some of its previous applications such as an additive to paints and in plumbing.

Description & uses

Currently lead still has some important applications such as in automotive batteries. It is estimated that the transportation sector accounts for approximately 80% of total lead used.

Most mined lead is produced as a by-product of zinc mines. Often, zinc containing sulphide ore also contains commercially extractable levels of lead. These ores are first beneficiated onsite by crushing, grinding and converting into a lead concentrate which usually contains between 55-65% of lead. This concentrate is then sent to a lead smelter. Smaller amounts of lead are also found in the concentrates of other metals, such as zinc concentrate.

Lead is one of the most recycled metals. In 2010, an estimated 5 Mt of refined lead production was produced from secondary lead sources, or approximately 56% of refined supply.

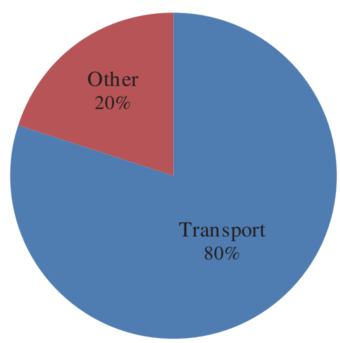
Industry Analysis

Source of lead demand

The main end use sector for lead is the transportation sector, and in particular, automotive batteries. Rising incomes in the developing world have encouraged record numbers of consumers to purchase cars for the first time in recent years. Whilst according to AME Report, it is expected that growth in new car registrations to slow, it still expects further growth which will support underlying demand for batteries. In addition, an improvement in the developed world economy should lead to an increase in new car sales would also add to lead demand.

Whilst car sales have fallen with the recession in the US and Japan, they continued to grow across Asia. Indeed, record new car sales saw China overtake the US as the world's largest automobile market in the first months of 2011. This rapid growth in car sales is not limited to China. Vehicle sales in developing nations such as India and Vietnam have also experienced significant increases.

Figure 13: Estimated lead demand by end use

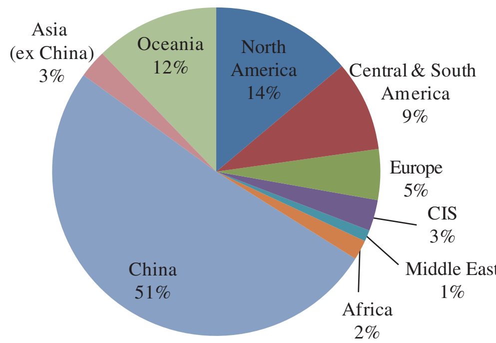


Source: AME

Source of lead supply

According to AME Report, it is estimated that China is the world's largest supplier of lead contained in concentrate, producing over 2 Mt or approximately 50% of global mined supply in 2011, and it is forecasted that China to continue to be a dominant global producing nation over the short to medium term.

Figure 14: Estimated lead contained in concentrate production by region, 2011



Source: AME

Forecasts and Assumptions

Lead demand outlook

According to AME Report, it is estimated that in 2011 refined lead demand reached around 10.1 Mt. The table below shows estimated lead demand from 2007, including AME's forecasts for 2011, 2012 and 2013.

Table 18: Estimated & forecast world refined lead demand (Mt), 2007-2013

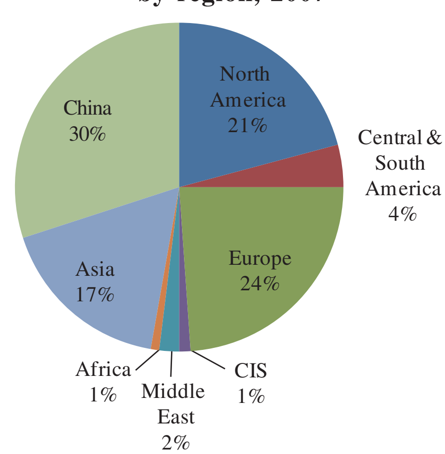
2007	2008	2009	2010	2011	2012	2013
8.3	9.0	9.0	9.6	10.1	10.5	11.0

Source: AME

According to AME Report, assuming market uncertainties are stabilised, it is expected that lead demand to increase by approximately 6% in 2012 and around 4% in 2013 as global growth remains strong, and it is forecasted that global GDP growth to be between 3% to 4% during the forecast period.

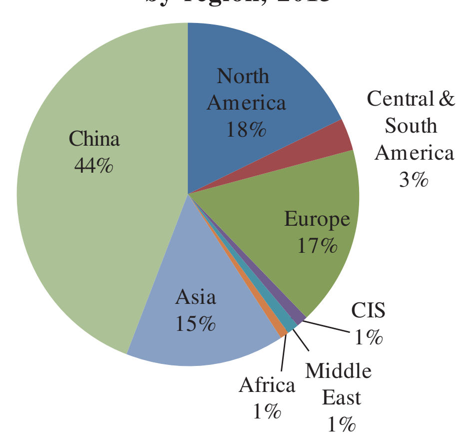
Like other metals, demand for lead is dominated by Asia. In 2011, China alone accounts for over 40% of global refined lead demand. Despite the global recession in 2009, Chinese lead demand grew by approximately 16% in 2009 as car and motorbike sales increased.

Figure 15: Estimated refined lead demand by region, 2007



Source: AME

Figure 16: Estimated refined lead demand by region, 2013



Source: AME

Mined lead supply outlook

According to AME Report, it is estimated that in 2011 global lead contained in concentrate supply was around 4.6 Mt, a decrease from 2009 levels. According to AME Report, it is forecasted that lead contained in concentrate production to grow at relatively firm rates over the forecast period, and it is expected that the increase in production to be primarily the result of a number of lead and zinc mines returning to production from care and maintenance, new mines entering production as well as brownfield expansions and production increases. The increase in lead production will be the by-product of this increase in zinc production.

There is a correlation between the location of global lead reserves and zinc reserves. This is because of the geological nature of many ore bodies containing both metals. Lead/zinc ores bodies are widely dispersed by geography and vary substantially by grade, by-product credits and impurities. The table below summarises lead contained in reserves by country for 2011. Australia, followed by China, is home to the largest share of global lead reserves, comprising an estimated 34% and 16% of total global lead reserves, respectively. The USGS estimates that currently identified world resources of lead to be approximately 1.5 Bt.

Table 19: Estimated world lead reserves (contained lead) by country, 2011

Country	*(Mt)*
Australia	29
China	14
Russia	9
Peru	8
United States	6
Mexico	6
India	3
Poland	2
Bolivia	2
Sweden	1
Ireland	1
Other	6
Total	**85**

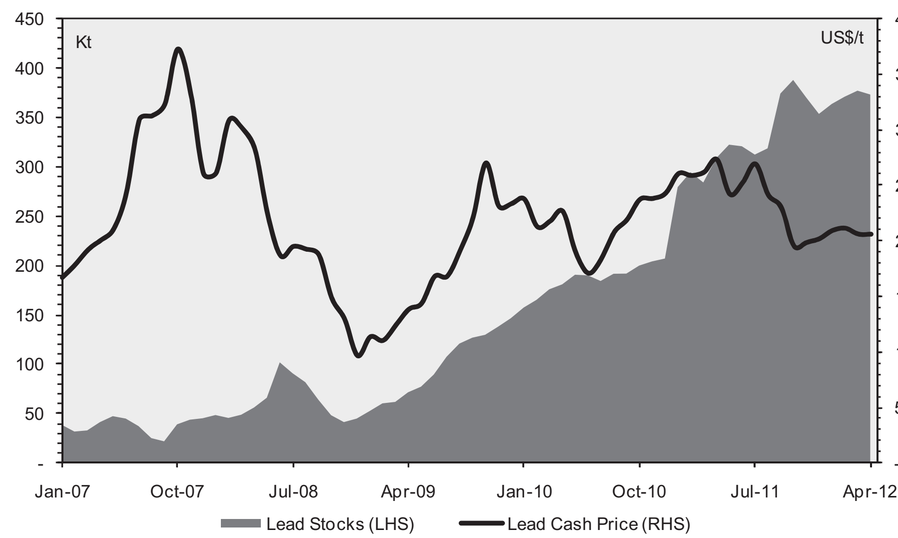
Source: AME, USGS

Lead pricing

The price of lead is readily observable as it trades on the London Metals Exchange (LME). Figure 17 below shows the relationship between the LME spot lead price and LME lead stocks since 2007.

After a deficit in 2007 and 2008, the lead market returned to surplus in 2009 as demand decreased with the global downturn.

Figure 17: Estimated LME lead prices and stocks



LME lead stocks increased substantially in late 2008 and 2009 as supply decreased ahead of demand. In recent months, LME stock levels have receded from peak levels at the start of 2010 but are still high by historical standards.

According to AME Report, it is forecasted that the LME lead price to average between US101¢/lb and US110¢/lb in 2012 and 2013, and it is expected that the lead price to be supported by continued Asian demand for lead as well as the car industry in the developed world.

Table 20: Estimated & forecast lead price, 2007-2013

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Lead Prices, US$/t	2,596	2,084	1,765	2,147	2,394	2,225	2,425
Lead Prices, US¢/lb	118	95	80	97	109	101	110

Notes:

1. Historical prices are provided in a nominal basis.

2. Forecast prices (2011, 2012, 2013) are prices on a real 2011 term basis.

Source: AME, LME

GOLD & SILVER

Material Analysis

Introduction to gold & silver

Precious metals such as gold and silver differ from other metals in that, in addition to its application in jewellery and industry, they are an investment asset and store of value in its own right. Consequently, although gold and silver are mined, and are common by-products of other base metals mines, the main drivers of the precious metals market are dissimilar to the drivers of other base metal markets.

AME's measurements of gold supply and demand differ to other base metals. In any period, total gold supply is equal to total demand whereby production in excess of end user demand becomes part of invested gold stock. Conversely, excess end user demand is satisfied through a rundown of investment stocks. The net result is that the gold market does not have a formal inventory level like other base metals.

Total gold supply consists of mined supply (the largest single source of supply), as well as gold divestments, central banks' gold sales and recycling of scrap gold. Gold demand is the demand from end use sectors such as jewellery, as well as investment holdings and gold's industrial uses.

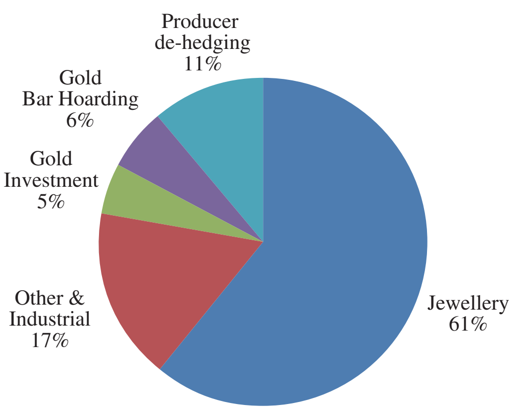
Similar to gold, silver is held as investments by banks, however, in a much smaller scale than gold. Since the end of the silver standard, silver's major application is in industrial application, followed by photography, jewellery and bullion coins.

Forecasts and Assumptions

Global gold & silver demand

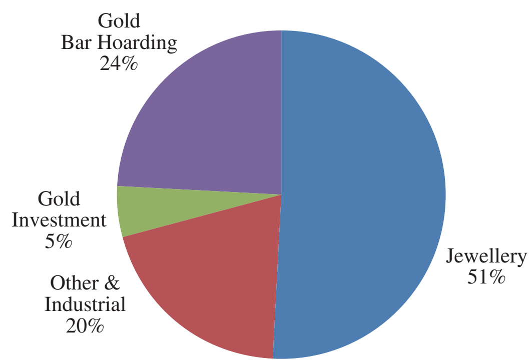
Gold demand is comprised of demand for end use gold in the form of jewellery and industrial applications, plus investment demand. In recent years, estimated gold investment demand has increased as investors have been attracted to the perceived safety of gold as an asset class. According to AME Report, it is estimated that over the forecasted period investment demand to remain relatively high by historical levels, and it is expected that demand for gold to be structurally higher in the near term as risk aversion stemming from the credit crisis remain and investor caution is high.

Figure 18: Global gold & silver supply, 2007



Source: AME

Figure 19: Global gold & silver supply, 2013



Source: AME

The two largest sources of gold are mined gold production and recycled gold. The pie charts above illustrate the share of each source in 2007 and 2013.

The primary end uses for silver are industrial uses and jewellery. These two categories comprise around 95% of silver demand.

Global gold & silver supply

According to AME Report, it is forecasted that gold supply to increase at relatively robust rates over the forecast period supported by current high gold price.

Table 21: Estimated & forecast mined gold supply, (Moz)

2007	2008	2009	2010	2011	2012	2013
79.6	77.5	83.2	87.1	90.3	102.9	107.3

Source: AME

The rise in the price of gold in recent years has generated renewed interest in the industry and additional gold exploration. According to AME Report, it is noted that a number of significant gold projects in the construction stage.

Silver is mostly mined as a by-product of base metal mines such as zinc, lead and gold and copper although there are also mines which achieve most of their revenue from the sale of silver. In 2010, silver mine production is estimated to have increased by around 5% (year on year) to 23 kt as new projects in Central and South America were commissioned.

In 2010, Mexico was the world's biggest silver producer followed by Peru and China. The table below summarises the biggest silver producing countries in 2010.

Table 22: Estimated silver contained in concentrate production in 2010 (kt)

Country	*(kt)*
Mexico	4.4
Peru	3.6
China	3.5
Australia	1.9
Chile	1.3
United States	1.3
Bolivia	1.3
Poland	1.2
Russia	1.2
Canada	0.6
Other	3.0
Total	**23.1**

Source: AME, USGS

Gold & silver pricing

The price of gold is readily observable as it is an exchange traded asset with a deep market. According to AME Report, it is estimated that the gold price may remain around current levels over the forecast period as investor demand for gold remains strong relative to long term historic levels.

Gold is likely to retain its historical role and serve as a safe-heaven investment. Considering current investors concerns and uncertainties about the European sovereign debt issues, economic instability in the US, as well as political uncertainty in the Middle East and northern Africa, according to AME Report, it is estimated that gold may stay on at high price levels over the remainder of this year. With low interest rates in the US and in Europe, gold furthermore remains an attractive alternative for investment.

According to AME Report, it is forecasted that gold to average around US$1,600/oz in 2012 and US$1,250/oz in 2013, and prices for silver to average of approximately US$30/oz in 2012 and US$25/oz in 2013.

Table 23: Estimated & forecast gold price, 2007-2013

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Gold Prices, US$/oz	696	872	973	1,225	1,571	1,600	1,250

Notes:

1. Historical prices are provided in a nominal basis.

2. Forecast prices (2011, 2012, 2013) are prices on a real 2011 term basis.

Source: AME, LME

Table 24: Estimated & forecast silver price, 2007-2013

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Silver Prices, US$/oz	13	15	15	20	35	30	25

Notes:

1. Historical prices are provided in a nominal basis.

2. Forecast prices (2012, 2013) are prices on a real 2011 term basis.

Source: AME, LME

HISTORY AND DEVELOPMENT

The following are the important milestones of our business history:

November 2003	Incorporation of Yifeng Wanguo, our principal operating subsidiary in the PRC
October 2006	Yifeng Wanguo obtained a mining licence for the Xinzhuang Mine and commenced its mining business
August 2007	Commercial production at the Xinzhuang Mine commenced
May 2011	Incorporation of our Company
July 2011	Our Company became the holding company of our Group

Our History

Our Company was incorporated in the Cayman Islands as an exempted company under the Cayman Islands Companies Law on 13 May 2011. As at the Latest Practicable Date, Victor Soar and Achieve Ample held 67% and 33% of the issued share capital of our Company, respectively.

Our Company's subsidiaries outside the PRC include MIH and HK Taylor which are both investment holding companies and wholly owned subsidiaries of our Company. They were established or acquired for the purpose of holding our Company's interests in Yifeng Wanguo, the principal operating entity of our Group engaging in the business of mining and processing of copper, iron, zinc, lead and associated ores, and the sale of the aforesaid mining products in the PRC.

Mr. Gao and Ms. Gao are the founders of our Group. They have been long acquaintances since 1988 when they were colleagues at Quanzhou City Sugar and Wine Subsidiary Foodstuff Company (泉州市糖酒副食品公司) in Fujian Province, PRC and do not have any family relationship with each other. Since 1996, they have worked on various business ventures together, including the general trading of mining and other products conducted by Quanzhou Wanguo. From these earlier profit-generating businesses and investment activities, Mr. Gao and Ms. Gao had accumulated a modest amount of capital, and they decided to further their investment interests in the mining industry. In order to benefit from the business foundations and sources of funding developed by Quanzhou Wanguo, Mr. Gao and Ms. Gao invested in Yifeng Wanguo through Quanzhou Wanguo.

Yifeng Wanguo

In 2002, Mr. Gao as the chairman of Quanzhou Wanguo became interested in the investment opportunities at the Xinzhuang copper-lead-zinc mining area after he was acquainted with the mineral resources development status in Jiangxi and being introduced to West-Jiangxi Brigade, the original owner of the exploration licence at the Xinzhuang copper-lead-zinc mining area (the "**Xinzhuang Exploration Licence**") where the Xinzhuang Mine is located. West-Jiangxi Brigade was established in 1998 as a PRC state business unit (事業單位), a social institution that is run by PRC State organs or other organisation using State-owned assets for the purpose of social and public interests in the PRC. Its principal activities include geological surveying, exploration of mineral resources, project surveying and construction, prevention of geological disasters, surveying and mapping, testing and related businesses.

Upon conducting further analysis of the mineral resources situation in Jiangxi and negotiation with West-Jiangxi Brigade, Quanzhou Wanguo decided to invest in the Xinzhuang Mine by entering into a cooperation agreement with West-Jiangxi Brigade in August 2002. Under the said cooperation agreement, Quanzhou Wanguo and West-Jiangxi Brigade agreed to establish a joint venture entity, namely Yifeng Wanguo, for the purpose of holding the Xinzhuang Exploration Licence and through which to obtain the mining licences and permits required before commencing commercial production at the Xinzhuang mining area. The parties agreed that West-Jiangxi Brigade shall be responsible for conducting geological surveys and providing the surveying and mapping information of the Xinzhuang mining area, liaising with the local counterparties and subsequently handling the registration of the mining rights. On the other hand, Quanzhou Wanguo shall be responsible for implementing the engineering and construction works on-site.

The business of our Group has been operated by Yifeng Wanguo since its date of establishment on 26 November 2003 as a limited liability company in the PRC. Yifeng Wanguo's current business scope is mining and processing of copper, lead, zinc, iron and associated ores and the sale of the aforesaid mining products and non-ferrous products with a valid operation period until October 2053. At the time of establishment of Yifeng Wanguo, Quanzhou Wanguo invested RMB6,855,000 as registered capital in cash, while West-Jiangxi Brigade invested RMB3,315,000 as registered capital, of which RMB1,281,000 was contributed in cash and RMB2,034,000 was invested by way of injection of an intangible asset, representing a part of the 50% of the total appraised value of the exploration rights in the Xinzhuang Mine as at 30 March 2003. The total appraised value of the exploration rights in the Xinzhuang Mine as at 30 March 2003 was approximately RMB12 million which was appraised by a certified asset valuer in the PRC.

Based on the above appraised value and an arm's length negotiation between West-Jiangxi Brigade and Quanzhou Wanguo and considering the restriction under the then applicable PRC law that intangible assets injected into a company in the PRC shall not account for more than 20% of its registered capital, the parties agreed that RMB3,966,000 (being the difference between 50% of the appraised value of the exploration rights in the Xinzhuang Mine as at 30 March 2003 and RMB2,034,000 which was invested as registered capital) was credited as capital reserve of Yifeng Wanguo.

The following table sets out the registered capital of Yifeng Wanguo held by each of Quanzhou Wanguo and West-Jiangxi Brigade at the time of its establishment:

	RMB	%
Quanzhou Wanguo	6,855,000	67.4
West-Jiangxi Brigade	3,315,000 *(Note)*	32.6
	10,170,000	100.0

Note: The amount of RMB3,315,000 represents the sum of the cash amount of RMB1,281,000 and an intangible asset of RMB2,034,000, which accounted for 20% of the entire registered capital of RMB10,170,000 of Yifeng Wanguo at the time of its establishment.

As a result, Yifeng Wanguo had a registered capital of RMB10.17 million at the time of establishment, and was held as to 67.4% by Quanzhou Wanguo. The remaining 32.6% of the equity interest in Yifeng Wanguo was held by West-Jiangxi Brigade.

After the establishment of Yifeng Wanguo, the Department of Land and Resources of Jiangxi Province approved the transfer of the remaining 50% of the appraised value of the Xinzhuang Exploration Licence to Yifeng Wanguo in November 2003. Subsequently, West-Jiangxi Brigade and Yifeng Wanguo entered into an exploration right transfer agreement on 1 December 2003 for transferring to Yifeng Wanguo the remaining 50% of the appraised value of the Xinzhuang Exploration Licence. The consideration of RMB6 million for the said transfer was determined based on the 30 March 2003 valuation prepared by a certified asset valuer in the PRC and it was fully paid by Yifeng Wanguo on 27 October 2011. Upon approval by the Department of Land and Resources of Jiangxi Province, the ownership of the entire Xinzhuang Exploration Licence was effectively transferred to Yifeng Wanguo on 11 November 2003.

On 5 February 2004, a shareholder resolution was passed pursuant to which the registered capital of Yifeng Wanguo was increased from RMB10.17 million to RMB15.17 million by the capital contribution of RMB5 million from Mr. Gao. As a result of such capital contribution, Mr. Gao, Quanzhou Wanguo and West-Jiangxi Brigade were interested in 33%, 45.2% and 21.8% of the registered capital of Yifeng Wanguo, respectively.

After obtaining the Xinzhuang Exploration Licence, Yifeng Wanguo proceeded with the application of the mining licence for the Xinzhuang Mine, which was issued by the Department of Land and Resources of Jiangxi Province on 15 June 2004 and was valid from June 2004 until June 2009. Subsequent to obtaining the mining licence and obtaining PRC government approvals in respect of safety compliance, environmental protection compliance and project construction matters related to the operations of the Xinzhuang Mine, on 8 August 2006, the local branch of the NDRC issued to Yifeng Wanguo the approval for the setting up of mining operations at Xinzhuang Mine. Following NDRC's approval, the Department of Land and Resources of Jiangxi Province renewed the mining licence on 31 October 2006 for the mining of copper, lead, zinc and iron at Xinzhuang Mine over a geographical scope of 3.7692 km^2. The October 2006 mining licence was further renewed by the Department of Land and Resources of Jiangxi Province for various times, and the current mining licence is valid from 20 April 2012 to 20 April 2032. For further details on the mining right owned by the Group, please refer to the section headed "Business – Mining Right" in this prospectus.

On 2 August 2005, a shareholder resolution was passed pursuant to which the registered capital of Yifeng Wanguo was further increased to RMB27.63 million by the capital contribution of RMB12.46 million from Quanzhou Wanguo. As a result of the said capital contribution, Mr. Gao, Quanzhou Wanguo and West-Jiangxi Brigade were interested in 18.1%, 69.9% and 12% of the registered capital of Yifeng Wanguo, respectively.

On 17 November 2007, an equity joint venture agreement was entered into among HK Taylor, Quanzhou Wanguo and West-Jiangxi Brigade which was subsequently superceded by the Joint Venture Agreement (as defined below).

On 7 December 2007, in order to reflect the asset value of Yifeng Wanguo based on an appraisal report prepared by an independent appraisal firm qualified in the PRC and in preparation for the transfer of equity interests in Yifeng Wanguo by Mr. Gao, Quanzhou Wanguo and Ms. Gao to HK Taylor on 8 January 2008, the registered capital of Yifeng Wanguo was further increased to RMB101.8 million, of which RMB16.87 million, RMB67.72 million, RMB12.22 million and RMB5 million were contributed by Mr. Gao, Quanzhou Wanguo, West-Jiangxi Brigade by way of conversion from capital reserve and Ms. Gao by way of cash, respectively. Upon the completion of the increase of registered capital on 7 December 2007, Yifeng Wanguo was owned as to 16.6% by Mr. Gao, 4.9% by Ms. Gao, 66.5% by Quanzhou Wanguo and 12% by West-Jiangxi Brigade.

On 8 January 2008, Mr. Gao, Quanzhou Wanguo and Ms. Gao transferred 16.6%, 38.5% and 4.9% equity interests in Yifeng Wanguo to HK Taylor, respectively. The consideration for the transfers by Mr. Gao, Quanzhou Wanguo and Ms. Gao was RMB20.34 million, RMB47.28 million and RMB6.03 million respectively and was determined on an arm's length basis and with reference to the net asset value of Yifeng Wanguo based on an appraisal report prepared by an independent appraisal firm qualified in the PRC. Such transfer was approved by the competent authority, Jiangxi Foreign Trade and Economic Cooperation Bureau (currently named as Jiangxi Province Department of Commerce), on 21 December 2007 and there is no other approval required for such transfer under the Rules on the Acquisition of Domestic Enterprises by Foreign Investors ("**M&A Rules**") (關於外國投資者併購境內企業的規定) as advised by our PRC Legal Advisers. Upon completion of the registration with Yichun Administration for Industry and Commerce on 8 January 2008, Yifeng Wanguo was converted from a domestic PRC company to a sino-foreign equity joint venture enterprise and owned as to 60% by HK Taylor, 28% by Quanzhou Wanguo and 12% by West-Jiangxi Brigade and, as advised by our PRC Legal Advisers, the above transfer was the only transaction under our historical reorganisations which required the said approval under the M&A Rules. On the same date, the business scope of Yifeng Wanguo was also changed to mining and processing of copper, lead, zinc, iron and the associated ores and sale of the aforesaid mining products.

Pursuant to an equity transfer agreement dated 15 May 2008 entered among Quanzhou Wanguo, West-Jiangxi Brigade and HK Taylor, HK Taylor acquired a further 15% equity interest in Yifeng Wanguo from Quanzhou Wanguo for a consideration of RMB17.16 million, which was determined on an arm's length basis with reference to the net asset value of Yifeng Wanguo based on an appraisal report prepared by an independent appraisal firm qualified in the PRC. Upon the completion of the transfer on 16 June 2008, Yifeng Wanguo was held as to 75% by HK Taylor, 13% by Quanzhou Wanguo and 12% by West-Jiangxi Brigade.

As part of the Reorganisation, on 2 March 2011, HK Taylor and Quanzhou Wanguo entered into an equity transfer agreement for the transfer of 13% equity interest in Yifeng Wanguo from Quanzhou Wanguo to HK Taylor for a consideration of RMB20.5 million, which was determined on an arm's length basis with reference to the net asset value of Yifeng Wanguo based on an appraisal report prepared by an independent appraisal firm qualified in the PRC. Please refer to the section headed "History and Development – Reorganisation" of this prospectus for details of the transfer. Upon completion of the said transfer, Quanzhou Wanguo does not form part of our Group. Please refer to the section headed "Our Relationship with Controlling Shareholders – Overview" for further information on Quanzhou Wanguo. Upon completion of the transfer on 31 March 2011, Yifeng Wanguo was owned as to 88% by HK Taylor and 12% by West-Jiangxi Brigade.

In connection with the equity transfer agreement entered into on 2 March 2011 above, HK Taylor and West-Jiangxi Brigade entered into an equity joint venture agreement on 25 March 2011 (the "**Joint Venture Agreement**"). This Joint Venture Agreement substantially follows and supersedes the equity joint venture agreement entered into between HK Taylor, Quanzhou Wanguo and West-Jiangxi Brigade in November 2007. Under the Joint Venture Agreement, HK Taylor and West-Jiangxi Brigade agreed to convert Yifeng Wanguo as a sino-foreign equity joint venture enterprise (the "**Joint Venture Company**") for conducting mining and processing of copper, lead, zinc, iron and the associated ores and sale of the aforesaid mining products. The term of the Joint Venture Company was 50 years, which can be renewed upon obtaining unanimous board approval and approval from relevant authorities no later than six months before the end of the term. Pursuant to the Joint Venture Agreement, the total amount of investment of the Joint Venture Company was RMB301.8 million and the amount of registered capital was RMB101.8 million. HK Taylor shall contribute RMB89,584,000 representing 88% of the registered capital of Yifeng Wanguo, and West-Jiangxi Brigade shall contribute RMB12,216,000 representing 12% of the registered capital of Yifeng Wanguo. The board of the Joint Venture Company shall consist of five members, of which HK Taylor shall have the right to appoint four directors, and West-Jiangxi Brigade shall have the right to appoint one director. The Joint Venture Agreement also stipulated that West-Jiangxi Brigade shall be responsible for liaising with the local PRC authorities for establishing the Joint Venture Company and obtaining the relevant land use rights, assisting the Joint Venture Company to set up its processing plant and ancillary facilities and recruiting employees, while HK Taylor shall be primarily responsible for providing capital to the Joint Venture Company and generally handling all other matters as required by the Joint Venture Company from time to time. The Joint Venture Agreement can be terminated by unanimous board consent either if the Joint Venture Company has been operated at a loss in successive years or is unable to continue its operations. In the event of any joint venture party committing a material breach of its obligations under the Joint Venture Agreement to the extent that the Joint Venture Company can no longer continue to operate or realise the business goals stipulated under the Joint Venture Agreement, the breaching party will be deemed as unilaterally terminating the Joint Venture Agreement, and the non-breaching party shall be entitled to either terminate the Joint Venture Agreement or apply to relevant authorities to replace the breaching party with another investor as a shareholder.

Under the Joint Venture Agreement and the applicable PRC laws, directors' unanimous consent is required for certain important decisions relating to the corporate governance of Yifeng Wanguo such as (i) amendment to the articles of association, (ii) increase or decrease of the registered capital; and (iii) dissolution. However, directors' unanimous consent is not required for decisions in respect of the normal operations and business activities of Yifeng Wanguo.

As advised by our PRC Legal Advisers, Yifeng Wanguo has completed the relevant registration and obtained the relevant approvals for its historical reorganisations as required under the applicable PRC laws and regulations. Our PRC Legal Advisers further advised that the Listing does not require the approval or endorsement of West-Jiangxi Brigade.

The Management Entrustment Agreements

After the establishment of Yifeng Wanguo in November 2003, West-Jiangxi Brigade has relied on the experience and capabilities of the directors and senior management of Quanzhou Wanguo and subsequently those of our Group for managing the development and business operations of Yifeng Wanguo. For the purpose of improving the management efficiency of Yifeng Wanguo, a management entrustment agreement was entered into on 2 December 2006 between Quanzhou Wanguo and West-Jiangxi Brigade (the "**First Management Entrustment Agreement**"), and another management entrustment agreement dated 4 January 2011 was entered into between HK Taylor and West-Jiangxi Brigade (the "**Second Management Entrustment Agreement**") in anticipation of the equity transfer of 13% interest in Yifeng Wanguo from Quanzhou Wanguo to HK Taylor in March 2011 (the First Management Entrustment Agreement and the Second Management Entrustment Agreement collectively, the "**Management Entrustment Agreements**"). Pursuant to the First Management Entrustment Agreement, it was agreed, inter alia, that (i) after-tax dividends fixed at the amounts of RMB2.0 million, RMB2.8 million, RMB3.1 million, RMB4.03 million and RMB5.24 million shall be paid to West-Jiangxi Brigade from Yifeng Wanguo for the five years ended 31 December 2011, respectively, and RMB6 million each year thereafter, and (ii) Quanzhou Wanguo shall be responsible for the operations and management of Yifeng Wanguo until the dissolution of Yifeng Wanguo, and West-Jiangxi Brigade shall cease to be liable for any liabilities and risks arising from the operations of Yifeng Wanguo, which shall be assumed by Quanzhou Wanguo solely from the date of the First Management Entrustment Agreement. Pursuant to the Second Management Entrustment Agreement, it was agreed, inter alia, that (i) after-tax dividends fixed at the amounts of RMB5.24 million shall be paid to West-Jiangxi Brigade from Yifeng Wanguo for the year ended 31 December 2011 and RMB6 million each year thereafter, and (ii) HK Taylor shall be responsible for the operations and management of Yifeng Wanguo until the dissolution of Yifeng Wanguo, and West-Jiangxi Brigade shall cease to be liable for any liabilities and risks arising from the operations of Yifeng Wanguo, which shall be assumed by HK Taylor solely from the date of the Second Management Entrustment Agreement. While our PRC Legal Advisers subsequently confirmed that the Management Entrustment Agreements were not legally binding under PRC law, we were not aware of this when the Management Entrustment Agreements were entered into.

For the two years ended 31 December 2008, the dividends declared by the board of directors of Yifeng Wanguo to West-Jiangxi Brigade were approximately RMB1.6 million and RMB2.1 million, respectively, representing a shortfall of approximately RMB369,200 and RMB670,000 for the two years ended 31 December 2008, respectively when compared to those amounts as set out in the First Management Entrustment Agreement. The shortfall for the year ended 31 December 2007 was attributable to the commencement of our commercial production in August 2007 which affected the annual financial performance of Yifeng Wanguo during that year, and the shortfall for the year ended 31 December 2008 was due to the blizzard in central and southern China that had an adverse impact on the production volume of Yifeng Wanguo in the first half of 2008, and the global financial crisis in 2008 leading to a significant decrease in the market price of mining products in the second half of 2008. Further, the dividends declared by the board of directors of Yifeng Wanguo to West-Jiangxi Brigade for the two years ended 31 December 2010 aggregated to approximately RMB6.1 million, which represented a shortfall of approximately RMB1.03 million in aggregate when compared to the amounts in total as set out in the First Management Entrustment Agreement. The shortfall was a result of the global financial crisis on the world economy in 2008 which impact continued to adversely affect the business and financial performance of Yifeng Wanguo in 2009.

Quanzhou Wanguo has been in a good and stable relationship with West-Jiangxi Brigade as business partners and had no material dispute with West-Jiangxi Brigade in respect of Yifeng Wanguo. Quanzhou Wanguo has also maintained regular communications with West-Jiangxi Brigade regarding the business and financial performance of Yifeng Wanguo. With West-Jiangxi Brigade's willingness to extend its support to Yifeng Wanguo during periods of unfavourable financial and market conditions, the board of directors of Yifeng Wanguo, including the director appointed by West-Jiangxi Brigade, unanimously affirmed the decision to declare the dividend amounts payable to West-Jiangxi Brigade which were lower than those set out in the Management Entrustment Agreements.

The shortfall arising from the difference between the dividend amounts declared in accordance to the board resolutions and the dividends amounts set out in the Management Entrustment Agreements were not accounted for in our accountants' report as set out in Appendix I to this prospectus as our PRC Legal Advisers have advised that the Management Entrustment Agreements are not legally binding under the PRC laws. The dividends distributions were recognised in our accountants' report as set out in Appendix I to this prospectus in accordance with the decisions resolved and approved by the board of Yifeng Wanguo.

Our Group had discussed with West-Jiangxi Brigade to resolve potential dividend distribution issues related to the Management Entrustment Agreements. As a result of the discussion, West-Jiangxi Brigade issued written confirmation to the Group on 20 February 2012 setting out the following:

(i) it would not initiate any claims against Quanzhou Wanguo, HK Taylor, Yifeng Wanguo, Mr. Gao, Ms. Gao and other directors and senior management members of Yifeng Wanguo concerning the dividend distribution arrangements as approved by the board of directors of Yifeng Wanguo;

(ii) it would not require Quanzhou Wanguo and/or the Group to repay the shortfall of dividends from 2007 to 2010;

(iii) it would not require Quanzhou Wanguo and/or the Group to distribute dividends for the year ended 31 December 2011 at the amount as stipulated in the Second Management Entrustment Agreement;

(iv) it would not require Quanzhou Wanguo and/or the Group to be liable for any breaches of the Management Entrustment Agreements;

(v) it would not early terminate the Joint Venture Agreement by the reason of any enforcement issues related to the Management Entrustment Agreements;

(vi) it would respect all decisions of the board of directors of Yifeng Wanguo concerning its dividend distribution arrangements; and

(vii) it would no longer enforce all the terms of the Management Entrustment Agreements in the future.

Our PRC Legal Advisers have advised that the Management Entrustment Agreements are not legally binding considering the Answers of the Supreme People's Court to Certain Questions Concerning the Trial of Cases Involving Disputes over Joint Operation Contracts (最高人民法院關於審理聯營合同糾紛案件若干問題的解答), which is a judicial interpretation issued by the Supreme People's Court that is authorised to formulate such judicial interpretation, and is legally enforceable. Under the above judicial interpretation, where an institution invests in a joint operation unit as a party thereto, if the institution neither participates in the business operation nor bears the liability for the risk in connection with the joint operation but it collects fixed profits as scheduled regardless of profit or loss of the joint operation unit, the relevant financial laws and regulations such as the then effective Interim Regulation on the Banks Administration are violated and the joint operation contract shall be determined invalid. As West-Jiangxi Brigade is entitled to a fixed amount of dividend and is not liable for any liabilities and risk arising from the operations of Yifeng Wanguo under the Management Entrustment Agreements, such agreements have violated the relevant financial laws and regulations in the PRC and therefore are not legally binding. Given that the Management Entrustment Agreements are not legally binding and West-Jiangxi Brigade has issued the written confirmation on 20 February 2012, our Group will not be required to repay the historical shortfall of dividends to West-Jiangxi Brigade or any default fees under the First Management Entrustment Agreement nor to comply with the Management Entrustment Agreements in the future. Besides, West-Jiangxi Brigade will not take further actions against our Group as a result of Quanzhou Wanguo or HK Taylor not complying with the Management Entrustment Agreements.

For the year ended 31 December 2011 and thereafter, the board of directors of Yifeng Wanguo will distribute dividends to its equity holders on a pro rata basis in accordance with their respective equity interests in Yifeng Wanguo. For details of our Group's dividend policy, please refer to the section headed "Financial Information – Dividend and Dividend Policy".

Capital Reduction Agreement

On 3 March 2012, Yifeng Wanguo, West-Jiangxi Brigade and HK Taylor entered into the Capital Reduction Agreement pursuant to which, among other things, the registered capital of Yifeng Wanguo shall be reduced and West-Jiangxi Brigade shall redeem its 12% equity investment in Yifeng Wanguo for approximately RMB207.9 million, which was determined on an arm's length basis with reference to the anticipated level of mineral reserves, production and life of and profits generated from the Xinzhuang Mine and the corresponding economic benefits to be received by West-Jiangxi Brigade as a holder of equity interests in Yifeng Wanguo. In accordance with the PRC Laws, an independent valuer is required to be appointed in relation to the capital reduction and the consideration payable under the Capital Reduction Agreement generally cannot be lower than the corresponding net asset value of Yifeng Wanguo as appraised by an independent valuer. Therefore, an independent valuer was engaged to appraise the net asset value of Yifeng Wanguo as at 31 December 2011, which was appraised at approximately RMB262.6 million, and the corresponding share of such net asset value to which West-Jiangxi Brigade entitled amounted to approximately RMB31.5 million. The independent valuer's appraisal was based on the cost replacement basis, which assessed the potential re-sale value of the assets of Yifeng Wanguo. Our Company did not only take into account such appraised value when determining the consideration under the Capital Reduction Agreement. On the contrary, the consideration under the Capital Reduction Agreement was determined based on an arm's length negotiation between the parties and by taking into consideration the future income to be generated from Yifeng Wanguo's operations and the mining capacity expansion at the Xinzhuang Mine, which were not considered by the independent valuer's appraisal. Our Directors are of the view that the difference between the appraised value and the consideration under the Capital Reduction Agreement is reasonable because the net asset value appraised by the independent valuer, which was prepared for the sole purpose of compliance with the requirements under the PRC Laws, does not reflect the future potential of the Xinzhuang Mine. As advised by our PRC Legal advisers, the consideration under the Capital Reduction Agreement, being higher than West-Jiangxi Brigade's share of the corresponding net asset value as appraised by the independent valuer, and its determination method do not violate the PRC Laws.

The redemption monies of approximately RMB207.9 million shall be payable by Yifeng Wanguo to West-Jiangxi Brigade by instalments set out below:

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

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

(iii) RMB20 million in December of the second year after the year in which the completion of the Capital Reduction Agreement took place, being 2014; and

(iv) approximately RMB42.5 million in December of each of the third year to the sixth year after the year in which the completion of the Capital Reduction Agreement took place, being 2015 to 2018.

Our Directors believe that the payment of the redemption monies under the Capital Reduction Agreement can be funded by the existing internal financial resources and revenue generated by the operations of Yifeng Wanguo. However, our Company can also provide Yifeng Wanguo with further funding by way of additional equity investment in or shareholder's loan to Yifeng Wanguo if and when necessary.

The above capital reduction of Yifeng Wanguo was adopted so as to consolidate the entire equity interest in Yifeng Wanguo into our Group because, based on the negotiation with West-Jiangxi Brigade and the advice of our PRC Legal Advisers, our Directors believe it to be the faster means compared to, for example, equity transfer. Our Directors are of the view that the capital reduction of Yifeng Wanguo does not materially affect the operation of our Group. As a result of the capital reduction of Yifeng Wanguo, our Group has recorded a current liability of RMB12 million and a long-term liability of RMB142 million which are the present values of the redemption monies payable by Yifeng Wanguo to West-Jiangxi Brigade. Our Directors are of the view that our cash and cash equivalents as at 31 December 2011 of RMB37.4 million will be sufficient to settle the liabilities that fall due within a year while the long-term liability is expected to be paid using the internal financial resources generated from the operations of Yifeng Wanguo.

We expect to finance our working capital requirements for the 12 months following the date of this prospectus as required by the Listing Rules with the sources of funding as discussed in the section headed "Financial Information – Working Capital" in this prospectus, and having considered the relevant sources of funding available to our Group, our Directors are of the view that the expected payment of the redemption monies under the Capital Reduction Agreement will not have material impact on the cashflow and working capital position of our Group and that we will have sufficient funds for 125% of our present working capital requirements for at least 12 months from the date of this prospectus as required by the Listing Rules.

As to the net asset position of our Group, the net assets of our Group had been reduced by approximately RMB154 million as a result of the reduction in the total equity of Yifeng Wanguo of approximately RMB154 million upon completion of the Capital Reduction Agreement.

Our Directors currently anticipate that the reduction in net assets of our Group as a result of the completion of the capital reduction would be offset entirely by the estimated net proceeds of approximately RMB182 million (based on the Offer Price of HK$1.75, being the low end of the Offer Price range) to be received by our Group from the Share Offer.

Upon completion of the capital reduction, West-Jiangxi Brigade ceased to hold any equity interest in Yifeng Wanguo and the future profit and loss of Yifeng Wanguo will no longer be shared by West-Jiangxi Brigade.

Other major terms of the Capital Reduction Agreement are set out below:

(a) the Capital Reduction Agreement shall be completed and become effective and legally binding only upon the necessary approval by the relevant authorities in the PRC;

(b) upon the approval and registration of the capital reduction under the Capital Reduction Agreement by the relevant authorities in the PRC, the total investment and the registered capital of Yifeng Wanguo shall be reduced to approximately RMB268.8 million and RMB89.6 million, respectively;

(c) Yifeng Wanguo shall provide a mortgage in favour of West-Jiangxi Brigade over Yifeng Wanguo's right in the State-owned Land Use Rights Certificate numbered "Yifeng County State-owned 2011-556" (宜豐縣國用(2011)第556號) for securing the obligations of Yifeng Wanguo in paying the redemption monies under the Capital Reduction Agreement. In case Yifeng Wanguo fails to pay the redemption monies in accordance with the Capital Reduction Agreement, West-Jiangxi Brigade shall request for rectification by Yifeng Wanguo within 90 days, failing which the mortgage shall become exercisable;

(d) the Capital Reduction Agreement is subject to termination by the parties in the event of, among other things, force majeure or the serious breach of the Capital Reduction Agreement by any party;

(e) in case of termination or breach of the Capital Reduction Agreement after the completion of registration of the capital reduction with the relevant authorities, the capital reduction shall not be affected and the parties to the Capital Reduction Agreement shall seek other forms of remedies; and

(f) in case of delay in the instalment payments of capital redemption monies to West-Jiangxi Brigade, a daily charge of 0.025% of the amount of delayed payment shall be paid by Yifeng Wanguo to West-Jiangxi Brigade.

The Capital Reduction Agreement does not contain, and the capital reduction does not result in, any restrictions in the future operations of Yifeng Wanguo. The land under the mortgage to be provided by Yifeng Wanguo under the Capital Reduction Agreement is intended to be used by our Group for building supporting facilities such as offices and staff quarters. Such buildings are being constructed on the subject land and targeted to be completed by the end of 2012. The Directors are of the view that the operation of our Group will not be materially affected if the mortgage is exercised by West-Jiangxi Brigade because the subject land is only intended for supporting facilities and the Directors believe that our Group would be able to relocate such supporting facilities to other land premises of the Group if necessary.

The Capital Reduction Agreement was approved by the competent authority, Yichun Municipal Commerce Administration Bureau (宜春市商務局) on 23 April 2012 and the registration of the capital reduction of Yifeng Wanguo with the relevant authorities in the PRC was completed on 27 April 2012. Upon completion of the above registration, the total investment and the registered capital of Yifeng Wanguo were reduced to approximately RMB268.8 million and RMB89.6 million, respectively, and Yifeng Wanguo became a direct wholly-owned subsidiary of HK Taylor. Yifeng Wanguo was also converted into a wholly foreign-owned enterprise. As West-Jiangxi Brigade ceased to hold any equity interest in Yifeng Wanguo, the Joint Venture Agreement shall cease to be effective.

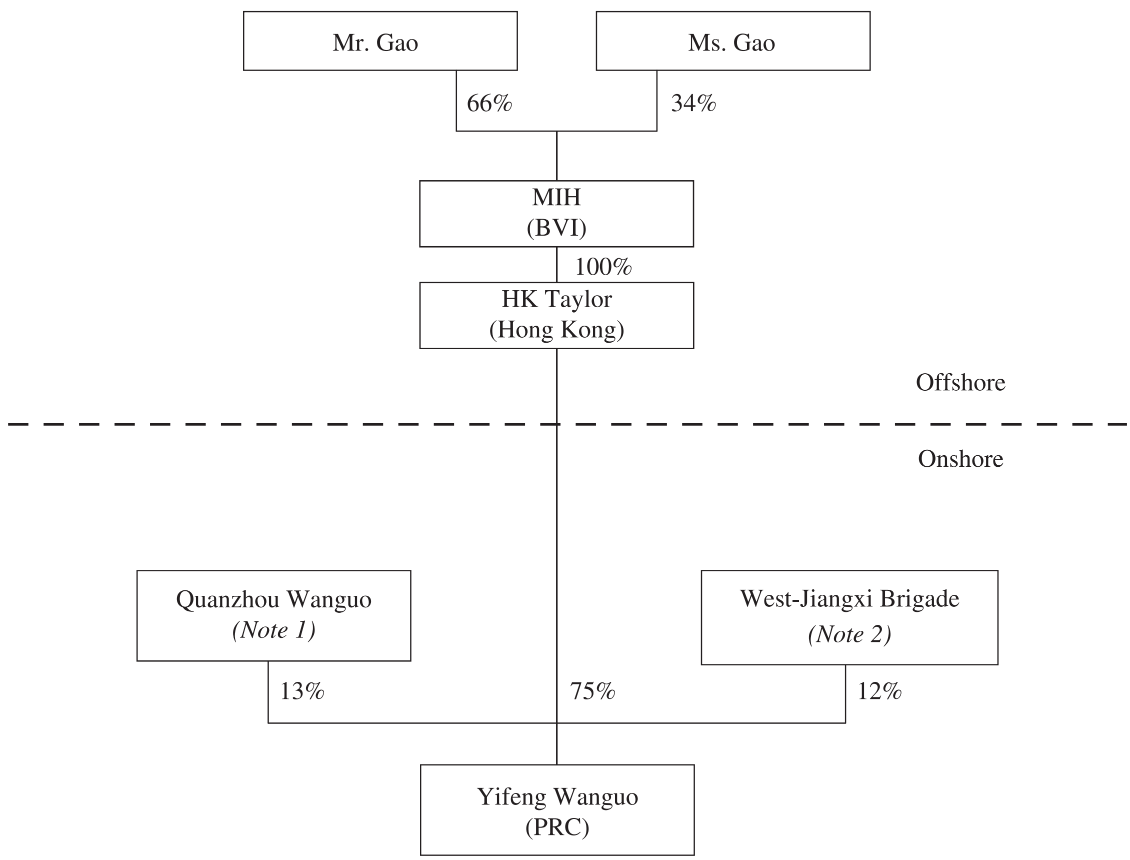
HK Taylor

HK Taylor was incorporated in Hong Kong on 14 August 2006 as a limited liability company. It has been principally engaged in the business of investment holding since its incorporation. For the purpose of consolidating the equity interests in Yifeng Wanguo into one single offshore holding entity, Mr. Li Kwok Ping, a non-executive Director, subscribed for and was allotted with 9,999 shares of HK$1.00 each in the share capital of HK Taylor for a consideration of HK$9,999 on 7 November 2007 and acquired the remaining issued share in HK Taylor, being 1 share of HK$1.00 each, from Wilpac Limited, an Independent Third Party, on 12 November 2007 for the consideration of HK$1. Subsequent to the above share allotment and acquisition, Mr. Li Kwok Ping held the entire issued share capital of HK Taylor. On 5 January 2008, a trust agreement was entered into between Mr. Gao and Mr. Li Kwok Ping pursuant to which Mr. Li Kwok Ping agreed to hold the entire issued share capital of HK Taylor on trust for Mr. Gao because, in 2008, Mr. Gao spent a considerable portion of his time for family reasons and requested Mr. Li Kwok Ping to assist in managing some of his business in our Group, given Mr. Li Kwok Ping is a cousin of Mr. Gao and is someone whom Mr. Gao trusts. As confirmed by Mr. Li Kwok Ping and Mr. Gao, the trust agreement was mutually terminated on 26 August 2008, and Mr. Li Kwok Ping had not exercised any shareholder's authority during the period in which he held shares in HK Taylor on trust for Mr. Gao. On 26 August 2008, pursuant to Mr. Gao's instructions, Mr. Li Kwok Ping transferred the entire issued share capital of HK Taylor to MIH for a consideration of HK$1.00. Our Directors confirm that HK Taylor had not owned any business or assets prior to its acquisition of equity interest in Yifeng Wanguo in January 2008.

MIH

MIH was incorporated in the BVI on 23 November 2007 as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 18 December 2007, Mr. Gao and Ms. Gao subscribed for 33,000 and 17,000 shares of US$1.00 each in the authorised share capital of MIH, respectively. On 26 August 2008, MIH acquired the entire issued share capital of HK Taylor from Mr. Li Kwok Ping for a consideration of HK$1.00, details of which are disclosed in the section headed "– HK Taylor" above.

The following chart sets out the corporate structure of our Group immediately prior to the Reorganisation:



Notes:

1. Quanzhou Wanguo is owned as to 88% by Mr. Gao and 12% by Ms. Gao.

2. West-Jiangxi Brigade is a PRC state business unit (事業單位) and an Independent Third Party.

REORGANISATION

In preparation for the Listing, we underwent the Reorganisation to rationalise our corporate structure, and as a result, our Company became the holding company of our Group. The Reorganisation comprises the following steps:

1. On 10 March 2011, Victor Soar was incorporated in the BVI as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. Mr. Gao subscribed for one share in Victor Soar on 4 April 2011 at the subscription price of US$1.00 and, since then, Victor Soar has been wholly owned and controlled by Mr. Gao.

2. On 10 March 2011, Achieve Ample was incorporated in the BVI as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. Ms. Gao subscribed for one share in Achieve Ample on 4 April 2011 at the subscription price of US$1.00 and, since then, Achieve Ample has been wholly owned and controlled by Ms. Gao.

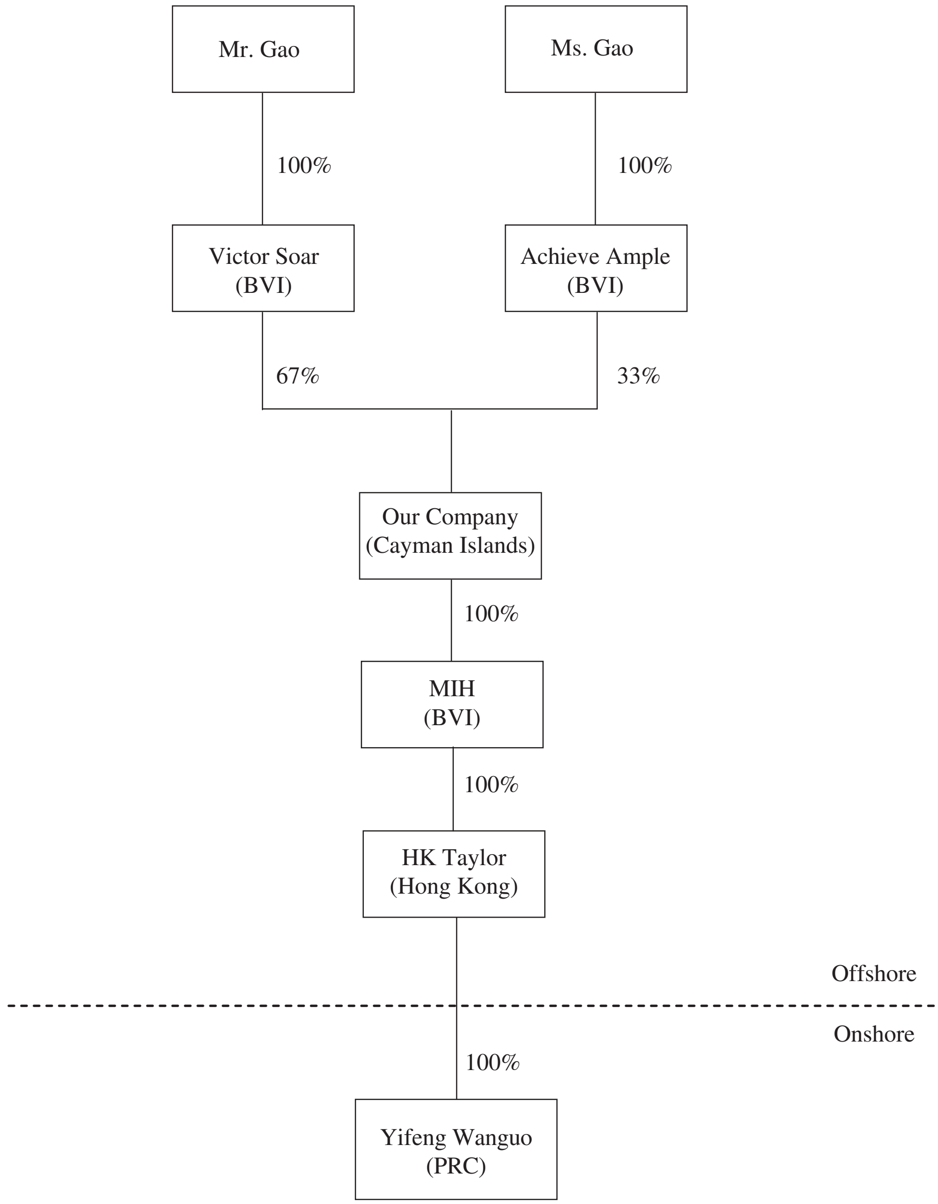
3. On 31 March 2011, Quanzhou Wanguo transferred 13% equity interest in Yifeng Wanguo to HK Taylor for a consideration of RMB20.5 million. The consideration was determined on arm's length basis with reference to net asset value of Yifeng Wanguo based on an appraisal report prepared by an independent appraisal firm qualified in the PRC. The consideration paid by HK Taylor was funded by its internal financial resources. Upon completion of the transfer on 31 March 2011, Yifeng Wanguo was owned as to 88% by HK Taylor and 12% by West-Jiangxi Brigade.

4. On 13 May 2011, our Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of HK$390,000 divided into 3,900,000 Shares of HK$0.10 each acting as the holding company of our Group. On the date of incorporation, 33,500 Shares and 16,500 Shares, representing 67% and 33% of the issued share capital of our Company, respectively, were allotted and issued to Victor Soar and Achieve Ample, respectively.

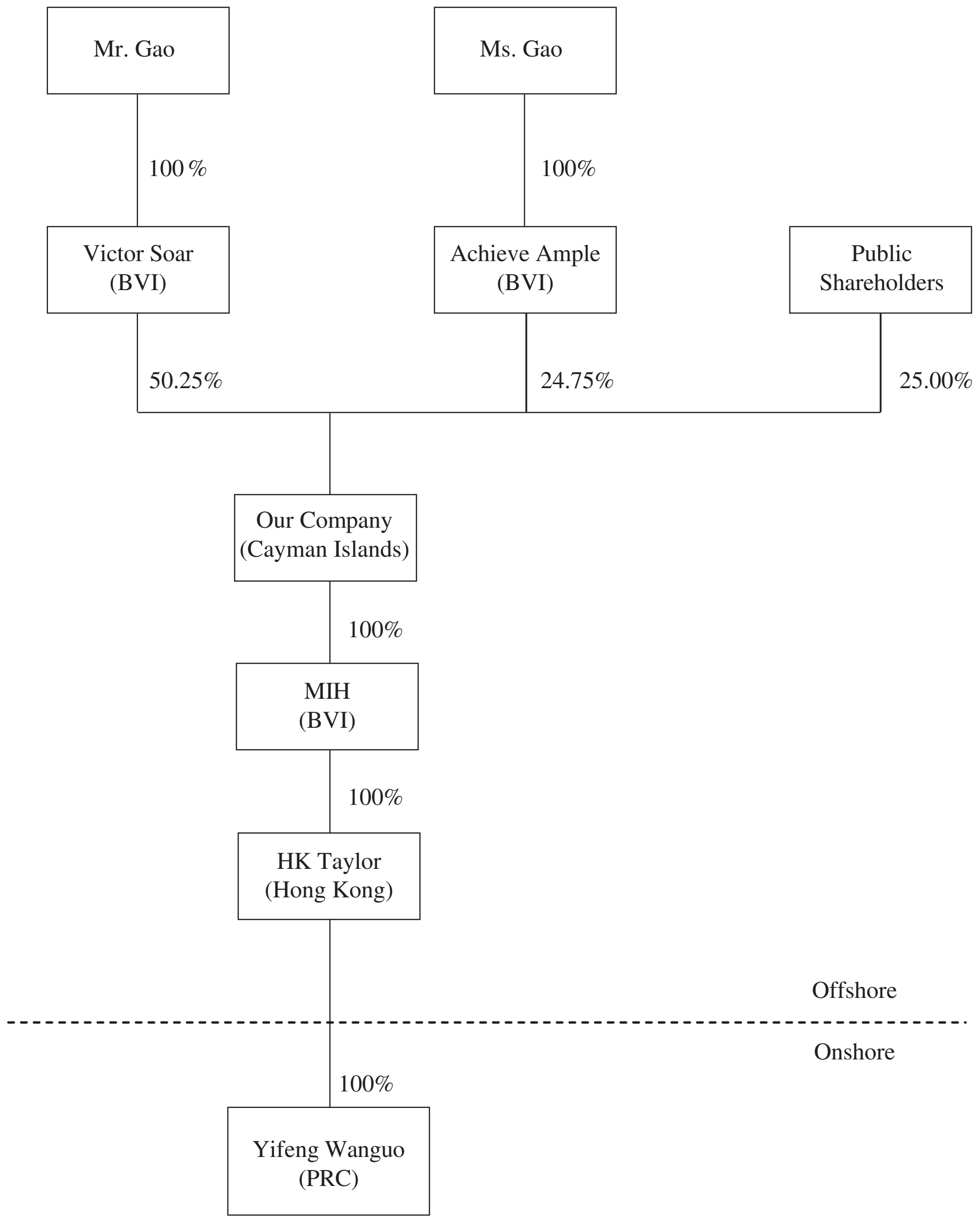
5. On 25 July 2011, Mr. Gao and Ms. Gao transferred 33,000 and 17,000 shares in MIH, respectively, to our Company for a consideration of US$1.00 and US$1.00, respectively. Upon completion of the transfers, our Company became the holding company of our Group.

6. On 27 April 2012, West-Jiangxi Brigade redeemed its 12% equity investment in Yifeng Wanguo for an aggregate of approximately RMB207.9 million, which was determined on an arm's length basis, payable by instalments and the total investment and registered capital of Yifeng Wanguo were reduced to approximately RMB268.8 million and RMB89.6 million, respectively. Upon the completion of the said redemption and reduction, Yifeng Wanguo became a wholly-owned subsidiary of HK Taylor.

The following chart sets out the shareholding structure of our Group immediately upon the completion of the Reorganisation but immediately before the Share Offer:



The following chart sets out the shareholding structure of our Group immediately upon the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme):



OVERVIEW

Our Group is principally engaged in the business of mining, ore processing and sale of the concentrates products in the PRC. Copper concentrates and iron concentrates are our core commodities which, in aggregate, contributed approximately 75.0%, 77.7% and 69.6% of our total concentrates sales for the three years ended 31 December 2011, respectively.

Currently, we, through our wholly-owned subsidiaries, own the entire equity interest in Yifeng Wanguo which in turn owns the Xinzhuang Mine that has a production system separated into a mining system and a processing system. Our Group does not conduct any open pit mining and only conducts underground mining. Mining capacity refers to the capability of the mining system to produce ore under normal operation conditions while processing capacity refers to the capability of the processing system to treat the ore produced from the mining system under normal operation conditions. Currently, the Xinzhuang Mine is covered by a mining licence issued by the Department of Land and Resources of Jiangxi Province valid until April 2032 covering an aggregate area of 3.7692 km^2 pursuant to which we can conduct underground mining for copper, lead, zinc and iron ores at a rate of 600,000 tpa. As advised by our PRC Legal Advisers, if residual resources remain after the expiration of the mining licence, we may apply for the extension of the mining licence, and there will not be any material legal impediment for us to extend the mining licence upon its expiry in 2032 if we meet all relevant conditions and requirements pursuant to the relevant PRC laws and regulations as required by the competent authorities, such as proof of residual resources, submission of the application, and the illustration of mine development status and other documents. The Xinzhuang Mine was under construction during the period between 2003 and 2006 with an initial designed mining capacity and an initial designed processing capacity of both 200,000 tpa. Xinzhuang Mine and its processing plants began trial production in January 2007 and commercial production in August 2007. It reached the initial designed mining capacity and the initial designed processing capacity of both 200,000 tpa in 2008. Since then, we have continued our expansion and, as at 31 December 2011, we had a mining capacity of approximately 300,000 tpa and a processing capacity of approximately 400,000 tpa.

We have engaged Behre Dolbear Asia, Inc., an internationally reputable mining consultant and an Independent Third Party, to evaluate the resources and reserves at the Xinzhuang Mine in accordance with the JORC Code and prepare the Independent Technical Expert's Report. According to the Independent Technical Expert's Report, the Xinzhuang Mine had mineral resources of 32,514,000 tonnes as at 31 December 2011 comprising 11,008,000 tonnes measured, 19,929,000 tonnes indicated and 1,577,000 tonnes inferred mineral resources under the JORC Code. For a description of the categories of measured, indicated and inferred mineral resources under the JORC Code and the level of confidence attributable to each category, please refer to the section headed "The JORC Code" in this prospectus. The Independent Technical Expert confirms that defined mineral resources and ore reserves reviewed in the Independent Technical Expert's Report are contained within the limits of our mining licence.

We plan to undergo an expansion plan for our mining and ore processing facilities as designed by Nerin and, when completed, are expected to have a mining capacity and a processing capacity of both 600,000 tpa since 2014. According to the Independent Technical Expert's Report, as at 31 December 2011, the reserves at the Xinzhuang Mine were estimated to be sufficient for production at the planned long-term production rate of 600,000 tpa for approximately 31 years. The ore reserve mine life based on the production rate of 300,000 tpa, as of 31 December 2011, is estimated to be approximately 61.9 years. The planned reserve depletion rate is equivalent to our planned production rate. It is estimated that the annual production of copper and iron contained in the concentrates we produce annually at the Xinzhuang Mine in 2014 will reach 1,820 and 78,100 tonnes, respectively, upon completion of our expansion plan. We plan to focus on the production of copper concentrates and iron concentrates as our core commodities by expanding our production at the Xinzhuang Mine under the expansion plan. Our expansion plan is among other things subject to the approvals from the relevant government authorities for our operations pursuant to our expansion plan and to increase the mining and ore processing capacity.

As to mining, we outsource substantially all our underground mining works to a third-party contractor and our own staff mainly perform technical and support work. We believe such outsourcing arrangements have resulted in savings in investment in machinery and reductions in mining expenditure, salaries and other staff-related expenses as to the labour intensive underground mining works.

Our revenue, gross profit and profit attributable to owners of our Company were approximately RMB296.7 million, RMB151.6 million and RMB73.3 million, respectively, for the year ended 31 December 2011.

Although we intend to apply a portion of the net proceeds from the Share Offer for capital expenditure in relation to our expansion of exploration activities, commercialisation of newly discovered mineral resources as a result of exploration and mine development, our current operations do not depend on the discovery and commercialisation of new resources.

OUR COMPETITIVE ADVANTAGES

We believe that we possess the following competitive advantages.

Abundant and significant mineral reserves to support strong organic growth

As at 31 December 2011, according to the Independent Technical Expert's Report, the Xinzhuang Mine had mineral resources of 32,514,000 tonnes comprising 11,008,000 tonnes measured, 19,929,000 tonnes indicated and 1,577,000 tonnes inferred mineral resources under Code. Based on the mine life analysis conducted by the Independent Technical Expert, as at 31 December 2011, we had ore reserves at the Xinzhuang Mine that was estimated to be sufficient for production at our planned long-term production rate at 600,000 tpa for approximately 31 years. The ore reserve mine life based on the production rate of 300,000 tpa, as of 31 December 2011, is estimated to be approximately 61.9 years. We believe we have abundant and significant mineral resources to support strong organic growth.

Clear medium-term growth profile

As mining and production at the Xinzhuang Mine will be escalated over the next few years, we expect our medium-term growth profile to be strong. As forecasted by the Independent Technical Expert, the mining capacity and processing capacity of the Xinzhuang Mine will reach 600,000 tpa both since January 2014 upon completion of our expansion plan by the end of 2013.

In respect of the expansion of our mining capacity, it is planned to adopt in the Xinzhuang Mine a more mechanised approach with diesel equipment and decline access to stopes. Present rail haulage of ore on each level is planned to be kept whilst the equipment capacity would be increased. As to mine development, the upgrade will include the sinking of three new shafts: a main shaft for hoisting ore, a service shaft to hoist personnel and materials with mine dewatering and compressed air pipes and a ventilation shaft for exhaust air. Further details of our mine expansion plan are set out in the sections headed "8.3 Planned Mine Expansion" and "8.4 Mine Production Plan" in the Independent Technical Expert's Report. For details, please refer to Appendix V to this prospectus.

The expansion of our processing plants will be achieved by the construction of a new concentrator with a processing capacity of 200,000 tpa in close proximity to our two existing concentrators (Concentrator No. 1 and Concentrator No. 2), each with a processing capacity of 200,000 tpa. The new concentrator will basically process Cu-Fe ore and produce individual copper, sulfur and iron concentrates. The new concentrator, being Concentrator No. 3, will not have its own crushing and screening plant but will use the excess crushing capacity at Concentrator No. 1. Further details of our expansion plan for the ore processing facilities are set out in the section headed "9.3 Processing Plant Expansion" in the Independent Technical Expert's Report. For details, please refer to Appendix V to this prospectus. Compared with the production level of 356,340 tonnes of ore we processed in 2011, our expansion plan to reach a level mining and processing 600,000 tonnes of ore since 2014 would represent an implied CAGR of 19.0%. Further details of our forecasted ore and concentrates production amount of the Xinzhuang Mine are set out in section headed "10.0 Production" in the Independent Technical Expert's Report. For details, please refer to Appendix V to this prospectus.

Future potential to find additional mineral resources at our mine

We believe that there is potential to find additional mineral resources at the Xinzhuang Mine. According to the Independent Technical Report, there are significant additional defined mineral resources outside the planned mining area in the Xinzhuang Mine along strike in both the eastern and the western directions within the boundary covered by our current mining licence. These areas are less-well drilled than the planned mining area. Additional drilling may increase the resource confidence level and may also increase the total mineral resources in these areas. Further technical study will be needed to see if the planned mining can be safely carried out into these areas at a reasonable cost. For further details, please refer to the section headed "7.0 Potential for Defining Additional Mineral Resources" in Appendix V to this prospectus.

In addition, the copper-polymetallic mineralisation continues beyond the horizontal and vertical boundaries of the current mining licence of the Xinzhuang Mine. Further exploration along the strike and down dip directions of the mineralisation zone could also increase the mineral resources of the Xinzhuang deposit. A new exploration licence will need to be obtained by us before carrying out the exploration work in the area outside our current mining licence. Our Directors confirm that our Group is in the process of obtaining such exploration licence. Investors should be aware that we cannot assure you that we will be able to obtain such exploration licence.

Well positioned to capitalise on opportunities in Jiangxi Province

Jiangxi Province has been recognised as a region rich in mineral resources. Pursuant to the statistics published by the National Bureau of Statistics of China (中華人民共和國國家統計局), as at 2010, Jiangxi Provinces ranked the highest among all provinces in terms of basic reserve of copper under the PRC national standard.

Our presence in Jiangxi Province could be traced back to 2003 when Yifeng Wanguo was established, and Mr. Gao, our Controlling Shareholder and an executive Director, and Ms. Gao, an executive Director had participated in the management and operation of Yifeng Wanguo since its early stage of development. We believe that the long presence of Yifeng Wanguo, our Controlling Shareholder and management in Jiangxi Province provides us with strong leverage to take advantage of numerous growth opportunities such as obtaining the rights to exploit new areas and to consolidate with existing mines in the region. In addition, our executive Directors and senior management have established an experienced track record of mining and ore processing activities which could be traced back before the establishment of our operating subsidiary, Yifeng Wanguo. Accordingly, we believe that there are significant opportunities in mining available in Jiangxi Province and we believe that we are one of the well positioned companies to be able to take advantage of these opportunities and that our team of experienced professional will enable us to carefully evaluate and identify acquisition opportunities of mineral resources and ore reserve for our future growth and development.

Effective management structure with a strong senior management team

Our executive Directors and senior management possess a strong exploration and mining track record, and an extensive industry expertise in the areas of exploration, mining, mine construction, processing, production safety and mine management. We believe that our executive Directors and senior management possess the skills, foresight and in-depth industry knowledge necessary to capture market opportunities, formulate sound business strategies, assess and manage risks and implement management and production schemes. For the biographical details of our Directors and senior management, please refer to the section headed "Directors and Senior Management" in this prospectus.

BUSINESS STRATEGIES

We intend to continue to grow our business into a leading copper and iron mining company in the PRC through the following strategies.

Growing production at our mine and outsourcing our mining works

The scale of our production operation in the Xinzhuang Mine will increase in the near future when the expansion plan has been completed by the end of 2013 and we will operate with the mining capacity and processing capacity of 600,000 tpa both in 2014. For further details in relation to our expansion plan, please refer to the section headed "– Our Expansion Plan" below.

To minimise costs, our business operating model is to outsource our underground mining works to third-party contractors. For further details in relation to our arrangement with our third-party contractors, please refer to the section headed "– Third-party Contractors" below.

Exploring additional mineral resources in our mine

As disclosed in the section headed "– Future potential to find additional mineral resources at our mine" above, according to the Independent Technical Expert's Report, there is potential to find additional mineral resources at the Xinzhuang Mine. We plan to conduct exploration activities in the surrounding areas of the Xinzhuang Mine and to commercialise any mineral resources discovered as a result of our exploration activities. Our Directors confirm that our Company intends to apply for an exploration licence which is in the surrounding area of Xinzhuang Mine of approximately 4 km^2 after the Listing. Pursuant to the applicable rules and regulations in the PRC, the material administrative costs for obtaining and maintaining such exploration licence are (i) the consideration of the exploration right (探礦權價款) which will be determined by the relevant authorities according to the valuation of the exploration right to be acquired; and (ii) the exploration right usage fee (探礦權使用費) payable annually upon obtaining the exploration right, at the annual rate of RMB100/km^2 per year for the first three years upon obtaining the exploration right with an annual increment of RMB100/km^2 per year from the fourth year onwards, limited to a maximum of RMB500/km^2 per year. Upon obtaining the exploration licence, we will engage qualified contractors to conduct the exploration activities. As advised by our PRC Legal Advisers, there is no material legal impediment for our Group to obtain such exploration licence if our Group meets all relevant conditions and requirements pursuant to the relevant PRC laws and regulations and requirements imposed by the competent authorities in the PRC by submitting to the competent land and resource authorities the required documents, such as (i) an application for registration and a map showing the scope of the blocks applied for; (ii) a copy of the qualification certificate of the exploration unit; (iii) an exploration working plan, an exploration contract or a document evidencing the authorisation for the exploration; (iv) an implementation programme for exploration and its annexes; and (v) documents evidencing the source of the funds for the exploration project. Our Directors believe that our Group can meet all the aforesaid conditions and requirements and it is currently expected that the exploration licence can be obtained by December 2013.

Horizontal expansion through future acquisitions of new mines

Part of our growth strategies is to expand our mineral resources and ore reserves through the acquisitions of new mines. We will carefully consider and balance assessment criteria, including but not limited to the following attributes, in order to pursue acquisitions prudently with a view to further growing our business and maximising returns to our Shareholders:

– compliance with applicable PRC laws and regulations, including having respective valid licences, permits and approvals;

– stringent implementation of safety operating measures and high level of environmental protection standards;

– location of deposits;

– expected mining life;

– the volume and average grade, content and separability of proved and probable reserves;

– estimated return on investment; and

– our ability to finance such acquisition.

As at the Latest Practicable Date, we had not identified any specific target for acquisition and had not entered into any agreement or memorandum of understanding for an acquisition.

Strengthening our customer relationships

With a view of developing stable relationship with our customers, our policy is to enter into sale agreements with our customers, which are generally entered into in the first quarter of a year, in respect of our sales to them for a certain period during the year. The agreements set out the pricing policy for our products and the monthly delivery mechanism. We intend to develop and strengthen these relationships to stabilise and grow our revenue. For further details, please refer to the section headed "– Sale of Products – Sale strategy" below.

OUR MINERAL RESOURCES

The map below illustrates the geographical location of the Xinzhuang Mine, Jiangxi Province, the PRC:

Source: Independent Technical Expert's Report

Geographic Location

The Xinzhuang Mine is located approximately 37 km by road east-northeast of the Yifeng County and 33 km by road west of Gaoan City, in the northwestern section of the Jiangxi Province in China. The western portion of the property falls within the Xinzhuang Township of Yifeng County and the eastern portion of the property falls within the Cunqian Township of Gaoan City. However, the current underground mining area and surface mine facilities are all located within the Yifeng County boundary.

Access to the Xinzhuang Mine is convenient. Provincial highway S318 passes through the Xinzhuang Mine area and connects the mine with the Yifeng County in the west and the State Highway G320 in the south. The road distance from the Xinzhuang Mine to Nanchang, the capital city of Jiangxi Province located in the east-northeast direction, via S318 then G320, is approximately 99 km. There are two nearby rail stations in the area. The Shanggao station on the Xinyu-Shanggao branch railroad is located in the southwest area of the Xinzhuang Mine with a road distance of approximately 45 km. The Xietang station on the Zhangjiashan-Jianshan branch railroad is located in the southeast area of the Xinzhuang Mine with a road distance of approximately 59 km. Concentrates produced from the Xinzhuang Mine can be trucked to either the Shanggao Station or the Xietang station then be shipped by rail to the smelter customers in various areas in China.

The geographic location of the Xinzhuang Mine covered by our current mining licence is defined by longitudes from 115°06'54"E to 115°08'14"E and latitudes from 28°27'23"N to 28°28'15"N. For details of our mining areas, please refer to the section headed "4.1 Location, Access and Infrastructure" in Appendix V to this prospectus.

Mineral Resources and Reserves

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

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

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

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

Source: Table 6.2, Independent Technical Expert's Report

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

The Xinzhuang Mine Ore Reserve Summary – 31 December 2011

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

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

Source: Table 6.4, Independent Technical Expert's Report

The following tables, which appear as Tables 10.1, 10.2 and 10.3 in the Independent Technical Expert's Report, provide information on the historical figures from 2009 to 2011 and forecast figures from 2012 to 2014 in respect of processed ore, processing recoveries and concentrate production for the Xinzhuang Mine.

Historical and Forecast Concentrator Processed Ore for the Xinzhuang Mine, 2009-2014

	Historical			Forecast		
Item	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Cu-Fe Ore (t)	92,190	99,980	118,470	50,000	100,000	150,000
Cu Grade (%)	1.50	1.40	1.28	0.76	0.76	0.76
TFe Grade (%)	N/A	N/A	N/A	N/A	N/A	N/A
Au Grade (g/t)	0.25	0.23	0.18	0.18	0.18	0.18
Ag Grade (g/t)	12.27	14.20	12.27	12.3	12.3	12.3
Cu Metal (t)	1,387	1,396	1,516	380	760	1,140
TFe Metal (t)	N/A	N/A	N/A	N/A	N/A	N/A
Au Metal (kg)	23.05	23.17	21.32	9.0	18.0	27.0
Ag Metal (kg)	1,131	1,420	1,454	610	1,230	1,840
Fe-Cu Ore (t)	146,190	167,130	154,020	300,000	300,000	300,000
TFe Grade (%)	36.50	34.82	35.50	37.7	37.7	37.7
Cu Grade (%)	0.43	0.33	0.52	0.31	0.31	0.31
Au Grade (g/t)	0.27	0.24	0.17	0.17	0.17	0.17
Ag Grade (g/t)	8.84	14.20	8.18	8.2	8.2	8.2
TFe Metal (t)	53,358	58,188	54,675	113,200	113,200	113,200
Cu Metal (t)	629	558	807	930	930	930
Au Metal (kg)	39.47	40.11	26.18	51.0	51.0	51.0
Ag Metal (kg)	1,292	2,373	1,260	2,450	2,450	2,450
Cu-Pb-Zn Ore (t)	49,110	36,850	83,850	100,000	100,000	150,000
Cu Grade (%)	0.19	0.20	0.57	0.16	0.16	0.16
Pb Grade (%)	0.88	0.50	0.55	0.87	0.87	0.87
Zn Grade (%)	4.81	4.70	3.63	4.59	4.59	4.59
Au Grade (g/t)	0.57	0.57	0.57	0.57	0.57	0.57
Ag Grade (g/t)	51.53	51.52	51.52	52.8	52.8	52.8
Cu Metal (t)	93	74	478	160	160	240
Pb Metal (t)	432	184	461	870	870	1,310
Zn Metal (t)	2,362	1,733	3,044	4,590	4,590	6,890
Au Metal (kg)	27.99	21.00	47.79	57.0	57.0	85.5
Ag Metal (kg)	2,531	1,899	4,320	5,280	5,280	7,920
Total Processed Ore (t)	**287,490**	**303,960**	**356,340**	**450,000**	**500,000**	**600,000**

Note: The historical as well as forecast gold and silver grades for different ore types in the table were estimated based on limited composite assays, and may have a relatively large margin of error.

Source: Table 10.1, Independent Technical Expert's Report

Historical and Forecast Concentrator Processing Recoveries for the Xinzhuang Mine, 2009-2014

	Historical			Forecast		
Item	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Cu-Fe Ore						
Cu to Cu Concentrate (%)	87.10	86.10	89.19	86.0	86.0	86.0
TFe to Iron Concentrate (%)	N/A	N/A	N/A	N/A	N/A	N/A
Fe-Cu Ore						
TFe to Iron Concentrate (%)	69.00	69.20	88.28	69.0	69.0	69.0
Cu to Cu Concentrate (%)	84.00	82.19	89.19	82.0	82.0	82.0
Cu-Pb-Zn Ore						
Cu to Cu Concentrate (%)	30.00	30.30	52.01	30.0	30.0	30.0
Pb to Pb Concentrate (%)	–	–	–	65.0	65.0	65.0
Zn to Zn Concentrate (%)	84.00	85.20	89.17	85.0	85.0	85.0

Source: Table 10.2, Independent Technical Expert's Report

Historical and Forecast Concentrate Production for the Xinzhuang Mine, 2009-2014

	Historical			Forecast		
Item	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Cu Concentrate (t)	8,142	7,457	11,066	6,020	7,510	9,140
Cu Grade (%)	21.67	22.57	20.97	18.9	19.5	19.9
Au Grade (g/t)	4.27	2.36	4.28	2.3	2.3	2.4
Ag Grade (g/t)	503	458	336	380	360	360
Cu Metal (t)	1,764	1,683	2,321	1,140	1,460	1,820
Au Metal (kg)	34.77	36.99	47.41	13.5	17.1	21.9
Ag Metal (kg)	4,092	3,412	3,719	2,290	2,690	3,270
Fe Concentrate (t)	58,255	63,915	77,889	123,900	123,900	123,900
TFe Grade (%)	63.20	63.00	61.97	63.0	63.0	63.0
TFe Metal (t)	36,817	40,266	48,268	78,100	78,100	78,100
Pb Concentrate (t)	–	–	–	1,410	1,410	2,120
Pb Grade (%)	–	–	–	40.0	40.0	40.0
Au Grade (g/t)	–	–	–	1.6	1.6	1.6
Ag Grade (g/t)	–	–	–	670	670	670
Pb Metal (t)	–	–	–	570	700	850
Au Metal (kg)	–	–	–	2.3	2.8	3.4
Ag Metal (kg)	–	–	–	950	950	1,430
Zn Concentrate (t)	4,159	3,145	5,746	7,800	7,800	11,700
Zn Grade (%)	47.70	46.93	47.23	50.0	50.0	50.0
Zn Metal (t)	1,984	1,476	2,714	3,900	3,900	5,850
S Concentrate (t)	11,153	23,168	64,617	36,300	50,500	69,900
S Grade (%)	39.48	38.00	38.90	40.6	41.5	41.5

Source: Table 10.3, Independent Technical Expert's Report

No material changes had occurred in our mineral resources and reserves since the effective date of the Independent Technical Expert's Report set forth in Appendix V to this prospectus and up to the Latest Practicable Date.

MINING RIGHT

We currently hold one mining licence in respect of the Xinzhuang Mine, for an area of 3.7692 km^2 pursuant to which we can conduct underground mining for copper, lead, zinc and iron ores at a rate of 600,000 tpa, granted in April 2012 and valid until 20 April 2032. As advised by our PRC Legal Advisers, if there are residual resources remaining after the expiration of the mining licence, we may apply for the extension of the mining licence, and there will not be any material legal impediment for us to extend the mining licence upon its expiry in 2032 and obtain the new mining licence if we meet all relevant conditions and requirements pursuant to the relevant PRC laws and regulations and requirements imposed by the competent authorities, such as proof of residual resources, submission of the application, the illustration of mine development status and other documents. Our mining right to the Xinzhuang Mine are subject to verification on an annual basis by the competent department of land and resources. For details, please refer to the section headed "Risk Factors – Risks relating to our business – We may be unable to pass the annual verification of our mining right of the Xinzhuang Mine". We have passed the annual verifications in the past. For the purposes of our current mining and ore processing operations, the exploration work for the Xinzhuang Mine has been completed, as such, no exploration licence is needed. For further details on the risks relating to obtaining new licences or renewing existing licences, please see the section headed "Risk Factors – Risks Relating to our Business – There is no assurance that we can obtain or renew approvals, permits and licences necessary for the exploration, mining or ore processing at the Xinzhuang Mine or in respect of any mines we acquire in the future" in this prospectus.

Our PRC Legal Advisers advised that Yifeng Wanguo is required to obtain land use right for the mining areas falling within the mining licence of the Xinzhuang Mine where ore processing and mining activities take place above the ground level but it is not required to obtain land use right for the mining areas which have not been and will not be damaged and/or used by Yifeng Wanguo.

Our Directors confirm that Yifeng Wanguo has obtained the necessary land use rights in respect of the land where its current ore processing and mining activities take place above the ground level.

For further details in relation to the applicable PRC laws and regulations, please refer to Appendix IV to this prospectus. Further details of our mining licence are set out in Appendix V to this prospectus.

Our PRC Legal Advisers have confirmed that we have obtained permits and licences which are material for the current operations of the Xinzhuang Mine. The Independent Technical Expert has confirmed that all defined mineral resources and ore reserves reviewed in the Independent Technical Expert's Report are contained within the limits of our mining licence.

OUR KEY ACTIVITIES

We are engaged in the business of mining and processing ore. As to mining, we outsource substantially all of our underground mining works to a third-party contractor, and our own staff mainly perform technical and support work. Pursuant to our policy, prior to engaging any third-party contractors, we assess their skills, expertise and experience and they are required to satisfy the technical parameters regarding their works stipulated in the outsourcing contracts.

We are engaged in the following key activities with respect to our mineral resources:

– **overall management** – despite outsourcing substantially all of our underground mining works to a third-party contractor, our staff manage and supervise the overall development of the Xinzhuang Mine's mineral resources and the mineral quality in order to ensure that the third-party contractor meets our quality standards. Although our third-party contractor receives payments for performing specific tasks that it undertakes, it does not have any economic interest in our mineral resources. Please refer to the section headed "– Mining – Third-party Contractors" below;

– **mining** – we engage a third-party contractor on annual basis to extract our ore. Please refer to the section headed "– Mining" below;

– **processing** – we process the extracted ore at our ore processing plant and facilities to produce saleable mineral concentrates. Please refer to the section headed "– Ore Processing" below; and

– **concentrates sales** – we mainly sell our products to mineral trading and brokerage enterprises in the PRC. Please refer to the section headed "– Sale of Products" below.

MINING

Operations of the Xinzhuang Mine are underground operations using the cut-and-fill mining method. The Independent Technical Expert considers that this mining method is appropriate for the orebodies to which the Xinzhuang Mine relates and provides flexibility to adjust the mining width to the size of the orebody. The "Integrated Technology for Complicated Hard-to-mine Heavy Water Deposits Safety Mining of the Xinzhuang Mine" (新莊銅鋅礦複雜難採大水礦床安全開採綜合技術) developed by us together with Changsha Mine Research Institute Co., Ltd. (長沙礦山研究院有限責任公司) ("**Changsha Mine Research Institute**") has been recognised by the China Nonferrous Metals Industry Association (中國有色金屬工業協會) and the Nonferrous Metals Society of China (中國有色金屬學會) and awarded with the second class China Nonferrous Metals Industry Science and Technology Award (中國有色金屬工業科學技術獎) in January 2012.

Further details of the mining system are set out in the section headed "8.1 Current Mining System" in Appendix V to this prospectus.

As to our expansion plan to enhance our current mining system, please refer to the section headed "– Our Expansion Plan" below.

Third-party Contractors

To minimise costs, our business operating model is to outsource substantially all of our underground mining works to third-party contractors and our own staff mainly perform technical and support work.

Since 2008, Wenzhou No.2, an Independent Third Party contractor holding a Grade II Construction Qualification for Mining (礦山工程施工總承包貳級證書) issued by the Department of Construction of Zhejiang Province, has been engaged as our third-party contractor for our underground mining works. We have selected Wenzhou No.2 through a selective tendering process when it was firstly engaged in 2008. Prior to the engagement, we have assessed the bidders' skills, expertise and experience. Wenzhou No.2 has been required to satisfy the technical parameters regarding their works stipulated in the outsourcing contracts. Wenzhou No.2 has worked under the supervision of our management and technical teams. Each of our relevant departments is responsible for supervising such works ranging from reviewing engineering quality, quantifying losses and depletion of minerals to supervising and managing the progress and completion of its works and its safety management and operation quality. Our Directors confirm that we were satisfied with their performance and hence renewed the annual engagement without conducting a tender in 2009, 2010 and 2011. A tender was conducted in 2012 under the aforesaid selection procedures and Wenzhou No. 2 was retained. These measures are adopted by us to ensure they are in full compliance with the relevant government rules and regulations and detect any non-compliance with the relevant rules and regulations. Yifeng Wanguo has a formal policy to conduct the tender under the above selection procedures and will conduct a tender each year in selecting the third-party contractor for underground mining works in the future, and that other third-party contractors are readily available in the market in the event that the Company is required to replace Wenzhou No.2 for the underground mining work. Our Directors are of the view that the basis of the Group's contracting fees paid to the contractor was in line with the market practice.

Contracting out our underground mining works has reduced our costs mainly in the following ways:

– **management costs** – outsourcing substantially all of our underground mining works has significantly reduced our management costs. Such management costs include administrative costs which are associated with overseeing a larger number of employees. The dual-management in production and safety has also ensured smoother operations of our mine.

– **increase in efficiency** – engagement of third-party contractors that possess the requisite experience and expertise ensures that the underground mining works are carried out efficiently, which has resulted in an increase in our working efficiency and a reduction in our unit production costs.

We pay the third-party contractor a fee proportional to its performance, including the volume of ore extracted, the length of tunnel excavated and the size of chambers constructed by them. The fees payable are settled on a monthly basis, subject to the type of engineering projects and performance of the contracted works.

The contracting fees payable to Wenzhou No. 2 for mining works recorded in our consolidated statements of comprehensive income for the three years ended 31 December 2011 were approximately RMB39.3 million, RMB32.6 million and RMB36.8 million, respectively.

Our outsourcing contracts provide that Wenzhou No. 2 must comply with the applicable laws and our own guidelines regarding production safety. We also conduct periodic inspections of the underground mining premises. If there is any non-compliance detected during the inspection, we will request it to adopt necessary remedial measures at its own cost. As of the Latest Practicable Date, we were not aware of any material non-compliance with the applicable laws and our own guidelines by Wenzhou No. 2 during the Track Record Period with respect to the underground mining works at the Xinzhuang Mine, and we have not been liable for any non-compliance committed by the third-party contractor.

We did not experience any major disputes with Wenzhou No. 2 that would have resulted in a material adverse effect on our business, financial condition or results of operations during the Track Record Period. In addition, we have not experienced any suspensions or delays as a result of any improper act of the third-party contractor during the Track Record Period. As advised by our PRC Legal Advisers, our outsourcing contracts remained valid and effective in accordance with terms therein as of the Latest Practicable Date.

Under the outsourcing contracts, the third-party contractor shall comply with our safety standard as well as the applicable laws and regulations and safety requirements imposed by the relevant government authorities and that all losses caused by or incurred pursuant to the underground mining works of Wenzhou No. 2 as a result of its failure to maintain proper safety standard shall be borne by it. Therefore, if a third party suffering from such loss makes claims against our Company and our Company has paid for such sum, our Company has the right to ask the third-party contractor to compensate us. Our PRC Legal Advisers have advised us that, under the applicable PRC law and regulations, generally we are not responsible for any loss, including but not limited to any injury or casualty suffered by any third party or employee of our third-party contractor, caused by or incurred pursuant to the outsourced activities unless we are at fault regarding our order or instruction, or selection of our third-party contractor. The third-party contractor is liable for its non-compliance under the PRC laws and regulations and under the outsourcing agreements. However, we cannot assure you that no claim in respect of the outsourced works will be made against us in future. Please refer to the section headed "Risk Factors – Risks Relating to our Business – We rely on a third-party contractor to provide mining service in respect of the Xinzhuang Mine" for further information.

As advised by our PRC Legal Advisers, we are not required to purchase social insurance for the employees of the third-party contractor we engage because they are not considered our employees under applicable PRC laws and regulations. We do not maintain any insurance policy to cover possible losses, damage or costs resulting from accidents, fault or omission of the third-party contractor and/or its employees. Our Directors are of the view that this is a common practice in the mining industry in the PRC. In the event of an injury or loss of life during a project, the incident shall be reported to the relevant PRC administrative department according to applicable regulations.

ORE PROCESSING

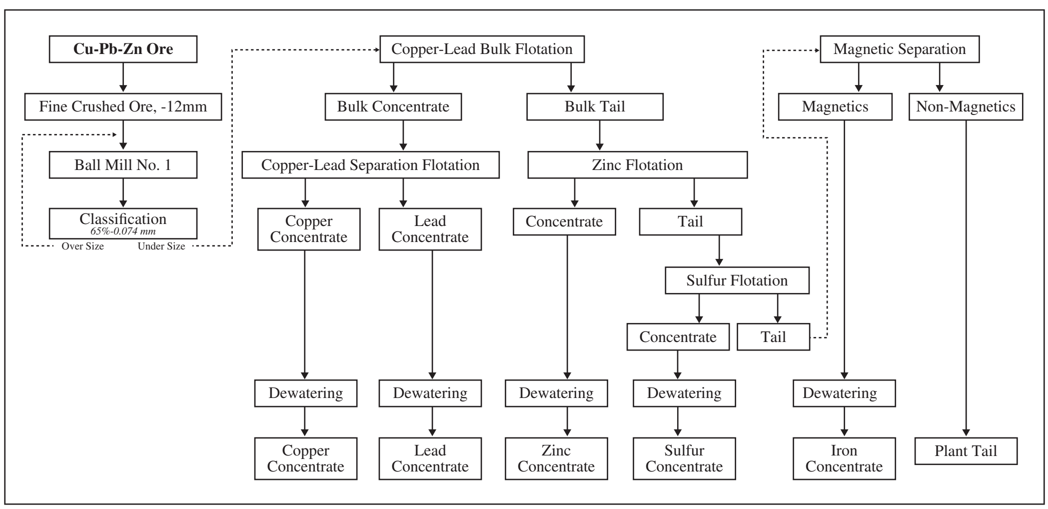
Our current ore processing facilities located at the Xinzhuang Mine consist of two concentrators: Concentrator No.1 and Concentrator No.2. Each has a capacity to treat ore at the rate of 200,000 tpa.

Concentrator No.1 has two sections. The first section has a processing capacity 100,000 tpa and treats Cu-Pb-Zn ore by flotation and magnetic separation, producing copper, lead, zinc, sulfur and iron concentrates. The second section, at a processing capacity 100,000 tpa and treats Cu-Fe ore by flotation and magnetic separation, producing copper, sulfur and iron concentrates.

Concentrator No.2 has a processing capacity of 200,000 tpa. It was designed to treat Fe-Cu ore by flotation and magnetic separation. Copper, sulfur and iron concentrates are produced in this plant. The plant also has the capability to produce zinc concentrate should the zinc quantity in the feed warrants it.

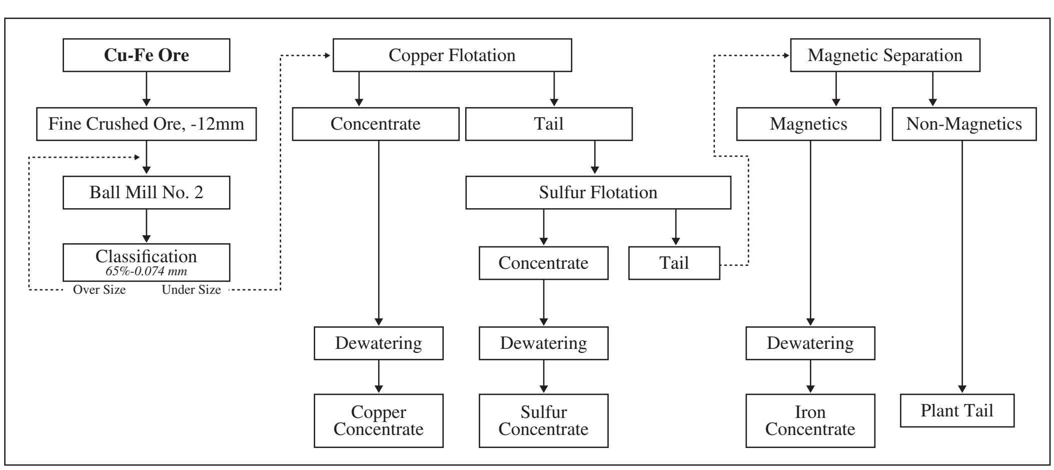
The flowsheets below, which appear as Figures 9.1 and 9.2 in the Independent Technical Expert's Report, illustrate the major steps of the ore processing procedures employed by Concentrator No.1.

Simplified processing flowsheet for section 1 of Concentrator No.1



Source: Figure 9.1, Independent Technical Expert's Report

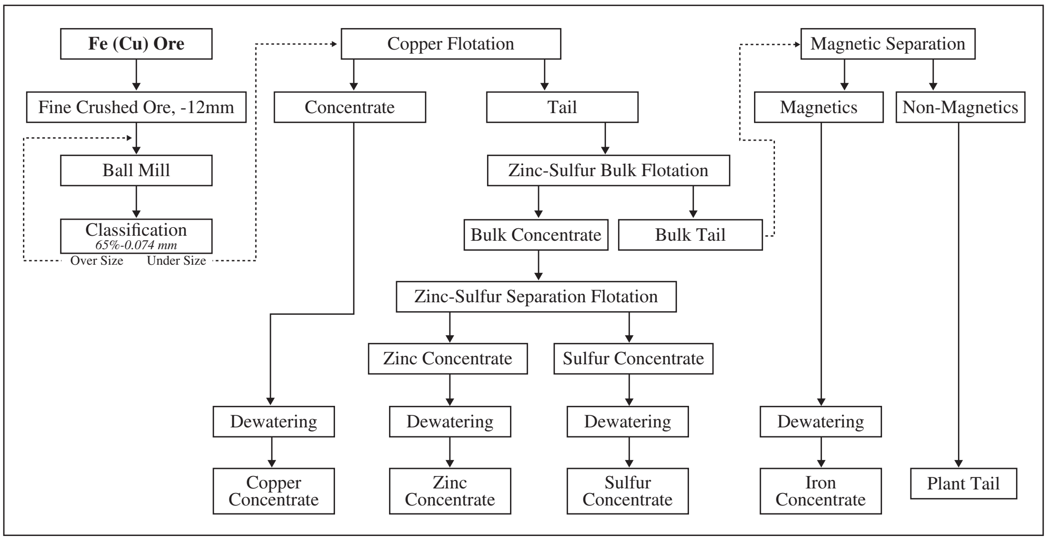
Simplified processing flowsheet for section 2 of Concentrator No.1



Source: Figure 9.2, Independent Technical Expert's Report

The flowsheet below, which appears as Figure 9.3 in the Independent Technical Expert's Report, illustrates the major steps of the ore processing procedures employed by Concentrator No.2.

Simplified processing flowsheet for Concentrator No.2



Source: Figure 9.3, Independent Technical Expert's Report

Further details of the processing of ore into concentrates at the ore processing facility are set out in the section headed "9.2 Current Processing Plants" in Appendix V to this prospectus.

The designed processing capacity, actual processed amount of ore and utilisation rate of Concentrator No. 1 and Concentrator No. 2 for each of the three years ended 31 December 2011 are set out below:

	For the year ended 31 December		
	2009	**2010**	**2011**
Concentrator No. 1			
– Designed processing capacity *(tpa)*	200,000	200,000	200,000
– Actual processed amount *(t)*	287,490	190,570	192,070
– Utilisation rate *(%)*	144 *(note 1)*	95	96
Concentrator No. 2			
– Designed processing capacity *(tpa)*	N/A *(note 2)*	200,000	200,000
– Actual processed amount *(t)*	N/A	113,390	164,270
– Utilisation rate *(%)*	N/A	57	82

Notes:

1. As set out in the Independent Technical Expert's Report, the designed processing capacity of 200,000 tpa for each of Concentrator No.1 and Concentrator No. 2 is relatively conservative, which is the main reason why we were able to reach an utilisation rate of over 100% for Concentrator No. 1 in 2009.

2. Concentrator No. 2 was not yet in operation in the year ended 31 December 2009.

Processed volume during the year = Unprocessed ore brought forward from the previous year – Unprocessed balance left at year end + volume of mined ore during the year

The processed volume during the year could be greater than the volume of ore mined during the year when our Group managed to process all the mined ore during the year and the unprocessed balance brought forward from the previous year.

The volume of ore mined in 2009 and 2010 for the sum of approximately 300,570 tonnes and approximately 306,580 tonnes was respectively higher than the volume of ore processed of approximately 287,490 tonnes and approximately 303,960 tonnes because of our limited processing capacity prior to the completion of construction of Concentrator No. 2 in the second half of 2010. In 2011, we began to process the previously mined ore with both Concentrator No. 1 and Concentrator No. 2 and hence the processed volume of approximately 356,340 tonnes was higher than the mined volume of approximately 300,070 tonnes.

As set out in Table 10.3 of the Independent Technical Expert's Report, we only produced copper concentrates, iron concentrates, zinc concentrates and sulfur concentrates during the Track Record Period. Our Directors have confirmed that we did not activate the process to produce lead concentrates during the Track Record Period as it was not cost-effective to do so.

OUR EXPANSION PLAN

The Xinzhuang Mine was constructed in the period from 2003 to 2006 with an initial designed mining capacity and processing capacity of 200,000 tpa both and its trial production commenced in January 2007. Commercial production of the processing plants and the mine started in August 2007. It reached the initial designed mining capacity and processing capacity in 2008. Since then, we have continued our expansion and, as of 31 December 2011, we had a mining capacity of approximately 300,000 tpa and processing capacity of approximately 400,000 tpa. At present, our mining and ore processing facilities are under expansion and, according to the Independent Technical Expert's Report, as a result of our expansion plan, the ore to be mined and processed at the Xinzhuang Mine is forecasted to increase to 450,000, 500,000 and 600,000 tonnes both for each of the three years ending 31 December 2014.

The material outstanding approvals that we shall obtain for our expansion project include:

(i) the approvals for the examination and acceptance of the completion of environmental protection facilities; and

(ii) the approvals for the examination and acceptance of the completion of production safety facilities.

Our Directors confirm that we will apply for the respective approvals from the relevant government authorities after the completion of construction of the relevant environmental protection facilities and safety facilities, respectively.

The total budgeted capital expenditures for the expansion plan would be approximately RMB354 million and the actual incurred capital expenditure as at 31 December 2011 amounted to approximately RMB68.8 million. We have completed the engineering drilling for the three planned shaft sites, and are in the process of preparing the ground for shaft sinking. The table below highlights the key milestones for our expansion plan at the Xinzhuang Mine:

Year in which the relevant development activities took/will take place	Major development activities/plan	Tonnage of ore to be mined during the relevant year	Tonnage of ore to be processed during the relevant year	Actual capital expenditure (for the year ended 31 December 2011)/ Planned capital expenditure (for the two years ended 31 December 2013) *(RMB in millions)*	Source of funding
2011	**Mine** Sinking and construction of shafts; acquisition of mining equipment; development of underground tunnels; **Land** Acquisition of land for construction of shafts and tailings storage facilities; **Administration** Construction of buildings on the surface for operation and administrative use in anticipation of the needs under the expanded capacity	300,070 (actual)	350,340 (actual)	68.8	Internally generated cash and bank borrowings
2012	**Mine** Sinking and construction of shafts; **Land** Acquisition of land for construction of shafts and tailings storage facilities; **Administration** Construction consultant and management fee; construction design fee; staff training fee	450,000 (forecast)	450,000 (forecast)	128.4	In 2012, the capital costs for our expansion in respect of the mine for the sum of RMB108,600,000 will be financed by the net proceeds from the Share Offer (less the sum already financed by our internally generated cash prior to the Listing). The capital costs for other categories of development for the total sum of RMB19,800,000 will be financed by our internally generated cash and/or bank borrowings.

Year in which the relevant development activities took/will take place	Major development activities/plan	Tonnage of ore to be mined during the relevant year	Tonnage of ore to be processed during the relevant year	Actual capital expenditure (for the year ended 31 December 2011)/ Planned capital expenditure (for the two years ended 31 December 2013) *(RMB in millions)*	Source of funding
2013	**Mine** Development of underground mining at each level and mining facilities for the purpose of increase in mining capacity; **Concentrator** construction of ore processing facilities **Property acquisition** Acquisition and installation of machineries relevant to mining operations	500,000 (forecast)	500,000 (forecast)	157.0	In 2013, the capital costs for our expansion in respect of the mine for the sum of RMB88,800,000 will be financed by the net proceeds from the Share Offer, supplemented by our internally generated cash and/or bank borrowings. The capital costs for other categories of development for the total sum of RMB68,200,000 will be financed by our internally generated cash and/or bank borrowings.
2014	Development activities in relation to the expansion plan of the Group are expected to complete by the end of 2013 and the mining and ore processing facilities will operate at their designed expanded capacities of 600,000 tpa since 2014 onwards.	600,000 (forecast)	600,000 (forecast)	–	N/A

For further details in relation to the capital expenditure for each category of our development activities, please refer to the section headed "Financial Information – Capital Expenditure" in this prospectus.

For details of our expansion plan, please refer to sections headed "8.3 Planned Mine Expansion", "8.4 Mine Production Plan" and "9.3 Processing Plant Expansion" in Appendix V to this prospectus.

SALE OF PRODUCTS

Overview

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

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

Notes:

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

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

3. Trading of other ore commodities represents trading of ingots of lead, zinc and aluminium. Since 2010, Yifeng Wanguo has engaged in the metal ingots trading business in which it purchased metal ingots (including ingots of lead, zinc and aluminium) from trading enterprises and subsequently resold them. For details, please refer to the section headed "– Other Business" below.

For details of our pricing policy, please refer to the section headed "– Pricing Policy" below. The concentrates are generally transported by truck to smelters or to either the Shanggao Station or the Xietang Station then transported by rail to smelters under the instruction of our customers, or collected by our customers at the Xinzhuang Mine. The terms vary from customers to customers. During the Track Record Period, in respect of products collected by our customers, the transportation cost and risk of loss of the goods were borne by the customers once they collected the goods at the Xinzhuang Mine. In respect of products transported by us to smelters, the transportation cost was borne by us. We had entered into delivery agreements with a transportation company which was an Independent Third Party for the delivery of our products from the Xinzhuang Mine to the rail station by trucks and the fees paid to the transportation company for the delivery by trucks amounted to approximately RMB440,000, RMB791,000 and RMB719,000 for the three years ended 31 December 2011, respectively. Pursuant to the delivery agreements, the transportation company should be liable for our loss as a result of late delivery or damage to our products whilst in transit from the Xinzhuang Mine to the rail stations by trucks. In respect of the arrangement and liaison with the railway, we have entered into a logistics agreement with a logistics agent which is an Independent Third Party for the Nanchang Railway Bureau for the delivery of our products by way of railway to the smelters for the year ending 31 December 2012. Railway charges and other disbursements such as loading charges will be settled by the logistics agent on our behalf and then charged to us by the logistics agent on a full disbursement basis. The above transportation costs (inclusive of the fees for transportation company for delivery by trucks, railway charges and the agency fee for the logistics agent for arranging railway delivery plus relevant disbursements) were approximately RMB1.1 million, RMB2.3 million and RMB2.9 million respectively for the three years ended 31 December 2011, and were accounted for under our selling and distribution expenses. For each of the three years ended 31 December 2011, the logistics agency fee for arranging railway delivery amounted to approximately RMB54,000, RMB92,000 and RMB97,000. For the three years ended 31 December 2011, our revenue attributable to sale of concentrates for which the transportation costs were borne by us accounted for approximately 65.7%, 66.7% and 63.0% of our total concentrates sales, and the unit transportation cost (inclusive of the fees for transportation company for delivery by trucks, railway charges and the agency fee for the logistics agent for arranging railway delivery plus relevant disbursements) for each tonne of concentrates transported by us to the customers was approximately RMB97.3, RMB124.2 and RMB150.5 per tonne, respectively. To ensure the railway would have reserve sufficient capacity for the delivery of our products, by the end of each month, our sale department would estimate the quantity of products to be delivered by railway in the next month and inform the logistics agent to reserve sufficient capacity for us. Our Directors confirm that we had been able to reserve sufficient capacity for delivery of our products during Track Record Period.

Sale strategy

Sale stability – With a view to developing stable relationship with our customers, during the Track Record Period and in 2012, our strategy was to enter into sale agreements with our customers. We target to enter into sale agreements with longer term with our existing customers to maintain long term customer relationship and stability and enter into sale agreements with shorter term with new customers to avoid uncertainty and maintain flexibility. We generally enter into sale agreements with our customers in the first quarter of a year. The term of those sale agreements entered into during the Track Record Period ranged from one month to 15 months. In addition, in 2012, we further entered into the Three-year Agreements with some of our major customers to secure our sale stability. Since the beginning of 2012 and up to the Latest Practicable Date, we had entered into 12 sale agreements, 10 of which will continue after Listing. As advised by our PRC Legal Advisers, the sale agreements above are legally binding on the relevant parties. The major terms set out under the above sale agreements include the pricing policy for our concentrates products and the delivery mechanism. Under the above sale agreements, the quantity of products to be sold by us to our customers (i) is unspecified and to be agreed with our customers separately at each transaction; or (ii) has been fixed for each month of the year, or specified but can be adjusted appropriately; or (iii) has been pre-determined with a specific annual minimum purchase volume. Under the sale agreements as referred to under (ii) above, both of us and the customers have the right to request for an adjustment and the parties will negotiate on the adjustment on a case-by-case basis or with reference to our actual production volume. Our Directors confirm that, in the event that the volume of our products could not meet the volume set out in the agreements in a particular monthly transaction, we would negotiate with our customers to adjust the sale volume accordingly. Our Directors confirm that, during the Track Record Period, there was no dispute between us and our customers during the negotiation of the above adjustment.

In order to further secure our sale stability and to maintain long term relationship with our customers, in 2012, we began to enter into the Three-year Agreements with some of our major customers such that the sale quantity to them has been pre-determined with a specific annual minimum purchase volume for the period between 2012 and 2014 (these agreements fall into the category (iii) above) while the actual sale quantity of each sale transaction is subject to negotiation by the parties. As advised by our PRC Legal Advisers, under the agreements, our customers are under an obligation to purchase a minimum quantity of products from us annually (which may be further increased by us upon notification in writing), failing which would result in a breach of the agreement by the customer, while there is no liability on us if we supply at a lower level upon notification in advance. If the customers request to purchase a quantity of products exceeding the annual minimum purchase volume, it would be subject to further negotiation by the parties. Given the commodity market is highly volatile and in line with common industry practice, the actual unit sale price of our products at each sale transaction is subject to negotiation and adjustment based on factors including the then market price of the respective metals in the concentrates quoted on the domestic public domains or the then market price of the concentrates, the grade of concentrates and the complexity in extracting the relevant minerals contained in the concentrates as discussed in the section headed "Business – Sale of Products – Pricing policy" in this prospectus. In December of each year, the parties will negotiate on the terms such as pricing mechanism, quality standard, delivery mechanism and payment method for the subsequent year. During the first half of 2012, we had entered into the Three-year Agreements with customers including our five largest customers for the year ended 31 December 2011. Our PRC Legal Advisers confirm that all terms of the Three-year Agreements such as annual minimum sale quantity, pricing mechanism, agreement period, quality standard, delivery mechanism and payment method are legally binding while the actual unit sale price and sale quantity at each transaction are subject to negotiation and adjustment as discussed above.

Based on our unaudited management accounts, for the four months ended 30 April 2012, we recorded an aggregate revenue of approximately RMB98.1 million from the above three types of sale agreements and approximately RMB84.4 million of which was attributable to agreements as referred to under (iii) above. For further details, please refer to the section headed "– Sale of Products – Our customers" below.

If the quantity of products to be sold by us has been specified in the above sale agreements under the terms as set out in categories (ii) and (iii) above, our Group can claim damages from the relevant customers by commencing legal actions at courts if they eventually do not purchase the specified quantity of products (subject to adjustment in (ii) above) from us, such damages should include the loss of our Group actually caused by such customers' breach of contract and the specific compensation amount (if any) set out in the sale agreements. However, if the quantity of products to be sold by us to our customers is unspecified under the sale agreements, our Group cannot claim damages from the relevant customers if they eventually do not purchase any products from us after entering into the sale agreements with us. Our Directors are of the view that the salient terms of the above sale agreements including pricing mechanism are in line with industry standard.

The table below summarises the breakdown of our revenue from sale of concentrates for the three years ended 31 December 2011 in respect of sale quantity determination method:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Sale quantity determination method			
Quantity of products is unspecified and to be agreed separately at each transaction	38,965 (45.0%)	85,250 (47.1%)	124,358 (47.2%)
Quantity of products has been fixed for each month of the year or specified but can be adjusted appropriately	44,856 (51.8%)	95,928 (52.9%)	139,050 (52.8%)
Quantity of products has been pre-determined with a specific annual minimum purchase amount(Note)	– –	– –	– –
One-off ad-hoc sale	2,694 (3.2%)	– –	– –
Total	86,515 (100%)	181,178 (100%)	263,408 (100%)

Note: We did not enter into sale agreements with a pre-determined specific minimum purchase volume for our products during the Track Record Period. We began to enter into such agreements with our customers in 2012.

Optimum pricing – Pricing terms are aimed to maximise our profit. A flexible pricing mechanism has been adopted as set out in the section headed "– Pricing Policy" below.

Reducing credit and performance risk – Our Directors are of the view that our Company has relatively strong bargaining power as the supply of metal has been tight and hence our Company has requested the customers to make prepayment to minimise our credit risk exposure. In respect of customers who have entered into the sale agreements as discussed above with us, they are in general required to make a down payment being 70% to 100% of the initial purchase price for the respective order. The initial purchase price payable before completion of the delivery of our products to the agreed destination or collection by the customers is determined with reference to the unit price we charge in the previous order and the volume of our products assessed by us prior to delivery of that order, or otherwise agreed among the parties. Final purchase price will be determined upon completion of inspection of the quality of our products and the price fixing mechanism, if applicable, set out in the section headed "– Pricing Policy" below. Credit period may be granted in practice in respect of the remaining balance between the final purchase price and the down payment as discussed above. During the Track Record Period, there has not been any material difference between the aforesaid initial purchase price and the final purchase price. For detail, please refer to the section headed "Risk Factors – Risks Relating to our Business – We grant credit period to our customers to make payments, but any delay in payments from or non-payment by our customers may affect our working capital and cash flow" in this prospectus. As confirmed by our Directors, we had not incurred any bad debts due to payment default by customers during the Track Record Period.

Our customers

As a result of our policy of entering into the sale agreements as discussed above for a significant portion of our production, we generally made our sales to a limited number of customers during the Track Record Period. Our top five customers are mineral trading and brokerage enterprises which direct us to deliver our products to smelters directly or generally resell our products for further processing. For the three years ended 31 December 2011, revenue attributable to our top five customers together accounted for approximately 97.3%, 81.5% and 80.3% of our total revenue, respectively, while the largest customer accounted for approximately 55.1%, 41.6% and 37.9% of our total revenue, respectively. Until 31 December 2011, we have developed three years of relationship with our largest customer during the Track Record Period. We have developed an average of approximately 2, 2 and 3 years of relationship with our top five customers ranging from 1 to 2, 1 to 3, and 1 to 4 years of relationship for the three years ended 31 December 2011 as at the end of the respective period, respectively. As at the Latest Practicable Date, none of our Directors, their respective associates or any Shareholders (who to the knowledge of our Directors owned more than 5% of our issued share capital) had any interest in any of our five largest customers during the Track Record Period. Our Directors have confirmed that our top five customers were and are all Independent Third Parties.

With reference to information available to the public of various companies engaged in the mining industry and listed on the Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange, our Directors are of the view that it is not an uncommon industry practice to rely on a few major customers. We strive to enhance our customer relationship by maintaining regular contact with our customers in respect of the quality of our products and our customers' satisfaction. We would request our clients to complete questionnaire in relation to our products and services regularly so that we could receive regular feedback from them in order to maintain our quality standard and monitor our customers' satisfactory level in general. During the Track Record Period, our mining capacity and processing capacity were occupied by the orders placed by our major customers to a substantial extent as these purchase orders were usually quite large. Our Directors are of the view that maintaining a close and stable relationship with our major customers together with the fact that a substantial quantity of our products being sold to them would enhance our bargaining power during price negotiation with them. In order to further expand our customer network and diversify our customer base, our plan is to expand our existing mining capacity and processing capacity to accommodate orders from new customers.

The table below summarises the details of our sale to our five largest customers for the year ended 31 December 2011, which are domestic enterprises engaged in mineral trading business, and the details of the sale agreements we entered into with them in 2012.

	For the year ended 31 December 2011				2012 to 2014
Customers ranking (in terms of sales amount)	**Revenue**	**Percentage of our total revenue**	**Years of relationship**	**Product type**	**Annual minimum quantity to be purchased by customer**
	RMB'000	*%*			
1	112,560	37.9	Three	Copper concentrates	2,000t of copper in copper concentrates (actual sale quantity in 2011: 1,846t)
2	53,498	18.0	One	Copper concentrates and zinc concentrates	2,000t of zinc in zinc concentrates (actual sale quantity in 2011: 2,330t)
3	29,934	10.1	Four	Iron concentrates	20,000t of iron concentrates (actual sale quantity in 2011: 35,455t)
4	27,222	9.2	Two	Iron concentrates	20,000t of iron concentrates (actual sale quantity in 2011: 30,597t)
5	15,063	5.1	Four	Sulfur concentrates	30,000t of sulfur concentrates (actual sale quantity in 2011: 36,685t)

Our sale personnel are exploring business opportunities with customers which may offer favourable terms and we may, accordingly, develop business relationship with other new customers from time to time if our Company considers appropriate. Further, we would also target to expand our potential customers network by attending industry functions and activities, such as customers gatherings organised by state-owned mining and refinery enterprises, which would provide us with the opportunities to meet potential customers and to diversify customer base, and through participation of functions and commitments in the industry by our senior officer to further extend our networking and potential customer exposure and attract the attention of potential customers.

To further enhance our effort to explore new business opportunities, we have entered into five non-binding memoranda of understanding separately with various companies engaged in smelting and mineral trading business, pursuant to which we may further negotiate and develop business relationship with them for our concentrates sales. These potential customers include companies within the group of reputable state-owned enterprises engaged in smelting and mineral trading business and companies listed on the stock exchanges in the PRC. We would review our progress of negotiation with them based on our business needs. In particular, in the event that we lose any of our major customers, we would proceed to engage in more substantive negotiation with the above potential customers pursuant to the memorandum of understanding in order to minimise such impact. Based on the AME Report, although year-on-year growth in China recently does appear to be slowing down, the demand by China for concentrates remains strong, especially for iron ore and copper. Further, according to AME Report, it is expected that China, as the world's largest refined copper consuming nation, is likely to consume both domestically produced copper and imported copper concentrate, and given the demand in China for copper, an increase in domestic production through the commissioning of new operations may be absorbed domestically. According to AME Report, it is expected that it is likely the supply side will continue to be relatively tight in the short term and that shortage of mined copper supply is the bottleneck in the supply chain and any additional supply of mined production may be absorbed by the smelting industry. In addition, various types of metal content in our concentrates are commodity products having readily available markets and can be sold on public markets at transparent market prices. Based on the above, our Directors believe that our Group can procure customers without material problems.

Pricing Policy

We sell our metal concentrates to mineral trading and brokerage enterprises. Our metal concentrates will, in general, be ultimately purchased and used by smelters which would further process and refine the concentrates into metal products which then can be sold based on market prices of those metals or for other industrial uses. In line with common industry practice, we, in general, sell our copper concentrates and zinc concentrates at a price that is equal to market prices of the metals contained in our concentrates products quoted on domestic public domain from time to time after deducting a discount which essentially represents the treatment fees being (i) the profit and cost of our customers, being mineral trading and brokerage enterprises for trading the concentrates, plus (ii) the profit and cost of the downstream enterprises for further processing the concentrates into the respective mineral as end products. In respect of iron and sulfur concentrates, as there are no such domestic public domains available for reference, we sell these concentrates at prices that are determined after an arm's length negotiation and taking into account the local benchmarks such as domestic concentrate prices provided by research companies, selling prices quoted by other third-party domestic mines in the near-by region as well as the purchase prices of the smelters obtained through our communications with them and the grade of concentrates sold at the time. The current pricing mechanism under the Three-year Agreements and sale agreements entered into during the Track Record Period in general is set out below.

In respect of copper concentrates and zinc concentrates

Since domestic public domains and exchanges providing transparent market price as reference for copper, zinc, silver and gold are available in the PRC, each of our Three-year Agreements (and sale agreements entered into during the Track Record Period in general) would set out the basis of calculation for the unit sale price for each sale transaction by making reference to the market price quoted on the public domains and exchanges (i.e. copper prices quoted on the Shanghai Future Exchange, zinc prices quoted on the SMM and the Shanghai Future Exchange, gold prices quoted on the Shanghai Gold Exchange and silver prices quoted on the Shanghai White Platinum & Silver Exchange) at the time of the transaction.

Under the Three-year Agreements (and sale agreements entered into during the Track Record Period in general), the unit sale price for each sale transaction would be set at the then market price of the respective mineral quoted on the above public domain at the time of each sale transaction, after deducting a certain discount. The extent of discount applied will depend on, among others, the particular type of concentrate and the grade of the concentrates and in cases of gold and silver, the amount of gold or silver contained in the concentrates, the then market price of the respective metal content quoted on the public domain, and the complexity in extracting the relevant minerals contained in the concentrates. The discount essentially represents the treatment fee being (i) the profit and cost of our customers, being mineral trading and brokerage enterprises for trading the concentrates, plus (ii) the profit and cost of downstream enterprises for further processing the concentrates into the respective metal as end products. During the Track Record Period, the discount ranged from 11.3% to 23.2% of the market prices for copper, 31.3% to 46.2% of the market prices for zinc, 13.9% to 25.2% of the market prices for gold, and 22.9% to 30.1% of the market prices for silver contained in copper concentrates. Due to the complexity for extracting silver from zinc concentrates by the smelters, instead of offering a discount to the market price quoted on the public domain at the time of each sale transaction which is similar to the pricing mechanism of the above metals, silver contained in zinc concentrates was sold at a fixed unit price which was significantly lower than the prices of the silver contained in copper concentrates determined pursuant to our sale agreements in general during the Track Record Period. Sales generated from silver contained in zinc concentrates were attributable to approximately 0.17%, 0.05% and 0.07% of our total revenue for each of the three years ended 31 December 2011.

In respect of iron concentrates and sulfur concentrates

Unlike copper concentrates and zinc concentrates where market price references in public domains are available in the PRC for the respective mineral content therein as tradable end products after processing, there is no similar domestic public domain as transparent market price reference in respect of iron concentrates and sulfur concentrates.

Under the Three-year Agreements (and those sale agreements entered into during the Track Record Period in general), the parties will agree on the unit sale price for the concentrates at each transaction separately for iron concentrates and sulfur concentrates with reference to the then market price of the respective concentrates. The parties will negotiate under an arm's length basis for the sale of the concentrates. Our Directors confirm that our Group will make reference to local benchmarks such as domestic concentrate prices provided by research companies, selling prices quoted by other third-party domestic mines in the near-by region as well as the purchase prices of certain smelters obtained through our communications with them and the concentrate grade sold at the time.

Pursuant to the sale agreements for copper concentrates and zinc concentrates, on any day within a specific quoting period, we may notify such customer and fix the closing price or mid-point price in respect of various metal content in the concentrates quoted on the aforesaid public domain on that day as the reference price for the relevant content in our concentrates for the respective transaction. The reference price (less the discount as discussed above) will be adopted as the price of the relevant metal content. Only we, as the seller, may conduct such reference price fixing and our customers are bound to accept the reference price we quote. Our Directors believe that this flexible pricing mechanism would allow us to maximise our profit.

Quality standard

In terms of quality standard, samples will be randomly extracted at the place of delivery by the smelters (if the products are delivered to the smelters directly) or at the Xinzhuang Mine by us (if the products are to be collected by the customers at the Xinzhuang Mine). At each transaction, depending on the terms of our sale agreements, either we, or the smelters being the end customers, will inspect a sample in which the mineral content will be adopted for the calculation of purchase price.

As confirmed by our Directors, since our establishment, we have not received any material complaints due to quantity or quality problems of our products.

Our Directors confirm that the grade of our concentrates products can generally meet our customers' requirement and we do not conduct any further processing to further improve the grade of our concentrates products before sale to the customers.

Marketing plans

We believe that the best way to promote our products is to enhance and maintain good quality of our product. Our plans are as follows:

– to enhance our efficiency by focusing on management of our production, marketing and financial control procedures and to ensure that our products are of a consistently high quality; and

– we have put into place certain quality control procedures including a system of accurately weighing of our concentrates (to determine tonnage), and sampling the mineral grade of our concentrates to determine the quantity of metals contained and measuring water content. Our Directors confirm that we have not received any material complaint from our customers in relation to our product quality since commencement of business.

UTILITIES

Electricity for our mining operations is supplied by the local power grid through a 35-kilovolt transmission line and we have entered into electricity supply contracts with the local electricity supplier under State Grid Corporation of China for the supply of electricity at market rates to the Xinzhuang Mine. The Independent Technical Expert considers that electricity supplied by the transmission line is sufficient for our current production. In addition, the Xinzhuang Mine is equipped with a backup power generator. We have not, during the Track Record Period, experienced material interruptions to our operations due to a shortage or suspension of our power supply.

For the three years ended 31 December 2011, our electricity costs amounted to approximately RMB8.7 million, RMB13.8 million and RMB15.6 million, respectively. The current electricity supply agreement which we have entered into with the local electricity supplier will enable us to meet the potential increased electricity demand based on the feasibility study for our expansion plan.

Water for production usage of the Xinzhuang Mine is derived from mine water and water from the Shishui River, which is approximately 400 to 450 m from the mine shafts. Water from the tailings storage facility is also partially recycled for production. According to the Independent Technical Expert, water supply is sufficient to meet our current production requirement. We have also entered into a water supply agreement with local water supplier to support the potential increase of needs for water supply following the expansion plan. During the Track Record Period, we did not experience any material water supply interruptions or shortages.

Our Directors believe that we should not have any difficulties in securing the supply of electricity and water to meet our expansion plan set out under the section headed "– Our Expansion Plan" above.

RAW MATERIALS, AUXILIARY MATERIALS AND MACHINERY AND EQUIPMENT

The ore extracted from the Xinzhuang Mine is our principal raw material for producing our concentrates products. We do not purchase ores from third parties.

Ore processing at the Xinzhuang Mine consumes many types of auxiliary materials including forged steel grinding balls, chemical products, explosives, diesel oil and other production related materials. All our explosives, machinery and equipment, spare parts and auxiliary materials are sourced from local third-party suppliers in the PRC.

SUPPLIERS

For the three years ended 31 December 2011, purchases from our five largest suppliers including Wenzhou No. 2, our third-party contractor for underground mining works, a supplier of electricity, trading enterprises which sold metal ingots to us and suppliers of explosives, machinery and equipment, spare parts and auxiliary materials together accounted for approximately 73.0%, 53.5% and 53.3% of our total supply purchases, respectively, while Wenzhou No. 2, our largest supplier, accounted for approximately 49.0%, 19.8% and 27.6% of our total supply purchases, respectively. To the best knowledge of our Directors, none of our Directors, their respective associates or any of our Shareholders holding more than 5% of our issued capital, is related to or owns any interest in any of our five largest suppliers. All of our suppliers are Independent Third Parties and are primarily based in the PRC. We have not signed any long-term contract with any of our suppliers. We maintain a good relationship with our suppliers and did not have any material disputes with any of them during the Track Record Period.

See also "Risk Factors – Risks relating to our business – We may not be able to maintain the provision of adequate and uninterrupted supplies of electricity, water, necessary raw materials, auxiliary materials, equipment and spare parts at favourable prices or at all" in this prospectus.

COMPETITION

Competition with Concentrate Producers

Copper concentrates and iron concentrates are our core commodities which, in aggregate, contributed approximately 75.0%, 77.7% and 69.6% of our total concentrates sales for the three years ended 31 December 2011, respectively.

According to AME Report, as to copper, it is expected that it is likely the supply side will continue to be relatively tight in the short term, and the shortage of mined copper supply is the bottleneck in the supply chain and any additional supply of mined production may be absorbed by the smelting industry. According to AME Report, in 2010, it is estimated that refined copper demand reached 19.4 Mt, and it is forecasted that copper demand to increase by approximately 3% in 2012 and around 4% in 2013. According to AME Report, though the market for refined copper may see robust growth rates in the consecutive years, it is forecasted that similar growth rates in the copper concentrate market as in the refined market; consequently, it is anticipated that a market in equilibrium over the medium-term. According to AME Report, between 2007 and 2013, it is estimated that Chinese refined copper demand may increase from around 5 Mt to over 8 Mt, or a Compound Annual Growth Rate (CAGR) of approximately 9%. According to AME Report, as to iron ore demand, it is estimated that global iron ore consumption will grow from around 1.6 Bt to approximately 2.0 Bt from 2007 to 2013, and in 2013, China is estimated to account for approximately 55% of total iron ore demand.

According to AME, we face competition from both domestic and international concentrates producers. However, we believe we possess the competitive advantages as discussed in the section headed "– Our Competitive Advantages" above as compared with our competitors.

Competition for Future Acquisitions

We may face competition in acquiring existing mines and exploration rights from other foreign or domestic mining companies. We compete on the basis of our ability to identify valuable resources and effectively negotiate with the targets located in the PRC or otherwise. Increased competition may result in us having to pay more to acquire such mining resources. There is no assurance that competition for acquisitions in the PRC or foreign mining and ore processing industry will not adversely affect our profitability or sustained development.

Industry Entry Barriers

Pursuant to the Mineral Resource Law of the PRC (中華人民共和國礦產資源法), the Procedures for Registering Mineral Exploration Through Blocking System (礦產資源勘查區塊登記管理辦法), and the Procedures for the Registration of Mining of Mineral Resources Mining (礦產資源開採登記管理辦法), an enterprise entering this industry is required to obtain the exploration licence or mining licence issued by the competent department of land and resources.

With the current intense market competition, financial capability, mining resources, technology and equipment, and seasoned production management experience are major barriers in entering this industry.

HYDROLOGICAL ISSUES

As highlighted in the Independent Technical Expert's Report, we are facing certain hydrological issues at the Xinzhuang Mine.

The abundant surface water and groundwater present in the area have brought a hydrological challenge for the mining operation at the Xinzhuang Mine. In order to solve the groundwater problem for mine production, the mine has been constructing a subsurface curtain grouting wall at the eastern side (along Exploration Line 23) of the deposit. This curtain grouting wall, together with the Cunqian granite intrusive complex in the south and southwest and a main apophysis from the intrusive complex in the north, has isolated the mining area from the ground water system, making underground mining operation feasible in the Xinzhuang Mine. The Independent Technical Expert opines that this groundwater plugging technique has been utilised successfully at the Xinzhuang Mine. The Independent Technical Expert further opines that this hydrological challenge is not common in the mining industry. The Independent Technical Expert advised that Yifeng Wanguo has taken sufficient rectification actions for this technical challenge, including constructing a curtain grouting wall, closely monitoring the groundwater level, installing excessive underground pumping capacity, starting mining the deposit 115-120 m below the surface and using a cut-and-fill method for mining. Therefore, the mining operation at the Xinzhuang Mine is being conducted normally. If these rectification actions were not taken, the underground mine could be flooded and the mining operation would have to stop. These rectification actions have increased the mining operating costs and mining capital costs. However, the Independent Technical Expert believes that the issue of water still brings a low to moderate risk for the underground mining operation and special attention should be paid to this issue at all times of the underground mining operation. For details, please refer to the sections headed "8.2.2 Hydrological Issues" on page V-39 and V-40 and "15.0 Risk Analysis" on pages V-65 to V-68 in the Independent Technical Expert's Report set forth in Appendix V to this prospectus.

As advised by our PRC Legal Advisers, such situation does not violate the relevant PRC laws and regulations.

QUALITY CONTROL

We have a quality control policy in place to ensure that the quality of our concentrates meets the standard for acceptance by our customers. Our quality control department is responsible for ensuring our product quality. We closely monitor our various production processes by conducting on-site inspection and taking samples during each shift and examining them at our laboratory. Regular trainings are also provided to our employees to enhance the quality standard.

During the Track Record Period, we have not received any material complaints due to quality problems of our products.

INVENTORY

As of 31 December 2009, 2010 and 2011, we had inventories of RMB26.0 million, RMB60.2 million and RMB48.8 million, respectively. Our inventory comprises primarily our concentrates products and ingots we purchased. We keep daily inventory records and carry out full annual inventory assessments to closely monitor our inventory level and condition.

OCCUPATIONAL HEALTH AND SAFETY

We are subject to various PRC laws and regulations with respect to the prevention and treatment of occupational diseases, the prevention of worksite accidents and the handling of industrial injuries. For details, please refer to Appendix IV to this prospectus. The Xinzhuang Mine has been operating since December 2006, and strives to conduct its operations in accordance with specific national laws and regulations covering occupational health and safety in mining, production blasting and explosives handling, mineral processing, TSF design, hazardous wastes, environmental noise, fire protection and fire extinguishment, sanitary provisions, power provision, lightning and seismic protection, labour and supervision.

In anticipation of the delay in the completion of the design of the systems which adjourned the commencement of the construction coupled with the delay in the progress of the relevant construction work, we had made an application for extension for completion of the construction of the relevant systems before the deadline on 30 July 2008 but it was not approved. Due to our failure to complete the construction of our backfill system and ventilation system before the said deadline as a result of the delay, on 30 July 2008, we were ordered by the Administration of Work Safety of Jiangxi Province (江西省安全生產監督管理局) to suspend and rectify our mining activities, but we were allowed to continue to move the already-mined ore from underground to ground level and continue with our processing operations. Our Directors confirm that the suspension ceased at the end of March 2009 and we were able to resume our mining activities in April 2009. Our Directors are of the view that the impact on our revenue for January to March 2009 as a result of the suspension of our mining operation was minimal because (i) the impact of such suspension would have been lowered as it covered the Chinese New Year holiday in early 2009 during which our operation level would have been low regardless of the suspension, (ii) we were allowed to continue with our processing activities and we could process the already-mined but unprocessed ore brought forward from the end of 2008, and (iii) the volume of ore mined in 2009 was approximately 300,570 tonnes and reached our then designed mining capacity of 300,000 tpa, which demonstrated that the impact of the suspension in the first quarter of 2009 on our mining activities for the year as a whole was minimal. We responded actively to the instructions of the authorities and conducted relevant rectification procedures, and we were allowed to resume our mining operations in April 2009. The authorities have not imposed any other penalties on Yifeng Wanguo nor its directors, senior management and staff as a result of such failure. On 18 May 2012, the Administration of Work Safety of Jiangxi Province confirmed in writing that, save as disclosed above, there had not been any other material non-compliances in relation to the design, construction and operations of the Xinzhuang Mine in respect of the PRC safety laws since the establishment of Yifeng Wanguo, and our expansion plan complied with the relevant PRC safety laws. On 16 December 2011, the local branch of the administration of work safety of Yifeng County confirmed that we complied with the relevant rules and regulations regarding production safety. Production safety permits have been obtained for the Xinzhuang Mine. Our Company has set up internal control measures to prevent future occurrence of similar incidents. A safety task group, headed by the mine manager and the vice manager, was set up to monitor the various safety systems, including backfill system and ventilation system, adopted in the mine and compliance with the relevant requirements. The task group also reviews existing safety policies and updates our Company with the latest safety regulations, carries out regular safety inspections and provides recommendations for ensuring compliance with the relevant safety requirements.

Taking occupational health and safety as one of our prime responsibilities, we have implemented and enforced a number of measures to ensure compliance of the regulatory requirements and our production safety and environmental protection department is responsible for handling matters related to occupational health and safety. Our safety production operational manual specifies certain procedures such as our safety production procedures in respect of different posts and departments, our accident prevention procedures and accident reporting procedures. Regular safety drills are carried out to ensure that the awareness of safety production measures and emergency handling. The roles and responsibilities of each of the supervising staff and workers are clearly defined and each supervising staff is accountable for their respective areas of responsibility.

Our mine manager will supervise the implementation of regular on-site examination and continuously monitor the safety policies. Our safety supervisor will inspect the implementation of safety procedures on a daily basis. We have implemented a set of guidelines and rules regarding the handling of such dangerous articles which comply with existing PRC laws, regulations and policies. Please see also the details of the procedures and measures adopted by us under the section headed "– Environmental Protection" below.

We implement a mandatory safety training programme for all our employees in strict accordance with requirements under the Production Safety Law of the PRC (中華人民共和國安全生產法) and the Law of the PRC on Safety in Mines (中華人民共和國礦山安全法). For details, please see Appendix IV to this prospectus. All new employees must participate in a three level safety education programme before they start their work. Employees with specialised technical duties will be required to receive training pursuant to the respective regulations and requirements. We also conduct regular training to our existing staff to enhance their awareness of safety issues, and improve their knowledge in working safety techniques in order to reduce and eliminate the occurrence of accidents.

Our Directors confirm that no material accidents involving personal injury or property damage occurred during the Track Record Period and up to the Latest Practicable Date, and we have not been subject to any claims arising from any material accidents involving personal injury or property damage during the Track Record Period and up to the Latest Practicable Date that have a material adverse effect on our business, financial condition or results of operations.

Our Directors believe that the adoption of the above measures will help us to minimise the risk of occurrence of accidents. Our Directors confirm that, save as disclosed above, since the commencement of operation of the Xinzhuang Mine, we have not been subject to any investigation with regard to work safety practices by any government authority and no non-compliance incident has been recorded. However, like other companies that operate in our industry, we are subject to random inspections by government authorities.

Pursuant to the Assessment Report on the Effect of Occupational Hazards Control (職業病危害控制效果評價報告書) prepared by Jiangxi Research Institute on Occupational Disease Prevention (江西省職業病防治研究院) in June 2011 and filed at the Department of Health of Jiangxi Province, it was identified that the following major toxic materials were produced in the course of our operation: (i) toxic gases including carbon monoxide, carbon dioxide and nitrogen oxide produced in the course of our underground explosion activities, and (ii) toxic carbon disulfide and turpentine produced during flotation in the course of processing. We have implemented relevant procedures such as installation of relevant ventilation system and emergency electricity supply system separate the flotation process in a separate unit and comply with the relevant standards.

As advised by our PRC Legal Advisers, our Group has obtained the approvals and permits in respect of the occupational health and safety which are material for our current operation of Xinzhuang Mine. In addition, we received confirmation from the Department of Health of Yifeng County on 21 December 2011 that we have operated in compliance with the relevant PRC occupational health and safety laws and regulations and have never been penalised due to any non-compliance.

Yifeng Wanguo has reserved a safety measure fee per annum in accordance with Clause 42 of the Implementation Regulations of the Law of the PRC on Safety in Mines (礦山安全法實施條例). The fee will be used for (1) safety technical measures to prevent mining incidents; (2) labour hygienic technical measures to prevent occupational hazards; (3) staff safety training; (4) improving other technical measures of mine production safety conditions and ensuring accident insurance coverage for staff under the PRC Labour Law (中華人民共和國勞動法).

In addition, pursuant to the Measures on the Withholding and Usage of Safety Production Fees of Enterprises (企業安全生產費用提取和使用管理辦法), effective as of 14 February 2012, safety production fees mean the funds specifically used for the improvement in production conditions of the enterprise in accordance with the required standard. Enterprises engaging in mining business in the PRC should provide for safety production fees. The standard provision for metal mines is RMB5 per tonne (surface mine) and RMB10 per tonne (underground mine). The standard provision can be raised properly. For the year ended 31 December 2011, the safety production fees provided by us were approximately RMB8.0 million. As our processing capacity continue to expand and with our level of production reaching these facilities' designed capacities, we anticipate that the amounts of safety production fees payable will substantially increase in the near future.

ENVIRONMENTAL PROTECTION

Our operations are subject to various PRC laws and regulations with respect to environmental protection and environmental rehabilitation. For details, please see Appendix IV to this prospectus. We have adopted various measures within our operations with regard to environmental protection.

The Xinzhuang Mine has a valid pollutant discharge permit from the relevant local environmental protection department to undertake mining and processing activities at their respective mining site. Major environmental issues in the mining industry are management of wastewater and management of tailings. Wastewater, dust and tailings can contain substances that are potentially harmful to human beings and the environment, especially in large quantities. For further details, please refer to the section headed "Risk Factors – Risks Relating to our Business" in this prospectus. Details of the environmental measures that are being implemented, or are planned to be implemented, at the Xinzhuang Mine are set out in the section headed "13.0 Environmental and Social Management" of Appendix V to this prospectus. Some of the environmental measures are set out below:

- Water management: the site has been developed with an emphasis on recycling used process and TSF drainage water, which is recycled to the concentrator for reuse. A recycling rate of up to 75% is obtained. The Xinzhuang Mine obtains top-up water from the underground mine workings, while any surplus waste water from the site (including treated sewage) will be discharged to the nearby Shishui River following treatment in accordance with the regulatory standards in the PRC.

- Solid waste: underground waste is either left underground or used for construction purposes (as a good quality construction material it is also sold locally). An engineered waste rock dump will be constructed if necessary in the future. A TSF has been constructed. In addition, approximately 67% of the tailings (coarse fraction) are mixed with cement and sent underground for use as stope fill.

- Dust and air quality mitigation: water sprays will be used for the crushing and screening plant (with wet scrubbers to also be installed in conjunction with the project expansion). However, the ore and concentrates are either wet or damp, thereby requiring minimal dust mitigation measures. Other mitigation measures include enclosure of any potentially dusty activities, paving of surface roads, revegetation and availability of personal protection devices to workers to provide additional personal protection from dust, as required.

- Noise control: methods of noise control include use of silencers, noise and vibration dampening, enclosure of noisy equipment, use of insulation and ongoing equipment maintenance.

- Ground subsidence: potential subsidence of the karst rock overlying the underground workings is being mitigated by backfilling cemented tailings (the coarse fraction) in abandoned stopes.

- Environmental monitoring: a mine site environmental monitoring plan is in place in which analytical results are expected to comply with the regulatory standards in the PRC. The regular company monitoring programme is supplemented by random monitoring tests conducted by the Bureau of Environmental Protection of Jiangxi Province.

- Rehabilitation: a conceptual mine closure plan comprises part of the site's soil and water conservation plan.

Our expenditures with regard to environmental protection, health and safety matters amounted to approximately RMB5.5 million, RMB1.2 million, RMB1.6 million for the three years ended 31 December 2011, respectively. It is expected that such costs of compliance for the two years ending 31 December 2013 will be approximately RMB2.7 million and RMB2.2 million, respectively.

Through the use of our environmental initiatives, we aim to mitigate the environmental risk of operating in our industry. The relevant PRC environmental authorities conduct regular inspections of our facilities. Our Directors confirmed that we had not received any negative comments from such PRC environmental authorities during the Track Record Period. As advised by our PRC Legal Advisers, our Group has obtained the approvals and permits in respect of the environmental protection which are material for our current operation of Xinzhuang Mine. In addition, we received confirmation from the local branch of environmental protection department on 16 December 2011 that we have operated in compliance with the relevant environmental laws and regulations and pollution discharge control standards with respect to the Xinzhuang Mine and that they have not received any complaints against the Xinzhuang Mine in this regard.

Land Rehabilitation

We are required by the PRC laws to reclaim and restore mining sites to their prior condition after completion of mining operations. Rehabilitation activity typically involves the removal of buildings, equipment, machinery and other physical remnants of mining, restoration of land features in mined-out areas, dumping sites and other mining areas and contouring, covering and revegetation of waste rock piles and other disturbed areas. Our current mining operations at the Xinzhuang Mine employ underground mining and, as a result, our rehabilitation and revegetation obligations in relation to the Xinzhuang Mine will be more limited than if we conducted open pit mining operations.

We are also required to compile a restoration scheme for the comprehensive treatment of the mine's geological environment, which has to be filed to the respective government authorities for approval, and make a security deposit in a duly appointed bank account to guarantee the performance of the above rehabilitation plan. We received confirmation from the local branch of the department of land and resources on 16 December 2011 that we have complied with all the relevant land rehabilitation and reforestation laws and regulations with respect to Xinzhuang Mine and they have no dispute with us in this regard.

RESEARCH AND DEVELOPMENT

Our research and development activities are primarily directed towards providing technical support to our mining and ore processing operations. We entered into various agreements in relation to technology development with Changsha Mine Research Institute pursuant to which Changsha Mine Research Institute was commissioned to conduct research and analysis for developing underground mining technology at the Xinzhuang Mine jointly with us. Pursuant to the said agreements, the developed technology should be jointly owned by us and Changsha Mine Research Institute and that each of us and Changsha Mine Research Institute (i) has the right to use the developed technology; (ii) is entitled to the revenue derived from each of our own use of the developed technology; (iii) has the right to authorise any third party to use the developed technology and such authorising party is entitled to revenue derived from such authorisation; and (iv) should not transfer the ownership of the developed technology to any third party without written consent of the other party. The "Integrated Technology for Complicated Hard-to-mine Heavy Water Deposits Safety Mining of the Xinzhuang Mine" (新莊銅鋅礦複雜難採大水礦床安全開採綜合技術) developed by us together with Changsha Mine Research Institute pursuant to one of the above agreements has been recognised by the China Nonferrous Metals Industry Association (中國有色金屬工業協會) and the Nonferrous Metals Society of China (中國有色金屬學會) and awarded with the second class China Nonferrous Metals Industry Science and Technology Award (中國有色金屬工業科學技術獎) in January 2012. We have not applied for a patent for such technology as it does not possess novelty which is one of the patent application requirements. We plan to continue to look for co-operation opportunities with academic and research institutes to further enhance and develop technologies for mining and ore processing.

INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, we held 1 trademark registered with the Trade Marks Registry of the Intellectual Property Department in Hong Kong. See the paragraph headed "B. Further Information about our Business – 2. Intellectual property rights – (A) Trademarks" in Appendix VII to this prospectus.

As of the Latest Practicable Date, we were not involved in any disputes or litigation relating to the infringement of intellectual property rights, nor are we aware of any such claims either pending or threatened.

INSURANCE

During the Track Record Period, we did not experience any business interruptions or losses or damage to our facilities that had a material adverse effect on our business, financial condition or results of operations. We do not maintain any fire, earthquake, liability or other property insurance with respect to our properties, equipment or inventories, with the exception of insurance coverage for our vehicles. We also do not maintain any business interruption insurance or third-party liability insurance against claims for property damage, personal injury and environmental liabilities other than third-party liability insurance for our vehicles. Our Directors are of the view that the insurance coverage on our assets is consistent with the industry practice in the PRC.

According to the Work-Related Injury Insurance Regulations (工傷保險條例), employers of all types of enterprises and sole traders shall participate in work-related injury insurance and pay work-related injury insurance premiums for all employees in their work unit in accordance with the regulations. Our Group has maintained personal injury insurance and we are in compliance with the relevant PRC laws and regulations relating to work-related injury insurance. Pursuant to the agreements we entered into with the third-party contractor, it is responsible for maintaining work-related injury insurance for its employees. Our Directors confirm that we have not made any material claims under our insurance policies. Please also refer to the section headed "Risk Factors – Risks relating to our business – We may not be adequately insured against losses and liabilities arising from our operations" in this prospectus. We will continue to review and assess our risks and make necessary adjustments to our insurance practice to meet our needs and comply with industry practices in the PRC.

EMPLOYEES

As at 31 December 2011, we had a total of 263 full-time employees, excluding approximately 250 mining workers employed by Wenzhou No. 2, the third-party contractor which is responsible for underground mining work. The following table shows a breakdown of our employees by function as at 31 December 2011 (excluding employees of the third-party contractor).

	Number
Underground technical and supporting mine workers	
– Safety supervision	15
– Mining and geological technical staff	13
– Mining record and surveying staff	9
– Geological drilling operators	16
– Ventilation and hauling facilities and water-pump operators and maintenance staff	35
– Backfilling team	25
Processing plant workers	90
Mine management and supporting staff	60
	263

Our PRC operating subsidiary, namely, Yifeng Wanguo, is required to make social insurances contributions and housing fund contribution for the benefit of its own employees under the PRC laws and regulations. Due to the differences in local regulations, inconsistent implementation of the PRC laws and regulations by local authorities and different levels of acceptance of the social insurances and housing fund systems by employees, Yifeng Wanguo has not made social insurances contributions and housing fund contribution in full for all of its employees before April 2011.

According to the relevant PRC laws and regulations, enterprises which have not paid the social insurances contributions or have not contributed to social insurances payments on behalf of employees according to the relevant rules will be required to pay such amounts by the relevant labour insurance administrative departments within a required period and a late charge calculated at 0.05% per day of the outstanding amount will be charged from the date of the default payment. Enterprises which do not make requisite registration or complete procedures to open relevant accounts to make housing fund contributions for their employees will be ordered by the housing fund management centre to make such payment or complete such procedures within a required period. If the necessary procedures are not completed within the required period, such enterprises will be subject to a penalty of not less than RMB10,000 and not more than RMB50,000.

Up to the Latest Practicable Date, Yifeng Wanguo has not received any complaint from its employees for lack of contributions for social insurances and housing fund nor any notice or legal documents from the regulatory authorities of social insurances and housing fund requesting contributions for the relevant insurances or fund. Yifeng Wanguo completed the registration process as to social insurances with the relevant social insurances authorities in April 2009 and has made contributions in respect of all of its eligible employees since April 2011. Yifeng Wanguo also completed the requisite registration and opened the requisite housing fund accounts with the relevant housing authorities in accordance with the relevant laws and regulations in April 2011, and has commenced payments of housing fund contributions for all eligible employees since April 2011. As at the Latest Practicable Date, the aggregate outstanding amount of social insurances contribution and housing fund contribution was approximately RMB3.4 million and RMB0.6 million, respectively.

We have received a letter of confirmation from each of the Yifeng Human Resources and Social Security Bureau and the Yifeng office of Yichun Housing Fund Management Center which are the competent authorities in charge of the contribution of the social insurance and housing fund respectively, dated 16 December 2011 that we will not be requested by them to make the outstanding contributions and will not be subject to any penalties for previous non-contributions. We did not make any provision for the outstanding contributions payable prior to 1 April 2011. We intend to repay all outstanding social insurances and housing fund contributions, if we are required by the relevant authorities to do so. Pursuant to the Deed of Indemnity, our Controlling Shareholders have agreed to indemnify us against all losses suffered or incurred by us as a result of or in connection with the social insurances, housing fund and work-related injury contributions due or payable for employees of our Group that any member of our Group has failed to make prior to Listing.

For further details, please refer to the section headed "Risk Factors – Risks Relating to our Business – Non-compliance with the social insurances and housing fund contribution regulations in the PRC by us could lead to imposition of penalties or other liabilities on us" in this prospectus. For the three years ended 31 December 2011, our contributions to the state-managed defined contribution retirement scheme were approximately RMB38,000, RMB132,000 and RMB1,182,000, respectively.

During the Track Record Period, we had not experienced any significant problems with our employees or disruption to our operations due to labour disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff. We believe that we have a good working relationship with our employees.

PROPERTIES

Land

As at the Latest Practicable Date, we owned the land use rights of five parcels of land with a total site area of approximately 206,096 sq.m. The total gross floor area of the completed buildings or structures is approximately 18,900 sq.m. As confirmed by our PRC Legal Advisers, Yifeng Wanguo has legally held the land use right of such land. As confirmed by our Directors, saved as disclosed in the section headed "– Properties – Land – Leased land in the PRC for our expansion plan" below, the Xinzhuang Mine and related area which Yifeng Wanguo has operations are covered under the relevant land use rights.

Leased land in the PRC for our expansion plan

We have leased three parcels of land for our expansion plan which are collectively-owned land within the coverage of our mining licence, at an annual rent of RMB50 per mu, for mining, tailings storage and ancillary purposes. Pursuant to our expansion plan, it is expected that three new shafts, new tailings storage facilities and certain related ancillary structures will be located in these areas. Details of the land and the lease agreements are as follows:

Location	Total site area/mu (畝)	Term
Longxi Village, Yichun Municipal, Jiangxi Province	334	March 2012 to December 2031
Kouxi Village, Yichun Municipal, Jiangxi Province	29.746	March 2012 to December 2031
Zhangjia Village, Yichun Municipal, Jiangxi Province	1.2	March 2012 to March 2032

With a view to ensuring the stability of our long term operation, we have begun the process to obtain the relevant state-owned land use rights certificate for the above land and agreed to pay the total relocation compensations of about RMB32 million, of which approximately RMB29 million was paid as of 31 December 2011. However, pursuant to the relevant laws and regulations, given the three parcels of land are collectively-owned land, we may only obtain the state-owned land use right certificates for the three parcels of land from the authorities after (i) they have been converted into state-owned land from collectively-owned land, (ii) the authorities have entered into the state-owned land use right agreement with us, and (iii) we have paid the relevant land premium to the authorities.

As the conversion of the land into state-owned land is subject to the local authorities' administrative procedures and policies, for the purpose of our current and upcoming use of the above areas, we have entered into the above lease agreements and obtained the necessary approvals for our use of such areas for the three new shafts, the new tailings storage facilities and the related ancillary structures. As advised by our PRC Legal Advisers, the lease agreements do not violate the PRC laws and the lessors of such leases have the legal rights to lease such properties to us.

We have already obtained relevant temporary approvals for our use of the above collectively-owned land for the aforesaid purposes for the term of two years until March or April 2014 from the relevant department of land and resources. As advised by our PRC Legal Advisers, our use of the land covered by the relevant temporary approvals for the purpose of constructing the three new shafts, tailings storage facilities and ancillary structures does not violate the relevant PRC laws and regulations. On 28 March 2012, the Department of Land and Resources of Yifeng County confirmed in writing that it will renew the relevant temporary approval for our use of the land covered by our mining licence upon our application pursuant to the relevant PRC laws and regulations within the term of our mining licence.

As advised by our PRC Legal Advisers, (i) the Department of Land and Resources of Yifeng County is the competent authority to issue such temporary approvals and provide the above confirmation; and (ii) we are entitled to use the above leased areas in accordance with valid term, regulation and usage stipulated by the relevant temporary approvals and relevant lease agreements. Accordingly, our Directors believe we will be able to renew and obtain the relevant temporary approvals upon expiry or such relevant rights to occupy and use such land for the aforesaid purposes if any area has been converted into state-owned land in the future.

We started the construction of the three new shafts and certain auxiliary structures on the parcel of land located at Kouxi Village before we obtained the relevant temporary approval. As advised by our PRC Legal Advisers, pursuant to relevant PRC laws and regulations, we may be subject to an order to suspend construction and confiscate the constructed structure and a maximum fine of approximately RMB30 per square metre as a result of our use of the land without obtaining the necessary approvals prior to commencement of our construction.

Our Directors are of the view that the above-mentioned three new shafts and the auxiliary structures on the parcel of land located at Kouxi Village are not crucial for our current operation because they are specifically constructed for our expansion. The construction of them is targeted to be completed by the end of 2012 and they will be in use from 2013. We can continue our current operation and reach the expanded level of mining 450,000 tonnes of ore in 2012 without using these facilities. However, if they are ordered to be demolished or confiscated, our target to reach the mining capacity of 600,000 tpa will be affected. In the event that the authorities make such an order, we will instruct professional advisers to review and formulate a new plan to construct the facilities in other areas within the land covered by our land use rights in order to fulfil our expansion plan.

We have obtained a written confirmation from the Department of Land and Resources of Yifeng County, which is the competent authority to provide such confirmation as advised by our PRC Legal Advisers, that it will not impose any sanction against us, including but not limited to, confiscating or ordering us to demolish the constructed structures, or imposing any fine on us, for the use of the above land by us before the grant of such approvals. Pursuant to the Deed of Indemnity, our Controlling Shareholders have agreed to indemnify us against all losses suffered or incurred by us as a result of or in connection with the above non-compliance in relation to the properties mentioned above.

Owned buildings

As at the Latest Practicable Date, we had obtained 55 building ownership certificates for the Xinzhuang Mine.

Leased properties

As at the Latest Practicable Date, we leased one office unit in Hong Kong with a total gross floor area of approximately 1,186 sq.ft.

Details of the property valuations together with the summary of valuations and valuation certificates from our property valuer are set out in Appendix III to this prospectus.

Construction-in-progress

As at the Latest Practicable Date, we are constructing various buildings with a total planned gross floor area of approximately 18,416 sq.m and certain other fixed structures all situate at the Xinzhuang Mine and covered under our land use rights. As confirmed by our PRC Legal Advisers, we have obtained the relevant approvals and permits for the constructions of such properties.

OTHER BUSINESS

In 2010, Yifeng Wanguo started to engage in the metal ingots trading business in which it purchased metal ingots (including ingots of lead, zinc and aluminium) from trading enterprises and subsequently resold them. The Group entered into the metal ingots trading business in 2010 because it had idle cash at that time and intended to explore new business opportunities. For each of the three years ended 31 December 2011, the revenue, gross loss and gross loss margin derived from metal ingots trading and its contribution to our Company's total revenue are set out below:

	Year ended 31 December		
	2009*(note)*	**2010**	**2011**
Revenue *(RMB'000)*	N/A	23,250	33,329
Gross loss *(RMB'000)*	N/A	(37)	(2,200)
Gross loss margin *(%)*	N/A	(0.2)	(6.6)
Contribution to total revenue *(%)*	N/A	11.4	11.2

Note: Yifeng Wanguo had not yet begun to engage in metal ingots trading business in the year ended 31 December 2009.

As at the 31 December 2011, our metal ingots inventories for trading purposes amounted to approximately RMB36 million.

For details, please refer to the section headed "Financial Information" in this prospectus. We purchased and sold metal ingots on an one-off basis and have not entered into any long term purchase or sale agreement with any trading enterprise. Our Directors confirmed that our final purchase of metal ingots was conducted in September 2011 and we have not purchased additional ingots since then and will cease the metal ingots trading business once our existing metal ingots inventories are sold as our Directors consider that it would be more favourable for our Group to focus in our business of mining and ore processing given the low profit margin in the metal ingots trading business.

LITIGATION AND REGULATORY MATTERS

PRC

We are required by the laws and regulations of the PRC to obtain a number of licences, permits and approvals from the relevant authorities in the PRC to conduct mining activities in the PRC. The following table shows the material licences, permits and certificates we currently hold and their respective validity periods.

Business licence	Mining licence	Production safety permit for Xinzhuang Mine	Production safety permit for tailings storage facility	Pollutant discharge permit	Certificate of explosives operation unit	Social insurance registration certificate
26 November 2003 to 16 October 2053	20 April 2012 to 20 April 2032	30 August 2010 to 29 August 2013	31 August 2010 to 30 August 2013	6 June 2010 to 5 June 2015	10 December 2010 to 30 December 2013	long-term

These licences and approvals will expire from time to time and we will apply to the authorities for renewal or extension upon expiry.

Our PRC Legal Advisers have confirmed that we have the relevant licences and permits which are material for the current operation of the Xinzhuang Mine.

During the Track Record Period, we could conduct underground mining of ore at a rate of 300,000 tpa, pursuant to our then mining licence for the Xinzhuang Mine. In the three years ended 31 December 2011, the ore production volume at the Xinzhuang Mine was approximately 300,570 tonnes, 306,580 tonnes and 300,070 tonnes, respectively, and exceeded the limit set out in our then mining licence. Our Directors confirmed that the excessive production volumes were caused as a result of a lack of comprehensive system controlling production volume at the early stage of development at the Xinzhuang Mine given that we firstly commenced trial production in January 2007 with an initial designed mining capacity and processing capacity of 200,000 tpa and we reached our expanded mining capacity of approximately 300,000 tpa only in 2009. As advised by our PRC Legal Advisers, according to PRC laws, the mining right owner may be ordered to rectify such excessive activities within a time limit. If the mining right owner cannot meet the relevant requirements after the rectification, it will be ordered to close its mine. For details, please refer to the section headed "Risk Factors – Risks relating to our business – There is no assurance that we can obtain or renew approvals, permits and licences necessary for the exploration, mining or ore processing at the Xinzhuang Mine or in respect of any mines we acquire in the future". As at the Latest Practicable Date, our Group had not been given such an order to rectify the non-compliance. On 25 July 2011 and 8 March 2012, the Department of Land and Resources of Yichun Municipal confirmed that it will not impose any sanction against us. The Department of Land and Resources of Yichun Municipal is the authority that supervises the annual examination of the mining licence of Yifeng Wanguo and has the right to issue the above confirmation. We have obtained the mining licence with a maximum level of 600,000 tpa in April 2012 and it will cover our planned long term mining level after completion of our expansion plan.

We will adopt the following internal control measures so as to ensure that our production volume will not exceed the level under the mining licence in the future:

(i) yearly and monthly budgeted mining plans will be prepared with reference to the permitted level under the mining licence;

(ii) a deputy manager will be assigned to monitor the actual mining level against the budgeted mining level at least once every month; and

(iii) if there is any over-mining or sign of over-mining, the deputy manager will notify the mine manager, who will then adjust the level of mining activities so as to keep the actual level within the budgeted level.

Our personnel in charge of safety and production currently hold the relevant valid safety licences with the expiry date falling within the period from June 2013 to January 2015. Our Directors confirm that our personnel will not perform any duties which require the relevant safety licences when such licences have expired and are in the course of renewal and that our Group will ensure its personnel currently in charge of safety and production holds the valid requisite licences at all times.

As confirmed by our Directors, as at the Latest Practicable Date, we were not aware of any claims in relation to our mining right made or notified either by third parties against us or vice versa. To the best knowledge of our PRC Legal Advisers and based on our Directors' confirmation, our PRC Legal Advisers and our Group are not aware of claims in relation to our Company's mining right made or notified either by third parties against our Company or vice versa which will have material adverse effect on our Company.

As advised by our PRC Legal Advisers, saved as the failure to fully pay social insurances and housing fund contributions as disclosed in the sections headed "Risk Factors – Risks Relating to our Business – Non-compliance with the social insurances and housing fund contribution regulations in the PRC by us could lead to imposition of penalties or other liabilities on us" and "– Employees" above and that the quantity of ore mined at the Xinzhuang Mine had exceeded the annual mining level under our mining licence for each of the three years ended 31 December 2011 as disclosed above, Yifeng Wanguo has complied with the relevant PRC laws and regulations in material respects and obtained the relevant permits and approvals which are material for its current operation of Xinzhuang Mine in the PRC. Our PRC Legal Advisers advise that there is no material legal impediment for our Group to renew such licences if our Group meets all relevant conditions and requirements pursuant to the relevant PRC laws and regulations and requirements imposed by the competent authorities which our Directors confirm that our Group is able to fulfil.

Hong Kong

Pursuant to section 111 of the Hong Kong Companies Ordinance, a company incorporated in Hong Kong shall hold its first annual general meeting within 18 months of its incorporation and, thereafter, an annual general meeting in each year with not more than 15 months between two annual general meetings. Pursuant to section 122 of the Hong Kong Companies Ordinance, the directors of a company incorporated in Hong Kong must cause the profit and loss account and balance sheet of the company to be made up and laid before its shareholders at each of its annual general meeting. HK Taylor was acquired for the purpose of investment holding and has not carried out any business in Hong Kong since its incorporation in August 2006. The first annual general meeting of HK Taylor was held on 14 August 2008, more than 18 months after its incorporation. No accounts for each of the four years ended 31 March 2010 were prepared and laid before the shareholders of HK Taylor in its annual general meetings. Mr. Li Kwok Ping and Mr. Gao, the then and current director of HK Taylor, respectively, have delegated the company secretarial matters of

HK Taylor to a company secretarial firm and were not aware of the specific requirements under sections 111 and 122 of the Hong Kong Companies Ordinance. After being advised of these requirements under the Hong Kong Companies Ordinance when preparing for the Listing, a local accounting firm was engaged by HK Taylor to prepare its audited accounts since its incorporation. The audited accounts of HK Taylor for the four years ended 31 March 2010 were subsequently prepared and tabled at its annual general meeting on 25 November 2011.

On 15 December 2011, Mr. Gao and MIH, as the director and the shareholder of HK Taylor respectively, applied to the High Court of Hong Kong for an order that, among other things, (i) the annual general meeting of HK Taylor held on 14 August 2008 be deemed to be the general meeting of HK Taylor for 2007 and 2008; and (ii) the time for having the accounts of HK Taylor for the four years ended 31 March 2010 laid before its shareholders in its annual general meeting be extended to 25 November 2011. On 18 January 2012, the requested orders were granted by the High Court of Hong Kong.

The maximum penalty which may be imposed on our Company and each officer of a Hong Kong company for the non-compliance with section 111 of the Hong Kong Companies Ordinance in respect of the holding of annual general meetings is a fine of HK$50,000 and the maximum penalty which may be imposed on the director of a Hong Kong company for failure to comply with the relevant requirements of preparing audited accounts under section 122 of the Hong Kong Companies Ordinance is imprisonment of 12 months and a fine of HK$300,000. As at the Latest Practicable Date, there has not been any prosecution initiated against our Company and Mr. Gao and Mr. Li, who were the then and current directors of HK Taylor, nor has any of them been subject to any fine relating to the above disclosed non-compliance. The grant of the court orders in relation to sections 111 and 122 of the Hong Kong Companies Ordinance may not by themselves bar criminal enforcement of Companies Registry of possible offences arising from past default. However, the Directors believe that the likelihood of such criminal enforcement by the Companies Registry is low in view of the fact that the High Court of Hong Kong has granted the orders based on its acceptance of the evidence submitted to the court in support of the order applications.

To avoid future occurrences of such non-compliance, our chief financial officer and company secretary, Mr. Wong Chi Wah, who is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants with extensive accounting and auditing experience, will assist us to ensure compliance with section 122 of the Hong Kong Companies Ordinance by HK Taylor. Further, our audit committee will oversee the financial reporting and internal control procedures of our Company. We will also seek outside counsel advice to prevent any recurrence of any similar events.

Our Controlling Shareholders have provided an indemnity under the Deed of Indemnity in favour of us against any expenses and/or losses incurred by us as a result of any historical breach or non-compliance with any regulatory requirements relevant to the business of our Group.

Saved as disclosed above and at the Latest Practicable Date, we were not a party to any legal or administrative proceedings, and none of our Directors are aware of any proceedings contemplated by government authorities or third parties, which, if adversely determined, would materially and adversely affect us. Our Directors further confirm that we have complied with all relevant laws, regulations and obtained all the necessary licences, approvals and permits for conducting our business activities.

OVERVIEW

Upon completion of the Capitalisation Issue and the Share Offer, Mr. Gao, via Victor Soar, will indirectly and beneficially own approximately 50.25% of the issued share capital of our Company taking no account Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme, and hence Mr. Gao and Victor Soar are our Controlling Shareholders. For further details, please refer to the section headed "Substantial Shareholders" in this prospectus.

EXCLUDED BUSINESSES

Apart from the mining business operated by our Group, Mr. Gao and his associates are currently operating other businesses, including the business engaged by (i) Quanzhou Wanguo, a company owned and controlled as to 88% by Mr. Gao at all material times, (ii) Jianyang Wanguo, a company owned and controlled as to 80% by Mr. Gao since its establishment and as of the Latest Practicable Date, and (iii) Jianyang Jinshan, a company owned as to 50% by Quanzhou Wanguo and 50% by an Independent Third Party ("**Excluded Businesses**"). The Excluded Businesses will not form part of our Group upon completion of the Reorganisation and after Listing.

Quanzhou Wanguo and Jianyang Wanguo

Quanzhou Wanguo is a limited liability company established in the PRC on 11 November 1996 principally engaged in general trading with a focus on the trading of aluminium products. On 3 November 2000, Quanzhou Wanguo entered into a licensing agreement with the holders of a mining licence who were Independent Third Parties. Pursuant to the licensing agreement, Quanzhou Wanguo as the licensee procured the establishment of Jianyang Wanguo solely for the purpose of operating and managing a silver, lead and zinc mine in Jianyang, Fujian province, PRC ("**Jianyang Mine**") owned by the mining licence holders during the period from August 2000 to July 2006. During the term of the licensing agreement, Quanzhou Wanguo continued to principally engage in general trading with a focus on the trading of aluminium products, and the mining related activities carried out at the Jianyang Mine did not have significant revenue contribution to Quanzhou Wanguo during the term of the licensing agreement.

As the holders of the mining licence for the Jianyang Mine did not intend to renew the mining licence upon its expiry in October 2006, the underlying licensing agreement with Quanzhou Wanguo was discontinued in July 2006. Since then, Quanzhou Wanguo has not engaged in any mining activities directly except through its equity interest in Yifeng Wanguo, and Jianyang Wanguo had been principally engaged in the sale of the remaining inventory of mining products from its previous mining activities until January 2009. Quanzhou Wanguo recorded an unaudited net profits of less than RMB5 million for the year ended 31 December 2009 and net losses of less than RMB5.5 million for each of the two years ended 31 December 2011. Jianyang Wanguo recorded unaudited net losses of less than RMB1.2 million for each of the three years ended 31 December 2011. Upon the transfer of its remaining 13% equity interest in Yifeng Wanguo to HK Taylor on 31 March 2011 as part of the Reorganisation, Quanzhou Wanguo ceased to hold any interest in any member of our Group. Details of the transfer is disclosed in the section headed "History and Development – Reorganisation" in this prospectus.

Jianyang Jinshan

In May 2006, Jianyang Jinshan obtained an exploration licence for a copper, lead, zinc and silver mine in Jianyang, Fujian province, PRC ("**Jinshan Mine**") and engaged in the exploration of the Jinshan Mine. As Jianyang Jinshan was unable to obtain any mining licence for the Jinshan Mine, Jianyang Jinshan decided to cease its operations in January 2007. Jianyang Jinshan did not record any net profits or losses for each of the three years ended 31 December 2011.

During the Track Record Period, none of our Controlling Shareholders or Directors is interested in any business which is, whether directly or indirectly, in competition with our business. To ensure that competition will not occur in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favour of our Company to the effect that each of them will not, and will procure each of their respective associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

DELINEATION OF BUSINESSES

Operations of our Group are independent and separate from the Excluded Businesses. The Excluded Businesses were not injected into our Group as such businesses neither form part of our core business nor are in line with our strategy to grow our business into a leading copper and iron mining company in the PRC. As such, our Directors are of the view that there is a clear delineation between the Excluded Businesses and our business, and as a result none of the Excluded Businesses would compete, or is expected to compete, directly or indirectly with our business.

Given the different nature of our business and the Excluded Businesses, our Directors do not expect there to be any overlap or competition of the Excluded Businesses and our Group's business after the Listing.

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has undertaken to us in the Deed of Non-Competition that it/he will not, and will procure its/his associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business that directly or indirectly competes with our business or undertaking, or hold shares or interest in any companies or business that compete directly or indirectly with our business.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their associates cease to hold, whether directly or indirectly, any of our Shares or our Shares cease to be listed on the Stock Exchange.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition includes the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- each of our Controlling Shareholders has undertaken to us that it/he/she will provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-Competition; and

- we will disclose the review by the independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective associates (other than our Group) after Listing for the following reasons:

Management Independence

(i) as of the Latest Practicable Date, no executive Director had overlapping roles or responsibilities in any business operation other than our business; and

(ii) as of the Latest Practicable Date, none of our Directors had an interest in any business which competes or is likely to compete, either directly or indirectly, with our business;

Operational Independence

(iii) as of the Latest Practicable Date, we had our own independent operation capabilities and independent access to customers and suppliers and we had not entered into any connected transactions with any connected person of our Company. We are also in possession of all relevant licences necessary to carry on and operate our business and we have sufficient operational capacity in term of capital and employees to operate independently; and

Financial Independence

(iv) we are financially independent of our Controlling Shareholders and their associates. All loans, advances and balances due to and from our Controlling Shareholders and their respective associates will be fully settled and that all share pledges and guarantees provided by our Controlling Shareholders and their respective associates on our Group's borrowing will be fully released on or before Listing. In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing.

Our Directors are satisfied that we are capable of carrying on our business independently from any of our Controlling Shareholders (including their respective associates) after our Company is listed on the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of 10 members, three of whom are independent non-executive Directors. The table below shows certain information in respect of our Directors:

Name	Title	Responsibilities within our Group	Year of joining our Group
Executive Directors			
Mr. Gao Mingqing (高明清)	Chairman, chief executive officer and executive Director of our Company and general manager of Yifeng Wanguo	Business strategic planning and management and supervision of overall operations	2003
Ms. Gao Jinzhu (高金珠)	Executive Director and deputy general manager of Yifeng Wanguo	Human resources management	2004
Mr. Xie Yaolin (謝要林)	Executive Director, chief engineer and mine manager of Yifeng Wanguo	Supervising and managing production, operational safety and the development and planning of new mines	2008
Mr. Liu Zhichun (劉志純)	Executive Director and deputy general manager of Yifeng Wanguo	Marketing and sales of our products	2008

Name	Title	Responsibilities within our Group	Year of joining our Group
Non-executive Directors			
Mr. Li Kwok Ping (李國平)	Non-executive Director	Advising on marketing activities and expansion of client network	2007
Mr. Lee Hung Yuen (李鴻淵)	Non-executive Director	Advising on investment strategies and office administration	2007
Mr. Wen Baolin (文保林)	Non-executive Director and technical adviser of Yifeng Wanguo	Advising on geological exploration and mine design	2007
Independent non-executive Directors			
Dr. Lu Jian Zhong (呂建中)	Independent non-executive Director	Providing investment and general corporate advice	2012
Mr. Qi Yang (祁楊)	Independent non-executive Director	Providing investment and general corporate advice	2012
Mr. Shen Peng (沈鵬)	Independent non-executive Director	Providing investment and general corporate advice	2012

EXECUTIVE DIRECTORS

Mr. GAO Mingqing (高明清), aged 59, is our chairman, chief executive officer and an executive Director. He has been the general manager of Yifeng Wanguo since November 2003. Mr. Gao was appointed as our executive Director on 13 May 2011. Mr. Gao has approximately 11 years of experience in the mining industry. He is primarily responsible for our business strategies planning, management and supervision of overall operations including production, business development and financing and investment activities of our Group. Prior to joining our Group, Mr. Gao was the general manager of Quanzhou Wanguo from November 1996 to December 2011 and has been a director of Quanzhou Wanguo since November 1996. Further, Mr. Gao has been the majority shareholder, the sole director and the manager of Jianyang Wanguo, a mining company based in Jianyang, Fujian Province in the PRC since its establishment in October 2000. Mr. Gao was responsible for the overall management and supervision of the operations of Jianyang Wanguo, including its mining activities at the Jianyang Mine from October 2000 to July 2006. In addition, Mr. Gao has been the managing director of Jianyang Jinshan, another mining company based in Jianyang, Fujian Province in the PRC, since its establishment in 2003, responsible for the overall management and supervision of operations of Jianyang Jinshan, including its mining activities at the Jinshan Mine from May 2006 to January 2007. For further information on the Jianyang Mine and the Jinshan Mine, please refer to the section headed "Our Relationship with Controlling Shareholders – Excluded Businesses" in this prospectus. In January 2012, Mr. Gao received a second class China Nonferrous Metals Industry Science and Technology Award (中國有色金屬工業科學技術獎) from the China Nonferrous Metals Industry Association (中國有色金屬工業協會) and the Nonferrous Metals Society of China (中國有色金屬學會) in respect of the Integrated Technology for Complicated Hard-to-mine Heavy Water Deposits Safety Mining of the Xinzhuang Mine (新莊銅鋅礦複雜難採大水礦床安全開採綜合技術). Mr. Gao was recognised by the People's Government of Yichun Municipal (宜春市人民政府) as an Excellent Entrepreneur (優秀企業家) in 2007 and an Outstanding Individual in New Business Establishment (全民創業標兵) in 2007, 2008 and 2010. Mr. Gao is a cousin of Mr. Li Kwok Ping, our non-executive Director. Mr. Gao has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Ms. GAO Jinzhu (高金珠), aged 53, is an executive Director and has been the deputy general manager of Yifeng Wanguo since January 2004. Ms. Gao was appointed as our executive Director on 13 May 2011. Ms. Gao has approximately 11 years of experience in the mining industry. She is primarily responsible for the human resources management of our Group. Prior to joining our Group, Ms. Gao worked at and held a number of positions including office manager and deputy general manager of Quanzhou Wanguo from November 1996 to December 2003 and has been a supervisor of Quanzhou Wanguo since August 2005. Further, Ms. Gao was the sole supervisor of Jianyang Wanguo since its establishment in October 2000. She was responsible for assisting Mr. Gao in the overall management and supervision of operations of Jianyang Wanguo and the Jianyang Mine from October 2000 to July 2006. In addition, Ms. Gao was a director of Jianyang Jinshan since its establishment in 2003. Ms. Gao had been assisting Mr. Gao in the overall management and supervision of the operations of Jianyang Jinshan and the Jinshan Mine from May 2006 to January 2007. Ms. Gao completed the Business Administration Advance Research Program of the School of Continuing Education, Tsinghua University in July 2009. Ms. Gao has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Mr. XIE Yaolin (謝要林), aged 48, an executive Directors, has been our chief engineer and the mine manager of our Xinzhuang Mine since he joined our Group in July 2008. Mr. Xie was appointed as our executive Director on 12 June 2012. He is primarily responsible for the technical side of our mining operations, including supervising and managing production, operational safety and the development and planning of new mines. Mr. Xie has approximately 30 years of experience in the mining industry, especially in the area of construction and design of mines and mining operations and management. He worked for Hunan Shuikoushan Non-Ferrous Metal Group Limited (湖南水口山有色金屬集團公司), previously known as Hunan Shuikou Mining Bureau (湖南水口山礦務局), from 1981 to 2008 where he was responsible for the general operations and management of mines including production management, construction management and mining technology implementation. In Hunan Shuikoushan Non-Ferrous Metal Group Limited, he last served as chief engineer and deputy mine manager of Kangjiawan Mine (康家灣礦), a lead, zinc and gold mine in Hunan province. In January 2012, Mr. Xie received a second class China Nonferrous Metals Industry Science and Technology Award (中國有色金屬工業科學技術獎) from the China Nonferrous Metals Industry Association (中國有色金屬工業協會) and the Nonferrous Metals Society of China (中國有色金屬學會) in respect of the Integrated Technology for Complicated Hard-to-mine Heavy Water Deposits Safety Mining of the Xinzhuang Mine (新莊銅鋅礦複雜難採大水礦床安全開採綜合技術). Mr. Xie has been a committee member of the Mining Research and Development (礦業研究與開發), a magazine jointly published by the China Non-Ferrous Metal Association (中國有色金屬學會) and the Changsha Mining Research Institute (長沙礦山研究院), since September 2010. Mr. Xie was recognised as a senior engineer in geological investigation and mining exploration by Human Resources Office of Hunan Province (湖南省人事廳) in September 2001. He graduated from the China University of Geosciences (中國地質大學) with a bachelor's degree in hydrogeology in June 1989. Mr. Xie has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Mr. LIU Zhichun (劉志純), aged 44, an executive Director, has been the deputy general manager of Yifeng Wanguo since he joined our Group in January 2008. Mr. Liu was appointed as an executive Director on 12 June 2012. He is primarily responsible for the marketing and sale of our products. Mr. Liu has approximately 13 years of experience in general marketing and sales of mining products. Prior to joining us in 2008, Mr. Liu worked in Hunan Province Chejiang Copper Mine (湖南省車江銅礦) from 1991 to 1997 where he last served as the deputy manager of the business department. From September 2004 to December 2007, he worked for Quanzhou Wanguo where he last served as deputy general manager. Mr. Liu received a bachelor's degree in history from the Hunan Science and Technology University (湖南科技大學), previously known as the Xiangtan Normal University (湘潭師範學院), in June 1991. Mr. Liu has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

NON-EXECUTIVE DIRECTORS

Mr. LI Kwok Ping (李國平), aged 50, was appointed as our non-executive Director on 12 June 2012. He is primarily responsible for advising on marketing activities and expansion of client network and has been a director of Yifeng Wanguo since November 2007. Mr. Li has approximately 16 years of experiences in cross-border trading. He has been a production manager and a director of Corbest Development Limited (高柏斯發展有限公司), a company engaged in the manufacture and trading of electronic products, since January 1995 and October 2000, respectively. Mr. Li is a cousin of Mr. Gao Mingqing, our chairman, chief executive officer and executive Director. Mr. Li has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Mr. LEE Hung Yuen (李鴻淵), aged 41, was appointed as our non-executive Director on 12 June 2012. He is primarily responsible for advising on investment strategies and office administration. Mr. Lee has been a director of Yifeng Wanguo since November 2007 and has been the company secretary for HK Taylor since August 2010. Mr. Lee has approximately 16 years of experiences in business development and investment in China. He has been engaged in the manufacture and sale of electronic and light-emitting diode lighting products since 1995. Mr. Lee has been a director and the company secretary of Longmax Industries Limited, a private company principally engaged in the manufacture and sales of electronic and metal products and the manufacture, sales and installation of light-emitting diode lighting products in the PRC, since March 1995. Mr. Lee has also been the managing director of Longmax Holding (HK) Limited, a private company principally engaged in the business of making investments in manufacturing industry in the PRC, since February 2006. Mr. Lee has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Mr. WEN Baolin (文保林), aged 53, has been appointed as our technical adviser of Yifeng Wanguo on a part-time basis since December 2007. Mr. Wen was appointed as our non-executive Director on 12 June 2012. He is primarily responsible for advising on the geological exploration and mine design. Mr. Wen has approximately 29 years of experience in the mining industry, especially in the area of exploration and design of mines. Prior to joining our Group, Mr. Wen worked for Hunan Shuikoushan Non-Ferrous Metal Group Limited (湖南水口山有色金屬集團公司), previously known as Hunan Shuikou Mining Bureau (湖南水口山礦務局), from 1982 to 2005 where he last served as the senior exploration engineer and Quanzhou Wanguo from July 2005 to December 2007 as deputy general manager. He was recognised as a senior engineer in non-ferrous mine exploration by Human Resources Office of Hunan Province (湖南省人事廳) in 1993. Mr. Wen received a bachelor's degree in mining exploration from the Central South University (中南大學), previously known as the Central South Mining College (中南礦冶學院), in July 1982. Mr. Wen has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. LU Jian Zhong (呂建中), aged 50, is our independent non-executive Director. Dr. Lu has approximately eleven years of experience in corporate senior management. Dr. Lu has held various positions in BHP Billiton Limited, an international resources company listed on the London Stock Exchange (Stock Code: BLT) and Australian Securities Exchange (Stock Code: BHP), from March 2000 to July 2007. Dr. Lu was subsequently relocated to the PRC in August 2007 and is currently the Manager of Corporate Affairs in BHP Billiton Int'l Trading (Shanghai) Co., Ltd. responsible for government relations, media relations, corporate social responsibility and business development. Dr. Lu was an expert in the United Nations from December 1994 to May 1997. Dr. Lu is a member of the Australian Institute of Management and a fellow of the World Academy of Productivity Science (WAPS). He graduated from Zhejiang University (浙江大學) with a bachelor's degree in engineering in July 1983. Dr. Lu was awarded a postgraduate degree in engineering of technological innovation from the Ecole Centrale Paris in 1990 and a doctor's degree in philosophy from the Royal Melbourne Institute of Technology in May 2000. Dr. Lu has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Mr. QI Yang (祁楊), aged 44, is our independent non-executive Director. Mr. Qi has joined Hunan Nonferrous Metals Holding Group Co., Ltd. (湖南有色金屬控股集團有限公司) ("**HNG**"), the parent company of Hunan Nonferrous Metals Corporation Limited (湖南有色金屬股份有限公司) ("**HNL**") whose shares are listed on the Stock Exchange (Stock Code: 2626), since November 2006 and acted as the head of its legal affairs department. He currently acts as the head of office of the board of directors and a member of its investment audit committee of HNG. Mr. Qi has also been a supervisor of HNL since March 2009. He was awarded the "Pioneering Individual in Provincial Legal Affairs in Corporate Supervision" (省屬監管企業法律事務工作先進個人) in 2008 by the State-Owned Assets Supervision and Administration Commission of Hunan Provincial People's Government (湖南省人民政府國有資產管理監督管理委員會). Mr. Qi was qualified as a lawyer in the PRC in 1994. He graduated from the Zhongnan Institute of Politics and Law (中南政法學院) with a bachelor's degree in law in July 1991 and graduated as a research student in economic law from the Hunan University (湖南大學) in December 2002. Mr. Qi has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Mr. SHEN Peng (沈鵬), aged 36, is our independent non-executive Director. Mr. Shen has been the chief financial officer of Yancoal Australia Limited, whose shares are currently expected to be listed on the Australian Securities Exchange (Stock Code: YAL) on 28 June 2012, since June 2010, and has approximately 10 years of experience in accounting and financial management. Prior to joining Yancoal Australia Limited, Mr. Shen served the Shenhua Group Corporation Limited (神華集團有限責任公司), the parent company of China Shenhua Energy Company Limited (中國神華能源股份有限公司) ("**China Shenhua**") whose shares are dually listed on the Stock Exchange (Stock Code: 01088) and the Shanghai Stock Exchange (Stock Code: 601088), from 2004 to 2010 where he participated in the preparation for the listing of China Shenhua and held various positions in respect of financial management and analysis, investor relations and business restructuring. Mr. Shen worked in Deloitte Touche Tohmatsu CPA Ltd. Beijing Branch from 1998 to 2001, where he last held the position of senior auditor. He graduated from the Central University of Finance and Economics (中央財經大學) with a bachelor's degree in economics in July 1998 and the University of Melbourne with a master's degree in applied finance in December 2003. Mr. Shen has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Saved as disclosed above, there is no other information in respect of our Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention to our Shareholders.

SENIOR MANAGEMENT

The table below sets forth information regarding our senior management (including Directors who also hold executive positions):

Name	Age	Position
Mr. Gao Mingqing (高明清)	59	General manager of Yifeng Wanguo
Ms. Gao Jinzhu (高金珠)	53	Deputy general manager of Yifeng Wanguo
Mr. Xie Yaolin (謝要林)	48	Chief engineer and mine manager
Mr. Liu Zhichun (劉志純)	44	Deputy general manager of Yifeng Wanguo
Mr. Wong Chi Wah (王志華)	38	Company secretary and chief financial officer

For information on Mr. Gao Mingqing, Ms. Gao Jinzhu, Mr. Xie Yaolin and Mr. Liu Zhichun, see "Directors and Senior Management – Executive Directors".

Mr. WONG Chi Wah (王志華), FCCA, HKICPA, aged 38, is our chief financial officer and company secretary. He joined us in July 2011 and was appointed as our company secretary on 7 May 2012. Mr. Wong is responsible for the management of our Group's financial matters. He has approximately 15 years of experience in auditing and accounting fields. Prior to joining our Group, Mr. Wong was the chief financial controller and company secretary of China Automotive Interior Decoration Holdings Limited (Stock Code: 8321), a company listed on the Growth Enterprise Market of the Stock Exchange from February 2010 to June 2011. He also worked as the financial controller of Kingsun-Aima Biotech Co. Ltd. from 2003 to 2010. Mr. Wong was with Ernst & Young from 2000 to 2003, where he last held the position of senior accountant, and Nelson Wheeler from 1996 to 1999. Mr. Wong received a bachelor degree in accountancy from the Hong Kong Polytechnic University in 1996. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

COMPANY SECRETARY

Mr. WONG Chi Wah (王志華), FCCA, HKICPA, aged 38, is our company secretary. His biographical details are set out in the section headed "– Senior Management" above.

WAIVER FROM RULE 8.12 OF THE LISTING RULES

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver under Rule 8.12 of the Listing Rules regarding the requirement of management presence in Hong Kong. For details of the waiver, please see the section headed "Waivers From Strict Compliance with the Listing Rules – Waiver from Rule 8.12 of the Listing Rules" in this prospectus.

COMPLIANCE ADVISER

We will appoint Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. The term of such appointment shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company on the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where we propose to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

BOARD COMMITTEES

Audit Committee

We have established an audit committee with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules on 12 June 2012. The audit committee consists of three independent non-executive Directors, namely, Mr. Shen Peng, Mr. Qi Yang and Dr. Lu Jian Zhong, with Mr. Shen Peng being the chairman of the committee.

The primary duties of the audit committee are to assist our Board in providing an independent view of our financial reporting process, internal control and risk management system, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a remuneration committee with terms of reference in compliance with paragraph B1 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules on 12 June 2012. The remuneration committee consists of an executive Director and two independent non-executive Directors, namely, Mr. Liu Zhi Chun, Mr. Qi Yang and Dr. Lu Jian Zhong, with Mr. Qi Yang being the chairman of the committee.

The primary duties of the remuneration committee are to develop remuneration policies of our Directors, evaluate the performance, make recommendations on the remuneration package of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements.

Nomination Committee

We have established a nomination committee with terms of reference in compliance with paragraph A.4.4 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules on 12 June 2012. The nomination committee consists of an executive Director and two independent non-executive Directors, namely, Ms. Gao Jinzhu, Mr. Shen Peng and Mr. Qi Yang, with Mr. Shen Peng being the chairman of the committee.

The primary function of the nomination committee is to make recommendations to our Board in relation to the appointment and removal of Directors.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

During the Track Record Period, the aggregate remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries for the three years ended 31 December 2011 was approximately RMB258,000, RMB962,000 and RMB1,863,000 respectively. Details of our Directors' remuneration are also set out in Note 11 to the Accountants' Report in Appendix I to this prospectus.

Our Group's five highest paid individuals during the Track Record Period consisted of one, two and two executive Directors respectively for the three years ended 31 December 2011, whose emoluments are reflected above. The emoluments paid to the remaining highest paid individuals during the Track Record Period, which included four, three and three individuals respectively for the three years ended 31 December 2011, was approximately RMB505,000, RMB523,000 and RMB862,000 respectively.

We expect the annual Directors' fee and other emoluments payable by our Company for the year ended 31 December 2012 to be approximately RMB2,729,000.

Save as disclosed in the section headed "Our Relationship with Controlling Shareholders" in this prospectus, none of our Controlling Shareholders, Directors and their respective associates are interested in any business which competes or is likely to compete with our business.

Our authorised and issued Share capital as of the date of this prospectus are as follows:

Authorised Share Capital		*HK$*
1,000,000,000	Shares of HK$0.10 each	100,000,000

Shares issued and to be issued, fully paid or credited as fully paid:

50,000	Shares in issue at the date of this prospectus	5,000
449,950,000	Shares to be issued pursuant to the Capitalisation Issue	44,995,000
150,000,000	Shares to be issued pursuant to the Share Offer (excluding any Shares which may be issued under the Over-allotment Option and any Shares which may be issued pursuant to exercise of the options which may be granted under the Share Option Scheme)	15,000,000
600,000,000	Total:	60,000,000

Assumptions

The tables above assume the Share Offer becomes unconditional and is completed in accordance with the relevant terms and conditions. It takes no account of (a) any Shares issued upon exercise of options which may be granted under our Share Option Scheme; (b) any Shares which may be issued under the general mandate given to our Directors for the issue and allotment of Shares; or (c) any Shares which may be repurchased by us pursuant to the general mandate given to our Directors for the repurchase of Shares.

Ranking

The Offer Shares and the Shares that may be issued pursuant to exercise of the Over-allotment Option will rank pari passu in all respects with all other existing Shares in issue as mentioned in this prospectus, and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus save for entitlements under the Capitalisation Issue.

ISSUING MANDATE

Our Directors have been granted a general unconditional mandate (the "Issuing Mandate") to allot, issue and deal with our Shares with a total par value of not more than the sum of:

(1) 20% of the total par value of our issued share capital immediately following the completion of the Share offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme); and

(2) the total par value of our issued share capital repurchased by our Company (if any) pursuant to the Repurchase Mandate.

The Issuing Mandate will expire:

– at the conclusion of our annual general meeting;

– at the expiration of the period within which our next annual general meeting is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or

– at the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting,

whichever is the earliest.

For further details of this Issuing Mandate, please refer to the paragraph headed " A. Further Information about our Group – 3. Resolutions of our Shareholders" in Appendix VII to this prospectus.

REPURCHASE MANDATE

Our Directors have been granted the repurchase mandate, which is a general unconditional mandate (the "Repurchase Mandate") to exercise all our powers to repurchase Shares with a total par value of not more than 10% of the aggregate of the total nominal amount of our share capital in issue immediately following completion of the Share offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme).

This mandate relates only to repurchase made on the Stock Exchange or on any other stock exchange (which is recognised by the SFC and the Stock Exchange for this purpose) on which our securities may be listed, and which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "A. Further Information about our Group – 6. Repurchases of our own securities" in Appendix VII to this prospectus.

The Repurchase Mandate will expire:

- at the conclusion of our next general meeting;

- at the expiration of the period within which our next annual general meeting is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; and

- at the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting,

whichever is the earliest.

For further details of this repurchase mandate, please refer to the paragraph headed "A. Further Information about our Group – 3. Resolutions of our Shareholders" in Appendix VII to this prospectus.

Substantial Shareholders

So far as our Directors are aware, immediately following completion of the Share offer and the Capitalisation Issue and based on the information available on the Latest Practicable Date (without taking into account any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or upon the exercise of options granted under the Share Option Scheme), the following persons will have interests or short positions in any of our Shares or underlying shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

Name of Shareholder	Capacity/nature of interest	Number of Shares	Approximate percentage of interest in our Company immediately after the Share Offer[(1)]
Victor Soar[(2)]	Beneficial owner	301,500,000	50.25%
Mr. Gao[(2)]	Interest in controlled corporation	301,500,000	50.25%
Ms. Lin Yinyin[(3)]	Interest of spouse	301,500,000	50.25%
Achieve Ample[(4)]	Beneficial owner	148,500,000	24.75%
Ms. Gao[(4)]	Interest in controlled corporation	148,500,000	24.75%
Mr. Wang Weimian[(5)]	Interest of spouse	148,500,000	24.75%

Notes:

1. Assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the Share Option Scheme.

2. Victor Soar is a company wholly owned and controlled by Mr. Gao.

3. Ms. Lin Yinyin is the wife of Mr. Gao and is deemed to be interested in the 301,500,000 Shares held by Victor Soar, a company controlled by Mr. Gao.

4. Achieve Ample is a company wholly owned and controlled by Ms. Gao.

5. Mr. Wang Weimian is the husband of Ms. Gao and is deemed to be interested in the 148,500,000 Shares held by Achieve Ample, a company controlled by Ms. Gao.

Saved as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Share offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme), have interests or short positions in any of our Shares or underlying shares which would need to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

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

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

OVERVIEW

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

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

Mineral Resources and Reserves

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

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

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

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

Source: Table 6.2, Independent Technical Expert's Report

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

The Xinzhuang Mine Ore Reserve Summary – 31 December 2011

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

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

Source: Table 6.4, Independent Technical Expert's Report

BASIS OF PRESENTATION

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow for the Track Record Periods which include the results, changes in equity and cash flows of the companies comprising our Group have been prepared as if the current group structure had been in existence throughout the Track Record Periods, or since their respective dates of incorporation whichever is a shorter period. The consolidated statements of financial position as at the respective reporting dates have been prepared to present the assets and liabilities of the companies comprising our Group as if the group structure had been in existence as at those dates. The financial information in this section is presented in RMB, which is the same as the functional currency of our Company and its subsidiaries.

FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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

Prices of products

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

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

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

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

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

Notes:

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

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

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

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

Production volume

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

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

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

Costs of production

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

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

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

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

Source: Table 11.1, Independent Technical Expert's Report

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

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

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

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

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

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

Price volatility of raw materials and utilities

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

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

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

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

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

Development, construction and mining operations

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

Economic growth globally and in the PRC

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

CRITICAL ACCOUNTING POLICIES

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

Revenue recognition

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

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

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

Property, plant and equipment

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

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

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

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

Mining right

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

Amortisation of mining right

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

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

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

Impairment of tangible and intangible assets

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

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

Inventories

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

Taxation

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

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

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

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

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

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

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

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

Provision for restoration cost

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

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

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

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

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

RESULTS OF OPERATIONS

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

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

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME LINE ITEMS

Revenue

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

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

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

Notes:

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

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

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

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

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

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

Cost of sales

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

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

Gross profit and gross profit margin

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

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

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

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

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

Other gains and income

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

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

Selling and distribution expenses

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

Administrative expenses

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

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

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

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

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

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

Listing expenses

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

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

Finance costs

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

Income tax expense

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

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

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

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

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

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

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

Revenue

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

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

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

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

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

Cost of sales

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

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

Gross profit and gross profit margin

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

Other gains and income

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

Selling and distribution expenses

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

Administrative expenses

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

Fair value loss on derivative

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

Finance costs

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

Income tax expense

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

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

Profit and total comprehensive income

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

Profit attributable to owners of our Company

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

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

Revenue

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

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

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

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

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

Cost of sales

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

Gross profit and gross profit margin

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

Other gains and income

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

Selling and distribution costs

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

Administrative expenses

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

Finance costs

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

Income tax expense

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

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

Profit and total comprehensive income

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

Profit attributable to owners of our Company

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

NET CURRENT (LIABILITIES)/ASSETS

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

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

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

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

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

Cash flows

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

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

Cash flow from operating activities

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

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

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

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

Cash flow from investing activities

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

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

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

Cash flow from financing activities

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

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

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

WORKING CAPITAL

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

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

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

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

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

ANALYSIS OF VARIOUS CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Analysis of prepaid lease payments

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

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

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

Analysis of trade receivables

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

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

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

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

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

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

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

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

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

Analysis of prepayments and other receivables

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

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

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

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

Analysis of inventories

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

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

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

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

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

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

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

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

Analysis of trade payables

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

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

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

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

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

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

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

Analysis of other payables

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

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

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

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

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

CAPITAL EXPENDITURES

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

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

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

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

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

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

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

Source: Table 12.1, Independent Technical Expert's Report

Notes:

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

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

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

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

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

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

INDEBTEDNESS

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

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

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

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

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

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

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

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

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

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

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

Operating lease commitment

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

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

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

Capital commitment

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

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

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

CONTINGENT LIABILITIES

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

DISCLAIMER

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

KEY FINANCIAL RATIOS

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

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

Notes:

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

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

Current ratio

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

Gearing ratio

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

THE PERFORMANCE OF OUR GROUP SUBSEQUENT TO 31 DECEMBER 2011

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

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

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

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

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

MARKET RISKS

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

Commodity price risk

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

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

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

Foreign exchange risk

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

Interest rate risk

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

Inflation

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

LIQUIDITY RISK

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

CREDIT RISK

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

DIVIDEND AND DIVIDEND POLICY

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

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

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

DISTRIBUTABLE RESERVES

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

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

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

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

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

Notes:

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

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

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

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

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

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

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

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

PROPERTY VALUATION

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

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

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

NO MATERIAL ADVERSE CHANGE

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

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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

FUTURE PLANS

Please see the section headed “Business – Our Expansion Plan” in this prospectus for further information about the expansion project at the Xinzhuang Mine to expand present mining capacity and processing capacity and to enhance efficiency which is now in progress.

USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.925 per Share (being the mid-point of the estimated price range), we estimate that the net proceeds to us from the Share Offer will be approximately HK$241 million, after deducting the underwriting commissions and other estimated expenses payable by us in relation to the Share Offer. We intend to use the net proceeds to us from the Share Offer as follows:

- approximately 75% (approximately HK$181.0 million) will be used to provide part of the funds required for the expansion project at the Xinzhuang Mine set out in the section headed “Business – Our Expansion Plan” in this prospectus;

- approximately 10% (approximately HK$24.0 million) will be used to fund our exploration activities in the surrounding areas of the Xinzhuang Mine and to commercialise any mineral resources discovered as a result of our exploration activities;

- approximately 5% (approximately HK$12.0 million) will be used to fund the miscellaneous technological improvement and renovation projects including improvement of our environmental protection facilities and control room technology, etc.; and

- approximately 10% (approximately HK$24.0 million) will be used for additional working capital and other general corporate purposes.

If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Share Offer (assuming the Over-allotment Option is not exercised) will increase or decrease by approximately HK$25.2 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purpose on a pro-rata basis.

In the event that the Over-allotment Option is exercised, the additional net proceeds of about HK$41.7 million (assuming that the Offer Price is determined at the mid-point of the stated range) will be applied by our Company in the same proportions as set out above. To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, we presently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions in Hong Kong.

As advised by our PRC Legal Advisers, subject to the relevant PRC regulatory procedures, PRC governmental approvals, registrations and/or filings, the net proceeds from the Share Offer can be applied in the PRC according to the above intended use under the relevant existing PRC laws and regulations by: (i) increasing the registered capital of our subsidiary in the PRC; (ii) establishing a new PRC subsidiary; (iii) acquiring equity interests in other companies in the PRC; and/or (iv) providing shareholder's loan to our subsidiary in the PRC in the amount not exceeding the difference between the investment amount and the registered capital of such subsidiary. As advised by our PRC Legal Advisers, there are no material legal obstacles to apply the net proceeds from the Share Offer in the PRC if we meet all relevant conditions and requirements required by the relevant PRC laws, regulations and the competent authorities.

Our Directors confirm that our Group is able to fulfil all relevant conditions and requirements pursuant to the relevant PRC laws and regulations and relevant requirements imposed by the competent authorities for the application of the proceeds from the Share Offer. As advised by our PRC Legal Advisers, there shall be no material legal impediment for our Group to fulfil such conditions and requirements if our Company does so based on the relevant conditions and the requirements pursuant to the relevant PRC laws and regulations and relevant requirements imposed by the competent authorities.

HONG KONG UNDERWRITERS

Sole Global Coordinator

Guotai Junan Securities (Hong Kong) Limited

Joint Bookrunners and Joint Lead Managers

Guotai Junan Securities (Hong Kong) Limited
China Rise Securities Company Limited

Co-Managers

Ever-Long Securities Company Limited
Yuanta Securities (Hong Kong) Company Limited
South China Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

(a) Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is initially offering 15,000,000 Hong Kong Offer Shares (subject to reallocation) for subscription by way of Hong Kong Public Offering on and subject to the terms and conditions of this prospectus and the related Application Forms. It is expected that our Company will enter into the International Underwriting Agreement pursuant to which our Company will initially offer 135,000,000 International Placing Shares (subject to reallocation and to any additional new Shares to be issued pursuant to the exercise of the Over-allotment Option) for subscription by way of International Placing on and subject to the terms and conditions of this prospectus.

Subject to (i) the Listing Committee granting listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus, including the Shares to be issued under the Share Offer, additional Shares to be issued pursuant to the exercise of the Over-allotment Option and any options up to 10% of the Shares in issue on the Listing Date that may be granted under the Share Option Scheme, subject only to allotment and/or dispatch of Share certificates for the Offer Shares and/or other usual conditions, on or before the Business Day preceding the Listing Date (or such later date as the Joint Bookrunners (on behalf of the Hong Kong Underwriters) may agree in writing) and such approval and permission not having been subsequently revoked prior to 8:00 a.m. on the Listing Date and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus and the related Application Forms, for the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

(a) there has come to the notice of the Joint Bookrunners:

(i) that any statement, considered by the Joint Bookrunners to be material, contained in this prospectus and/or the Application Forms in relation to the Share Offer was when the same was issued, or has become, untrue, incorrect or misleading in any material respect; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Joint Bookrunners to be material to the Share Offer; or

(iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than on any of the Underwriters, the Sole Sponsor or the Joint Bookrunners); or

(iv) any material adverse change or development involving a prospective material adverse change in the conditions, business affairs, prospects or the financial or trading position of our Group as a whole; or

(v) any breach by our Company, the executive Directors or the Covenantors, reasonably considered by the Joint Bookrunners to be material, of any of the warranties under the Hong Kong Underwriting Agreement or the International Underwriting Agreement;

(b) there shall develop, occur, exist or come into effect:

(i) any event, or series of events, in the nature of force majeure beyond the reasonable control of the Hong Kong Underwriters (including, without limitation, acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation); or

(ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including any moratorium or suspension on or material fluctuations in trading prices of the securities generally traded on the Stock Exchange, the New York Stock Exchange, the NASDAQ National Market or any of the stock exchanges in China, a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency or any interruption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world); or

(iii) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdictions relevant to any member of our Group (the "Specific Jurisdictions"); or

(iv) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the U.S. or by the European Union (or any member thereof) on Hong Kong or any of the Specific Jurisdictions; or

(v) a change or development occurs involving a prospective change in taxation or currency exchange control (or the implementation of any exchange control) in Hong Kong or any of the Specific Jurisdictions; or

(vi) any change or development involving a prospective change, or an actual occurrence of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(vii) any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or

(viii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(ix) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(x) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(xi) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or any of the Specific Jurisdictions, which in their sole opinion of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) (1) is or will have or could be expected to have a material adverse effect on the business, financial or other condition or prospects of our Group as a whole; or (2) has or will have or could reasonably be expected to have material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (3) makes it inadvisable, inexpedient or impracticable for the Share Offer to proceed.

Undertakings to the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement

Our Company has undertaken to the Hong Kong Underwriters and each of them that it will not, and each of the Covenantors and executive Directors has jointly and severally undertaken to the Hong Kong Underwriters and each of them to procure, except pursuant to the Share Offer (including the issue of new Shares pursuant to the Capitalisation Issue and the exercise of the Over-allotment Option), the grant of options under the Share Option Scheme and the issue of new Shares pursuant to the exercise of options that may be granted under the Share Option Scheme and save as mentioned in this prospectus or with the prior written consent of the Joint Bookrunners (on behalf of the Hong Kong Underwriters), and unless in compliance with the requirements of the Listing Rules, our Company shall not, and shall procure that its subsidiaries shall not, allot or issue, or agree to allot or issue, any Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) (including warrants or other convertible or exchangeable securities), or grant or agree to grant any options, warrants or other rights to subscribe for or otherwise acquire any securities or convertible or exchangeable into Shares or other securities of our Company, or repurchase Shares or other securities of our Company (except in compliance with the Listing Rules and the Code on Share Repurchases), or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership in any Shares, or offer to or agree to do any of the foregoing or announce any intention to do so, within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) and in the event of our Company doing any of the foregoing by virtue of the aforesaid consent or exceptions or during the period of six months immediately following the expiry of the first six months period after the Listing Date, our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Each of Mr. Gao and Victor Soar, each being a Controlling Shareholder, has jointly and severally undertaken to our Company and the Hong Kong Underwriters and each of them that without the prior written consent of the Joint Bookrunners (on behalf of the Hong Kong Underwriters), he or it shall not directly or indirectly (except in connection with the Stock Borrowing Agreement) and shall procure that the relevant registered Shareholders shall not:

(i) in the period commencing on the Listing Date and ending on a date which is six months from the Listing Date:

(a) transfer or dispose of, nor enter into any agreements to transfer or dispose of or otherwise create any options, rights, interests or encumbrances (including the creation or entry into of any agreement to create any pledge or charge) in respect of any of those securities in respect of which they are shown by this prospectus to be the beneficial owner(s) or any interest in such securities (which includes any interest in a company which holds any such securities) or securities that constitute or confer the right to receive such securities or securities convertible into or exercisable or exchangeable for or repayable with such securities; or

(b) enter into a swap agreement or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such securities, whether any such swap agreement or other agreement or transaction is to be settled by delivery of such securities or other securities, in cash or otherwise; or

(c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) and (b) above; or

(d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above; and

(ii) within a further six months commencing on the expiry of the six-month period referred to in paragraph (i) above, take any action as referred to in (i) (a)-(d) above, if, immediately following such disposal, any of them, either individually or taken together with the others, would cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company or cease to hold a controlling interest (that is to say, an interest of over 30% or such lower amount as may from time to time be specified in the Takeover Code as being the level for triggering a mandatory general offer); and

(iii) in the event of any disposal of Shares or any such interests referred to in paragraph (i) above after expiry of the six-month period referred to in paragraph (i) above, all reasonable steps will be taken to ensure that such disposal will not create a false or disorderly market in the Shares.

Each of Ms. Gao and Achieve Ample has jointly and severally undertaken to our Company and the Hong Kong Underwriters and each of them that without the prior written consent of the Joint Bookrunners (on behalf of the Hong Kong Underwriters), she or it shall not directly or indirectly and shall procure that the relevant registered Shareholders shall not in the period commencing on the Listing Date and ending on a date which is six months from the Listing Date:

(a) transfer or dispose of, nor enter into any agreements to transfer or dispose of or otherwise create any options, rights, interests or encumbrances (including the creation or entry into of any agreement to create any pledge or charge) in respect of any of those securities in respect of which they are shown by this prospectus to be the beneficial owner(s) or any interest in such securities (which includes any interest in a company which holds any such securities) or securities that constitute or confer the right to receive such securities or securities convertible into or exercisable or exchangeable for or repayable with such securities; or

(b) enter into a swap agreement or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such securities, whether any such swap agreement or other agreement or transaction is to be settled by delivery of such securities or other securities, in cash or otherwise; or

(c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) and (b) above; or

(d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above.

Undertakings pursuant to the Listing Rules

Pursuant to rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders shall not and shall procure that the relevant registered holder(s) shall not, without the prior written consent of the Stock Exchange or unless in compliance with the Listing Rules:

(a) during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of us in respect of which it is shown by this prospectus to be the beneficial owner; or

(b) during the period of six months commencing on the date on which the period referred to in (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, he or it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Each of the Controlling Shareholders has undertaken to the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is twelve months from the Listing Date, he or it shall:

(a) when he or it pledges or charges any Shares beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of the Shares so pledged or charged; and

(b) when he or it receives any indications, either verbal or written, from any pledgee or chargee of any of the pledged or charged Shares will be disposed of, immediately inform our Company of any such indications.

Our Company shall inform the Stock Exchange as soon as it has been informed of such matters and disclose such matters by way of an announcement which will be published by way of announcement in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except for certain circumstances prescribed by Rule 10.08 of the Listing Rules.

(b) International Placing

International Underwriting Agreement

In connection with the International Placing, our Company is expected to enter into the International Underwriting Agreement with the International Underwriters, the Sole Global Coordinator and the Joint Bookrunners. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Placing Shares being offered pursuant to the International Placing or procure purchasers for such International Placing Shares.

It is expected that under the International Underwriting Agreement, our Company will grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters during the period commencing from the Listing Date until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 22,500,000 additional Shares, representing 15% of the Offer Shares initially available under the Share Offer. These additional Shares will be issued at the Offer Price and will be solely for the purpose of covering over-allocations in the International Placing, if any.

(c) Underwriting Commission

The Hong Kong Underwriters will receive an underwriting commission of 3% on the aggregate Offer Price of all the Hong Kong Offer Shares, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the relevant International Underwriters subject to the terms and conditions of the Underwriting Agreements. The commission payable to the Underwriters, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer which are currently estimated to be approximately HK$47.4 million in aggregate (based on an Offer Price of HK$1.925 per Share, being the mid-point of the stated range of the Offer Price of between HK$1.75 and HK$2.10 per Share and the assumption that the Over-allotment Option is not exercised) is to be borne by our Company.

(d) Underwriters' interests in our Company

Other than pursuant to the Underwriting Agreements, none of the Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Pursuant to Rule 3A.19 of the Listing Rules, we will appoint Guotai Junan Capital Limited as our compliance adviser for the period commencing on the Listing Date and ending on the date on which our financial results for the first full financial year commencing after the Listing Date is required to be published in compliance with Rule 13.46 of the Listing Rules.

OFFER PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$2.10 and is expected to be not less than HK$1.75 per Offer Share. Based on the maximum Offer Price of HK$2.10 per Offer Share, plus 1% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee, one board lot of 2,000 Shares will amount to a total of HK$4,242.34.

The Offer Price is expected to be determined by our Company and the Joint Bookrunners (on behalf of the Underwriters) on the Price Determination Date which is expected to be Wednesday, 4 July 2012, or such later date as may be agreed by our Company and the Joint Bookrunners (on behalf of the Underwriters) but in any event no later than Friday, 6 July 2012.

If, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, the Joint Bookrunners (for themselves and on behalf of the Underwriters, and with the consent of our Company) thinks it appropriate (for instance, if the level of interest is below the indicative Offer Price range), the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction of the indicative Offer Price range. Such notice will also include any financial information which may change as a result of any such reduction. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the Offer Price is so reduced, such applications cannot be subsequently withdrawn. If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (on behalf of the Underwriters) on or before the Price Determination Date (or such later day as agreed), the Share Offer will not proceed and will lapse.

CONDITIONS

Acceptance of all applications for the Share Offer will be conditional upon:

(i) the Listing Committee granting a listing of, and permission to deal in the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer (including Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option) and upon the exercise of options which may be granted under the Share Option Scheme, being up to 10% of the issued Shares upon Listing;

(ii) the Offer Price having been duly determined and the execution and delivery of the Price Determination Agreement on or about the Price Determination Date; and

(iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Joint Bookrunners for themselves and on behalf of the Underwriters) and not being terminated in accordance with the terms of that agreement or otherwise, in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent that such conditions are validly waived on or before such dates and times) and in any event not later than Saturday, 28 July 2012, the date that is 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us in The Standard (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for the Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bankers or other licensed bank(s) in Hong Kong.

Share certificates for the Hong Kong Offer Shares are expected to be issued on Monday, 9 July 2012 but will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that (i) the Share Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.

OFFER MECHANISM – BASIS OF ALLOCATION OF SHARES

The Share Offer

The Share Offer consists of the International Placing and the Hong Kong Public Offering. The 150,000,000 Shares initially offered will comprise 135,000,000 Shares being offered under the International Placing and 15,000,000 Shares being offered under the Hong Kong Public Offering. The 150,000,000 Shares being offered under the Share Offer will represent approximately 25% of our Company's enlarged share capital immediately after completion of the Share Offer (without taking into account the exercise of the Over-allotment Option).

Subject to possible reallocation on the basis set forth below, 15,000,000 Shares, representing 10% of the total number of Shares initially being offered under the Share Offer, will be offered to the public in Hong Kong under the Hong Kong Public Offering. The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors.

Out of the total 150,000,000 Shares offered pursuant to the Share Offer, 135,000,000 Shares, representing 90% of the total number of Shares initially being offered under the Share Offer, will be placed with prospective professional and institutional investors in Hong Kong and other jurisdictions under the International Placing. The International Placing Shares will be offered in Hong Kong and other jurisdictions outside the United States in offshore transactions, as defined in, and in reliance on, Regulation S.

In connection with the Share Offer, our Company is expected to grant to the International Underwriters the Over-allotment Option which is exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time during the period commencing from the Listing Date until 30 days from the last date for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to issue up to an aggregate of 22,500,000 additional Shares (representing 15% of the number of Shares initially being offered under the Share Offer) to cover over-allocations in the International Placing. Please refer to the section headed "– Over-allotment and Stabilisation" below for further details.

The levels of indication of interest in the International Placing and the basis of allotment and the results of application under the Hong Kong Public Offering are expected to be published in The Standard (in English), the Hong Kong Economic Times (in Chinese), the website of the Stock Exchange at www.hkex.com.hk and the website of our Company at www.wgmine.com on or before Monday, 9 July 2012.

The International Placing

Our Company is initially offering 135,000,000 International Placing Shares, representing 90% of the total number of Shares initially being offered in the Share Offer, for subscription by way of the International Placing. The International Placing is expected to be fully underwritten by the International Underwriters, subject to the terms and conditions of the International Underwriting Agreement. The International Underwriters are soliciting from prospective professional and institutional investors indications of interest in acquiring International Placing Shares in the International Placing. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities and entities which regularly invest in shares and other securities. Prospective professional and institutional investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process is known as “book building”. In Hong Kong, retail investors should apply for Shares in the Hong Kong Public Offering, as retail investors applying for International Placing Shares, including retail investors applying through banks and other institutions, are unlikely to be allocated any International Placing Shares.

Allocation of the International Placing Shares pursuant to the International Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the Listing. Such allocation is generally intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of our Company and its Shareholders as a whole.

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator may reallocate all or any unsubscribed Shares originally included in the Hong Kong Public Offering to the International Placing.

The International Underwriters or selling agents nominated by the International Underwriters shall, on behalf of our Company, conditionally place the International Placing Shares with prospective professional and institutional investor in Hong Kong and other jurisdictions outside the United States in offshore transactions as defined in, and in reliance on, Regulation S. The International Placing of the International Placing Shares shall be subject to the Share Offer restrictions set out under the section headed “Information about this Prospectus and the Share Offer” in this prospectus.

The total number of International Placing Shares to be allotted and issued pursuant to the International Placing may change as a result of the clawback arrangement referred to in the section headed “– The Hong Kong Public Offering” below, the exercise of the Over-allotment Option and any reallocation of unsubscribed Shares originally included in the Hong Kong Public Offering.

The Hong Kong Public Offering

Our Company is initially offering 15,000,000 Hong Kong Offer Shares, representing 10% of the total number of Shares initially being offered in the Share Offer, for subscription by way of a public offer in Hong Kong. The Hong Kong Offer Shares are being offered at the Offer Price. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters, subject to the terms and conditions of the Hong Kong Underwriting Agreement.

The total number of Shares available for subscription under the Hong Kong Public Offering (after taking into account any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Shares in pool A will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of HK$5 million (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Shares in pool B will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the value of pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Shares in one (but not both) of the pools are under-subscribed, the surplus Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly.

Applicants can only receive an allocation of Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than the total number of Shares originally allocated to each pool (i.e. 7,500,000 Shares) are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of the Shares between the International Placing and the Hong Kong Public Offering is subject to adjustment. If the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase to 45,000,000 Shares, representing 30% of the Shares initially available for subscription under the Share Offer. If the number of Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of Shares available for subscription under the Hong Kong Public Offering will be 60,000,000 Shares, representing 40% of the Shares initially available for subscription under the Share Offer. If the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase to 75,000,000 Shares, representing 50% of the

Shares initially available for subscription under the Share Offer. In each such case, the additional Shares reallocated to the Hong Kong Public Offering will be allocated equally between pool A and pool B and the number of Shares allocated to the International Placing will be correspondingly reduced.

In addition, if the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator in its sole discretion (on behalf of the Underwriters) may reallocate all or any unsubscribed Shares originally included in the Hong Kong Public Offering to the International Placing. If the International Placing is not fully subscribed, the Sole Global Coordinator in its sole discretion (on behalf of the Underwriters) may reallocate all or any unsubscribed International Placing Shares originally included in the International Placing to the Hong Kong Public Offering.

Investors may either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or (ii) apply for or indicate an interest for International Placing Shares under the International Placing, but may not do both.

Guotai Junan Securities and China Rise are the Joint Bookrunners of the Hong Kong Public Offering which is underwritten at the Offer Price by the Hong Kong Underwriters, on and subject to the terms and conditions of the Underwriting Agreements.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants.

This could, where appropriate, consist of balloting which means that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

OVER-ALLOTMENT AND STABILISATION

The Over-allotment Option

In connection with the Share Offer, it is expected that our Company will grant to International Underwriters, the Over-allotment Option, which will be exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) within a period commencing from the Listing Date until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to issue and allot at the Offer Price up to an aggregate of 22,500,000 additional Shares, representing 15% of the total number of Shares initially available under the Share Offer, in connection with over-allocations in the International Placing, if any. If the Over-allotment Option is exercised in full, the total Offer Shares will represent approximately 27.7% of our Company's enlarged issued share capital following the completion of the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Stabilising Action

In connection with the Share Offer, Guotai Junan Securities, on behalf of the International Underwriters, or any person acting for it, as the Stabilising Manager may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. Such transactions, if commenced, may be discontinued at any time. Guotai Junan Securities has been or will be appointed as stabilising manager for the purposes of the Share Offer in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO and, should stabilising transactions be effected in connection with the Share Offer, this will be at the absolute discretion of the Stabilising Manager.

Following any over-allotment of Shares in connection with the Share Offer, the Stabilising Manager or any person acting for it may cover such over-allocation by (among other methods) making purchases in the secondary market or exercising the Over-allotment Option in full or in part, or by any combination of purchases and exercise of the Over-allotment Option. Any such purchases will be made in compliance with all applicable laws and regulatory requirements including the Securities and Futures (Price Stabilising) Rules made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon exercise of the Over-allotment Option, being 22,500,000 Shares representing 15% of the Shares initially available under the Share Offer.

Pursuant to Rule 10.07(3) of the Listing Rules, the Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules which otherwise restricts the disposal of shares by controlling shareholders following a new listing on the conditions that:

(1) the stock borrowing arrangements as contemplated under the Stock Borrowing Agreement with the Controlling Shareholders will only be effected for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option; and

(2) the stock borrowing arrangements as contemplated under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements.

The possible stabilising action which may be taken by the Stabilising Manager in connection with the Share Offer may involve (among other things) (i) over-allocations of Shares, (ii) purchases of Shares, (iii) establishing, hedging and liquidating positions in Shares, (iv) exercising the Over-allotment Option in whole or in part and/or (v) the Stabilising Manager attempting to do any of the foregoing. Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager may, in connection with any stabilising action, maintain a long position in the Shares;

- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager will maintain such a position;

- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;

- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on the 30th day after the date expected to be the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of any security (including the Shares) cannot be assured to stay at or above its offer price by the taking of any stabilising action; and

- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

LISTING ON ANY OTHER STOCK EXCHANGE

Our Directors are not considering any listing of our Company on any other overseas stock exchange. Our Company has not submitted any application nor obtained any approval for the listing of the Shares.

DEALINGS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 10 July 2012, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 10 July 2012.

METHODS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are three ways to make an application for the Hong Kong Offer Shares. You may apply for the Hong Kong Offer Shares by (i) using a **WHITE** or **YELLOW** Application Form; (ii) apply online through the designated website of the designated **HK eIPO White Form** Service Provider, referred to in this section as the "**HK eIPO White Form** service" or; (iii) by giving **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, **you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying using a WHITE or YELLOW Application Form** or applying online through **HK eIPO White Form** service or by giving **electronic application instructions** to HKSCC via CCASS.

WHO CAN APPLY FOR THE HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States and will be acquiring the Hong Kong Offer Shares in an offshore transaction (as defined in Regulation S); and
- are not a U.S. Person (as defined in Regulation S).

If you wish to apply for Hong Kong Offer Shares online through the designated website at www.hkeipo.hk under the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO White Form** service if you are an individual applicant. Corporations or joint applicants may not apply by means of the **HK eIPO White Form** service.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Joint Bookrunners (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

Our Company, the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares, our Directors, or chief executive officers or their respective associates or any other connected persons (as defined in Chapter 1 of the Listing Rules) of our Company or persons who will become connected persons (as defined in Chapter 1 of the Listing Rules) of our Company immediately upon completion of the Share Offer.

You should also note that you may apply for Shares under the Hong Kong Public Offering or indicate an interest for Shares under the International Placing, but may not do both.

WHICH APPLICATION METHOD YOU SHOULD USE

Use a **WHITE** Application Form or apply online through the **HK eIPO White Form** Service if you want the Hong Kong Offer Shares to be issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.

Instead of using a **YELLOW** Application Form, you may give **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf via CCASS. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Note: Except in the circumstances permitted under the Listing Rules, the Offer Shares are not available for subscription by existing beneficial owners of the Shares, the Directors or chief executive of our Company or any of its subsidiaries or the associates of any of them, or any other connected persons (as defined in Chapter 1 of the Listing Rules) of our Company or persons who will become connected persons (as defined in Chapter 1 of the Listing Rules) of our Company immediately upon completion of the Share Offer.

WHERE TO COLLECT THE APPLICATION FORMS

Copies of this prospectus, together with the **WHITE** Application Forms, may be obtained during normal business hours from 9:00 a.m. on Thursday, 28 June 2012 until 12:00 noon on Wednesday, 4 July 2012 from:

any of the following addresses of the Hong Kong Underwriters:

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

China Rise Securities Company Limited
Room 1611, 16/F
West Wing, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Ever-Long Securities Company Limited
18th Floor, Dah Sing Life Building
99-105 Des Voeux Road Central
Hong Kong

Yuanta Securities (Hong Kong) Company Limited
23/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

South China Securities Limited
28/F, Bank of China Tower
1 Garden Road
Central, Hong Kong

or any of the following branches of Wing Lung Bank Limited:

District	Branch Name	Address
Hong Kong Island:	Head Office	45 Des Voeux Road Central
	North Point Branch	361 King's Road
	Aberdeen Branch	201 Aberdeen Main Road
Kowloon:	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
	Lamtin Sceneway Plaza Branch	Shop 59, 3/F Sceneway Plaza, 8 Sceneway Road
	San Po Kwong Branch	8 Shung Ling Street
New Territories:	Shatin Plaza Branch	21 Shatin Centre Street
	Tsuen Wan Branch	251 Sha Tsui Road
	Yuen Long Branch	37 On Ning Road

The **YELLOW** Application Forms, together with copies of this prospectus, may be obtained during normal business hours from 9:00 a.m. on Thursday, 28 June 2012 until 12:00 noon on Wednesday, 4 July 2012 at the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong. Your stockbroker may also have the **YELLOW** Application Forms and this prospectus available.

HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each Application Form. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated in the Application Form.

If your application is made through a duly authorised attorney, our Company, the Sole Sponsor, the Joint Bookrunners and/or their respective agents or nominees may accept it at their respective discretion, and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

You should note that by completing and submitting an Application Form, among other things:

(a) you confirm that you have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations save as set out in any supplement to this prospectus;

(b) you agree that none of our Company, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not contained in this prospectus (and any supplement thereto) and the Application Forms;

(c) you undertake and confirm that you (if the application is made for your benefit) or the person(s) or whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for, take up, or indicate an interest for, any International Placing Shares nor otherwise participated in the International Placing; and

(d) you agree to disclose to our Company, and/or the share registrars, receiving bankers, the Joint Bookrunners, the Underwriters and their respective advisers and agents any personal data and any information which they require about you and the person(s) for whose benefit you have made the application.

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the Application Form. Only written signature will be accepted.

(a) **if the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**

– the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant ID in the appropriate box in the Application Form.

(b) **if the application is made by an individual CCASS Investor Participant:**

(i) the Application Form must contain the CCASS Investor Participant's full name and Hong Kong identity card number; and

(ii) the individual CCASS Investor Participant must insert its CCASS Participant ID in the appropriate box in the Application Form.

(c) **if the application is made by joint individual CCASS Investor Participants:**

(i) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all of the joint CCASS Investor Participants; and

(ii) the CCASS Participant ID must be inserted in the appropriate box in the Application Form.

(d) **if the application is made by a corporate CCASS Investor Participant:**

(i) the Application Form must contain the CCASS Investor Participant's company name and the Hong Kong business registration certificate number; and

(ii) the CCASS Participant ID must be inserted and the company chop (bearing the CCASS Investor Participant's company name) chopped in the appropriate box in the Application Form.

Incorrect or omission of details of the CCASS Participant (include participant ID and/or company chop bearing its company name) or other similar matters may render your application invalid.

If your application is made through a duly authorised attorney, our Company, the Sole Sponsor, the Joint Bookrunners and/or their respective agents or nominees may accept the application at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. Our Company, the Sole Sponsor, the Joint Bookrunners and/or their respect agents or nominees will have full discretion to reject or accept any application, in full or in part, without assigning any reasons.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

HOW TO APPLY THROUGH THE HK eIPO WHITE FORM SERVICE

General

(a) If you are an individual and meet the criteria set out in the section headed "– Who can apply for the Hong Kong Offer Shares" above, you may apply through the **HK eIPO White Form** service by submitting an application online through the designated website at www.hkeipo.hk. If you apply through the **HK eIPO White Form** service, our Shares will be issued in your own name. You may only apply by means of the **HK eIPO White Form** service if you are an individual applicant. Corporations or joint applicants may not apply by means of the **HK eIPO White Form** service.

(b) Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at www.hkeipo.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **HK eIPO White Form** Service Provider and may not be submitted to our Company.

(c) By submitting an application online to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service, you are deemed to have authorised the designated **HK eIPO White Form** Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **HK eIPO White Form** service.

(d) In addition to the terms and conditions set out in this prospectus, the designated **HK eIPO White Form** Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at www.hkeipo.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

(e) By submitting an application to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service, you are deemed to have authorised the designated **HK eIPO White Form** Service Provider to transfer the details of your application to our Company and our Hong Kong Branch Share Registrar.

(f) You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.hkeipo.hk.

(g) You should submit an application online through the **HK eIPO White Form** service at the times set out in the paragraph headed "– Time for applying for the Hong Kong Offer Shares – **HK eIPO White Form**" below.

(h) You should make payment for your application made through the **HK eIPO White Form** service in accordance with the methods and instructions set out on the designated website at www.hkeipo.hk. If you do not make complete payment of the application monies (including any related fees) at or before 12:00 noon on Wednesday, 4 July 2012, or such later time as described in the paragraph headed "Effect of bad weather on the opening of the application lists" of this section, the designated **HK eIPO White Form** Service Provider will reject your application and your application monies will be returned to you in the manner described on the designated website at www.hkeipo.hk.

(i) **Warning: The application for Hong Kong Offer Shares through the HK eIPO White Form service is only a facility provided by the designated HK eIPO White Form Service Provider to public investors. Our Company, our Directors, the Joint Bookrunners, the Sole Sponsor, the Underwriters and the designated HK eIPO White Form Service Provider take no responsibility for any such applications and provide no assurance that applications through the HK eIPO White Form service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.**

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **HK eIPO White Form** service, you are advised not to wait until the last minute for submitting applications in the Hong Kong Public Offering to submit your applications online. In the event that you have problems connecting to the designated website at www.hkeipo.hk for the **HK eIPO White Form** service, you should submit a **WHITE** Application Form. However, once you have submitted applications online and completed payment in full using the application reference number provided to you on the designated website at www.hkeipo.hk, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. Please refer to the paragraph headed "How many applications you may make for the Hong Kong Offer Shares" below.

Additional information

For the purposes of allocating Hong Kong Offer Shares, each applicant submitting applications online through the **HK eIPO White Form** service to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **HK eIPO White Form** Service Provider, the designated **HK eIPO White Form** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **HK eIPO White Form** Service Provider on the designated website at www.hkeipo.hk.

Otherwise, any monies payable to you due to a refund shall be made pursuant to the arrangements described in the section headed "– Despatch/Collection of Share certificates and refund of application money" below.

HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at https://ip.ccass.com (according to the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Copies of this prospectus are available for collection from the above address. If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your broker or custodian to our Company and our Hong Kong branch share registrar and transfer office.

Application for the Hong Kong Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

(i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees does the following things on behalf of each such person:

– **agrees** that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has input **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;

– **undertakes** and **agrees** to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;

– **undertakes** and **confirms** that that person has not applied for or taken up any Offer Shares under the International Placing nor otherwise participated in the International Placing;

– (if the **electronic application instructions** are given for that person's own benefit) **declares** that only one set of **electronic application instructions** has been given for that person's benefit;

– (if that person is an agent for another person) **declares** that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;

– **understands** that the above declaration will be relied upon by our Company, the Directors, the Sole Sponsor and the Joint Bookrunners in deciding whether or not to make any allotment of the Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;

– **authorises** our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;

– **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

– **confirms** that that person has only relied on the information and representations in this prospectus (and any supplement thereto) in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf;

– **agrees** that our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, advisers and any other parties involved in the Share Offer are not liable for the information and representations not so contained in this prospectus and any supplement thereto;

– **agrees** to disclose that person's personal data to our Company, its registrars, receiving banker, adviser and agents, and any information which they may require about that person;

– **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;

– **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before Saturday, 28 July 2012, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before Saturday, 28 July 2012 except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may only revoke the application on or before Saturday, 28 July 2012 after the time of the opening of the application lists if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

– **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instruction** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by our Company;

– **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Offer Shares;

– **agrees** with our Company (for itself and for the benefit of each of the Shareholders) that the Shares are freely transferable by the holders thereof; and

– **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and constructed in accordance with the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, you each jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to our Company or any other person in respect of the things mentioned below:

– **instructed and authorised** HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for Hong Kong Offer Shares on your behalf;

– **instructed and authorised** HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the Offer Price is less than the maximum offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account;

– **instructed and authorised** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Minimum subscription amount and permitted multiples

You may give or cause your broker or a custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 2,000 Hong Kong Offer Shares. Such instructions in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers or multiples set out in the table in the Application Forms. No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. Further information in this regard is set forth under "– How many applications you may make for the Hong Kong Offer Shares" below.

Allocation of the Hong Kong Offer Shares

For the purposes of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company and the registrars about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Hong Kong Companies Ordinance.

Warning

The subscription of Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, the Directors, the Sole Sponsor, the Joint Bookrunners and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participants will be allotted any Hong Kong Offer Shares. To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit the **WHITE** or **YELLOW** Application Form (as appropriate), or (ii) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on Wednesday, 4 July 2012 or such later time as described under the sub-paragraph headed "– Effect of bad weather on the opening of the application lists" below.

HOW MANY APPLICATIONS YOU MAY MAKE FOR THE HONG KONG OFFER SHARES

There is only one situation where you may make more than one application for the Hong Kong Offer Shares. You may make more than one application for the Hong Kong Offer Shares if you are a nominee, in which case you may make an application by using a **WHITE** or **YELLOW** Application Form or by way of giving **electronic application instructions** to HKSCC via CCASS, and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the relevant Application Form marked "For nominee(s)" you must include:

– an account number; or

– some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being for your own benefit. **Otherwise, multiple applications are not allowed**.

It will be a term and condition of all applications that by completing and delivering an Application Form or by giving **electronic application instructions** to HKSCC via CCASS, you:

– if the application is made for your own benefit, warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by means of the **HK eIPO White Form** service or through giving **electronic application instructions** to HKSCC via CCASS;

– if you are an agent for another person, warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by means of the **HK eIPO White Form** service or through giving **electronic application instructions** to HKSCC via CCASS, and that you are duly authorised to sign the relevant Application Form or apply by means of the **HK eIPO White Form** service or give **electronic application instructions** as that other person's agent.

Multiple applications or suspected multiple applications are liable to be rejected. All of your applications are liable to be rejected as multiple applications if you, or you and your joint applicant(s) together:

– make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by means of the **HK eIPO White Form** service or by way of giving **electronic application instructions** to HKSCC via CCASS;

– apply (whether individually or jointly with others) on one **WHITE** Application Form and one **YELLOW** Application Form or one **WHITE** or **YELLOW** Application Form and by means of the **HK eIPO White Form** service or by way of giving **electronic application instructions** to HKSCC via CCASS;

– apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form or by means of the **HK eIPO White Form** service or by way of giving **electronic application instructions** to HKSCC via CCASS for more than 100% of the Hong Kong Offer Shares initially available in either pool A or pool B for subscription under the Hong Kong Public Offering; or

– have applied for or taken up, or indicated an interest in or received or been placed or allocated (including, conditionally and/or provisionally) and will not apply for or take up or indicate an interest in or receive or be placed or allocated International Placing Shares under the International Placing or otherwise participated in the International Placing and make application on **WHITE** or **YELLOW** Application Form or by means of the **HK eIPO White Form** service or by way of giving **electronic application instructions** to HKSCC via CCASS.

All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) or you have applied for or taken up or otherwise indicated an interest for Offer Shares under the International Placing. If an application is made by an unlisted company and

– the principal business of that company is dealing in securities; and

– you exercise "statutory control" over that company,

then the application will be treated as being for your benefit.

An unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

– control the composition of the board of directors of that company; or

– control more than half the voting power of that company; or

– hold more than one-half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$2.10 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. This means that for every board lot of 2,000 Hong Kong Offer Shares, you will pay HK$4,242.34. Each Application Form has a table showing the exact amount payable for certain multiples of the Hong Kong Offer Shares. You must pay the maximum Offer Price, the brokerage, the Stock Exchange trading fee and the SFC transaction levy in full when you apply for the Hong Kong Offer Shares.

Your payment must be made by one cheque or one banker's cashier order and must comply with the terms of the related Application Forms (if you apply by an Application Form). Your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Wednesday, 4 July 2012. If your application is successful, the brokerage is paid to participants of the Stock Exchange, the transaction levy is paid to the Stock Exchange collecting on behalf of the SFC, and the trading fee is paid to the Stock Exchange. If the Offer Price as finally determined is less than HK$2.10 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the surplus application monies) will be made to applicants, without interests. Details of the procedures for refund are contained below in the section headed "– Despatch/collection of share certificates and refund of application money" below.

Our Company will not issue temporary documents of title, evidence of title or receipt for payment.

TIME FOR APPLYING FOR THE HONG KONG OFFER SHARES

WHITE and YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Wednesday, 4 July 2012, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effect of bad weather on the opening of the application lists".

Your completed Application Form, with payment in Hong Kong dollars for the full amount payable on application attached, should be deposited in the special collection boxes provided at any one of the branches of Wing Lung Bank Limited listed under the section headed "– Where to collect the Application Forms" above at the following times:

Thursday, 28 June 2012	**–**	**9:00 a.m. to 5:00 p.m.**
Friday, 29 June 2012	**–**	**9:00 a.m. to 5:00 p.m.**
Saturday, 30 June 2012	**–**	**9:00 a.m. to 1:00 p.m.**
Tuesday, 3 July 2012	**–**	**9:00 a.m. to 5:00 p.m.**
Wednesday, 4 July 2012	**–**	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 4 July 2012.

HK eIPO White Form

You may submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk from 9:00 a.m. on Thursday, 28 June 2012, until 11:30 a.m. on Wednesday, 4 July 2012, or such later time as described in the section headed "– Effect of bad weather on the opening of the application lists" below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 4 July 2012, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the section headed "– Effect of bad weather on the opening of the application lists" below.

You will not be permitted to submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

Electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, 28 June 2012	**–**	**9:00 a.m. to 8:30 p.m.(1)**
Friday, 29 June 2012	**–**	**8:00 a.m. to 8:30 p.m.(1)**
Saturday, 30 June 2012	**–**	**8:00 a.m. to 1:00 p.m.(1)**
Tuesday, 3 July 2012	**–**	**8:00 a.m. to 8:30 p.m.(1)**
Wednesday, 4 July 2012	**–**	**8:00 a.m.(1) to 12:00 noon**

Note 1: These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 28 June 2012 until 12:00 noon on Wednesday, 4 July 2012 (24 hours daily, except the last application date).

The latest time for inputting your **electronic application instructions** (if you are a CCASS Participant) is 12:00 noon on Wednesday, 4 July 2012 or, if the application lists are not open on that day, by the time and date stated under "Effects of bad weather on the opening of the application lists" below.

Application lists

Subject to the events as described in the paragraph headed "– Effect of bad weather on the opening of the application lists" below, the application lists will open at 11:45 a.m. and close at 12:00 noon on Wednesday, 4 July 2012.

No proceedings will be taken on application for the Shares and no allotment of any such Shares will be made until the closing of the application lists.

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

– a tropical cyclone warning signal number 8 or above, or

– a "black" rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 4 July 2012.

Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allocated the Hong Kong Offer Shares are set out in the notes attached to the related Application Forms, and you should read them carefully. You should note, in particular, the following situations in which the Hong Kong Offer Shares will not be allocated to you:

If your application is revoked

By depositing the **WHITE** or **YELLOW** Application Form or by applying online through **HK eIPO White Form** service or submitting **electronic application instructions** to HKSCC via CCASS, you agree that your application or the application made by HKSCC Nominees cannot be revoked on your behalf on or before Saturday, 28 July 2012.

This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or by applying online through **HK eIPO White Form** service or submit your **electronic application instructions** to HKSCC via CCASS and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before Saturday, 28 July 2012 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before Saturday, 28 July 2012, if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicants have not been so notified, or if applicants have been so notified but have not withdrawn their applications in accordance with the procedure(s) to be notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made, is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. Acceptance of application which are not rejected will be constituted by notification in the announcement of the results of allocation and, where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to satisfaction of such conditions or the results of such ballot, respectively.

Full discretion of our Company or its agents to reject or accept your application

Our Company and its agents have full discretion to reject or accept any application, or to accept only part of an application, and do not have to give any reason for any rejection or acceptance.

If your application is rejected

Your application will be rejected if:

– it is a multiple application or a suspected multiple application; or

– you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) the International Placing Shares. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received the International Placing Shares; and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering; or

– your Application Form is not completed correctly in accordance with the instructions printed thereon (if you apply by an Application Form); or

– your payment is not made correctly; or

– you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation; or

– you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for or have received or have been or will be placed or allocated (including conditionally and/or provisionally) the International Placing Shares; or

– our Company or any of its agents believes that by accepting your application, our Company would violate the applicable laws, rules or regulations of the jurisdiction in which your application is, or is suspected to have been, completed and/or signed or of any other jurisdiction, or would result in our Company not being able to satisfy the public float requirements under the Listing Rules applicable to our Company; or

– your application is for more than 100% of the Hong Kong Offer Shares initially available in pool A or pool B for public subscription under the Hong Kong Public Offering.

If your application is not accepted

Your application (including the part of an application made by HKSCC Nominees acting upon **electronic application instructions**) will not be accepted if either:

– the Hong Kong Underwriting Agreement does not become unconditional; or

– the Hong Kong Underwriting Agreement is terminated in accordance with its terms and conditions; or

– no agreement has been reached on the Offer Price on or before the Price Determination Date.

If the allotment of Hong Kong Offer Shares is void

Any allotment of the Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant the approval of the listing of, and permission to deal in, the Shares either:

– within three weeks from the closing of the application lists; or

– within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing of the application lists.

PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest under the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering on or before Monday, 9 July 2012 in The Standard (in English) and Hong Kong Economic Times (in Chinese) and on our Company's website at www.wgmine.com and the website of the Stock Exchange at www.hkexnews.hk.

Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration certificate numbers of successful applicants (where supplied) and the number of Offer Shares successfully applied for under **WHITE** or **YELLOW** Application Forms or by applying online through **HK eIPO White Form** service or by giving **electronic application instructions** to HKSCC via CCASS will be made available at the times and dates and in the manner specified below:

– on the website of Tricor Investor Services Limited at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Monday, 9 July 2012 to 12:00 midnight on Sunday, 15 July 2012. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration certificate number provided in his/her/its Application Form to search for his/her/its own allocation result;

– on our Company's website at www.wgmine.com and the website of the Stock Exchange at www.hkexnews.hk on Monday, 9 July 2012 onwards;

– from our designated allocation results telephone enquiry hotline by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 9 July 2012 to Thursday, 12 July 2012 (excluding Saturday, Sunday and public holiday); and

– special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches of the receiving bank from Monday, 9 July 2012 to Wednesday, 11 July 2012 at the addresses set out in the paragraph headed "Where to collect the Application Forms".

You should note that our website and all information contained in our website, does not form part of this prospectus.

DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONEY

No temporary documents of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Wednesday, 4 July 2012. Our Company will keep any interest accrued on your application monies (up till, in the case of monies to be refunded, the date of despatch of refund cheque).

Any certificate relating to the Offer Shares issued by our Company or deposited into CCASS prior to 8:00 a.m. on the Listing Date will only become valid certificate of title at 8:00 a.m. on the Listing Date if the Hong Kong Public Offering has become unconditional in all aspects and the Underwriting Agreements have not been terminated in accordance with its terms on or before 8:00 a.m. on the Listing Date.

Your application money, or an appropriate portion thereof, together with the related brokerage fee, Stock Exchange trading fee and the SFC transaction levy, will be refunded, without interest if:

– your application is rejected, not accepted or only accepted in part;

– the Offer Price as finally determined is less than the maximum indicative Offer Price;

– the conditions of the Share Offer are not fulfilled in accordance with the section headed "Structure of the Share Offer" in this prospectus;

– any application is revoked or any allocation pursuant thereto has become void; or

– any of the reasons set forth under the section headed "– Circumstances in which you will not be allotted the Hong Kong Offer Shares" above.

It is intended that special efforts will be made to avoid any undue delay in refunding application money where appropriate.

If you applied through the **HK eIPO White Form** service and paid the application monies from a single bank account, refund monies (where applicable) will be despatched to your application payment bank account in the form of e-Auto Refund payment instructions on Monday, 9 July 2012. If you apply through **HK eIPO White Form** service and paid the application monies from multiple bank accounts, refund monies (where applicable) in the form of refund cheque(s) will be despatched on Monday, 9 July 2012 by ordinary post at your own risk.

If you have given **electronic application instructions** to HKSCC, your refund (if any) will be credited to your designated bank account or the designated bank account of the designated CCASS Participant through which you are applying on Monday, 9 July 2012. If you have instructed your designated CCASS Participant (other than CCASS Investor Participant) to give **electronic application instructions** on your behalf, you can check the amount of refund (if any) payable to you with that designated CCASS Participant. If you have applied as CCASS Investor Participant, you can check the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for

Investor Participants" in effect from time to time) on Monday, 9 July 2012 or in the activity statement showing the amount of refund money credited to your designated bank account made available to you by HKSCC immediately after the credit of refund money to your bank account. All refunds of your application monies (including the related brokerage, the Stock Exchange trading fee and SFC transaction levy) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 9 July 2012.

You will receive one share certificate for all the Hong Kong Offer Shares issued to you (except pursuant to applications made on **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC where the share certificate will be deposited into CCASS as described below under the section headed "– Deposit of share certificates into CCASS" below).

Subject to the provisions mentioned below, in due course there will be sent to you by ordinary post, at your own risk to the address specified on your Application Form:

– for applicants on **WHITE** Application Forms or applying online through the **HK eIPO White Form** Service: (i) share certificate for all the Hong Kong Offer Shares applied for, if your application is wholly successful; or (ii) share certificate for the number of Hong Kong Offer Shares successfully applied for, if your application is partially successful; and/or

– for applicants on **WHITE** and **YELLOW** Application Forms or applying online through the **HK eIPO White Form** Service, a refund cheque crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for: (i) the excess application money for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application money, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price as determined and the maximum indicative Offer Price, payable upon application, in the event that the Offer Price is lower than the maximum indicative Offer Price, in each case including related brokerage of 1%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.003%, without interest. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of the refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

In a contingency situation involving a very high level of over-subscription, at the discretion of our Company and the Joint Bookrunners, applications for certain small denominations of the Hong Kong Offer Shares may be eliminated in a pre-balloting. In such circumstances, the cheques or banker's cashier orders accompanying such applications on the Application Forms will not be presented for clearing.

Subject as mentioned below, refund cheques (if any) and share certificates for successful applicants under **WHITE** Application Forms are expected to be despatched on Monday, 9 July 2012. We reserve the right to retain any share certificates and any excessive application money pending clearance of cheque(s) or banker's cashier order(s).

If you have applied for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service by submitting an electronic application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk and have indicated your intention in your application to collect your refund cheque (where applicable) and/or Share certificate (where applicable) from our Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, and have provided all information required for your application, and your application is wholly or partially successful, you may collect (where applicable) your refund cheque and/or (where applicable) Share certificate from our Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong on Monday, 9 July 2012 from 9:00 a.m. to 1:00 p.m. or any other date notified by us in the newspapers as the date of despatch of Share certificates/refund cheques.

If you are an individual who opts for collection in person, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for collection in person, the authorised representative bearing a letter of authorisation from the corporation stamped with the corporation's chop must be presented for collection. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Company's Hong Kong branch share registrar and transfer office. If you do not collect your Share certificate and/or refund cheque during the above period, they will be despatched promptly to you by ordinary post to the address as specified in your Application Form or the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider at your own risk.

If you have applied for less than 1,000,000 Hong Kong Offer Shares by **WHITE** or **YELLOW** Application Form or through **HK eIPO White Form** service or if you have applied for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** or **YELLOW** Application Form but have not indicated in your Application Form that you wish to collect your Share certificate (where applicable) and/or refund cheque in person, the Share certificate and/or refund cheque (if applicable) will be sent to the address as stated on your Application Form or the address specified in your application instruction to the designated **HK eIPO White Form** Service Provider on Monday, 9 July 2012 or any other date notified by us in the newspapers as the date of despatch of Share certificates/refund cheques by ordinary post and at your own risk.

Deposit of Share certificates into CCASS

If you apply for the Hong Kong Offer Shares using a **YELLOW** Application Form or by giving **electronic application instructions** via CCASS, and your application is wholly or partially successful, your Share certificate will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant's stock account or the stock account of your designated CCASS Participant as instructed by you on Monday, 9 July 2012, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) using **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS, you can check the number of the Hong Kong Offer Shares allotted to you with that CCASS Participant.

We expect to publish the application results of CCASS Investor Participants using **YELLOW** Application Form and the application results of CCASS Participants applying by giving **electronic application instructions** (and where the CCASS Participants is a broker or custodian, we shall include information relating to the beneficial owner, the Hong Kong identity card numbers, passport numbers or other identification code (Hong Kong business registration certificate number for corporations), if supplied) on Monday, 9 July 2012. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 9 July 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees. Applicants applying as CCASS Investor Participant by using **YELLOW** Application Form or by giving **electronic application instructions** can also check the result of application via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) using **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC for Hong Kong Offer Shares for credit to the stock account of your designated CCASS Participant (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, you can check your new account balance via the CCASS Phone System and CCASS Internet System immediately after the credit of the Hong Kong Offer Shares to your stock account. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

COMMENCEMENT OF DEALINGS IN THE SHARES

The application for the Offer Shares will commence on Thursday, 28 June 2012 up to Wednesday, 4 July 2012. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Monday, 9 July 2012. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, 10 July 2012. Shares will be traded in board lots of 2,000 Shares.

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbroker or other professional adviser for details of settlement arrangement as such arrangements will affect their rights and interest.

Deloitte.
德勤

28 June 2012

The Directors
Wanguo International Mining Group Limited
Guotai Junan Capital Limited

Dear Sirs,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		
	Notes	**2009**	**2010**	**2011**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*5*	86,515	204,428	296,737
Cost of sales		(54,365)	(114,543)	(145,130)
Gross profit		32,150	89,885	151,607
Other gains and income	*6*	151	5,601	4,373
Selling and distribution expenses		(1,205)	(2,457)	(3,446)
Administrative expenses		(10,045)	(17,070)	(23,726)
Listing expenses		–	–	(6,746)
Fair value loss on derivative	*7*	–	–	(6,877)
Finance costs	*8*	(1,883)	(2,740)	(2,487)
Profit before tax		19,168	73,219	112,698
Income tax expense	*9*	(5,346)	(19,392)	(31,004)
Profit and total comprehensive income for the year	*10*	13,822	53,827	81,694
Attributable to				
Owners of the Company		10,558	48,430	73,258
Non-controlling interests		3,264	5,397	8,436
		13,822	53,827	81,694
Earnings per share				
Basic (RMB cents)	*13*	2	11	16

STATEMENTS OF FINANCIAL POSITION

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

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

CONSOLIDATED STATEMENTS OF CASH FLOW

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

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
INVESTING ACTIVITIES			
Government grant received related to assets	2,593	2,616	12,450
Interest received	24	173	781
Repayment from a shareholder	–	–	175
Proceeds from disposal of property, plant and equipment	–	194	82
Prepaid lease payments	(47)	–	(12,467)
Deposit paid for acquisition of land use right	–	–	(29,547)
Purchase of property, plant and equipment	(24,457)	(28,338)	(26,820)
Placement of restricted bank balance	–	–	(1,596)
Advance to a shareholder	(39)	–	–
NET CASH USED IN INVESTING ACTIVITIES	(21,926)	(25,355)	(56,942)
FINANCING ACTIVITIES			
New bank borrowings raised	30,000	15,000	–
Advance from a related company	1,808	–	–
Advance from a shareholder	150	29	–
Deemed distribution to the owner of the Company	–	–	(20,523)
Repayment of bank borrowings	(9,000)	(9,000)	(9,000)
Repayment to a related company	–	–	(4,362)
Dividend paid to a non-controlling shareholder of a subsidiary	(2,860)	(1,000)	(3,030)
Repayment to a non-controlling shareholder of a subsidiary	–	–	(2,978)
Repayment to shareholders	–	–	(6,453)
Interest paid	(2,269)	(3,677)	(3,116)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	17,829	1,352	(49,462)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,240	24,059	6,854
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,227	6,467	30,526
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	6,467	30,526	37,380

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

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

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

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

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

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

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies adopted are as follows:

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

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

Foreign currencies

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

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

Revenue recognition

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

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

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

Borrowing costs

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

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

Taxation

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

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

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

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

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

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

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

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

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

Government grants

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

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

Retirement benefit costs

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

Inventories

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

Property, plant and equipment

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

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

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

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

Mining right

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

Leasehold land and buildings

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

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

Impairment of tangible and intangible assets

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

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

Financial instruments

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

Financial liabilities and equity instruments

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

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

Financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

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

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

Leasing

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

The Group as lessee

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

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

Provision for restoration cost

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future periods.

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

Amortisation of mining right

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

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

Provision for restoration cost

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

Useful lives of property, plant and equipment

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

5. REVENUE AND SEGMENT INFORMATION

Segment revenue

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

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

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

The Group is engaged in the following reportable reporting segment:

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

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

Segment revenue and result

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

For the year ended 31 December 2009

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

Amounts included in the measure of segment profit

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

For the year ended 31 December 2010

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

Amounts included in measure of segment profit or loss

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

For the year ended 31 December 2011

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

Amounts included in measure of segment profit or loss

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

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

Segment assets and liabilities

As at 31 December 2009

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

As at 31 December 2010

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

As at 31 December 2011

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

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

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

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

Information about products

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

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

Information about major customers

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

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

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

[2] Revenue for sales of copper and zinc concentrates

[3] Revenue for sales of iron concentrates

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

6. OTHER GAINS AND INCOME

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

Notes:

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

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

7. FAIR VALUE LOSS ON DERIVATIVE

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

8. FINANCE COSTS

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

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

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

9. INCOME TAX EXPENSE

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

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

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

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

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

10. PROFIT FOR THE YEAR

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

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

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

For the year ended 31 December 2009

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

For the year ended 31 December 2010

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

For the year ended 31 December 2011

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

(b) Employees

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

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

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

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

12. DIVIDEND

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

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

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

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

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

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

13. EARNINGS PER SHARE

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

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

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

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

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

15. MINING RIGHT

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

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

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

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

The mining right is amortised using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ore mine within the terms of license.

16. INVESTMENT IN A SUBSIDIARY

The Company

	At 31 December
	2011
	RMB
Unlisted shares, at cost	13

	RMB'000
Shown in the statement of financial position	–

17. PREPAID LEASE PAYMENTS

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

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

18. DEPOSIT FOR ACQUISITION OF LAND USE RIGHT

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

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

19. DEFERRED TAXATION

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

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

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

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

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

20. INVENTORIES

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

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

21. TRADE AND OTHER RECEIVABLES

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

The Group grants a credit period of up to 60 days to its trade customers. The aged analysis of the Group's trade receivables presented based on the invoice date at the end of each reporting period is as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
0-30 days	8,771	4,207	–
31-60 days	3,510	–	–
61-90 days	–	–	–
Over 90 days	907	45	–
	13,188	4,252	–

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

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

Aging of trade receivables which are past due but not impaired

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

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

22. RESTRICTED BANK BALANCE/ BANK BALANCES AND CASH

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

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

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

23. TRADE AND OTHER PAYABLES

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

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

The aged analysis of the Group's trade payables, presented based on the invoice date at the end of each reporting period is as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
0-30 days	6,966	7,416	5,859
31-60 days	4,408	4,239	1,999
61-90 days	3,128	3,640	233
90-180 days	10,525	2,424	209
Over 180 days	638	621	291
	25,665	18,340	8,591

24. AMOUNTS DUE FROM (TO) RELATED PARTIES

(a) Amount due from a shareholder

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

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

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

(b) Amount due to a related company

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

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

(c) Amounts due to shareholders

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

Notes:

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

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

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

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

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

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

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

26. SECURED BANK BORROWINGS

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

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

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

27. DEFERRED INCOME

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

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

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

28. PROVISION

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

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

The provision for restoration costs has been determined by the directors based on their best estimates. The directors estimated this liability for restoration upon the closure of the mine based on detailed calculations of the amount and timing of future cash flows spending for a third party to perform the required work of restoration, including material cost and labour cost, escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability, such that the provision reflects the present value of the expenditures expected to be required to settle the obligation.

29. SHARE CAPITAL

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

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

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

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

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

30. PLEDGE OF ASSETS

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

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

31. CAPITAL COMMITMENTS

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

32. LEASE COMMITMENTS

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

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

33. RETIREMENT BENEFIT SCHEME

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

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

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

34. RELATED PARTY TRANSACTIONS

(a) Related party transactions

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

Related parties and nature of transactions

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

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

Other transactions

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

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

(b) Related parties balances

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

(c) Compensation of key management personnel

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

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

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

35. FINANCIAL INSTRUMENTS

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

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

(a) Categories of financial instruments

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

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

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

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

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

Assets

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

Liabilities

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

Sensitivity analysis

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

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

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

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

(ii) Interest rate risk

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

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

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

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

Credit risk

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

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

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

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

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

Liquidity risk

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

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

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

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

Liquidity tables

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

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

(c) Fair value

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

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

B. DIRECTORS' REMUNERATION

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

C. SUBSEQUENT EVENT

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

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

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

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

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

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

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

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

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

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

D. SUBSEQUENT FINANCIAL STATEMENTS

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

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants

The information set forth in this appendix does not form part of the accountants' report of our Group for each of the three years ended 31 December 2011 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the accountants' report on the financial information of the Group as set forth in Appendix I to this prospectus.

For illustrative purpose, the unaudited pro forma financial information, prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules, is set out here to provide prospective investors with further information about how the financial information of our Group might be affected by completion of the Share Offer as if the Share Offer had been completed on 31 December 2011. The unaudited pro forma financial information has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of our Group's financial position had the Share Offer been completed as of 31 December 2011 or at any future date.

(A) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is a statement of unaudited pro forma adjusted net tangible assets of our Group which is prepared based on the audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 December 2011 as set out in Appendix I to this prospectus, and adjusted as described below.

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

Notes:

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

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

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

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

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

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

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

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

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF WANGUO INTERNATIONAL MINING GROUP LIMITED

We report on the unaudited pro forma financial information of Wanguo International Mining Group Limited (the "Company") and its subsidiaries (hereinafter collectively refer to as the "Group") which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the public offering might have affected the financial information presented, for inclusion in Appendix II of the prospectus dated 28 June 2012 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out in page II-1 to II-2 to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 December 2011 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 28 June 2012

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this prospectus received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of value of the property interests in Hong Kong and the PRC as at 31 March 2012.

DTZ 戴德梁行

16/F, Jardine House
1 Connaught Place
Central
Hong Kong

28 June 2012

The Directors
Wanguo International Mining Group Limited
Unit 1, 30/F
Singga Commercial Centre
144-151 Connaught Road West
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Wanguo International Mining Group Limited (the "Company") or its subsidiaries (hereinafter together referred to as the "Group") in Hong Kong and the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the market values of those property interests as at 31 March 2012 (the "date of valuation").

Our valuation of each of the property interests represents the market value which in accordance with the HKIS Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Our valuation of each of the property interests excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In valuing the property interests in Group I which are held and occupied by the Group for production uses by the Group in the PRC, we have adopted "Depreciated Replacement Cost" ("DRC") Approach due to the special nature of the property. DRC is based on an estimate of the market value for the existing use of the land, plus the current gross replacement costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization. The term gross replacement cost is defined as the estimated cost of erecting the building or a modern substitute building having the same area as the existing building at prices current at the relevant date. This figure includes fees and finance charges payable during the construction period and other associated expenses directly related to the construction of the building. The DRC Approach generally furnishes a reliable indication of value for properties with specific nature and design of buildings, in the absence of identifiable market sales comparables. The DRC is subject to adequate potential profitability of the business.

In valuing the property interest in Group II which is held under development by the Group in the PRC, we have valued it on the basis that the property will be developed and completed in accordance with the latest development proposals provided to us by the Group. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposals have been or will be obtained without onerous conditions or delays. We have also assumed that the design and construction of the developments are in compliance with the local planning and other relevant regulations and have been or will be approved by the relevant authorities. In arriving at our valuation, we have adopted DRC Approach and have also taken into account the expended construction costs as well as the costs that will be expended to complete the developments.

The property interests in Groups III and IV which are respectively leased to the Group in the PRC and Hong Kong, are considered to have no commercial value due mainly to the prohibition against assignment of the property interest or otherwise due to the lack of substantial profit rents.

In valuing the property interests, we have complied with the requirements set out in Chapter 5 and Practice Notes 12 and 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (First Edition 2005) on Properties published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, in the course of our valuation of the property interests situated in the PRC, we have assumed that transferable land use rights in respect of the property interests for specific terms at nominal annual land use fees have been granted and that, any premium payable have already been fully settled. We have also assumed that the grantees or the users of the property interests have free and uninterrupted rights to use or to assign the property interests for the whole of the unexpired terms as granted. We have relied on the advice given by the Group and the Group's legal adviser Commerce & Finance Law Offices on PRC law, regarding the title to each of the property interests and the Group interests in the properties in the PRC.

We have relied to a very considerable extent on the information given by the Group and its legal adviser on PRC law. We have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenures, identification of property interests, particulars of occupancy, tenancy details, site and floor plans, site and floor areas and all other relevant matters. Dimensions and measurements are based on the copies of documents or other information provided to us by the Group and are therefore only approximations. Unless otherwise stated, no on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which are material to the valuations. We were also advised by the Group that no material facts have been omitted from the information supplied.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or other structural defects. No test was carried out on any of the services. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no unexpected costs or delays will be incurred during the construction period.

We have not carried out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents provided to us are correct.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Unless otherwise stated, all money amounts stated in our valuations are in Renminbi ("RMB"), the official currency of the PRC.

We enclose herewith a summary of valuations and our valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K. F. Chan
Registered Professional Surveyor
(General Practice Division)
China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S
Senior Director

Note: Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 24 years of experience in the valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUATIONS

	Property	Capital value in existing state as at 31 March 2012 *(RMB)*	Interest attributable to the Group *(%)*	Capital value in existing state attributable to the Group as at 31 March 2012 *(RMB)*
	Group I – Property interests held and occupied by the Group in the PRC			
1.	An Industrial Building and Various Ancillary Structures Located in Kouxi Village (Vent Shaft), Xinzhuang Town, Yifeng County, Yichun, Jiangxi Province, The PRC	1,000,000	88%	880,000
2.	Various Industrial Ancillary Structures Located in Longxi Village (Tailings Area), Xinzhuang Town, Yifeng County, Yichun, Jiangxi Province, The PRC	14,000,000	88%	12,320,000
3.	Various Industrial Buildings and Ancillary Structures Located in Kouxi Village (Vent Shaft), Xinzhuang Town, Yifeng County, Yichun, Jiangxi Province, The PRC	9,000,000	88%	7,920,000
4.	Various Industrial Buildings and Ancillary Structures Located in Kouxi Village (Mine Area), Xinzhuang Town, Yifeng County, Yichun, Jiangxi Province, The PRC	45,000,000	88%	39,600,000
	Total of Group I:	69,000,000		60,720,000

	Property	Capital value in existing state as at 31 March 2012 *(RMB)*	Interest attributable to the Group *(%)*	Capital value in existing state attributable to the Group as at 31 March 2012 *(RMB)*
	Group II – Property interest held under development by the Group in the PRC			
5.	Various Developments of Industrial Buildings and Ancillary Structures Located in Kouxi Village (Mine Area), Xinzhuang Town, Yifeng County, Yichun, Jiangxi Province, The PRC	24,000,000	88%	21,120,000
	Total of Group II:	24,000,000		21,120,000
	Group III – Property interests leased to the Group in the PRC			
6.	A plot of land situated at Longxi Village, Xinzhuang Town, Yifeng County, Yichun, Jiangxi Province, The PRC	No commercial value	88%	No commercial value
7.	A plot of land situated at Kouxi Village, Xinzhuang Town, Yifeng County, Yichun, Jiangxi Province, The PRC	No commercial value	88%	No commercial value
8.	A plot of land situated at Zhangjia Village, Xinzhuang Town, Yifeng County, Yichun, Jiangxi Province, The PRC	No commercial value	88%	No commercial value
	Total of Group III:	No commercial value		No commercial value

	Property	Capital value in existing state as at 31 March 2012 *(RMB)*	Interest attributable to the Group *(%)*	Capital value in existing state attributable to the Group as at 31 March 2012 *(RMB)*
	Group IV – Property interest leased to the Group in Hong Kong			
9.	Unit 1, 30/F, Singga Commercial Centre, 144-151 Connaught Road West, Hong Kong	No commercial value	88%	No commercial value
	Total of Group IV:	No commercial value		No commercial value
	Grand Total:	93,000,000		81,840,000

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2012
1.	An Industrial Building and Various Ancillary Structures Located in Kouxi Village (Vent Shaft), Xinzhuang Town, Yifeng County, Yichun, Jiangxi Province, The PRC	The property comprises a block of single-storey industrial building having a gross floor area of approximately 175.39 sq.m. and various ancillary structures erected upon a parcel of land with a site area of approximately 6,827.40 sq.m. The property was completed in 2007. The land use rights of the property have been granted for a term expiring on 30 June 2056 for industrial use.	As at the date of valuation, the property was occupied by the Group for production and ancillary uses.	RMB1,000,000 (88% interest attributable to the Group: RMB880,000)

Notes:

1. According to State-owned Land Use Rights Certificate 宜豐縣國用(2011)第557號 issued by The People's Government of Yifeng County on 17 June 2011, the land use rights of the property comprising a total site area of 6,827.40 sq.m. have been granted to Jiangxi Province Yifeng Wanguo Mining Company Ltd. for a land use term expiring on 30 June 2056 for industrial use.

2. According to Building Ownership Certificate No. 宜豐縣房權證監證字第0030461, issued by Housing Ownership Certificate Control Office of Yifeng County Government on 1 July 2010, the building ownership of the property comprising a total gross floor area of 175.39 sq.m. has been vested in Jiangxi Province Yifeng Wanguo Mining Company Ltd. for industrial use.

3. According to Business Licence (Registration No. 360924210000234 (1-1)) issued by Jiangxi Province Yichun Municipal Industrial and Commerce Administration Bureau on 31 March 2011, Jiangxi Province Yifeng Wanguo Mining Company Ltd. was incorporated with a registered capital of RMB101,800,000 for a valid operation period from 26 November 2003 to 16 October 2053.

4. According to the Company, the Group holds 88% attributable interest in the property as at 31 March 2012.

5. We have been provided with a legal opinion issued by the Company's PRC legal advisers, which contains, inter alia, the following information:

   (i) Jiangxi Province Yifeng Wanguo Mining Company Ltd. has legally held the land use rights of such land and has the rights to legally occupy, use, lease, mortgage, transfer and otherwise dispose of the land use rights in accordance with the valid term stipulated in the State-owned Land Use Rights Certificates, and the Company's PRC legal advisers are not aware of that the land use rights is subject to mortgage; and

   (ii) Jiangxi Province Yifeng Wanguo Mining Company Ltd. has legally held the building ownership rights of such building and has the rights to legally occupy, use, lease, mortgage, transfer and otherwise dispose of the building ownership rights, and the Company's PRC legal advisers are not aware of that the buildings is subject to any mortgage.

6. The status of the title of major approvals and licences in accordance with the information provided to us are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2012
2.	Various Industrial Ancillary Structures Located in Longxi Village (Tailings Area), Xinzhuang Town, Yifeng County, Yichun, Jiangxi Province, The PRC	The property comprises various industrial ancillary structures erected upon a parcel of land with a site area of approximately 105,303.10 sq.m. The industrial ancillary structures of the property were completed between 2006 and 2010. The land use rights of the property have been granted for a term expiring on 30 June 2056 for industrial use.	As at the date of valuation, the property was occupied by the Group for production and ancillary uses.	RMB14,000,000 (88% interest attributable to the Group: RMB12,320,000)

Notes:

1. According to State-owned Land Use Rights Certificate 宜豐縣國用(2011)第558號 issued by The People's Government of Yifeng County on 17 June 2011, the land use rights of the property comprising a total site area of 105,303.10 sq.m. have been granted to Jiangxi Province Yifeng Wanguo Mining Company Ltd. for a land use term expiring on 30 June 2056 for industrial use.

2. According to Business Licence (Registration No. 360924210000234 (1-1)) issued by Jiangxi Province Yichun Municipal Industrial and Commerce Administration Bureau on 31 March 2011, Jiangxi Province Yifeng Wanguo Mining Company Ltd. was incorporated with a registered capital of RMB101,800,000 for a valid operation period from 26 November 2003 to 16 October 2053.

3. According to the Company, the Group holds 88% attributable interest in the property as at 31 March 2012.

4. We have been provided with a legal opinion issued by the Company's PRC legal advisers, which contains, inter alia, the following information:

   (i) Jiangxi Province Yifeng Wanguo Mining Company Ltd. has legally held the land use rights of such land and has the rights to legally occupy, use, lease, mortgage, transfer and otherwise dispose of the land use rights in accordance with the valid term stipulated in the State-owned Land Use Rights Certificates, and the Company's PRC legal advisers are not aware of that the land use rights is subject to mortgage; and

   (ii) The Real Estate Administration of Yifeng County, the competent real estate registration authorities, issued a confirmation letter on 31 December 2011, confirming that Jiangxi Province Yifeng Wanguo Mining Company Ltd. is not required to obtain any Building Ownership Certificate for the industrial ancillary structures (tailings storage facilities) of the property.

5. The status of the title of major approvals and licences in accordance with the information provided to us are as follows:

State-owned Land Use Rights Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2012
3.	Various Industrial Buildings and Ancillary Structures Located in Kouxi Village (Vent Shaft), Xinzhuang Town, Yifeng County, Yichun, Jiangxi Province, The PRC	The property comprises various industrial buildings and ancillary structures erected upon a parcel of land with a site area of approximately 18,776.70 sq.m. The property comprises 12 blocks of single to 5-storey industrial building having a total gross floor area of approximately 4,784.79 sq.m. and various ancillary structures. The property was completed between 2006 and 2010. The land use rights of the property have been granted for a term expiring on 30 June 2056 for industrial use.	As at the date of valuation, the property was occupied by the Group for production and ancillary uses.	RMB9,000,000 (88% interest attributable to the Group: RMB7,920,000)

Notes:

1. According to State-owned Land Use Rights Certificate 宜豐縣國用(2011)第559號 issued by The People's Government of Yifeng County on 17 June 2011, the land use rights of the property comprising a total site area of 18,776.70 sq.m. have been granted to Jiangxi Province Yifeng Wanguo Mining Company Ltd. for a land use term expiring on 30 June 2056 for industrial use.

2. According to 12 Building Ownership Certificates all issued by Housing Ownership Certificate Control Office of Yifeng County Government on 1 July 2010, the building ownership of the property comprising a total gross floor area of 4,784.79 sq.m. has been vested in Jiangxi Province Yifeng Wanguo Mining Company Ltd. for industrial use. The particulars are summarized as follows:

Certificate No.	Gross Floor Area sq.m.
宜豐房權證權字第00032098號	3,574.63
宜豐房權證權字第00032101號	248.58
宜豐縣房權證監證字第0030449號	47.31
宜豐縣房權證監證字第0030450號	77.55
宜豐縣房權證監證字第0030451號	54.06
宜豐縣房權證監證字第0030452號	19.06
宜豐縣房權證監證字第0030453號	87.65
宜豐縣房權證監證字第0030456號	33.16
宜豐縣房權證監證字第0030457號	333.06
宜豐縣房權證監證字第0030458號	64.43
宜豐縣房權證監證字第0030459號	69.95
宜豐縣房權證監證字第0030460號	175.35
Total:	4,784.79

3. According to Business Licence (Registration No. 360924210000234 (1-1)) issued by Jiangxi Province Yichun Municipal Industrial and Commerce Administration Bureau on 31 March 2011, Jiangxi Province Yifeng Wanguo Mining Company Ltd. was incorporated with a registered capital of RMB101,800,000 for a valid operation period from 26 November 2003 to 16 October 2053.

4. According to the Company, the Group holds 88% attributable interest in the property as at 31 March 2012.

5. We have been provided with a legal opinion issued by the Company's PRC legal advisers, which contains, inter alia, the following information:

   (i) Jiangxi Province Yifeng Wanguo Mining Company Ltd. has legally held the land use rights of such land and has the rights to legally occupy, use, lease, mortgage, transfer and otherwise dispose of the land use rights in accordance with the valid term stipulated in the State-owned Land Use Rights Certificates, and the Company's PRC legal advisers are not aware of that the land use rights is subject to mortgage; and

   (ii) Jiangxi Province Yifeng Wanguo Mining Company Ltd. has legally held the building ownership rights of such buildings and has the rights to legally occupy, use, lease, mortgage, transfer and otherwise dispose of the building ownership rights, and the Company's PRC legal advisers are not aware of that the buildings are subject to any mortgage.

6. The status of the title of major approvals and licences in accordance with the information provided to us are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2012
4.	Various Industrial Buildings and Ancillary Structures Located in Kouxi Village (Mine Area), Xinzhuang Town, Yifeng County, Yichun, Jiangxi Province, The PRC	The property comprises various industrial buildings and ancillary structures erected upon a parcel of land with a site area of approximately 57,003.60 sq.m. The property comprises 42 blocks of single to 3-storey industrial buildings having a total gross floor area of approximately 13,939.81 sq.m. and various ancillary structures. The property was completed between 2007 and 2011. The land use rights of the property have been granted for a term expiring on 30 June 2056 for industrial use.	As at the date of valuation, the property was occupied by the Group for production and ancillary uses.	RMB45,000,000 (88% interest attributable to the Group: RMB39,600,000)

Notes:

1. According to State-owned Land Use Rights Certificate 宜豐縣國用(2011)第560號 issued by The People's Government of Yifeng County on 17 June 2011, the land use rights of the property comprising a total site area of 57,003.60 sq.m. have been granted to Jiangxi Province Yifeng Wanguo Mining Company Ltd. for a land use term expiring on 30 June 2056 for industrial use.

2. According to 42 Building Ownership Certificates all issued by Housing Ownership Certificate Control Office of Yifeng County Government on 1 July 2010, the building ownership of the property comprising a total gross floor area of 13,939.81 sq.m. has been vested in Jiangxi Province Yifeng Wanguo Mining Company Ltd. for industrial use. Details of the said certificates are summarized as follows:

Certificate No.	Gross Floor Area sq.m.
宜豐房權證權字第00032099號	873.00
宜豐房權證權字第00032100號	356.37
宜豐縣房權證監證字第0030431號	176.84
宜豐縣房權證監證字第0030432號	107.18
宜豐縣房權證監證字第0030433號	310.39
宜豐縣房權證監證字第0030434號	117.35
宜豐縣房權證監證字第0030435號	115.82
宜豐縣房權證監證字第0030436號	1,309.80
宜豐縣房權證監證字第0030437號	41.79
宜豐縣房權證監證字第0030438號	805.12
宜豐縣房權證監證字第0030439號	21.50
宜豐縣房權證監證字第0030440號	31.55
宜豐縣房權證監證字第0030441號	77.80
宜豐縣房權證監證字第0030442號	733.73
宜豐縣房權證監證字第0030443號	733.73
宜豐縣房權證監證字第0030444號	641.49
宜豐縣房權證監證字第0030445號	22.50
宜豐縣房權證監證字第0030446號	92.93
宜豐縣房權證監證字第0030447號	470.16
宜豐縣房權證監證字第0030448號	362.43
宜豐縣房權證監證字第0030462號	313.77

Certificate No.	Gross Floor Area sq.m. (Cont'd)
宜豐縣房權證監證字第0030463號	126.05
宜豐縣房權證監證字第0030464號	96.17
宜豐縣房權證監證字第0030465號	86.57
宜豐縣房權證監證字第0030466號	44.04
宜豐縣房權證監證字第0030467號	20.28
宜豐縣房權證監證字第0030468號	89.28
宜豐縣房權證監證字第0030469號	1,821.60
宜豐縣房權證監證字第0030470號	164.42
宜豐縣房權證監證字第0030471號	77.54
宜豐縣房權證監證字第0030472號	48.00
宜豐縣房權證監證字第0030473號	37.60
宜豐縣房權證監證字第0030474號	27.84
宜豐縣房權證監證字第0030475號	44.03
宜豐縣房權證監證字第0030476號	196.56
宜豐縣房權證監證字第0030477號	313.87
宜豐縣房權證監證字第0030478號	1,709.19
宜豐縣房權證監證字第0030479號	667.08
宜豐縣房權證監證字第0030480號	271.64
宜豐縣房權證監證字第0030481號	72.68
宜豐縣房權證監證字第0030482號	82.57
宜豐縣房權證監證字第0030483號	227.55
	13,939.81

3. According to Business Licence (Registration No. 360924210000234 (1-1)) issued by Jiangxi Province Yichun Municipal Industrial and Commerce Administration Bureau on 31 March 2011, Jiangxi Province Yifeng Wanguo Mining Company Ltd. was incorporated with a registered capital of RMB101,800,000 for a valid operation period from 26 November 2003 to 16 October 2053.

4. According to the Company, the Group holds 88% attributable interest in the property as at 31 March 2012.

5. We have been provided with a legal opinion issued by the Company's PRC legal advisers, which contains, inter alia, the following information:

   (i) Jiangxi Province Yifeng Wanguo Mining Company Ltd. has legally held the land use rights of such land and has the rights to legally occupy, use, lease, mortgage, transfer and otherwise dispose of the land use rights in accordance with the valid term stipulated in the State-owned Land Use Rights Certificates, and the Company's PRC legal advisers are not aware of that the land use rights is subject to mortgage; and

   (ii) Jiangxi Province Yifeng Wanguo Mining Company Ltd. has legally held the building ownership rights of such buildings and has the rights to legally occupy, use, lease, mortgage, transfer and otherwise dispose of the building ownership rights, and the Company's PRC legal advisers are not aware of that the buildings are subject to any mortgage.

6. The status of the title of major approvals and licences in accordance with the information provided to us are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II – Property interest held under development by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2012
5.	Various Developments of Industrial Buildings and Ancillary Structures Located in Kouxi Village (Mine Area), Xinzhuang Town, Yifeng County, Yichun, Jiangxi Province, The PRC	The property comprises developments of various industrial buildings and ancillary structures planned to be developed upon a parcel of land with a site area of approximately 18,185.50 sq.m. The building developments of the property is planned to comprise 11 blocks of industrial buildings having a total planned gross floor area of approximately 18,416 sq.m. The land use rights of the property have been granted for a term expiring on 30 June 2056 for industrial use.	As at the date of valuation, the property was under construction and scheduled to be completed in 2012.	RMB24,000,000 (88% interest attributable to the Group: RMB21,120,000)

Notes:

1. According to State-owned Land Use Rights Certificate 宜豐縣國用(2011)第556號 issued by The People's Government of Yifeng County on 17 June 2011, the land use rights of the property comprising a total site area of 18,185.50 sq.m. have been granted to Jiangxi Province Yifeng Wanguo Mining Company Ltd. for a land use term expiring on 30 June 2056 for industrial use.

2. According to Rural Construction Planning Permit 鄉字第005號 issued by Xinzhuang Town Construction Administration Station of Yifeng County Construction Bureau on 18 March 2010, developments of the property comprising 11 blocks of building having a total gross floor area of 18,416 sq.m. are in compliance with the urban planning requirement and have been permitted for construction.

3. According to Business Licence (Registration No. 360924210000234 (1-1)) issued by Jiangxi Province Yichun Municipal Industrial and Commerce Administration Bureau on 31 March 2011, Jiangxi Province Yifeng Wanguo Mining Company Ltd. was incorporated with a registered capital of RMB101,800,000 for a valid operation period from 26 November 2003 to 16 October 2053.

4. According to the Company, the Group holds 88% attributable interest in the property as at 31 March 2012.

5. We have been provided with a legal opinion issued by the Company's PRC legal advisers, which contains, inter alia, the following information:

   (i) Jiangxi Province Yifeng Wanguo Mining Company Ltd. has legally held the land use rights of such land and has the rights to legally occupy, use, lease, mortgage, transfer and otherwise dispose of the land use rights in accordance with the valid term stipulated in the State-owned Land Use Rights Certificates, and the Company's PRC legal advisers are not aware of that the land use rights is subject to mortgage; and

   (ii) Jiangxi Province Yifeng Wanguo Mining Company Ltd has obtained the relevant approvals and permits for the constructions of such properties.

6. The status of the title of major approvals and licences in accordance with the information provided to us are as follows:

State-owned Land Use Rights Certificate	Yes
Rural Construction Planning Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Property interests leased to the Group in the PRC

	Property	Description and tenancy particulars	Capital value in existing state as at 31 March 2012
6.	A plot of land situated at Longxi Village, Xinzhuang Town, Yifeng County, Yichun, Jiangxi Province, The PRC	The property comprises a plot of land having a total site area of approximately 222,666.67 sq.m. (334 mu). The property is currently leased from an independent third party to the Group for a term from March 2012 to December 2031 at an annual rent of RMB50 per mu. As at the date of valuation, the property was occupied by the Group for mining, tailings storage and ancillary uses. According to the PRC legal opinion, the lease agreement does not violate the PRC laws and the lessor of such lease has the legal rights to lease such property to the Group.	No commercial value
7.	A plot of land situated at Kouxi Village, Xinzhuang Town, Yifeng County, Yichun, Jiangxi Province, The PRC	The property comprises a plot of land having a total site area of approximately 19,830.67 sq.m. (29.746 mu). The property is currently leased from an independent third party to the Group for a term from March 2012 to December 2031 at an annual rent of RMB50 per mu. As at the date of valuation, the property was occupied by the Group for mining, tailings storage and ancillary uses. According to the PRC legal opinion, the lease agreement does not violate the PRC laws and the lessor of such lease has the legal rights to lease such property to the Group.	No commercial value
8.	A plot of land situated at Zhangjia Village, Xinzhuang Town, Yifeng County, Yichun, Jiangxi Province, The PRC	The property comprises a plot of land having a total site area of approximately 800.00 sq.m. (1.2 mu). The property is currently leased from an independent third party to the Group for a term from March 2012 to March 2032 at an annual rent of RMB50 per mu. As at the date of valuation, the property was occupied by the Group for mining, tailings storage and ancillary uses. According to the PRC legal opinion, the lease agreement does not violate the PRC laws and the lessor of such lease has the legal rights to lease such property to the Group.	No commercial value

VALUATION CERTIFICATE

Group IV – Property Interest leased to the Group in Hong Kong

	Property	Description and tenancy particulars	Capital value in existing state as at 31 March 2012
9.	Unit 1, 30/F, Singga Commercial Centre, 144-151 Connaught Road West, Hong Kong	The property comprises an office unit on the 30th level of a 41-storey office building completed in 1983. The property has a gross floor area of approximately 1,186 sq.ft. and is currently leased from an independent third party to the Group for a term from 1 September 2011 to 31 August 2013 at a monthly rent of HKD17,900, inclusive of rates, government rent and management fee. As at the date of valuation, the property was occupied by the Group as an office.	No commercial value

PRC LAWS RELATING TO THE FOREIGN INVESTMENT IN THE MINERAL INDUSTRY

According to the Catalogue for the Guidance of Foreign Investment Industries (amended in 2011) (外商投資產業指導目錄 (2011年修訂)) effective on 30 January 2012, foreign investment in the exploration, exploitation and processing of copper, zinc and lead mines are categorized as permitted investment, and foreign investment in the exploration, exploitation and processing of iron mines are categorized as encouraged investment.

PRC LAWS RELATING TO THE MINERAL INDUSTRY

According to the Mineral Resource Law of the PRC (中華人民共和國礦產資源法) promulgated on 19 March 1986, effective as of 1 October 1986 and amended on 29 August 1996 and the Rules for the Implementation of the Mineral Resources Law (中華人民共和國礦產資源法實施細則) promulgated and effective as of 26 March 1994, an enterprise that intends to explore and exploit mineral resources shall apply for each exploration and mining rights separately according to the relevant PRC laws, regulations and policies, and is required to undergo the registration process for each of the exploration and mining rights, unless the mining enterprise which intends to conduct exploration operations for its own production within the defined mining areas has previously obtained mining rights.

The Procedures for the Registration of Mining of Mineral Resources (礦產資源開採登記管理辦法) ("State Council Circular No. 241") was promulgated by the State Council and became effective as of 12 February 1998. Under the State Council Circular No. 241, anyone with mining rights shall file an application for registration of change(s) with the appropriate registration administration authority within the duration of the mining license term if there is any change in the scope of the mining area, the main exploited mineral categories, the exploitation mode, the name of the mining enterprise and/or the transfer of the mining right according to the relevant laws. If continuation of mining is necessary after the expiration of the mining license, the holder of a mining license shall apply for an extension with the registration authority within 30 days prior to the expiration of the term of the mining license. If the holder of a mining license fails to apply for an extension prior to the expiration of the term, the mining license shall terminate automatically.

According to the Tentative Provisions on Granting and Assigning Mining Industry Rights (礦業權出讓轉讓管理暫行規定, the "Tentative Provisions") effective as of 1 November 2000, a holder of the exploration and mining rights ("mining industry right") has the right to possess, use, benefit from and dispose of its mining industry right in accordance with laws. A mining industry right holder may lawfully assign a mining industry right in accordance with the Tentative Provisions through sale, capital contribution, cooperative exploration or mining or share listing. The parties to the assignment shall complete the procedure for the change of registration of the mining industry right with the original registration and licensing authority. A mining industry right holder may also lease or mortgage a mining industry right in accordance with the Tentative Provisions.

According to the Notice on Further Standardizing the Administration of Granting the Mineral Rights (關於進一步規範礦業權出讓管理的通知) promulgated on 24 January 2006, the mines were categorized, on basis of the natural existing conditions of mineral resources and extent of past geological investigation, into three classes, with different grant procedures, and the administrative rules on invitation for bid are perfected.

PRC LAWS RELATING TO THE M&A RULES

According to the M&A Rules which were promulgated by the MOFCOM, the State-owned Assets Supervision and Administration Commission, the CSRC, the State Administration of Taxation, the State Administration for Industry and Commerce and the SAFE and became effective on 8 September 2006, the following transactions shall obtain the approvals of the relevant commerce authorities: (a) where a foreign investor seeks to purchase by agreement the equity interests in a domestic non-foreign-funded enterprise from its existing shareholders or subscribe to the increased capital of a domestic non-foreign-funded enterprise, and thus change the domestic non-foreign-funded enterprise into a foreign-funded enterprise; (b) where a foreign investor seeks to incorporate a foreign-funded enterprise, purchase the assets of a domestic non-foreign-funded enterprise via the foreign-funded enterprise and operate such assets via the foreign-funded enterprise; or (c) where a foreign investor seeks to purchase assets of a domestic non-foreign-funded enterprise, incorporate a foreign-funded enterprise by injecting the purchased assets into it, and subsequently operate the injected assets via the foreign-funded enterprise.

Our PRC Legal Advisers have advised that HK Taylor, the acquiring enterprise, is not a company incorporated by PRC residents, therefore it is not necessary for us to obtain approval from the CSRC and the MOFCOM for our Listing under the M&A Rules. Based on the advice of our PRC Legal Advisers, our Directors are of the view that the M&A Rules are not applicable to our Listing and it is not necessary for us to obtain approval from the CSRC and the MOFCOM for the purpose of Listing.

PRC LAWS RELATING TO SAFE CIRCULAR NO. 75

According to SAFE Circular No. 75, PRC residents establishing or taking control of a special purpose company abroad and domestic enterprises receiving round-trip investments from funds raised by an offshore special purpose company controlled by PRC residents are required to effect foreign exchange registration with the local foreign exchange bureau. As advised by our PRC Legal Advisers, Mr. Gao and Ms. Gao are not PRC citizens, therefore it is not necessary for Mr. Gao and Ms. Gao to make the SAFE registration with SAFE. For further details, please refer to the section head "Risk Factors – Risks Relating to the PRC – PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders or our PRC subsidiary to liabilities or penalties, limit our ability to inject capital into our PRC subsidiary or limit the ability of our PRC subsidiary to distribute profits to us" in this prospectus.

PRC LAWS RELATING TO ENVIRONMENTAL PROTECTION

According to Environmental Protection Law of PRC (the "**Environmental Protection Law**") (中華人民共和國環境保護法) effective as of 26 December 1989, the State Administration for Environmental Protection shall establish the national standards for environment quality. The people's governments of provinces, autonomous regions and municipalities directly under the Central Government may establish their local standards for environment quality for items not specified in the national standards for environment quality and shall report them to State Administration for Environmental Protection for the record.

Environmental Protection Law requires all units that cause environmental pollution and other public hazards shall incorporate the work of environmental protection into their plans and establish a responsibility system for environmental protection. These units shall adopt effective measures to prevent and control the pollution and harms caused to the environment by waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities.

Environmental Protection Law requires installations for the prevention and control of pollution at a construction project shall be designed, built and commissioned together with the principal part of the project. No permission shall be given for a construction project to be commissioned or used, until its installations for the prevention and control of pollution are examined and considered up to the standard by the competent department of environmental protection administration that examined and approved the environmental impact statement. The Environmental Protection Law is applicable to both open pit mining and underground mining.

According to Ordinance of Environmental Protection Administration for the Construction Project (建設項目環境保護管理條例) effective as of 29 November 1998 and Law on Environmental Impact Appraisal of the PRC (中華人民共和國環境影響評價法) effective as of 1 September 2003, the PRC government has set up a system to appraise environmental impact for construction project and administer environmental impact appraisal based on the degree of environmental impact. Construction units shall submit the environmental impact documents to competent environment authorities for approval, and they cannot commence the construction without the approvals of competent environment authorities.

According to Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法) effective as of 1 November 1984 and amended on 15 May 1996 and 28 February 2008, new construction project, expansion, reconstruction project and other installment on water that directly or indirectly discharges pollutants into the water body shall be subject to the state regulations on environmental protection of construction projects. Enterprises and institutions that discharge pollutants directly or indirectly into a water body shall report to and register with the local environmental protection department their existing facilities for discharging and treating pollutants, and the categories, quantities and concentrations of pollutants discharged under their normal operation conditions, and also submit to the same department technical information concerning prevention and control of water pollution. It is necessary to obtain the pollutant discharge permit for directly or indirectly discharging pollutants into the water. Enterprises and institutions that discharge pollutants into a water body shall pay a pollutant discharge fee; if the discharge exceeds the limits set by the national or local standards, they shall pay a fee for excess discharge according to State regulations.

According to Law of the PRC on Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) effective as of 1 September 2000, new construction project, expansion, or reconstruction project that discharges pollutants into air shall be subject to the state regulations on environmental protection of construction projects. Units that discharge atmospheric pollutants shall report to the local administrative department of environmental protection their existing discharge and treatment facilities for pollutants and the categories, quantities and concentrations of pollutants discharged under normal operation conditions and submit to the same department their technical information concerning prevention and control of atmospheric pollution.

The State implements a system of collecting fees for discharging pollutants on the basis of the categories and quantities of the atmospheric pollutants discharged, and establishing reasonable standards for collecting the fees therefor according to the needs of strengthening prevention and control of atmospheric pollution and the State's economic and technological conditions.

According to Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) effective as of 1 April 1996 and amended on 1 April 2005, the principle is implemented that polluters shall bear their legal liability and producers, salesmen, importers and users shall bear the legal liability to prevent and control of solid wastes.

According to the Law of the PRC on Prevention and Control of Environmental Pollution by Noise (中華人民共和國環境噪聲污染防治法) effective as of 1 March 1997, new construction project, expansion, or reconstruction project that discharges pollutants into air shall be subject to the state regulations on environmental protection of construction projects. Industrial enterprises that discharge noise during industrial production with fixed facilities shall report to the local environmental protection department categories and quantities of their existing facilities for discharging noise, and the noise volume of noise discharged under their normal operation conditions as well as treating facilities against noise, and also submit to the same department technical information concerning prevention and control of noise pollution. Units discharge noise exceeding the relevant standards shall pay the discharge fee subject to the regulations.

PRC LAWS RELATING TO GEOLOGICAL ENVIRONMENT PROTECTION

According 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 and effective as of 1 May 2009, (i) when an applicant for mining rights applies for the mining license, the applicant shall compile a plan for the protection and restoration of the mine's geological environment and submit the plan to the competent land and resources authority for approval; (ii) when a mine's geological environment is destroyed due to mineral mining, the holder of a mining license shall be responsible for restoration, the cost of the restoration is included in the production cost; and (iii) the holder of a mining license shall pay the security deposit for the restoration of the geological environment of mines. The standard and measures for the payment of the security deposit for the restoration of the geological environment of mines is implemented in compliance with relevant provisions formulated by each province, autonomous region or municipality.

PRC LAWS RELATING TO PRODUCTION SAFETY

According to the Production Safety Law of the PRC (中華人民共和國安全生產法) effective as of 1 November 2002 and amended on 27 August 2009 and the Law of the PRC on Safety in Mines (中華人民共和國礦山安全法) and its related implementation rules promulgated on 7 November 1992 and 30 October 1996 and effective as of 1 May 1993 and 30 October 1996 and amended on 27 August 2009, respectively, (i) safety facilities in mine construction projects shall be designed, constructed and put into operation at the same time as the commencement of the principal parts of the projects; (ii) the design of a mine shall comply with the safety rules and technological standards of the mining industry and shall be approved by the relevant authorities; and (iii) such mines may start production or operations only after they have passed the safety check and approval process as required by the relevant PRC laws and administrative regulations.

According to the Regulation on Work Safety Licenses (安全生產許可證條例) promulgated and effective as of 13 January 2004 and the Measures for the Implementation of Work Safety Licenses for Noncoal Mine Enterprises (非煤礦礦山企業安全生產許可證實施辦法) promulgated on 17 May 2004, amended on 30 April 2009 and effective as of 8 June 2009, (i) the work safety licensing system is applicable to any enterprise engaging in non-coal mining and such enterprise may not produce any products without obtaining a work safety license; (ii) prior to producing any products, the non-coal mining enterprise shall apply for a work safety license, which is valid for three years; (iii) the work safety bureau at or above provincial level are in charge of issuing the work safety license for non-coal mining enterprise; and (iv) if a work safety license needs to be extended, the enterprise shall apply for an extension with the administrative authority who issued the original license three months prior to the expiration of the original license.

PRC LAWS RELATING TO TAXATION AND FEE

According to the Enterprise Income Taxation Law effective as at 1 January 2008 and its implementation rules, a unified enterprise income tax rate of 25% is applied equally to both domestic enterprises and foreign invested enterprises.

According to the Interim Regulations of the PRC on Resource Tax (中華人民共和國資源稅暫行條例) promulgated on 25 December 1993, amended as of 30 September 2011 and effective as of 1 November 2011, any enterprise engaged in the exploitation of mineral products within the PRC is subject to pay a resource tax.

According to the Notice on Adjusting Resource Tax Applicable to lead-zinc ore and other tax items (財政部、國家稅務總局關於調整鉛鋅礦石等稅目資源稅適用稅額標準的通知) effective from 1 August 2007, statutory resource tax rate for lead-zinc ore ranges from RMB10 to RMB20 per ton.

According to the Provisions on the Administration of the Collection of Mineral Resources Compensation Fees (礦產資源補償費徵收管理規定) promulgated on 27 February 1994, effective as of 1 April 1994 and amended on 3 July 1997, mineral resources compensation fees shall be paid by the holder of the mining license if such holder exploits mineral resources within the PRC territory based on a ratio of the sale income from mineral products. The mineral resources compensation fee is calculated based on the following formula:

Resources compensation fee = Sales income of mineral products * Compensation fee rate * Coefficient of mining recovery rate

According to the Jiangxi Province's Interim Procedures on Mine Environmental Remediation and Ecological Restoration Security Deposit (江西省礦山環境治理和生態恢復保證金管理暫行辦法) effective from 1 October 2008, any enterprise engaged in the exploitation and selection of mineral products within Jiangxi province should compile a plan for the protection and comprehensive treatment of the mine's geological environment, sign an agreement on the protection and comprehensive treatment of the mine's geological environment, and make the security deposit which shall be made annually or in a lump sum to the duly appointed bank account. The security deposit is calculated based on the following formula:

Security deposit = Deposit standard * Area of the mining area * Area coefficients * Mining coefficients * Remaining effective years under the mining license

According to the Measures on the Withholding and Usage of Safety Production Fees of Enterprises (企業安全生產費用提取和使用管理辦法), effective as of 14 February 2012, safety production fees mean the funds specifically used for the improvement in production conditions of the enterprise in accordance with the required standard. Enterprises engaging in mining business in the PRC should provide for safety production fees. The standard provision for metal mines is RMB5 per tonne (surface mine) and RMB10 per tonne (underground mine). The standard provision can be raised properly.

PRC LAWS RELATING TO LAND

According to the Land Administration Law of the PRC (中華人民共和國土地管理法) promulgated on 25 June 1986 and effective as of 1 January 1987 and amended on 28 August 2004, an entity shall obtain land use rights for construction projects, which includes mining activities. Land collectively owned by rural residents is contracted to and operated by the members of respective collective economic entities for uses such as plantation, forestry, livestock husbandry or fishery production. The land use rights of collectively owned land shall not be granted, assigned or leased to any party for any non-agricultural uses. In the case of temporary use of state-owned land or land collectively-owned by farmers for construction projects or by geological survey teams, approval shall be obtained from the land administrative department of the government at or above the county level. Land users shall sign contracts with relevant land administrative department or rural economic collective organisations or village committees for the temporary use of land, depending on the ownership of land and shall pay land compensation fees as stipulated in the contracts for the temporary use of land. The term for the temporary use of land shall generally not exceed two years.

According to the Regulation on Land Reclamation (土地復墾條例) promulgated and effective on 3 March 2011, the land reclamation obligor should compile and submit the land reclamation plan to the competent departments of land and resources.

PRC LAWS RELATING TO PREVENTION AND CONTROL OF OCCUPATIONAL DISEASES

According 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) effective as of 1 May 2002 and amended on 31 December 2011, for construction projects, including projects to be constructed, expanded or reconstructed, and projects for technical renovation and introduction which may incur occupational disease hazards, the unit responsible for the construction project shall: (i) during the period of feasibility study, submit to the safety production administrative department a preliminary assessment report on such hazards; (ii) assess the effect of the control on occupational disease hazards before the construction project is completed for inspection and acceptance; and (iii) adopt protective facilities against occupational diseases. The protective facilities may be put into formal operation and use only after they have passed the inspection by the safety production administration department.

According to the Prevention and Control of Occupational Diseases Law of the PRC, an employing unit shall: (i) establish and improve the responsibility system of occupational disease prevention and treatment, strengthen the administration and improve the level of occupational disease prevention and treatment, and bear responsibility for the harm of occupational diseases engendered therefrom; (ii) purchase social insurance for industrial injury; (iii) adopt effective protective facilities against occupational diseases, and provide protective articles to the labourers for personal use against occupational diseases; (iv) set up alarm equipment, allocate on-spot emergency treatment articles, washing equipment, emergency safety exits and safety zones for poisonous and harmful work places where acute occupational injuries are likely to take place; and (v) inform the employees, according to the facts, of the potential harm of occupational disease as well as the consequences thereof and the protective measures and treatment against occupational diseases when signing a labour contract with employees.

PRC LAWS RELATING TO LABOUR

According to the PRC Labour Law (中華人民共和國勞動法) promulgated on 5 July 1994 and effective as of 1 January 1995 and amended on 27 August 2009 and the PRC Labour Contract Law (中華人民共和國勞動合同法) promulgated on 29 June 2007 and effective as of 1 January 2008, labour contracts shall be concluded if labour relationships are to be established between the units and the labourers. The units cannot require the labourers to work exceed the time limit and shall provide the wages which are no lower than local standards on minimum wages to the labourers in time. The units shall establish and perfect their system for labour safety and sanitation, strictly abide by the rules and standards on labour safety and sanitation set by the State, educate labourers in labour safety and sanitation. The units shall provide labourers with labour safety and sanitation conditions meeting stipulations by the State and necessary articles of labour protection, and carry out regular health examination for labourers engaged in work with occupational hazards.

According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) promulgated and effective as of 22 January 1999 and the Interim Measures concerning the Administration of the Registration of Social Insurance (社會保險登記管理暫行辦法) promulgated and effective as of 19 March 1999, the units in the PRC shall conduct the registration of social insurance with the competent authorities, and make contributions to the basic pension insurance, basic medical insurance and unemployment insurance for their employees.

According to the Regulations on Occupational Injury Insurance (工傷保險條例) promulgated on 27 April 2003 and effective as of 1 January 2004, as amended on 20 December 2010, and the Interim Measures concerning the Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法) promulgated on 14 December 1994 and effective as of 1 January 1995, PRC companies shall pay occupational injury insurance premiums and maternity insurance premiums for their employees.

According to the Regulations on the Administration of Housing Fund (住房公積金管理條例) promulgated and effective as of 3 April 1999, as amended on 24 March 2002, PRC unit shall register with the applicable housing fund management center and open a special housing fund account with a designated bank. Each of the PRC unit and their employees are required to contribute to the housing fund and their respective deposits shall not be less than 5% of an individual employee's monthly average wage during the preceding year.

PRC LAWS RELATING TO DIVIDEND DISTRIBUTION AND THE FOREIGN EXCHANGE

According to the Sino-foreign Equity Joint Venture Law of the PRC (中華人民共和國中外合資經營企業法) promulgated and effective on 8 July 1979 and amended on 4 April 1990 and 15 March 2001 and the Implementation Rules of the PRC on the Sino-foreign Equity Joint Venture Law (中華人民共和國中外合資經營企業法實施條例) promulgated and effective on 20 September 1983 and amended on 15 January 1986, 21 December 1987 and 22 July 2001, the incorporation of a Sino-foreign equity joint venture enterprise shall be approved by the MOFCOM or its local counterparts. A Sino-foreign equity joint venture enterprise shall pay certain taxes and allocate portions of its profits to the reserve funds, bonuses, welfare funds and expansion funds, prior to the declaration of its dividends. The allocation proportion of the distributable profit will be decided by the board of directors of the Sino-foreign equity joint venture enterprise. The foreign party to Sino-foreign equity joint venture could remit the net profit which distributed to it overseas subject to the regulations on foreign exchange.

According to the Regulations on Foreign Exchange Control of the PRC (中華人民共和國外匯管理條例) promulgated on 29 January 1996, effective as of 1 April 1996 and amended on 5 August 2008, payments made in foreign currencies for international transactions, such as the sale or purchase of goods, are not subject to PRC governmental control or restrictions. Certain organisations in the PRC, including foreign-invested enterprises, may purchase, sell and/or remit foreign currencies at certain banks authorised to conduct foreign exchange business upon providing valid commercial documents to such banks. However, approvals are required for the relevant capital account transactions, such as an overseas investment by a domestic company.

Under the Administration Rules of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) promulgated by the People's Bank of China on 20 June 1996, foreign investment enterprises in the PRC generally may purchase foreign exchange without the approval or review of SAFE, if such purchases are trade and service related foreign exchange transactions and commercial documents evidencing these transactions are produced. They may also retain foreign exchange, subject to a cap approved by SAFE, under current account items.

BEHRE DOLBEAR
founded 1911 MINERALS INDUSTRY ADVISORS
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June 28, 2012

The Directors
Wanguo International Mining Group Limited

and

The Directors
Guotai Junan Capital Limited
27/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Gentlemen,

Behre Dolbear Asia, Inc. ("BDASIA"), a member of the Behre Dolbear Group ("Behre Dolbear") of companies, herewith submits a report on the Independent Technical Review of the Xinzhuang Copper, Lead, Zinc Mine (the "Xinzhuang Mine") in Yifeng County, Jiangxi Province, the People's Republic of China ("China" or the "PRC"). The address for BDASIA is noted above. This letter of transmittal is part of the report.

The Xinzhuang Mine is currently owned and operated by Jiangxi Province Yifeng Wanguo Mining Company Limited ("Yifeng Wanguo"), which is a wholly-owned subsidiary of Wanguo International Mining Group Limited (the "Company"). The Xinzhuang Mine constitutes the primary mining asset of the Company. BDASIA's project team visited the Xinzhuang Mine in April 2010, January 2011 and January 2012.

The purpose of this report is to provide an independent technical assessment of the Company's Xinzhuang Mine to be included in the prospectus for the Company's initial public offering ("IPO") on the main board of The Stock Exchange of Hong Kong Limited ("SEHK"). This technical report has been prepared in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), in particular, Chapter 18. The reporting standard adopted by this report is the VALMIN Code and Guidelines for Technical Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports as adopted by the Australasian Institute of Mining and Metallurgy in 1995 and updated in 2005. Mineral resources and ore reserves defined at the property have been reviewed for conformity with the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in December 2004.

The evidence upon which the estimated mineral resources and ore reserves are based includes the deposit geology, drilling and sampling information, project economics and historical production data. The basis upon which BDASIA forms its view of the mineral resource and ore reserve estimates includes the site visits of BDASIA's professionals to the subject mining properties, interviews with Yifeng Wanguo's management, site personnel and outside consultants, and analysis of the drilling and sampling database and the procedures and parameters used for the estimates.

The BDASIA project team consisted of senior-level mining professionals from Behre Dolbear's Denver office in the United States, the Sydney office in Australia, and the London office in the United Kingdom. The scope of work conducted by BDASIA included site visits to the reviewed mining property, technical analysis of the project geology, mineral resource and ore reserve estimates, and review of mining, processing, production, operating and capital costs, environmental and social management, and occupational health and safety issues.

BDASIA has not undertaken an audit of Yifeng Wanguo's data, re-estimated the mineral resources, or reviewed the tenement status with respect to any legal or statutory issues.

BDASIA's report comprises an Introduction, followed by reviews of the technical aspects of Geology, Mineral Resources and Ore Reserves, Mining, Processing, Production, Operating and Capital Costs, Environmental and Social Management, and Occupational Health and Safety issues, as well as a Risk Analysis of the Xinzhuang Mine. BDASIA trusts that the report adequately and appropriately describes the technical aspects of the project and addresses issues of significance and risk.

BDASIA is independent of the Company, Yifeng Wanguo and the Xinzhuang Mine. Neither BDASIA nor any of its employees or associates involved in this project holds any share or has any direct or indirect pecuniary or contingent interests of any kind in the Company, Yifeng Wanguo, or the Xinzhuang Mine. BDASIA is to receive a fee for its services (the work product of which includes this report) at its normal commercial rate and customary payment schedules. The payment of BDASIA's professional fee is not contingent on the outcome of this report.

The effective date of this BDASIA report is December 31, 2011. The Company has confirmed to BDASIA that no material changes other than the on-going production and mine expansion construction have occurred for the Xinzhuang Mine since the effective date. The sole purpose of this report is for the use of the Directors of the Company and its sponsor and advisors in connection with the Company's IPO prospectus and should not be used or relied upon for any other purpose. Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document or used for any other purpose, without BDASIA's written consent to the form and context in which it appears. BDASIA consents to the inclusion of this report in the Company's IPO prospectus for the purpose of the IPO on the SEHK.

Yours faithfully,
BEHRE DOLBEAR ASIA, INC.

Qingping Deng, Ph.D., CPG
Project Manager

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1.0 INTRODUCTION

Wanguo International Mining Group Limited (the "Company") is a company incorporated in the Cayman Islands with limited liability. Through its subsidiaries, the company has a 100% interest in Jiangxi Province Yifeng Wanguo Mining Company Limited ("Yifeng Wanguo"), a wholly foreign-owned enterprise registered in Yifeng County, Jiangxi Province of the People's Republic of China ("PRC" or "China"). Yifeng Wanguo owns a 100% interest in the Xinzhuang Copper, Lead, Zinc Mine (the "Xinzhuang Mine") in Yifeng County, Jiangxi Province of China as shown in Figure 1.1.

Figure 1.1 Location map of the Xinzhuang Mine

The Xinzhuang Mine is currently a producing mining operation. The mine uses the underground mining method and flotation and magnetic separation processing methods to produce copper, iron, zinc, and sulfur (pyrite) concentrates from copper-iron, iron-copper, and copper-lead-zinc ores mined from underground stopes.

The Xinzhuang Mine was constructed in the period from 2003 to 2006 with an initial designed production capacity of 200,000 tonnes per annum ("tpa") of ore. Trial production from the mine and the processing plants started in January 2007; commercial production started in August 2007 for the processing plants and the mine. As of December 31, 2011, the production capacity of the mine was expanded to approximately 300,000 tpa for mining and 400,000 tpa for processing. In 2011, the Xinzhuang Mine processed a total of 356,340 tonnes ("t") of ore (including 118,470 t of copper-iron ore with an average copper grade of 1.28%, 154,020 t of iron-copper ore with average grades of 0.52% copper and 35.5% total iron ("TFe"), and 83,850 t of copper-lead-zinc ore with average grades of 0.57% copper, 0.55% lead and 3.63% zinc) and produced 11,066 t of copper concentrate with an average copper grade of 20.97% containing 2,321 t of copper metal, 77,889 t of iron concentrate with an average TFe grade of 61.97% containing 48,268 t of iron metal, 5,746 t of zinc concentrate with an average zinc grade of 47.23% containing 2,714 t of zinc metal, and 64,254 t of sulfur concentrate with an average sulfur grade of 38.9%. In addition, the copper concentrate also contained meaningful amounts of payable gold and silver.

The Xinzhuang Mine plans to expand its ore mining/processing capacity to approximately 600,000 tpa at the end of 2013 and the mine is expected to process a total of 600,000 t of ore (including approximately 150,000 t of copper-iron ore with an average copper grade of 0.76%, 300,000 t of iron-copper ore with an average copper grade of 0.31% and an average TFe grade of 37.7%, and 150,000 t of copper-lead-zinc ore with an average grades of 0.16% copper, 0.87% lead, and 4.59% zinc), and produce approximately 9,140 t of copper concentrate with an average copper grade of 19.9% containing approximately 1,800 t of copper metal, 123,900 t of iron concentrate with an average TFe grade of 63.0% containing approximately 78,100 t of iron metal, 2,120 t of lead concentrate with an average lead grade of 40.0% containing approximately 850 t of lead metal, 11,700 t of zinc concentrate with an average zinc grade of 50.0% containing approximately 5,850 t of zinc metal, and 68,900 t of sulfur concentrate with an average sulfur grade of 41.5% in 2014. In addition, the copper and lead concentrates will also contain meaningful amounts of payable gold and silver.

The Company proposes to prepare a prospectus to be issued in support of an initial public offering ("IPO") for a listing on the main board of The Stock Exchange of Hong Kong Limited ("SEHK") and to raise capital for further project development, expansion and acquisition. Guotai Junan Capital Limited ("Guotai Junan Capital" or the "Sponsor") is the Company's sponsor for the IPO.

The Board of Directors of the Company engaged Behre Dolbear Asia, Inc. ("BDASIA"), a member of the Behre Dolbear Group ("Behre Dolbear") of companies, as their independent technical advisor to undertake an independent technical review of the Company's Xinzhuang Mine and to prepare a competent person's report ("CPR") in connection with the Company's IPO. This BDASIA report is intended to be included in the Company's IPO prospectus.

BDASIA's project team for this technical review consisted of senior-level professionals from Behre Dolbear's offices in Denver, Colorado in the United States, Sydney in Australia, and London in the United Kingdom. Behre Dolbear personnel contributing to the study and to this technical report include:

- **Dr. Qingping Deng (B.S. in exploration geology and M.S. in economic geology from the Central-South Institute of Mining and Metallurgy in China, Ph.D. in economic geology from the University of Texas at El Paso in the United States)**, a senior associate of Behre Dolbear's Denver office, was BDASIA's **Project Manager** and **Project Geologist** for this technical review. Dr. Deng is a geologist with more than 27 years of professional experience in the areas of exploration, deposit modeling and mine planning, estimation of mineral resources and ore reserves, geostatistics, cash-flow analysis, project evaluation/valuation, and feasibility studies in North, Central and South America, Asia, Australia, Europe and Africa. Dr. Deng is a Certified Professional Geologist with the American Institute of Professional Geologists, a Qualified Professional Member of The Mining and Metallurgical Society of America and a Registered Member of The Society of Mining, Metallurgy, and Exploration, Inc. ("SME") and meets all the requirements for "Competent Person" as defined in the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("the JORC Code") and all the requirements for "Qualified Person" as defined in Canadian National Instrument 43-101. In recent years, he has managed a number of independent technical report studies for filing with SEHK and other securities exchanges. Dr. Deng is fluent in both English and Chinese. He was the president and chairman of the board of directors of BDASIA before June 30, 2010.

- **Mr. Peter Ingham (B.S. in mining from the University of Leeds in England and M.S. in Mineral Production Management in Royal School of Mines, London University in England)**, general manager, mining of Behre Dolbear's Sydney office, was BDASIA's **Project Mining Engineer** for this review. Mr. Ingham has over 30 years of professional experience in the mining industry in Europe, Africa, Australia and Asia. His experience includes operational expertise in operations management, mining contract management, project assessment and acquisition, operational audits and trouble-shooting and tenement and title issues. He is experienced in a range of commodities, primarily copper, gold and platinum, in both surface and underground mining. Mr. Ingham is a Fellow of the Australasian Institute of Mining and Metallurgy.

- **Mr. Vuko Lepetic (B.S. in mining engineering from the University of Belgrade in Yugoslavia and M.S. in mineral engineering from the Columbia University in the United States)**, a senior associate of Behre Dolbear's London office, was BDASIA's **Project Metallurgist**. Mr. Lepetic has over 30 years of worldwide experience in mineral processing and metallurgy. He has worked with and has extensive knowledge of processes employed and products produced by the Company. Mr. Lepetic holds patents for stibnite and cassiterite flotation (both industrially employed) as well as records of invention for the processing of iron, lead and zinc oxide minerals, rare earths and phosphates. He is a Qualified Professional Member (Metallurgy) with the Mining and Metallurgical Society of America.

- **Ms. Janet Epps (B.S. in geology from the University of New England in Australia and M.S. in Environmental Studies from the Macquarie University in Australia)**, a senior associate of Behre Dolbear's Sydney, Australia office, was BDASIA's **Project Environmental and Occupational Health and Safety Specialist**. She has over 30 years of experience in environmental and community issues management, sustainability, policy development and regulatory consultancy services. Ms. Epps has worked extensively with the private sector, government and the United Nations, the World Bank, the IFC and the Multilateral Investment Guarantee Agency ("MIGA"), as well as with the mining industry. She has provided policy advice to governments of developing countries on designated projects and contributed toward sustainable development and environmental management strategies. She has completed assignments in Australasia, the Pacific, Asia, the Middle East, the CIS countries, Africa, Eastern Europe, South America and the Caribbean. Ms. Epps is a Fellow of the Australasian Institute of Mining and Metallurgy.

- **Mr. Michael Martin (B.S. in mining engineering from Royal School of Mines, London University in England and M.A. in science from Kings College, Cambridge University in England)**, a senior associate of Behre Dolbear's Denver, Colorado, USA office, was BDASIA's Project Advisor. He has over 30 years of experience in the areas of engineering, operations, management, exploration, acquisitions, and development in the mineral industry, principally in the open pit mining of gold, copper, molybdenum and iron. He has had responsibility for capital and operating costs, infrastructure, and organization. He has been involved in many feasibility and due diligence studies, property evaluations, operational audits and optimizations, and mine equipment selection and costing. In addition, Mr. Martin has been responsible for all mining related items, including mine schedules, ore control, mine equipment, cash flow forecast reviews, and site management assessment. His consulting activities have included work in the United States and more than 19 foreign countries. Mr. Martin is a Qualified Professional Member of The Mining and Metallurgical Society of America and a Member of SME.

BDASIA's project team, with the exception of Mr. Martin, traveled to China to visit the Company's Xinzhuang Mine in Yifeng, Jiangxi that is reviewed in this report from April 1 to April 7, 2010. In addition, Dr. Deng also visited the Xinzhuang Mine from January 16 to January 18, 2011 and from January 8 to January 10, 2012. During BDASIA's visit, discussions were held with technical and managerial staff at the mine and plant sites. Operating performance from 2009 to 2011 and production schedules, budgets and forecasts from 2012 to 2014 were reviewed, together with the longer-term development plans.

This BDASIA report will contain forecasts and projections prepared by BDASIA, based on information provided by the Company. BDASIA's assessment of the projected production schedules and capital and operating costs will be based on technical reviews of project data and project site visits.

BDASIA notes that the production capacity, mining capacity and processing capacity used in this CPR have specific meaning. The Xinzhuang Mine's production system is separated into a mining system and a processing system, each of which has its own production capacity. The mining capacity refers to the capability of the mining system to produce ore under normal operation conditions and is commonly expressed in unit of tpa in this CPR; the processing capacity refers to the capability of the processing system to treat the ore produced from the mining system under normal operation condition and is also commonly expressed in unit of tpa in this CPR. The mining capacity can be the same as or different from the processing capacity. The production capacity, if not specified for mining and/or for processing, refers to the capability for both the mining system and the processing system of the Xinzhuang Mine in this CPR. The production rate is the speed to produce and/or treat ore for the Xinzhuang Mine; if not specified for mining and/or processing, it refers to the production speed for both the mining system and the processing system. The production rate can be the same as or different from the production capacity.

The metric system is used throughout this report. The currency used is the Chinese Yuan ("RMB") and/or the United States dollar ("US$"). The exchange rate used in the report is RMB6.30 for US$1.00, the rate of the People's Bank of China prevailing on December 31, 2011.

2.0 QUALIFICATIONS OF BEHRE DOLBEAR

Behre Dolbear & Company, Inc. is an international minerals industry advisory group which has operated continuously in North America and worldwide since 1911. Behre Dolbear & Company, Inc. and its parent, Behre Dolbear Group Inc., currently have offices in Beijing, Chicago, Denver, Guadalajara, London, New York, Santiago, Sydney, Toronto, Ulaanbaatar, Vancouver, and Hong Kong.

The firm specializes in performing mineral industry studies for mining companies, financial institutions, and natural resource firms, including mineral resource/ore reserve compilations and audits, mineral property evaluations and valuations, due diligence studies and independent expert reviews for acquisition and financing purposes, project feasibility studies, assistance in negotiating mineral agreements, and market analyses. The firm has worked with a broad spectrum of commodities, including base and precious metals, coal, ferrous metals, and industrial minerals on a worldwide basis. Behre Dolbear has acted on behalf of numerous international banks, financial institutions and mining clients and is well regarded worldwide as an independent expert engineering consultant in the minerals industry. Behre Dolbear has prepared numerous independent technical reports for mining projects worldwide to support securities exchange filings of mining companies in Hong Kong, China, the United States, Canada, Australia, the United Kingdom, and other countries.

Most of Behre Dolbear's associates and consultants have occupied senior corporate management and operational roles and are thus well-experienced from an operational view point as well as being independent expert consultants.

BDASIA is a wholly-owned subsidiary of Behre Dolbear & Company, Inc. established in 2004 to manage Behre Dolbear's projects in China and other Asian countries. Project teams of BDASIA commonly consist of senior-level professionals from Behre Dolbear's offices in Denver, Colorado of the United States, Sydney of Australia, London of the United Kingdom and other worldwide offices. Since its establishment, BDASIA has conducted over 50 technical studies for mining projects in China or mining projects located outside of China to be acquired by SEHK-listed Chinese companies, including preparing independent technical reports for the SEHK IPO prospectuses of Hunan Nonferrous Metals Corporation Limited, Zhaojin Mining Industry Company Limited, Hidili Industry International Development Limited, Real Gold Mining Limited, China Vanadium Titano-Magnetite Mining Company Limited, China Gold International Resources Corporation Limited, and China Kingstone Mining Holdings Company Limited, and for the Shanghai Stock Exchange ("SSE") IPO listing of Western Mining Company Limited. These eight companies were successfully listed on the SEHK/SSE from 2006 to 2011.

3.0 DISCLAIMER

BDASIA has conducted an independent technical review of the Company's Xinzhuang Mine and holdings. Site visits were made to the project site by BDASIA professionals involved in this study. BDASIA has exercised all due care in reviewing the supplied information and believes that the basic assumptions are factual and correct and the interpretations are reasonable. BDASIA has independently analyzed the Company's data, but BDASIA did not perform an audit on the Company's data. BDASIA has relied on the data provided by the Company, and the accuracy of the conclusions of the review largely relies on the accuracy of the supplied data. The Company has guaranteed that all the data provided for BDASIA's review are true, accurate and complete.

4.0 PROPERTY DESCRIPTION

4.1 Location, Access and Infrastructure

The Xinzhuang Mine is located approximately 37 kilometers ("km") by road east-northeast of the Yifeng County seat and 33 km by road west of Gaoan City (Figure 1.1), in the northwestern section of the Jiangxi Province in China. The western portion of the property falls within the Xinzhuang Township of Yifeng County and the eastern portion of the property falls within the Cunqian Township of Gaoan City; however, the current underground mining area and surface mine facilities are all located within the Yifeng County boundary. The geographic location of the Xinzhuang Mine covered by the current mining license is defined by longitudes from 115°06'54"E to 115°08'14"E and latitudes from 28°27'23"N to 28°28'15"N. The Yifeng County has a surface land area of approximately 1,935 square kilometers ("km^2") with a population of approximately 280,000.

Access to the Xinzhuang Mine is excellent. Provincial highway S318 passes through the Xinzhuang Mine area and connects the mine with the Yifeng county seat in the west and the State Highway G320 in the south. The road distance from the mine to Nanchang, the capital city of Jiangxi Province located in the east-northeast direction, via S318 then G320, is approximately 99 km. There are two nearby rail stations in the area. The Shanggao station on the Xinyu-Shanggao branch railroad is located in the southwest area of the mine with a road distance of approximately 45 km; the Xietang station on the Zhangjiashan-Jianshan branch railroad is located in the southeast area of the mine with a road distance of approximately 59 km. Concentrates produced from the Xinzhuang Mine can be trucked to either the Shanggao Station or the Xietang station then be shipped by rail to the smelter customers in various areas in China.

Electricity supply to the Xinzhuang Mine is currently supplied by a 35-kilovolt ("kV") transmission line connected to the local power grid near the town of Xinzhuang, which is sufficient for current production. A second 35-kV power transmission line will be constructed from the town of Xinzhuang to the mine to support the planned production expansion. In addition, the Xinzhuang Mine also has a 300-kilowatt ("kW") diesel generator, which can be used as the backup power source for hoisting and partial mine water pumping.

There is abundant surface and ground water in the Xinzhuang Mine area. The Shishui River, approximately 400 to 450 m from the mine shafts, flows from north to south through the eastern part of the mine area with a flow rate of 0.6 to 1.5 cubic meters per second ("m^3/s"). The limestones underlying a large part of the mine area contain a well-developed karst groundwater system and are the major aquifers in the area. Water for production and domestic use at the mine site is generally pumped-out good-quality mine water. Water from the tailings storage facility ("TSF") is also partially recycled for production. Water supply for production is not a problem; however, the abundant surface water and groundwater present in the area have brought a hydrological challenge for the mining operation at the Xinzhuang Mine. In order to solve the groundwater problem for mine production, the mine has been constructing a subsurface curtain grouting wall at the eastern side (along Exploration Line 23) of the deposit. This curtain grouting wall, together with the Cunqian granite intrusive complex in the south and southwest and a main apophysis from the intrusive complex in the north, has isolated the mining area from the ground water system, making underground mining operation feasible in the Xinzhuang Mine. This groundwater plugging technique has been utilized successfully at the Xinzhuang Mine.

The area is a rural agricultural district, and rice is the primary crop. Forest covers approximately 65% of the surface area in Yifeng County with abundant timber and bamboo resources. Industries in the Yifeng County area consist mostly of machinery manufacturing, timber, bamboo and building material production, ceramics, food and drinks, and medical and chemical products. Labor supplies are abundant in the area.

4.2 Climate and Physiography

The Xinzhuang Mine is located in a flat area in a peneplain with an average surface mean sea level ("MSL") elevation of approximately 52 meters ("m"). The Shishui River valley at the southeast is the lowest point in the mine area with a MSL elevation of approximately 40 m. The local topography is high in the northwest and low in the southeast.

The Xinzhuang Mine area has a subtropical warm and moist climate. The average annual temperature is around 17°C with a summer high of approximately 40°C in July and a winter low of approximately -8°C in January. Annual precipitation averages approximately 1,600 millimeters ("mm") and annual evaporation rate averages approximately 1,400 mm.

4.3 Property Ownership

Under the "Mineral Resource Law of the PRC", all mineral resources in China are owned by the state. A mining or exploration enterprise may obtain a license for the mining or exploration right for conducting mining or exploration activities in a specific area during a specified period of validity. The licenses are generally extendable at the expiration of their period of validity. The renewal application should be submitted to the relevant state or provincial authorities at least 30 days before the expiration of a license. To renew an exploration license, all exploration license fees must be paid and the minimum exploration expenditure should have been made for the area designated under the exploration license. To renew a mining license, all mining license fees, resource taxes, and resource compensation fees must be paid to the state for the area designated under the mining license. A mining license has both horizontal limits and elevation limits, but an exploration license has only horizontal limits.

Yifeng Wanguo currently holds a license for a mining right of 3.7692 km^2 in area for the Xinzhuang Mine; this license was issued by the Department of Land and Resources of Jiangxi Province. The horizontal boundary of the mining license is defined by 4 corner points and its MSL elevation range is from -500 m to 0 m. The license area is approximately 2.2-km long in the east-west direction and 1.6-km wide along the north-south direction. The license number is C3600002011013220103932. This license was issued on April 20, 2012 and is valid until April 20, 2032 and is extendable thereafter. The license permits Yifeng Wanguo to conduct underground mining for copper, lead, zinc and iron ores at a rate of 600,000 tpa; permitted production rate for the previous mining license was 300,000 tpa. All currently defined mineral resources and ore reserves reviewed by this report are contained within the limits of the mining license. The current permitted production rate is consistent with the planned mine expansion.

According to information provided by Yifeng Wanguo, copper-polymetallic ore production from the Xinzhuang Mine is subject to a resource tax of RMB5.00/t (US$0.79/t) for the copper-iron ore, RMB7.00/t (US$1.11/t) for the iron-copper ore, RMB10.00/t (US$1.59/t) for the copper-lead-zinc ore, and a resource compensation levy of 2% of the concentrate sales revenue. A value added tax ("VAT") of 17% is included in the sale price of various concentrates produced from the Xinzhuang Mine, and there is also a city-maintenance-and-construction levy of 5% of the VAT and an education levy of 5% of the VAT. The corporate income tax rate for Yifeng Wanguo is 25%. A security deposit for land reclamation of RMB10.6391 M (approximately US$1.69 M) was assessed by the Department of Land and Resources of Jiangxi Province in December 2010. Payments for the security deposit consist of an initial payment of RMB1,595,900 in 2011 and 14 following RMB625,800 annual installments and a final payment of RMB282,000 in 2026.

BDASIA has not undertaken a legal due diligence review of Yifeng Wanguo's mining license as such work is outside the scope of BDASIA's technical review. BDASIA has relied upon the Company's advice as to the validity of the mining license. BDASIA understands that the legal due diligence review of the mining license has been undertaken by the Company's PRC legal advisers.

4.4 History

The aeromagnetic anomaly related to the copper-polymetallic mineralization at Xinzhuang was discovered by a geophysical survey conducted by the No. 905 Team of the Airborne Geophysical Exploration Brigade under the Ministry of Geology of China in 1959.

In 1966, based on the detailed ground magnetic survey results for the Xinzhuang deposit, drilling was conducted by the No. 902 Geological Brigade ("Brigade 902") of the Geological Bureau of Jiangxi Province. The first drill hole intercepted the mineralization related to the magnetic anomaly. An initial geology report with preliminary resource estimation was completed by Brigade 902 in 1970.

Further exploration work for the Xinzhuang deposit was conducted by Brigade 902 from 1975 to 1978, and an updated geology report with resource estimation was completed in November 1983.

From April 1986 to December 1992, the Brigade of Geological Survey of West-Jiangxi of the Bureau of Geology and Mineral Exploration of Jiangxi Province of the PRC (the "West-Jiangxi Brigade") conducted supplemental detailed exploration for the Xinzhuang deposit. A geology report with an updated resource estimation was completed by the West-Jiangxi Brigade in December 1993.

These historical exploration campaigns completed a total of 171 core drill holes with a total drilled length of 77,723 m, 43 shallow drill holes with a total length of 2,603 m, and limited surface trenches and shallow wells. These holes were drilled on exploration lines at a line spacing of from 50 m in the central portion of the deposit to 100 – 250 m in the peripheral zones and oriented at an azimuth of approximately 353°30'. An exploration line near the center of the area was numbered as Exploration Line 0; the exploration lines to the east of Line 0 were numbered as consecutive odd lines and the exploration lines to the west were numbered as consecutive even lines. The central portion of the deposit was defined by Exploration Lines 6 to 19. The drill hole spacing on exploration lines at the central portion of the deposit generally ranges from 25 m to 100 m, and drill hole spacing on the peripheral exploration lines ranges from 50 m to 400 m.

A positive feasibility study for the initial phase of the mining operation, between exploration lines 10 and 17 and above the MSL elevation of -200 m, at a designed production capacity of 100,000 tpa, for a Xinzhuang lead-zinc mine was completed by Nanchang Nonferrous Metallurgical Engineering and Research Institute (the "Nanchang Institute") in October 2002.

In October 2005, the West-Jiangxi Brigade compiled an updated resource estimation above the MSL elevation of -500 m for the Xinzhuang copper-polymetallic deposit based on the historical exploration data.

In May 2006, the Nanchang Institute completed an updated feasibility study report with a designed production capacity of 99,000 tpa for the Xinzhuang copper-polymetallic mine.

The Xinzhuang Mine was constructed in the period from 2003 to 2006 with an initial designed production capacity of 200,000 tpa. Trial production from the mine and the processing plants started in January 2007; commercial production started in August 2007 for the processing plants and the mine. The mine reached the designed production capacity in 2008. Since then, it has continued to expand the production capacity. As of December 31, 2011, the mine's production capacity was approximately 300,000 tpa for mining and approximately 400,000 tpa for processing. The mine is currently accessed by a 319-m-deep main shaft, a 288-m-deep auxiliary shaft, and a 313-m long decline; mining is being conducted from five levels at the MSL elevations of -65 m, -105 m, -145 m, -185 m, and -225 m in areas between Exploration Lines 1 and 5 and between Exploration Lines 7 and 13. One additional level at the MSL elevation of -270 m has also been developed for future mining operation. The mining method adopted is primarily the cut-and-fill method. The concentrator processing system consists of two-stage crushing, one-stage grinding, flotation for copper, lead, zinc and pyrite concentrates, magnetic separation of magnetite iron concentrate from flotation tails, and concentrate dewatering.

Because the historical exploration work was conducted from the late 1960s to the early 1990s, Yifeng Wanguo engaged Jiangxi Geology and Mineral Resource Exploration and Development Company Limited ("JGMREDCL") to conduct additional underground infill drilling and sampling work and to update the resource estimation for the Xinzhuang copper-polymetallic deposit in June 2008 in order to produce a resource/reserve estimation to support the proposed IPO on the SEHK, and this work was completed in July 2009.

Based on the updated resource estimates produced by JGMREDCL for the Xinzhuang deposit, China Nerin Engineering Company Limited ("Nerin", the current name for the Nanchang Institute) completed an updated feasibility study for increasing the production capacity from approximately 300,000 tpa (mining)/400,000 tpa (processing) to approximately 600,000 tpa for the Xinzhuang Mine in January 2010. This feasibility study provided a reasonable basis for the ore reserve estimation for the Xinzhuang Mine.

The July 2009 JGMREDCL resource estimation report, the January 2010 Nerin feasibility study report, and the current mining operation data formed the bases for BDASIA's independent technical review of the Xinzhuang Mine operation.

Currently, the Xinzhuang Mine has approximately 263 employees, of which about 113 are underground technical and supporting mine workers, 90 are processing plant workers, and the remainder are mine management and supporting staff. Mine development and ore mining are conducted by a mining contractor, who has approximately 236 people working on site. The overall work force is expected to be expanded only slightly to 516 people when the mine expansion is completed at the end of 2013 as the production expansion will be mostly achieved through using larger and more mechanized equipment.

5.0 GEOLOGY AND DATABASE

5.1 Geology

Copper-polymetallic mineralization at Xinzhuang is related to a porphyry-skarn-hydrothermal mineralization system associated with a Yanshanian granite intrusive complex. Similar mineralization systems are widely distributed in Southeastern China.

5.1.1 Regional Geology

Stratigraphy outcropping in the region consists of Middle Proterozoic Shuangqiaoshan Group (Pt_2Sh) low-grade metamorphic rock series (sericite-quartz phyllites, quartz schists, meta-sandstones and meta-siltstones) in the north, Upper Paleozoic carbonate formations (including Upper Carboniferous Huanglong Formation – Chuanshan Formation (C_2h – C_2c), Lower Permian Qixia Formation (P_1q) and Upper Permian Changxing Formation (P_2ch)) in the middle, and the thick upper Cretaceous Nanxiong Formation (K_2n) purple-red continental basin clastic sediments in the south. Mesozoic Triassic Anyuan Formation (T_3a) coal-bearing continental clastic sediments occur only in local faulted basins, whereas Quaternary sediments (Q) are widely distributed in the middle and south of the region.

The Middle Proterozoic low-grade metamorphic rocks constitute the basement of the region and have been strongly folded. The Upper Paleozoic carbonate formations unconformably cover the metamorphic basement and have also been folded with an east-northeast to northeast direction folding axis.

The primary structure in the region is the Yifeng-Jingdezhen deep fault structure with an east-northeast strike, which controls the structural pattern of the region. The east-northeast to northeast faults in the region are generally larger in scale, and have a lateral and/or reverse movement, whereas the north-northeast to north-northwest faults are generally smaller in scale.

Igneous activities in the region generally belong to two orogenies, i.e., the late Proterozoic Jinning Orogeny and the Mesozoic Yanshan Orogeny. The Jinning igneous activity was generally limited to the east and north of the region and consists of the spilite-keratophyre sequence of volcanic rocks and lager biotite granite intrusives. The Yanshanian igneous activity was generally limited to the middle of the region, and consists of 17 small granite intrusive bodies, oriented along an east-northeast direction; the largest of these intrusives is the Cunqian granite complex with a plane surface area of approximately 1.8 km^2 and an isotope age of 117 Ma (Middle Yanshanian). This granite complex is directly associated with the copper-polymetallic mineralization at the Xinzhuang Mine.

5.1.2 Geology of the Xinzhuang Copper-Polymetallic Deposit

The Xinzhuang deposit area is located at the northern contact zone of the Cunqian granite complex. The Upper Carboniferous to Lower Permian carbonate rocks occur in the north of the mine area, and the Cunqian granite complex occurs in the south of the area, which was mostly covered by the Cretaceous Nanxiong Formation continental basin sediments. However, approximately 98% of the Xinzhuang Mine area is now covered by Quaternary sediments.

The carbonate rocks in the north of the Xinzhuang Mine area consist of the Upper Carboniferous Huanglong Formation – Chuanshan Formation light-gray to grayish-white, median-bedded, limestones, dolomitic limestones and dolomites, and the Lower Permian Qixia Formation light-gray to dark-gray, thin-bedded to median-bedded, limestones, marlstones, mudstones, and cherty limestones with some intercalated black carbonaceous mudstones and carbonaceous and calcareous mudstones.

The Huanglong Formation – Chuanshan Formation is the primary mineralization host in the deposit. Copper, lead-zinc and iron mineralization occurs along the inter-layer fracture zones within the carbonate rocks, the unconformity surface between the carbonate rocks and underlying low-grade metamorphic rocks, and the contacts between the granite and carbonates as replacement or open-space filling materials. Alteration related to the pyrite, chalcopyrite, magnetite, lead-zinc and siderite mineralization includes silicification, skarnization, marblization, and arkeritization. This formation is 300-m to 400-m in thickness, and it overlays unconformably on the Shuangqiaoshan Group metamorphic rocks.

The Qixia Formation is a less-important mineralization host for the Xinzhuang deposit; pyrite, chalcopyrite and lead-zinc mineralization occurs locally at the east contact zone with some marblization. The formation is more than 400-m thick and it has a parallel-unconformable contact with the underlying Huanglong Formation – Chuanshan Formation.

The Upper Triassic Anyuan Formation light-gray to grayish-white, thin- to median-bedded, fine-grained, feldspar-quartzose sandstones and siltstones with a thickness of more than 20 m only occur at the eastern portion of the Xinzhuang Mine area. It unconformably overlies on the other older strata.

The Upper Cretaceous Nanxiong Formation consists of continental basin clastic sediments. The upper portion of the formation is mostly sandy-conglomerates and pebble-bearing coarse sandstones, and the lower portion is mostly light-gray, grayish-white, and purplish-red, thick-bedded, conglomerates with intercalated purplish-red, thin- to medium-bedded, siltstones and sandy-conglomerates. The total thickness of the formation is over 300 m and it overlies unconformably on the other older strata.

The quaternary sediment cover averages around 15-m thick, but it can be as thick as over 40 m in the Xinzhuang Mine area.

The primary structure at the Xinzhuang Mine area is a southwest-plugging, overturned, anticline. The anticline axis is at the azimuth of 32°-65°. The core of the anticline consists of the Shuangqiaoshan Group metamorphic rocks and Huanglong Formation – Chuanshan Formation carbonates, and the wings of the anticline consists of Qixia Formation carbonates. The northwestern wing of the anticline is generally dipping at a low angle to the northwest, but the southeastern wing is overturned and dips at a high angle also to the northwest. There are also some secondary synclines and anticlines along the axis of the overturned anticline. The most favorable locations for mineralization are the contacts between the granites and the Huanglong Formation – Chuanshan Formation carbonates near the anticline axis plane and in the overturned wing as well as the unconformity surface at the bottom of the carbonate formation.

Fault structures have not been directly defined by drill holes or underground workings, but several faults in the north-northwest, north-northeast, and east-west directions were inferred from stratigraphy offsets and abrupt change of mineralized body attitudes. These fault structures are pre-mineral and controlled the intrusion of the granite complex and the distribution of the mineralization.

The Cunqian granite is a multiple-stage, shallow, granite intrusive complex formed from the same felsic magma source at approximately the same period of time with some cryptoexplosion characteristics. The rock types of the intrusive complex include biotite-plagioclase granite porphyry, biotite-high-plagioclase granite porphyry, biotite-two-feldspar granite porphyry, felsite porphyry, crystal-quartz porphyry, and cryptoexplosion breccia, among which biotite-plagioclase granite porphyry is the primary rock type. The intrusive body is elliptic on a plan view with a long-axis in the east-west direction of approximately 2.2 km, a short-axis in the north-south direction of approximately 0.85 km, and a surface area of approximately 1.8 km^2. It is a pipe-shaped body on cross sections. The northern contact of the intrusive body is complex with an overall northern dip at a moderate to high dip angle. Its contact zone with the Huanglong Formation – Chuanshan Formation strata is the most important mineralization zone in the Xinzhuang deposit. The south contact zone has a relatively simpler shape with an overall north dip at around 85°. The granite body intruded into the Qixia Formation strata along the southern contact with relatively weak mineralization and alteration.

There are some apophyses away from the main intrusive complex body. The largest is the main apophysis located north of the intrusive complex body with a distance of several tens of meters to around 200 m between Exploration Lines 35 and 20. The thickness of the main apophysis is generally 25 m to 40 m with a minimum of 1 m and a maximum of around 300 m. This main apophysis forms an aquitard in the deposit area and has helped Yifeng Wanguo to fight against the hydrological challenge.

Two cryptoexplosion breccia pipes were found at the northwest portion of the granite complex, between Exploration Lines 5 and 28, and have a plane area of approximately 0.16 km^2. The breccia pipes are hosted by the biotite-plagioclase granite porphyry.

Alteration associated with the granite intrusion and copper-polymetallic mineralization includes skarnization, chloritization, sericitization, kaolinization, silicification, k-feldspar alteration, hornfels, marblization, arkeritization, serpentinization, and carbonatization. From the intrusive complex to the country rocks, there are four alteration zones, i.e.:

- the altered porphyry zone with primarily sericitization, kaolinization, silicification, and minor epidotization, chloritization, k-feldspar alteration, and carbonatization. The zone is approximately 300-m wide and generally has a low copper concentration, but locally copper can be enriched to form porphyry type copper mineralization;

- the skarn zone consisting of an endoskarn subzone and an exoskarn subzone of several meters to several tens of meters wide. The endoskarns were formed from biotite-plagioclase granite porphyry and consist of mostly garnet and diopside with small amount of epidote and tremolite. The exoskarns were formed from limestone and/or dolomite and generally contain diopside, garnet, epidote, tremolite, actinolite, and a small amount of wollastonite. The skarn zone generally has a high concentration of copper and iron, which constitutes the primary mineralized zone in the deposit;

- the marble zone consisting of recrystallized calcite and dolomite of several meters to more than 100-m wide. This zone generally has low copper concentration but high lead-zinc concentration, and contains most of the lead-zinc mineralization in the deposit; and

- the marblized limestone zone of several meters to more than 100-m wide. Copper, lead and zinc mineralization is generally weak in this zone.

Figure 5.1 is a subsurface geology map below the Quaternary cover for the Xinzhuang copper-polymetallic deposit.

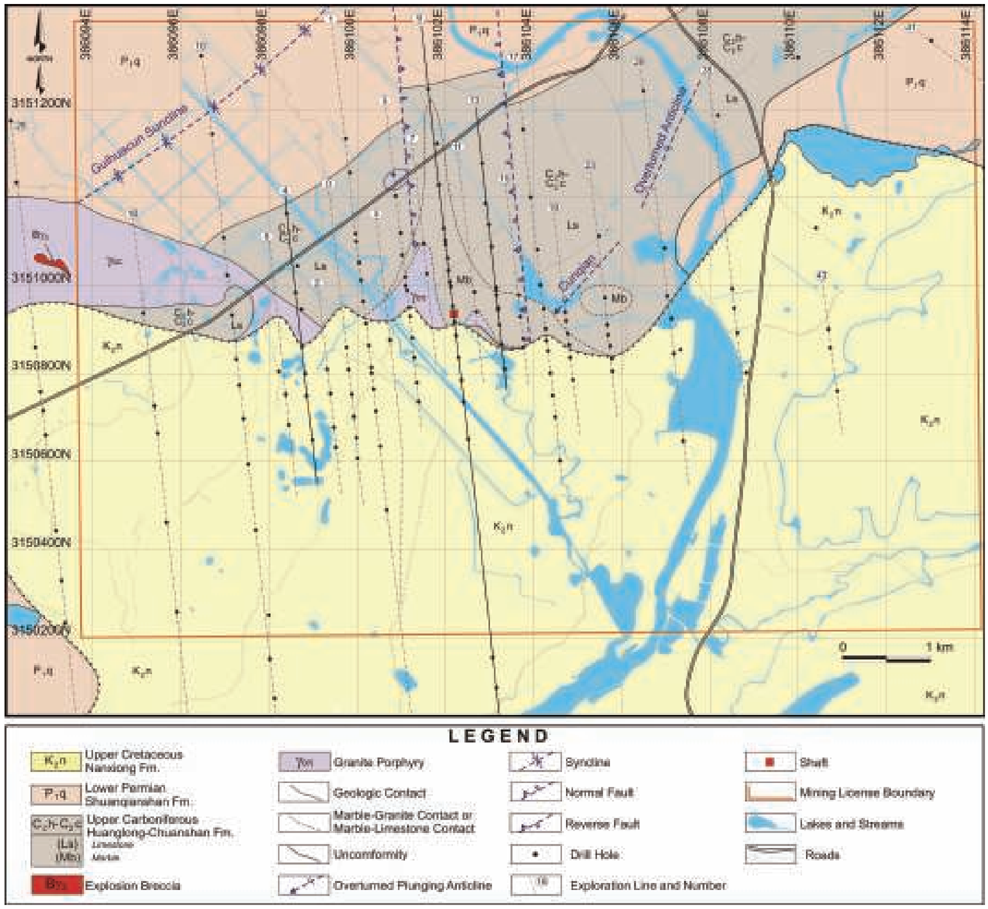

Figure 5.1 Subsurface geology map of the Xinzhuang copper-polymetallic deposit

5.1.3 Geology of the Copper-Polymetallic Mineralization

The mineralogy of the Xinzhuang deposit is quite complex. Over 50 minerals have been identified, more than 20 of which are metallic minerals. The most common metallic minerals are sulfide minerals, including pyrite, chalcopyrite, sphalerite and galena, and magnetite. Limonite and hematite occur in the shallow oxidized zone and are oxidation products. Minerals of economic importance at current conditions include chalcopyrite, galena, sphalerite, magnetite and pyrite. Primary gangue minerals are calcite, dolomite, quartz, feldspar, kaolinite and micas with less abundance of epidote, chlorite, tremolite, actinolite, garnet and diopside.

Metallic minerals occur as massive, lumps, disseminations, veins or veinlets in the deposit.

Based on the mineral composition, mineralization with economic importance at the Xinzhuang copper-polymetallic deposit is divided into three mineralization types:

- Copper-iron or Cu-Fe mineralization: copper occurring as chalcopyrite is the major economic element in this type of mineralization, but it may also contain various amounts of magnetite, pyrite and locally some galena and sphalerite. This is the most important mineralization type in the deposit. A large portion of the mineralization in the skarn zone and almost all the mineralization in the porphyry zone are of this type. Copper mineralization in the porphyry zone generally does not contain meaningful amounts of magnetite, galena and sphalerite. Ore production from this type of mineralization is used to produce copper concentrate, magnetite iron concentrate, and sulfur concentrate.

- Iron-copper or Fe-Cu mineralization: iron occurring as magnetite is the major economic element in this type of mineralization, but it also contains various amounts of copper as chalcopyrite and pyrite. This type of mineralization constitutes part of the mineralization in the skarn zone. Ore production from this type of mineralization is used to produce magnetite iron concentrate, copper concentrate and sulfur concentrate.

- Copper-Lead-Zinc or Cu-Pb-Zn mineralization: lead occurring as galena, and/or zinc occurring as sphalerite are the major economic elements in this type of mineralization, but it may also contain various amounts of chalcopyrite, pyrite and magnetite. Ore production from this type of mineralization is used to produce lead concentrate, zinc concentrate, copper concentrate, magnetite iron concentrate and sulfur concentrate.

The upper portion of the deposit has been oxidized, but the majority of the mineralized bodies (>95%) are located in the primary sulfide zone. Current and planned mining are all within the primary sulfide zone in the deposit. The small mineral resource in the oxidized zone will not be discussed further in this report.

Currently defined copper-polymetallic mineralized bodies at the Xinzhuang Mine are all located at the northern contact zone of the Cunqian granite complex. Four mineralized zones with a total of eight mineralized bodies have been delineated by drilling and underground developments.

Mineralized Zone I is located north, or at the hanging wall, of the main apophysis, and two mineralized bodies, I-1 and I-2, were defined in this zone. This zone is all located in the oxidized zone and is not the target for the planned mining operation.

Mineralized Zone II is located south, or at the footwall, of the main apophysis, and is controlled by the main intrusive contact, the unconformity contact surface between the Huanglong Formation and the Shuangqiaoshan Group, and inter-layer fracture zones within the Huanglong Formation – Chuanshan Formation carbonate rocks. Only one mineralized body, II-3, was defined in this zone. This zone contains all three types of mineralization with economic importance defined for the Xinzhuang deposit. The upper portion of the zone is oxidized, but the majority of the zone is located in the sulfide zone.

Mineralized Zone III is located within the fractured zones in the porphyry or related to the carbonate rock xenoliths south of the cryptoexplosion breccia pipes. Four mineralized bodies, III-4, III-5, III-6 and III-7 were defined in the zone. This zone also contains all three types of mineralization. It is generally unoxidized.

Mineralized Zone IV is located in the fractured zone within the crystal-quartz porphyry south of Zone III, and only one mineralized body, IV-8, was defined. This zone only contains copper mineralization with little other metals. It is generally unoxidized.

Of all the defined mineralized bodies, the II-3 mineralized body is by far the most important, as it contains approximately 75% of the currently-defined Measured and Indicated mineral resources. The second most important is the III-7 mineralized body, hosting approximately 8% of the resources.

The II-3 mineralized body is located between Exploration Lines 10 and 51 with a near-east-west strike length of over 1,500 m. It dips to the north with an average dip extension of approximately 340 m. The mineralized body was intercepted by 64 drill holes, with an average intercept thickness of 10.5 m and a thickness range of 0.16 m to 105.14 m. The thickness of the mineralized body is quite variable; it is generally thick in the middle of the deposit with average line thickness of 5 m to 17 m and pinches out gradually to the east and to the west. The mineralized body is split at the intersection of the granite contact with the unconformity surface, and the thickness increases significantly at the intersection. The shape of the II-3 body is irregularly stratiform with swells and pinches, splits and merges, along both strike and dip. The mineralized body dips to the north with variable dip angles (15° to 68°) at different parts of the mineralized body. The MSL elevation of the II-3 body ranges from +4 m to -700 m.

For the II-3 mineralized body, copper grade in the copper-iron ore generally ranges from 0.2% to 1.4%, with an average of 0.67% and a maximum of 11.43%; the copper grade distribution is rather irregular with a coefficient of variation of 117%. Within the lead-zinc ore, lead grade generally ranges from 0.5% to 3.0% with an average of 1.36%, maximum of 32.38%, and a coefficient of variation of 192%; zinc grade generally ranges from 0.8% to 6.0%, with an average of 3.67%, a maximum of 24.93%, and a coefficient of variation of 95%. Within the iron-copper ore, the magnetic iron ("mFe") grade generally ranges from 20% to 45%, with an average of 34.97%, a maximum of 59.45% and a coefficient of variation of 31%. In addition, there are generally variable mFe grades in the copper-iron ore, and variable copper grade in the lead-zinc ore and iron-copper ore.

The III-7 mineralized body is located between Exploration Lines 10 and 0 with a delineated strike length of 250 m, an average dip extension of 313 m, and an average intercept thickness of 11.57 m (ranging from 0.47 m to 58.28 m). The mineralized body is controlled by the fractured zones and the carbonate rock xenoliths within the porphyry and is lenticular in shape. It dips to the north-northwest at 40° to 60° and its MSL elevation range is -128 m to -570 m.

For the III-7 mineralized body, copper grade in the copper-iron ore generally ranges from 0.2% to 1.4%, with an average of 0.63%, a maximum of 1.87%, and a coefficient of variation of 66%. The mFe grade in the iron-copper ore is generally 20% to 45%, with an average of 31.42%, a maximum of 52.04%, and a coefficient of variation of 30%. Similar to the II-3 mineralized body, there is generally also a variable mFe grade in the copper-iron ore, and variable copper grade in the iron-copper ore and copper-lead-zinc ore.

The other mineralized bodies generally have shapes similar to the II-3 and III-7 bodies but are smaller in size.

Figures 5.2, 5.3 and 5.4 show mineralized body distribution along Exploration Lines 4, 9 and 13, respectively.

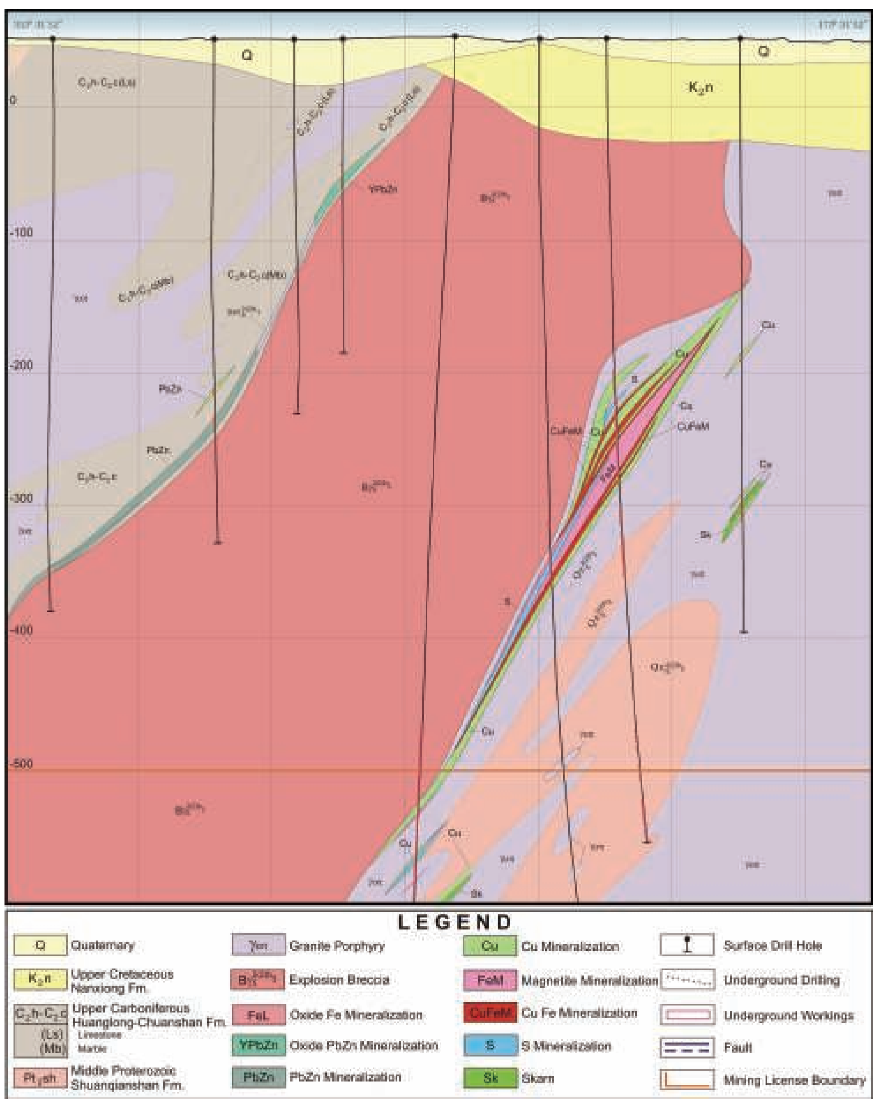

Figure 5.2 Exploration Line 4 section of the Xinzhuang copper-polymetallic deposit
(Location of the section is shown in Figure 5.1.)

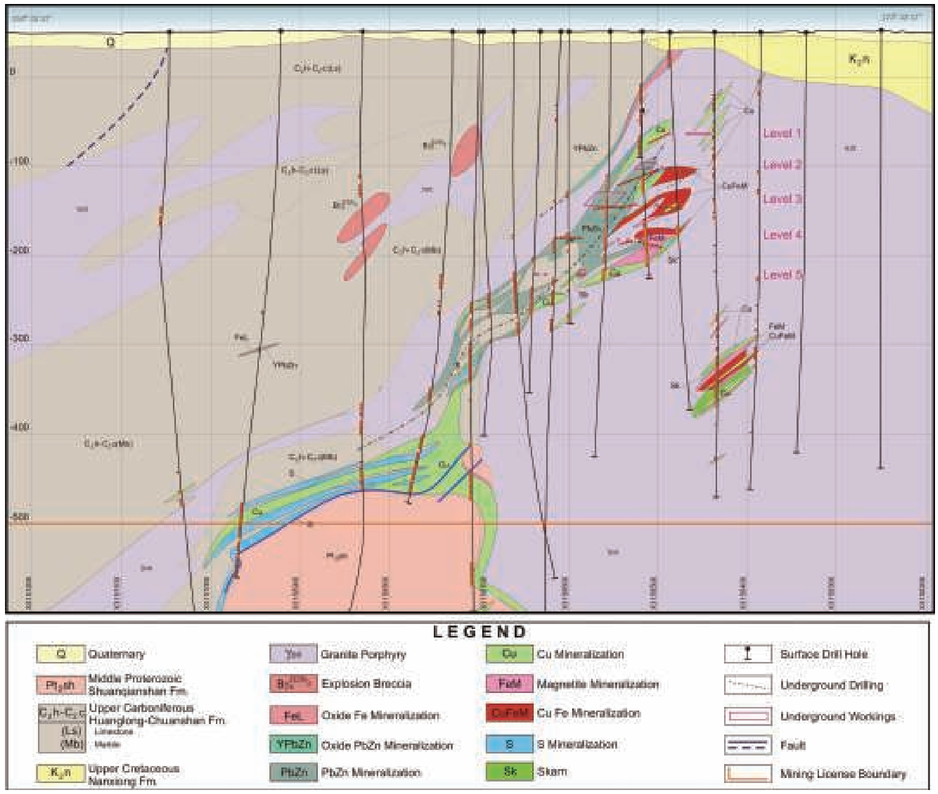

Figure 5.3 Exploration Line 9 section of the Xinzhuang copper-polymetallic deposit
(Location of the section is shown in Figure 5.1.)

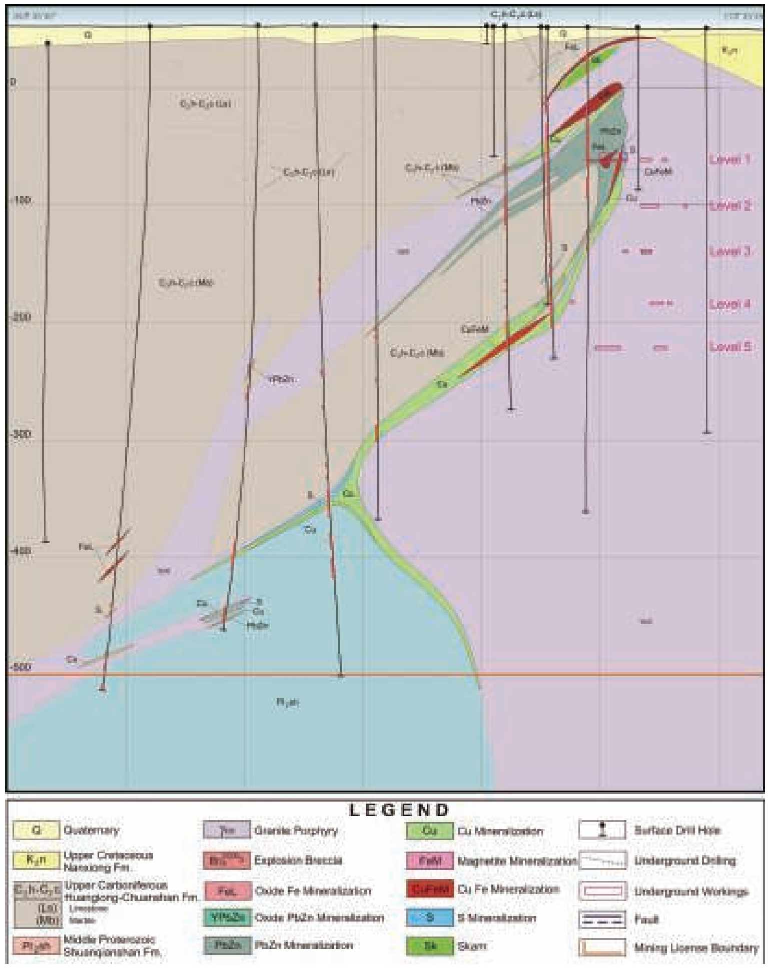

Figure 5.4 Exploration Line 13 section of the Xinzhuang copper-polymetallic deposit
(Location of the section is shown in Figure 5.1.)

5.2 Geological Database

5.2.1 Database Used for the Mineral Resource Estimates

Databases used for the mineral resource estimation are generated by licensed exploration entities and/or by the mining companies themselves in China. Guidelines specifying the appropriate sampling, sample preparation and assaying techniques and procedures for different types of mineral deposits are issued by the relevant government authorities. The databases used for mineral resource estimation are generally produced following these set guidelines.

The principal sample types included in the assay database for the Xinzhuang copper-polymetallic deposit reviewed in this report comprise surface diamond drill hole ("DDH") core samples and underground DDH core samples. Table 5.1 summarizes the database used for the mineral resource estimation for the Xinzhuang copper-polymetallic deposit reviewed in this report.

Table 5.1
Mineral Resource Database Statistics for the Xinzhuang Copper-Polymetallic Deposit

Sample Type	Xinzhuang Deposit
Surface Core Drilling	
Holes	171
Meters	77,723
Underground Core Drilling	
Holes	32
Meters	1,102
Underground Channel Sampling	
Meters	104
Assays	
Core/Channel Samples	8,132
Composite Samples	236
Density Measurements	
Core/Rock	339

5.2.2 Drilling, Logging and Survey

The 171 surface DDH holes for the Xinzhuang deposit were completed in three historical exploration drilling campaigns from 1966 to 1992. Drilling was conducted by state-owned licensed exploration entities; the first two campaigns of drilling (1966 – 1970 and 1975 – 1978) were conducted by Brigade 902, and the third campaign of drilling (1986 – 1992) was conducted by Brigade 901 of the Geological Bureau of Jiangxi Province. These DDH holes were drilled on exploration lines oriented at an approximate azimuth of 353°30' with a line spacing of 50 m in the central portion of the deposit to 100 – 250 m in the peripheral zones. Drill hole spacing on the exploration lines ranges from 25 m to 100 m for the central portion of the deposit and from 50 m to 400 m for the peripheral zones. This drill hole database formed a solid basis for a reasonable resource estimation for the Xinzhuang copper-polymetallic deposit.

The 32 underground DDH holes for the Xinzhuang deposit were completed by JGMREDCL from June 2008 to July 2009. These drill holes were generally infill drilling in nature, increasing the drilling density to mostly 50-m by 50-m in the central portion of the deposit. There were also a large number of underground drill holes completed by the Xinzhuang Mine for ore-control purposes, but these holes were not used for the current resource estimation as assay quality from these holes was not closely monitored. However, these holes have helped to define the mineralized body boundaries.

Drilling was conducted using Chinese-made drill rigs. The surface drill hole size was 173 mm, 150 mm or 110 mm at the top, reducing to 110 mm, 91 mm, 75 mm or 56 mm to the bottom of the hole. The underground drill hole sizes are generally 60 mm and 47 mm, with a small portion at 75 mm.

Core recovery was generally good. Surface drilling core recovery for the mineralized intervals averaged 88% for the I-1 mineralized body, 83% for I-2, 66% for the oxidized zone of II-3, 81% for the sulfide zone of II-3, 89% for III-4, 84% for III-5, 81% for III-6, 86% for III-7 and 90% for

IV-8. The overall average core recovery for the mineralized intervals was 83%. Surface drilling core recovery for the country rocks in the hanging wall and foot wall of the mineralized intervals generally averaged more than 75%. Surface drilling core recovery was generally lower in the oxidized zone than that in the sulfide zone because oxidation has reduced the rock coherence. However, as the oxide resource in the deposit is not currently considered as minable, the relatively low core recovery for the oxide resource should not have significant impact for the planned mining operation in the sulfide zone.

Underground drilling core recovery was generally higher than the surface drilling because of the improvement in drilling equipment and technology over time. Core recovery for the mineralized intervals ranged from 81% to 100% with an average of 89.5%; core recovery for country rocks ranged from 71% to 100% with an average of 87.3%.

Drill hole collar locations were surveyed by a survey instrument after drilling, and down-hole deviation was measured using down-hole survey techniques. Drill cores were logged in detail by a project geologist before sampling.

5.2.3 Sampling, Sample Preparation and Assaying

Drill core for the mineralized intervals as well as one or two country rock samples above or below were split by a mechanical core splitter along the central line of the core; half of the core was sent for assay, and the other half was retained for record. Typically the core was sampled at a 1-m to 2-m length, although variation in intervals may occur to coincide with geological contacts. The sample weight was generally between 3 kilograms ("kg") and 6 kg.

Some underground channel samples were also collected in the June 2008 – July 2009 exploration program. Sample channels were located in crosscuts and were cut 5-centimeters ("cm") wide and 3-cm deep. Sample length is generally 1 m to 2 m.

Sample preparation and analysis were conducted by the assay laboratory of the exploration entity in each of the exploration campaigns. However, samples for the exploration campaign of June 2008 – July 2009 were analyzed by the Assay Laboratory of Research Institute of the Geological Sciences of Jiangxi Province. Samples were generally prepared by a three-stage crushing and one-stage grinding procedure to reduce the sample particle size to approximately -200 mesh (0.074 mm).

As the Xinzhuang deposit is a copper-polymetallic deposit and as the economic importance of different elements changes over time, the elements analyzed for different exploration campaigns were also somewhat different. For the 1966-1970 and 1975-1978 exploration campaigns, the basic analytical items were TFe, SFe (sulfide iron), Pb, Zn, Cu and S; additional analysis was conducted for Mn, WO_3, Ag, In, Se, Te, Tl, As and Co for a small portion of the samples. For the 1986 – 1992 exploration campaign, the basic analytic items were Cu, S, Pb, Zn, Au and Ag; additional analysis was conducted for WO_3, TFe, mFe, SFe, and CFe (carbonate iron) for a small portion of the samples. For the June 2008 – July 2009 exploration campaign, the basic analytic items were Cu, Pb, Zn, S, TFe and mFe.

The analytic method used was generally atomic absorption spectrometry for Cu, Pb, Zn, Au and Ag, and wet chemical analysis for TFe and S. mFe grade was determined by separating the magnetic portion of a sample using a magnet before the analysis. These analytical methods are widely used in the mining industry in China and generally produce reliable results if conducted correctly.

5.2.4 Quality Control and Quality Assurance

Assay quality control and quality assurance programs include internal check assays, external check assays, and analysis of assay standards. The internal check assays were conducted by a different operator at the same laboratory and the external check assays were conducted by the Central Analytic Laboratory of the Geological Bureau of Jiangxi Province, a supervisory assay laboratory, located in Nanchang City of Jiangxi Province. To determine the assay quality, check assay results were compared with the original assay results, and the variance was compared to permitted random error limits specified by government regulation for various grade ranges.

For samples analyzed by Brigade 902 in the periods of 1966 – 1970 and 1975 – 1978, the percentage of the samples subjected to external check assays ranged from 3.5% to 5.8% for TFe, SFe, Cu and Zn, and from 1.4% to 2.9% for Pb and S. The internal check assay information was not available. For samples analyzed by the West-Jiangxi Brigade in the period of 1986 – 1992, 20% – 40% of the samples were subjected to internal check assays and at least 3% of the samples were subjected to external check assays. For samples analyzed by the Assay Laboratory of the Research Institute of Geological Sciences of Jiangxi Province in June 2008 – July 2009, about 20% were subjected to internal check assay and 3% to 8% were subjected to external check assays. Assay standards were also used for each batch of the assay samples to control the assay quality in the 1986 – 1992 and June 2008 – July 2009 exploration campaigns. It was reported that the internal and external check assay results for the various exploration programs for the Xinzhuang deposit were all within the permitted range.

From analysis of sampling, sample preparation and analysis procedures, check assay results, Xinzhuang Mine's production records, as well as BDASIA geologist's field observation of the mineralized bodies for the Xinzhuang copper-polymetallic deposit, BDASIA concludes that the analytical methods used for the Xinzhuang copper-polymetallic deposit produced acceptable results with no material bias.

5.2.5 Bulk Density Measurements

Bulk density data was collected using core/rock samples. The bulk density of core or rock samples was measured using the wax-coated water immersion method. A total of 339 bulk density measurements was undertaken for the Xinzhuang deposit. The average bulk density obtained from these measurements is 3.47 tonnes per cubic meter ("t/m^3") for copper ore, 3.58 t/m^3 for copper-iron ore, 3.38 t/m^3 for lead-zinc ore, and 4.02 t/m^3 for magnetite iron ore.

BDASIA considers that the average bulk density adopted is reasonable and appropriate, based on the mineral composition of the different ore types in the Xinzhuang deposit.

6.0 MINERAL RESOURCES AND ORE RESERVES

6.1 Mineral Resource/Ore Reserve Classification System

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in September 1999 and revised in December 2004 ("the JORC Code") is a mineral resource/ore reserve classification system that has been widely used and is internationally recognized. It has also been used previously in independent technical reports for mineral resource and ore reserve statements for other Chinese companies reporting to SEHK. The JORC Code is used by BDASIA to report the mineral resources and ore reserves of the Company's Xinzhuang Mine in this report.

A Mineral Resource is defined in the JORC Code as an identified in-situ mineral occurrence from which valuable or useful minerals may be recovered. Mineral Resources are classified as Measured, Indicated or Inferred according to the degree of confidence in the estimate:

- a Measured Resource is one which has been intersected and tested by drill holes or other sampling procedures at locations which are close enough to confirm continuity and where geoscientific data are reliably known;

- an Indicated Resource is one which has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity, but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability; and

- an Inferred Resource is one where geoscientific evidence from drill holes or other sampling procedures is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.

An Ore Reserve is defined in the JORC Code as that part of a Measured or Indicated Resource which could be mined and from which valuable or useful minerals could be recovered economically under conditions reasonably assumed at the time of reporting. Ore reserve figures incorporate mining dilution and allow for mining losses and are based on an appropriate level of mine planning, mine design and scheduling. Proved and Probable Ore Reserves are based on Measured and Indicated Mineral Resources, respectively. Under the JORC Code, Inferred Mineral Resources are deemed to be too poorly delineated to be transferred into an ore reserve category, and therefore no equivalent Possible Ore Reserve category is recognized or used.

The general relationships between exploration results, mineral resources and ore reserves under the JORC Code are summarized in Figure 6.1.

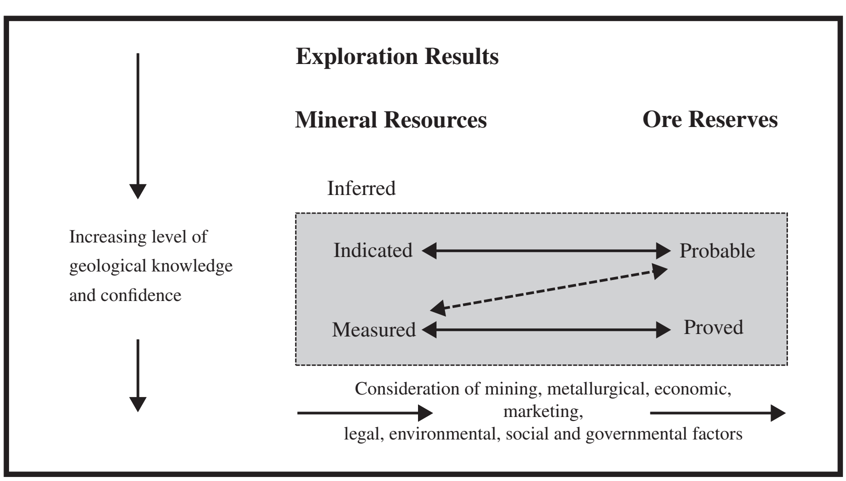

Figure 6.1 Schematic mineral resources and their conversion to ore reserves

Generally, ore reserves are quoted as comprising part of the total mineral resource rather than the mineral resources being additional to the ore reserves quoted. The JORC Code allows for either procedure, provided the system adopted is clearly specified. In this BDASIA report, all of the ore reserves are included within the mineral resource statements.

BDASIA notes that the estimated average mineral resource grade in this CPR represents the estimated in-situ mineral resources of the entire Xinzhuang Mine and the estimated average reserve grade in the CPR represents the estimated average grade of ore that can be extracted from the mine throughout the entire mining life.

6.2 General Procedures and Parameters for the Mineral Resource Estimation

The methods used to estimate mineral resources and the parameters used to categorize the mineral resources for a particular type of mineral deposit are generally prescribed by the relevant PRC government authorities. The mineral resource estimates are based on strictly defined parameters, which include minimum grades and minimum thicknesses. The mineral resources for a deposit are generally estimated by an independent engineering entity with a government-issued license.

The current resource estimation for the Xinzhuang copper-polymetallic deposit was conducted by JGMREDCL, which holds a Class B exploration license for solid minerals issued by the Department of Land and Resources of Jiangxi Province.

The drill hole or channel sampling density required to define a certain class of mineral resource depends on the type of deposit. Based on the mineralized body size and complexity, a deposit or a mineralized body is classified into certain exploration types before mineral resource estimation. As the copper-polymetallic mineralization at Xinzhuang generally comprises large irregularly stratiform mineralized bodies of hundreds to over one thousand meters in dimension with reasonably good continuity in both grade and thickness, the deposit was categorized as exploration type II under the Chinese classification system for copper-polymetallic deposits.

For the purpose of mineral resource estimation, all drilling and sampling data, along with other relevant geological information, were digitized into the MAPGIS system by JGMREDCL. MAPGIS is a computer software system widely used in China for preparation of plans and sections for mineral resource estimation. Sections and plans used for the July 2009 mineral resource estimation for the Xinzhuang Mine were produced by MAPGIS.

The parallel section method, a polygonal method based on projected cross sections, was used for the mineral resource estimation of the Xinzhuang copper-polymetallic deposit by JGMREDCL. Based on resource estimation reports provided by JGMREDCL and discussions with the JGMREDCL's technical personnel, the general procedures and parameters used in the mineral resource estimation are described below.

6.2.1 Determination of "Deposit Industrial Parameters"

The economic parameters for mineral resource estimation are referred to as "deposit industrial parameters" ("DIP") in Chinese literature or technical reports and are normally approved by government authorities for each deposit or type of deposit based on the government's industry specification. These parameters generally include the cutoff grades (separated into boundary cutoff grade, drill hole cutoff grade and/or block cutoff grade), minimum mining width, and minimum waste exclusion width. The DIP used for the mineral resource estimates of the Xinzhuang copper-polymetallic deposit reviewed in this report are summarized in Table 6.1.

Table 6.1
Deposit Industrial Parameters for Mineral Resource Estimation

Ore Type	Boundary Cutoff Grade	Drill Hole/Trench Cutoff Grade	Minimum Width	Minimum Waste Exclusion Width
Sulfide Copper	0.2% Cu	0.5% Cu	1 m	2 m
Sulfide Lead-Zinc	1.5% Pb + Zn	2.0% Pb + Zn	1 m	2 m
Magnetite	12.4% mFe	17.5% mFe	1 m	2 m

6.2.2 Determination of Block Boundaries and Confidence Levels

As the Xinzhuang deposit is a copper-polymetallic deposit, the mineral resources have been separated into three mineralization types, i.e. the copper-iron mineralization, the iron-copper mineralization and the copper-lead-zinc mineralization. The copper-lead-zinc mineralization is generally distributed in the carbonate rocks away from the intrusive contact zone, and therefore is generally separated from the copper-iron mineralization and iron-copper mineralization. The copper-iron mineralization and iron-copper mineralization are generally distributed in the skarn zone and/or inside the porphyry intrusive.

In defining the boundary for the mineralized bodies and the mineralization types within the mineralized bodies, the first step is to define the boundary for the mineralized body. Any mineralized intervals meeting one of the boundary and zone cutoff grades were used to define the mineralized body boundary. The second step is to define the mineralization types within the defined mineralized bodies. The priority order for defining the mineralization types used by JGMREDCL is copper-lead-zinc, copper-iron, and iron-copper; i.e., first, any mineralized interval meeting the lead+zinc cutoff grades will be defined as copper-lead-zinc type mineralization; secondarily, any remaining mineralized interval meeting the copper cutoff grade will be defined as copper-iron mineralization; finally, any remaining mineralized intervals meeting the mFe cutoff grade will be defined as the iron-copper type mineralization.

In the parallel section mineral resource estimation, a mineralized body on a cross section was separated into a number of blocks, with each block assigned a mineral resource confidence level based on the type, density and quality of available geological data. A Measured block was defined by drill holes and/or underground sampling channels with a data spacing no more than 70 m (along strike) by 50 m (in the dip direction). An Indicated block was defined by drill holes and/or underground sampling channels with a data spacing of no more than 150 m × 100 m. An Inferred block was defined by drill holes and/or underground sampling channels with a data spacing of no more than 200 m × 150 m.

6.2.3 Mineral Resource Estimation

In the mineral resource estimation process, the corresponding two-dimensional blocks on two neighboring parallel cross sections were used to define a three-dimensional block. The area of the three-dimensional block (S) was calculated from the areas of the two-dimensional blocks on cross sections (S_1 and S_2). When the area difference for the two blocks on cross sections was less than 40%, the following trapezoid formula was used for the three-dimensional block sectional area calculation:

$$S = \frac{S_1 + S_2}{2}$$

When the area difference for the two blocks on cross sections was more than 40%, the following frustum formula was used for the three-dimensional block sectional area calculation:

$$S = \frac{S_1 + S_2 + \sqrt{S_1 + S_2}}{3}$$

When a block on a cross section pinches out, the three-dimensional block sectional area was half the two-dimensional block area if the block pinches out to a line or one third of the two-dimensional block area if the block pinches out to a point.

The volume of the three-dimensional block was determined by multiplying the sectional area (S) by the distance (L) between the two sections.

The block mineral resource tonnage was determined by multiplying the volume by the average bulk density of the type of the mineralization in the block, based on the bulk density measurements. The mineralized body and deposit tonnages were based on the sum of the block tonnages.

Average drill hole or channel sample metal grades were calculated using the length-weighted average of all the drill hole or channel samples within the block boundary. The block average grade was calculated using the length-weighted average of all drill hole or channel intersections inside the block. The mineralized body grade was calculated using the tonnage-weighted average of all blocks inside the mineralized body. The deposit grade was calculated using the tonnage weighted average of all the mineralized bodies in the deposit.

6.2.4 The Mined-out Areas

The Xinzhuang Mine has been in production since January 2007. Historically mined-out areas up to September 30, 2008 were carefully surveyed by the mine, and the mined-out volume was calculated based on the survey results. The average bulk density and metal grades of the mineralized bodies where the mined-out volumes were located were assumed as the bulk density and metal grades for these mined-out volumes. The mined-out resources were subtracted from the original resource estimation to derive the remaining mineral resources as of September 30, 2008. Resources consumed by mining from October 1, 2008 to December 31, 2011 were subtracted from the September 30, 2008 resources to derive the mineral resources as of December 31, 2011.

6.2.5 Discussion

Based on BDASIA's review, BDASIA considers the mineral resource estimation procedures and parameters applied by JGMREDCL to the Xinzhuang deposit to be generally reasonable and appropriate. The deposit is a porphyry-skarn-hydrothermal copper-polymetallic deposit generally with reasonable spatial and grade continuity. The Measured and Indicated category blocks were defined by drill holes and underground sampling channels at a data spacing of no more than 70 m × 50 m and 150 m × 100 m, respectively, and have a reasonable level of geological control. The Inferred category blocks were also defined reasonably by using a data spacing of no more than 200 m × 150 m.

The Xinzhuang Mine has been in production since the beginning of 2007. The actual mine production results generally support the resource estimation. However, detailed production records and the consumed resources for the mined out areas were not available for BDASIA to conduct production reconciliation. BDASIA recommends that Yifeng Wanguo conduct detailed production reconciliation for the mined out areas to produce better support for the resource estimation.

Based on reviewing the deposit geology, drilling and sampling data, and procedures and parameters used for the estimation of mineral resources, BDASIA is of the opinion that the Measured, Indicated and Inferred mineral resources estimated under the 1999 Chinese mineral resource system for the Xinzhuang copper-polymetallic deposit by JGMREDCL conform to the equivalent JORC mineral resource categories. The economic portion of the Measured and Indicated resources can accordingly be used to estimate Proven and Probable ore reserves.

6.3 Mineral Resource Statement

The mineral resource estimates under the JORC Code as of December 31, 2011 for the Xinzhuang Mine, as estimated by JGMREDCL and adopted by BDASIA, are summarized in Table 6.2. The mineral resource estimates are inclusive of mineralization comprising the ore reserves.

BDASIA notes that the TFe grade for the Cu-Fe type resource was not estimated by JGMREDCL as it is below the mFe cutoff grades. BDASIA considers this is a conservative treatment for the resource estimation, as a portion of the magnetite present in the Cu-Fe resource can be recovered and has been recovered in actual mining operation in Xinzhuang.

Table 6.2

The Xinzhuang Mine Mineral Resource Summary – December 31, 2011

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

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

BDASIA notes that the mineral resources of the Xinzhuang Mine in Table 6.2 were estimated by JGMREDCL, which is a state-owned, licensed Class B Exploration Entity in China, and was summarized in the report titled "Geology Report for Resources and Reserves in the Xinzhuang Cu-Pb-Zn Mine in Yifeng County for Jiangxi Province Yifeng Wanguo Mining Company Limited" dated July 2009. These mineral resource estimates have been reviewed, updated and adopted by BDASIA for this CPR.

Independent due diligence performed by BDASIA for the resource estimates includes:

- Three site visits to the Xinzhuang Mine;
- Review geology and mineralization of the Xinzhuang Mine in existing underground mine workings;
- Review geology and mineralization in cores for a number of selected drill holes;
- Review all the scanned copies of the original assay certificates for drilling performed in 2008, and check them against assays used in resource estimation for about 10% of randomly selected drill holes;

- Review the procedures for drilling, sampling, assaying, bulk density measurement, assay quality control data, geological interpretation, and resource estimation;

- Check resource estimation calculation; and

- Review actual mine production data from 2006 to 2011.

Based on the independent due diligence performed, BDASIA is satisfied that the data used for the resource estimation as well as the procedures, parameters and results of the resource estimation are appropriate and reasonable.

6.4 Ore Reserve Estimation

Ore reserves under the JORC Code comprise that portion of the Measured and Indicated mineral resources that are planned to be mined economically and delivered to the concentrator for processing. A feasibility technical study was conducted for the Xinzhuang Mine's planned expansion to the production capacity of 600,000 tpa by Nerin in January 2010 based on the updated mineral resource estimates completed by JGMREDCL in July 2009.

In order to define the ore reserves for the Xinzhuang Mine, Measured and Indicated mineral resources within the area planned to be mined were separated from the other mineral resources by Nerin. The area planned to be mined is defined by the MSL elevation of -65 m and -500 m (the lower limit of the current mining license), the curtain grouting wall along Exploration Line 23 on the east, the Exploration Line 4 on the west, the Cunqian granite porphyry intrusive complex to the south, and the main apophysis from the intrusive complex to the north. This area formed a relatively isolated hydrological system because of the impermeability of the curtain grouting wall and the intrusive rocks. The upper MSL elevation limit was determined to be -65 m, approximately 115 m to 120 m below the surface, as materials above that elevation have largely been oxidized, and, therefore, are inappropriate to be treated by the flotation and magnetic separation processing methods utilized by the mine. This will also keep the mining system away from the abundant surface water and groundwater and avoid any subsidence caused by mining in a sensitive agricultural area.

The area between the elevation -65 m and -500 m was divided into 10 mining levels of 40 m to 50 m in height at MSL elevations of -105 m, -145 m, -185 m, -225 m, -270 m, -315 m, -360 m, -405 m, -450 m, and -500 m. Measured and Indicated Resources defined by JGMREDCL on cross sections were converted to Measured and Indicated resources on these mining levels. Economic tests were conducted on Measured and Indicated resources of each mineralization type on each mining level, and it was found that all the Measured and Indicated resources in each mineralized type on each level were economic at assumed long-term metal prices, metallurgical recoveries and operating costs. Table 6.3 summarizes the total Measured and Indicated resources of each mineralized type within the defined mining area as of December 31, 2011. Comparison of the resource figures in Table 6.3 with that in Table 6.2 shows that the total Measured and Indicated resources within the planned mining area of 21.674 Mt (including all Cu-Fe, Fe-Cu and Cu-Pb-Zn resources) are only 70.1% of the total Xinzhuang Mine Measured and Indicated resources of 30.937 Mt, indicating significant resources are located outside the currently planned mining area.

Table 6.3
Measured/Indicated Mineral Resources within the Planned Mining Area – December 31, 2011

Mineralization Type	JORC Mineral Resource Category	Tonnage	Grades Cu	Pb	Zn	TFe	mFe	Contained Metals Cu	Pb	Zn	TFe	mFe
		kt	*%*	*%*	*%*	*%*	*%*	*kt*	*kt*	*kt*	*kt*	*kt*
Cu-Fe	Measured	5,571	0.82					45.93				
	Indicated	6,460	0.75					48.19				
	Total	**12,032**	**0.78**					**94.11**				
Fe-Cu	Measured	3,056	0.27			41.11	35.24	8.20			1,256	1,077
	Indicated	3,056	0.37			32.59	27.12	11.33			996	829
	Total	**6,113**	**0.32**			**36.85**	**31.18**	**19.53**			**2,253**	**1,906**
Cu-Pb-Zn	Measured	1,989	0.15	0.95	4.95			3.02	18.90	98.50		
	Indicated	1,540	0.09	1.38	3.60			1.34	21.28	55.46		
	Total	**3,529**	**0.12**	**1.14**	**4.36**			**4.35**	**40.18**	**153.96**		
Total	Measured	10,617	–	–	–	–	–	57.14	18.90	98.50	1,256	1,077
	Indicated	11,056	–	–	–	–	–	60.85	21.28	55.46	996	829
	Total	**21,674**	**–**	**–**	**–**	**–**	**–**	**117.99**	**40.18**	**153.96**	**2,253**	**1,906**

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

As the mineralization at Xinzhuang consists of multiple mineralized types, which are preferably to be mined and transported separately, and as any subsidence caused by mining should be avoided below a sensitive agricultural area, the horizontal cut-and-fill mining method has been used in the past by the Xinzhuang Mine and will be used for the planned mining area of the Xinzhuang Mine in the Nerin feasibility study. An overall mining dilution factor of 7.2% (6.7% under the Chinese definition) and an overall mining recovery factor of 80% were used by Nerin in mine planning and converting the Measured and Indicated Resources to Proved and Probable Reserves. BDASIA reviewed these mining factors and found that the mining dilution factor is reasonable but the mining recovery factor is considered conservative based on the characteristics of the mineralized bodies and the utilized mining method.

It should be noted that the definition of the mining dilution factor in China is different from that in most Western countries. The mining dilution factor in China is defined as the ratio of the waste tonnage in the concentrator feed to the total concentrator feed tonnage, but the mining dilution factor in the West is defined as the ratio of the waste tonnage in the concentrator feed to the ore tonnage in the concentrator feed. Therefore, when using the same data for calculation, the Western mining dilution factor is always higher than the Chinese mining dilution factor, with the difference getting larger when the dilution factor is higher. For example, the Chinese mining dilution factor of 6.7% is equivalent to a Western mining dilution factor of 7.2%, and the Chinese mining dilution factor of 9.0% is equivalent to a Western mining dilution factor of 9.9%. As the JORC Code is used for mineral resource/ore reserve reporting for this BDASIA report, the Western definition of the mining dilution factor is used throughout this report.

6.5 Ore Reserve Statement

The ore reserve estimates under the JORC Code as of December 31, 2011 for the Xinzhuang Mine, as reviewed by BDASIA, are summarized in Table 6.4. These ore reserve estimates were based on Nerin's January 2010 feasibility study report for the Xinzhuang Mine and updated according to recent actual mine production data. The Proved reserve was estimated from the Measured resource within the planned mining area, and the Probable reserve was estimated from the Indicated resource within the planned mining area. The overall mining dilution factor used for the reserve estimates was 7.2% and the overall mining recovery factor used for the reserve estimates was 80%. BDASIA considers that the ore reserve estimates are reasonable and conform to the JORC Code. BDASIA also considers that the reserve tonnage estimate is on the conservative side because of a low mining recovery factor of 80% used for mine planning.

Table 6.4
The Xinzhuang Mine Ore Reserve Summary – December 31, 2011

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

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

6.6 Mine Life Analysis

The ore reserve mine life of the Xinzhuang Mine reviewed in this study based on the December 31, 2011 ore reserve estimates of a total of 18.584 Mt in Table 6.4 and the planned long-term production rate of 600,000 tpa is approximately 31.0 years. The ore reserve mine life for a production rate of 300,000 tpa, as of December 31, 2011, is approximately 61.9 years. However, as there is a production ramp up process in the beginning for the 600,000 tpa case and a production ramp down process at the end, the actual mine life of the Xinzhuang Mine will be one or two years longer based on the current production plan. The planned reserve depletion rate is the same as the planned production rate. These ore reserve mine lives may change significantly in the future due to the following reasons:

- additional exploration and development of the mine could extend the minable area defined in the Nerin January 2010 feasibility study and a portion of the Measured and Indicated mineral resources outside the currently defined minable area could be converted to Proved and Probable reserves. These new ore reserves would increase the mine life; and

- changes in the production rate would also change the mine life. The mine life would be shortened if the production rate is increased to a level higher than the anticipated long-term production level in the Nerin feasibility study.

7.0 POTENTIAL FOR DEFINING ADDITIONAL MINERAL RESOURCES

Finding additional mineral resources and ore reserves is not currently an important task for the Xinzhuang Mine as the currently defined ore reserves within the planned mining area are sufficient to support mine production at the expanded production rate of 600,000 tpa for over 30 years. However, should it be proved in the future that the production rate can be increased again significantly above the 600,000 tpa level, it would become more important to define additional resources and reserves.

As discussed in the previous section, the current planned mining area is defined by Exploration Line 4 in the west and Exploration Line 23 in the east. There are significant additional defined mineral resources outside the planned mining area along strike in both the eastern and the western directions within the boundary covered by the current Xinzhuang Mine mining license. These areas are less-well drilled than the planned mining area. Additional drilling may increase the resource confidence level and may also increase the total mineral resources in these areas. Further technical study will be needed to see if the planned mining can be safely carried out into these areas at a reasonable cost.

In addition, the copper-polymetallic mineralization continues beyond the horizontal and vertical boundaries of the current Xinzhuang Mine mining license. Further exploration along the strike and down dip directions of the mineralization zone could also increase the mineral resources of the Xinzhuang deposit. BDASIA notes that a new exploration license will need to be obtained by Yifeng Wanguo before carrying out the exploration work in the area outside the Xinzhuang Mine mining license. BDASIA understands that Yifeng Wanguo is in the process of obtaining such an exploration license.

8.0 MINING

The Xinzhuang Mine currently produces ore from underground mining using the cut-and-fill mining methods. The mine is currently accessed by a 319-m-deep main shaft for ore hoisting, a 288-m-deep auxiliary shaft for personnel and materials, and a 313-m long ventilation inclined shaft (at a 30° angle); mining is conducted at five levels at the MSL elevations of -65 m, -105 m, -145 m, -185 m, and -225 m along a strike length of approximately 400 m.

The mine was constructed from 2003 to 2006 and mining operations started in January 2007 with an initial designed production capacity of 200,000 tpa. The mine reached this production capacity in 2008 and in 2009 the production capacity was expanded to approximately 300,000 tpa. The forecast production is planned to increase the production gradually from the approximately 300,000 tpa in 2011 to approximately 450,000 t in 2012 and 500,000 t in 2013 while development for the further expansion in production rate is carried out with 600,000 tpa forecast from 2014 onwards. The development averaged around 9,000 m per year from 2009 to 2011. The development rate is forecast to increase significantly to approximately 13,000 m in 2012 and 2013 during the construction period for the planned mine expansion, then decreases to approximately 9,000 m per year thereafter. Table 8.1 sets out the actual mine production and development over the last three years and the proposed production expansion in the next three years discussed in Section 8.3.

Table 8.1
Historical and Forecast Mine Production and Development for the Xinzhuang Mine, 2009-2014

	Historical			Forecast		
Item	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Ore Production						
Cu-Fe Ore (t)	92,200	100,070	91,650	50,000	100,000	150,000
Fe-Cu Ore (t)	160,400	165,550	133,870	300,000	300,000	300,000
Cu-Pb-Zn Ore (t)	47,970	40,960	74,550	100,000	100,000	150,000
Total Ore (t)	**300,570**	**306,580**	**300,070**	**450,000**	**500,000**	**600,000**
Development (m)	**9,435**	**6,966**	**10,617**	**13,000**	**13,000**	**9,000**

The underground mine is operated by Yifeng Wanguo although the majority of the underground production activity is carried out under contract by Wenzhou No.2 Well and Tunnel Construction Company using mining equipment owned by Yifeng Wanguo. The mine work force is currently 349:236 contractors and 113 of Yifeng Wanguo's technical and supporting staff. The mine is operated on a three 8-hour shifts per day basis and for 330 days per year.

The operation is characterized by a relatively low level of mechanization and small stopes with around 35 stoping areas across the five working levels. The production expansion is designed to allow larger stopes to be developed with higher mine production rates and mechanized equipment to increase productivity.

Due to the nature of the overlying land use there can be no subsidence within the mine area, and as part of the protection of this area a pillar of 115 m to 120 m has been left between surface and the upper limit of extraction.

8.1 Current Mining System

Mining occurs within all three types of mineralization, Cu-Fe, Fe-Cu and Cu-Pb-Zn, and Yifeng Wanguo uses the same mining method for each. These types of mineralization are within both the II-3 and III-7 orebodies. The thickness of the II-3 orebody generally ranges between 5 m and 17 m and averages 11 m, which represents the majority of the reserve. The III-7 orebody also varies in width with the average being around 12 m. The horizontal cut-and-fill stoping with cemented hydraulic fill at the Xinzhuang Mine is an appropriate mining method for these orebodies, providing flexibility to adjust the mining width to the size of the orebody.

Stope access is provided by inclined service raises with ladder ways and hoists. Mining of the stope commences three meters above the main haulage level with ore passes through the sill pillar to the haulage level where chutes are used to load 1.2-t mine cars. Fresh air enters the stoping area through the service raise, and return air exits the stope via a vertical raise to the level above the stope. All mining is carried out with hand held drills, and electric winch scrapers are used to load ore into the ore passes. Hydraulic cemented fill is placed in the stope at the completion of mining each lift. The hydraulic fill used by Yifeng Wanguo has a cement content of 10-20%.

Current mine equipment includes air powered drills and Z-30 rocker shovel loaders for main level development and 3-t and 1.5-t electric locomotives with 1.2-t mine cars for rail haulage on the main levels. Other ancillary equipment includes fans and small hoists.

The main shaft is equipped with a 1.4-cubic meter ("m^3") skip and counterweight and a double drum winder. Current production from the shaft is around 240,000-250,000 tpa (the current overall hoisting capacity of the shaft is approximately 320,000 tpa according to information from the mine). The remaining tonnage is hoisted in skip (in mine cars before 2011) up the inclined shaft where a single drum hoist lifts a 3.0-m^3 skip (three 1.2-t mine cars before 2011) per cycle. This has a capacity of approximately 170,000 tpa. Annual production of waste is about 60,000 tpa from development with some material hoisted and some placed in stopes as fill. The current overall hosting capacity of the auxiliary shaft is approximately 100,000 tpa.

Fresh air enters the mine via auxiliary shaft, and return air exits via the inclined shaft. The main 110-kW ventilation fan is situated on the -65-m level and current air flow is approximately 55 m^3/s.

8.2 Geotechnical and Hydrological Issues

8.2.1 Geotechnical Issues

The wall rocks of the orebody are marbles, breccias and granitic porphyries. The coefficient of rock strength (used in China) for the orebody and wall rocks is between 6 and 8, indicating overall good rock stability. Where development is within karst developed areas the rock is less stable but geotechnical conditions are generally good within the orebody in the skarn which has been assessed as hard competent rock; other wall rocks are also expected to be competent within the granitic envelope. Faults within the mine area have been interpreted as pre-mineralization and are considered not significant to underground mining activity.

While the visit underground by BDASIA was relatively limited, ground conditions within the stoping areas were observed as generally good with no apparent rock strength issues. Some areas of haulage development require concrete supports while most drives require little to no support. With larger drives, as planned in the feasibility study, development may require rock bolting with the use of shotcrete or concrete support continuing to be used in areas of localized weathering or fracturing.

As part of geotechnical assessment for the feasibility study, Nerin carried out analysis of the underground to determine likely ground movement during mining. The assessment utilized the finite element methodology using a software package called GeoFBA®V4.0, which is a rock mechanical and underground engineering and construction analytical software developed by Tongji Shuguang. The results indicated there would be no collapse of the overlying rock mass with only localized yielding. Nerin point out that the effect of joints and fissures in the rock were not included in the analysis therefore finite element results are only a guide and recommended monitoring of ground movement over the life of the mine is necessary.

8.2.2 Hydrological Issues

There are abundant surface water and groundwater in the Xinzhuang Mine area. The Shishui River flows from north to south through the eastern part of the mine area with a flow rate of 0.6 to 1.5 m^3/s. The limestones underlying a large part of the mine area contain a well-developed karst groundwater system and are the major aquifers in the area. Water for production and domestic use at the mine site is generally pumped-out good-quality mine water, supplemented by water from the

Shishui River if necessary. Water supply for production is sufficient; however, the abundant surface water and groundwater present in the area have brought a hydrological challenge for the mining operation at the Xinzhuang Mine, and this issue is the most significant risk component for the operation and is a key management concern. This hydrological challenge is not common in the mining industry. However, Yifeng Wanguo has taken sufficient rectification actions for this technical challenge, including constructing a curtain grouting wall, closely monitoring the groundwater level, installing excessive underground pumping capacity, starting mining the deposit 115-120 m below the surface and using a cut-and-fill method for mining. Therefore, the mining operation at the Xinzhuang Mine is currently being conducted normally. If these rectification actions were not taken, the underground mine could be flooded and the mining operation would have to stop. These rectification actions have increased the mining operating costs and mining capital costs. As the result, the Xinzhuang Mine's mining operating cost is higher than most other underground mining operations in China and there is also some additional capital costs incurred, such as capital for constructing the curtain grouting wall and installing excessive underground pumping capacity, for the Xinzhuang Mine because of this technical challenge.

In order to minimize the groundwater problem for mine production, the mine has established a subsurface curtain grouting wall at the eastern side of the deposit. This curtain grouting wall, together with the Cunqian granite intrusive complex in the south and a main apophysis from the intrusive complex in the north and east, has allowed a level of isolation of the mining area from the ground water system, making underground mining operation feasible in the Xinzhuang Mine. The curtain grouting wall located at Exploration Line 23 was designed by the Changsha Mine Engineering Institute which has significant experience in China of successfully designing these types of curtains for iron ore mines and coal mines. The curtain is established by pumping grout into a series of closely-spaced drill holes; the curtain is approximately 300-m deep and extends around 300 m from north to south.

Monitoring bores from either side of the curtain indicate the curtain is successfully retaining the bulk of the water outside the mine area. The water level within the mine area continues to be lowered with pumping rates of around 170 m^3 per hour ("m^3/hr"), with 100 m^3/hr pumped from the -225-m level and 50-70 m^3/hr pumped from the -105-m level. The main pump station is situated on the -225-m level (at an approximate depth of 280 m) where there are four large storage facilities to manage water flows and allow sediment to be settled out of mine water prior to pumping. Yifeng Wanguo advised that the installed pumping capacity at the -225-m level is approximately double the pumping requirements. A dual power supply is installed from surface to the pump station to provide security of power supply to the station.

It is envisaged as part of the expansion that the pumping capacity of the -225-m level pump station will be increased to 430 m^3/hr with five pumps operating out of a total of seven pumps. A pump station is also planned for the -315-m level, which will pump water up to the -225-m level pump station at an expected rate of 200 m^3/hr. Longer term drainage requirements are planned to be assessed once the rate of drawdown of the water table is determined in the short to medium term.

As previously mentioned Nerin has recommended surface and underground monitoring of ground water in and around the mine area as well as in the rock mass to detect movement. Yifeng Wanguo is already monitoring water levels within the mine area and adjacent to the property.

8.3 Planned Mine Expansion

Based on the updated resource estimates, Nerin completed a feasibility study in January 2010 for increasing the mining capacity from approximately 300,000 tpa to approximately 600,000 tpa.

The design depth of the planned mine is between -65 m to approximately -500 m (between approximately 120 – 555 m below surface). The main level interval is between 40 m and 50 m. Nerin has proposed a two stage development proposal: Stage 1 mining is between the -65-m level and the -315-m level (approximately 120 – 370 m below surface) and Stage 2 is between the -315-m level and the-500-m level (approximately 370 – 555 m below surface).

To provide the increased production rate Nerin is proposing replacing the current mining approach using handheld equipment and electric winch scrapers with service raise access to a more mechanized approach with diesel equipment and decline access to stopes. Nerin plans to keep the present rail haulage of ore on each level but increase the equipment capacity. The upgrade will include the sinking of three new shafts: a main shaft for hoisting ore, a service shaft to hoist personnel and materials with mine dewatering and compressed air pipes and a ventilation shaft for exhaust air.

The main shaft is planned with a 4.5-m diameter ("Ø") with a 4-m^3 skip with a counterweight. The shaft is designed to be approximately 460-m deep with ore hoisted from the -360-m level (at an approximately 414 m depth) at a capacity of 600,000 tpa. The shaft is located to the southwest of the ore zones and within the plant area; the main shaft bins on surface will feed into the expanded plant.

The service shaft is planned at 5.8-m Ø with a double deck cage, with a counterweight, with the capacity to carry 70 mine workers. The shaft is designed to be approximately 395-m deep in stage 1 of the mine development and provide access to all major levels. The shaft is located approximately 120 m to the northeast of the main shaft and southwest of the ore zones; the shaft is close to the current inclined shaft access. Both shafts are planned to be reinforced concrete-lined shafts and equipped with friction winders. The ventilation shaft is planned at 3.5-m Ø and initially will have a depth of approximately 240 m with access to the upper four major levels. It will be deepened as the production levels get deeper; the shaft is located to the east of the ore zones.

When the new main shaft and service shaft are completed and put into production, the current main shaft, auxiliary shaft and inclined shaft will no longer be needed for mine production and will be abandoned. Abandoning the current main shaft will free the ore blocks next to the current main shaft for mine production as the current main shaft penetrates the ore bodies in the deposit and some ore blocks next to the shaft would have to be left underground as permanent pillars to protect the current main shaft if the current main shaft were still used for mine production. The new main shaft and service shafts are located sufficiently away from the ore bodies so no ore blocks will have to be left underground permanently to protect the new shafts.

During the last BDASIA site visit in January 2012, BDASIA notes that Yifeng Wanguo has completed engineering drilling for the three planned shaft sites, and is in the process of preparing the ground for shaft sinking. Based on the current plan, the three new shafts sinking will be completed in 2012.

The mining method for all three types of mineralization, Cu-Fe, Fe-Cu and Cu-Pb-Zn, is planned to be horizontal cut-and-fill stoping with cemented hydraulic fill. The method is generally unchanged from the current operations except that the stopes will be accessed by declines rather than by the present raises, in order to allow diesel equipment to enter the stopes, thereby increasing productivity. Each horizontal slice or lift will be 3.3 m in height with three slices/lift per access drive and will follow the ore zone width with a minimum of 1.0 m. The stopes designed by Nerin allow for 3-m permanent pillars at both the sill and crowns of the stope. At completion of a lift, filling up to 2-m of the backs is planned. Development profile dimensions will need to be increased to allow for the larger equipment, increasing in width and height from a nominal 2.5 m to 3.6 m and 2.4 m to 3.3 m, respectively. Nerin has estimated a mining loss of 20% due to the size of the pillars; BDASIA considers the stope designs to be relatively conservative given the quality of the orebody and adjacent rock, and there may be potential to review the size of these pillars in the medium term after further mining experience has been gained. An estimate of 7.2% (6.7% Chinese) dilution of the ore has been added to the reserve to account for wall rock dilution and possible dilution from mucking ore from a fill floor within the stopes. Overall, BDASIA considers further optimization of the mine design is warranted and has the potential to improve productivity and production rates.

Sublevels from the decline are planned at an interval of 10 m to access the stope allowing three lifts to be mined per sublevel. The main levels remain similar to the current interval of between 40 m and 50 m where the rail haulage will be established. Ore passes to the main haulage levels are planned in the footwall of the stopes rather than within the stopes currently. The same fill material of classified tailings with cement will be used in conjunction with waste rock from development. As the stope access will be outside the stope, higher waste volumes will be produced from development of the stopes than presently produced.

Nerin has estimated that four single boom jumbos with hydraulic drills will be required for development, and four 3-m^3 load-haul-dump ("LHD") units will be required for development and production loading. Nerin has also made estimates of other service equipment requirements including explosive charging units, elevated platforms and shotcrete machines to augment the main production units.

Rail haulage on the main levels is planned to take ore from the stope ore passes and discharge the ore through grizzlies, to restrict rock size to a maximum of approximately 350 mm, into the main ore passes connecting the main levels to the loading station at the main shaft. Trains will consist of ten 2-m^3 bottom dumping mine cars pulled by 10-t electric locomotives.

For the planned expansion of the mine the ventilation system will require upgrading to account for the increased production and the change from electric equipment to diesel powered equipment. Based on the ventilation requirements for the diesel fleet the planned air flow for the upgraded mine has been calculated at 108 m^3/s, approximately twice the current volume flows.

The present fill plant is located close to the current service shaft; the plant main components are two storage tanks and a cement silo. Tailings, classified by the removal of the fine fraction, are received into one tank at around 50% pulp density and increased to 65% by allowing water to drain while the other tank is being filled; once tailings are at the required density, the tailings are placed underground. Cement is added at the required ratio of 1:5 to 1:10 at the discharge from the plant prior to placement into the borehole to underground. There are currently two 110-mm Ø boreholes from surface to the -65-m level for placement of fill underground. Nerin proposes that the new plant be constructed with similar capacity to the current plant of 40 m^3/hr but with a new design with vertical bins rather than the current tanks.

Waste from development will be placed in the stopes when available. In the service shaft daily schedule proposed by Nerin an allowance for 265 t hoisted per day of waste in mine cars has been made which accounts for the proposed development in waste rock.

8.4 Mine Production Plan

Based on the updated resource estimates, Nerin completed an updated feasibility study in January 2010 for increasing the mining capacity from approximately 300,000 tpa to approximately 600,000 tpa.

The mine schedule for the expanded production plan proposes that mining occurs on two main levels with the initial production from the -105-m level and the -225-m level, progressing to the -145-m level and the -270-m level and then to the -185-m level and the -315-m level before production would progress to the deeper stage two with mining from the -360-m level and the -450-m level, progressing to the -405-m level and the -500-m level. The available ore tonnage per vertical meter does indicate an increase in production may be achieved without a major increase in the rate of vertical advance. The current plan requires on average only one main level to be developed every three years while NERIN currently schedules development at a rate that would complete this within two years. Current development over the last three years has been around 9,000 m which is forecast to increase to around 13,000 m in 2012 and 2013 and then reduce to 9,000 m in 2014. The development increase in 2012 to 2013 is for the planned mine expansion construction, and the development rate to support mine production after the mine expansion is expected to be around 9,000 m per year. The mine plan by Nerin incorporates the planned purchase of mechanized development equipment to meet the increased development requirement.

Underground mine production has been generally stable for the last three years at the then permitted 300,000-tpa level (Table 8.1). As the planned new mining shafts are located away from the current mining shafts, mining operation will not be interrupted during the construction process of the new mining shafts. Based on information from the Company, the current mining system can actually support a production rate much higher than the 300,000-tpa production rate permitted by the previous mining license. In April 2012, the Company obtained a new mining license with a permitted production rate of 600,000 tpa, the mine can start mining at a rate higher than the production rate of 300,000 tpa permitted by the previous mining license. Production will increase gradually from the current level to 450,000 t in 2012 and 500,000 t in 2013 while the capital expansion program is implemented with the sinking and equipping of the three shafts. Once the capital works are completed and the underground stopes prepared, production will increase up to the planned 600,000 tpa in 2014. Production is planned to remain at this level for the extraction of all the reserves; this is equivalent to a mine life of approximately 31 years. There is some potential for delays in ramping up production if shaft sinking is affected by adverse water flows or poor ground conditions.

The expansion plan prepared by Nerin in the feasibility study has mining operations increasing in mechanization of both the development and stoping operations bringing higher productivity to the operation. With the significant reserve base and the high tonnage per vertical meter of 43,000 t, BDASIA considers there is some scope for increasing the production rate if dewatering rates can be advanced, and recommends Yifeng Wanguo reviews this possibility when finalizing the main shaft capacity. Yifeng Wanguo advised BDASIA that mine production is not susceptible to any disruption to the power supply and no major load shedding is applied to the mine.

The planned development schedule for the shafts and related underground infrastructure including main level stations is dependent on shaft sinking being completed in nine months. There is some potential for this development period to be extended if water or poor ground conditions are encountered.

9.0 METALLURGICAL PROCESSING

The Xinzhuang Mine upgrade and expansion project involves, among other requirements, an expansion of the processing and its auxiliary facilities to reach a 600,000 tpa treatment capacity. In order to do so a new processing plant, Concentrator No.3 with 200,000-tpa capacity, will be added to the existing two concentrators, which also can process 200,000 tpa each. The new, total processing capability will be 600,000 tpa.

The concentrator feed will comprise several types of ore, including Cu-Pb-Zn ore; Cu-Fe ore and Fe-Cu ore. These ore types will be processed separately and will yield individual concentrates of copper, lead, zinc, sulfur and iron. The copper and lead concentrates will also carry some payable gold and silver values.

The initial test work on these ores was conducted by the Central Laboratory of Jiangxi Province Geology and Mineral Resources Bureau ("Jiangxi Bureau"). More detailed testing was completed by the Central-South University ("CSU") in July 2007. The latter test work served as the source of the project data and parameters for the Nerin feasibility study report issued in January 2010. The above reports as well as discussions held with Yifeng Wanguo's experts are the basis for BDASIA's considerations on the processing presented herein.

9.1 Metallurgical Testing

Two detailed and competent investigations, one on Cu-Pb-Zn ore and the other on Fe-Cu ore were conducted by CSU in March – July 2007. Two test reports were issued at the end of this period.

These investigations as well as the earlier ones by the Jiangxi Bureau demonstrated that these ore types are amenable to concentration by flotation and magnetic separation. The two investigations are reviewed below.

9.1.1 The Cu-Pb-Zn Ore

The test samples were provided to CSU by Yifeng Wanguo. There were thirteen samples taken at various locations of the mineralized bodies II-3 and III-4. The samples represented roughly 414,000 t of ore in the Xinzhuang deposit. The composite of the samples was prepared by crushing, screening, splitting and blending, as is the standard practice at the mine. Representative samples of the composite were used for testing as well as various analyses.

Chemical analyses were performed by semi-quantitative X-ray fluorescence spectrometry ("XRF") and standard wet-chemical methods. The results are presented in Table 9.1.

Table 9.1
Results of Analyses of Potential Economic Elements in the Cu-Pb-Zn Ore Test Sample

	Grade	
Element	**XRF Analysis**	**Wet Chemical Analysis**
Pb (%)	0.46	0.44
Zn (%)	5.82	4.55
Cu (%)	0.17	0.15
Cd (%)	–	0.012
Co (%)	0.01	0.006
TFe (%)	29.46	29.27
S (%)	10.79	15.65
Au (g/t)	–	1.07
Ag (g/t)	–	37.5

The wet-chemical analysis also determined the concentration of other components of the ore, including SiO_2 (10.19%), Al_2O_3 (2.51%), CaO (3.19%), MgO (2.05%), MnO (5.76%), K_2O (0.13%), Na_2O (0.042%) and TiO_2 (0.035%). Phosphorus (0.011%) and arsenic (0.38%) were the deleterious elements.

The major minerals present in the ore are galena (0.4%), sphalerite (7.3%), chalcopyrite (0.3%) and pyrite (24.5%), siderite (25.2%), magnetite (0.5%), quartz (9.2%), calcite/dolomite/ankerite (29.6%), and sericite/chlorite (2.7%) and others (0.3%). The sulfides of lead are present as 75.55% of the total lead minerals, sulfides of zinc are 90.11% of zinc minerals and the sulfides of copper, including both primary and secondary, are 98.67%. These values represent theoretical, maximum recoverable portions of each metal. The actual recoveries will be lower.

Sphalerite crystal grain sizes are between 0.02 mm and 2 mm, generally between 0.05 mm and 1 mm. About 75% of the mineral replaces pyrite and gangue as lumps, and about 20% is disseminated sparsely in gangue at grains up to 0.6 mm. Galena is evenly distributed in pyrite, sphalerite and gangue. The grain sizes are generally between 0.03 mm and 0.4 mm. Chalcopyrite is relatively sparse and is highly scattered. Its grain size, generally between 0.02 mm and 0.15 mm, is finer than that of other sulfides. Pyrite is abundant and its grain sizes may vary between 0.05 mm and 0.8 mm, depending on crystal form. Magnetite and siderite are evenly distributed and their grain sizes may range from 0.005 mm to 0.05 mm. Gangue minerals are mainly quartz and ankerite. Their crystal sizes are mostly between 0.05 mm and 0.2 mm and 0.05 mm and 0.15 mm, respectively.

The above distribution of grain sizes indicates that fine grinding would be required to recover sphalerite and, particularly, galena. This was supported by a series of grinding tests indicating that the grind of about 90% -0.074 mm would be required for successful liberation.

In view of the chemical and mineralogical characteristics of the ore two flotation process approaches were considered and tested:

- selective flotation of each ore component; and
- copper-lead bulk flotation followed by their separation and selective flotation of zinc followed by pyrite.

After determining practical and optimum grind, reagent types and dosages, the two candidate flowsheets were tested by batch and closed circuit experiments. The test results obtained, as summarized in Table 9.2, demonstrated that the copper-lead bulk flotation followed by their separation and then selective zinc and sulfur flotation has an edge over the selective flotation. Table 9.2, compares the grades and recoveries for the four concentrates obtained when using the flowsheets under consideration.

Table 9.2
Comparison of Candidate Flowsheets based on Closed Cycle Testing Results

Item	Selective Flotation of Cu, Pb, Zn and S	Cu-Pb Bulk Flotation and Separation, Zn and S Selective Flotation
Copper Concentrate, Yield %	0.31	0.30
Grade Cu, %	15.3	16.5
Recovery Cu, %	31.9	32.8
Lead Concentrate, Yield %	0.90	0.84
Grade Pb, %	35.2	36.8
Recovery Pb, %	70.6	68.0
Zinc Concentrate, Yield %	8.6	8.6
Grade Zn, %	48.3	48.9
Recovery Zn, %	92.2	93.2
Sulfur Concentrate, Yield %	18.3	18.4
Grade S, %	46.8	47.6
Recovery S, %	55.7	57.9
Test Feed		
Grade Cu, %	0.15	0.15
Grade Pb, %	0.45	0.45
Grade Zn, %	4.53	4.51
Grade S, %	15.42	15.3

It should be noted that gold and silver reported mostly with sulfides, with the highest values present in copper and lead concentrates (15.56 and 7.35 g/t Au and 534 and 645 g/t Ag respectively). The values with the zinc and sulfur concentrates were considerably lower (2.56 and 2.85 g/t Au and 56 and 6 g/t Ag respectively) and may not be payable.

9.1.2 The Fe-Cu Ore

The comprehensive test work on the processing of this ore was also conducted by the CSU and reported in July 2007.

Yifeng Wanguo provided the test ore samples collected from the mineralized bodies III-4 (8 samples), III-5 (6 samples) and II-3 (5 samples). These samples represented approximately 999,000 t of ore in the deposit. Their chemical composition, determined by semi-quantitative XRF as well as conventional wet-chemical methods, is summarized in Table 9.3.

Table 9.3
Results of Analyses of Potential Economic Elements in the Fe-Cu Ore Test Sample

Element	Grade	
	XRF Analysis	Wet Chemical Analysis
TFe (%)	36.46	40.31
Cu (%)	0.56	0.55
Pb (%)	0.01	0.01
Zn (%)	0.07	0.07
S (%)	4.68	7.45
Au (g/t)	–	0.63
Ag (g/t)	–	4.0

The major economic minerals are iron, copper and, perhaps, sulfur. The very low values for lead and zinc are evident and indicate that the two cannot play any role economically. Regarding copper, close to 91% is within primary sulfides, 7% with secondary sulfides. About 2% is non-recoverable copper, i.e., copper oxides. The deleterious elements are arsenic at 0.012% and phosphorus at 0.025%.

The mineral composition of the ore includes iron and copper minerals along with pyrite and minor sphalerite and galena. Gangue minerals are mostly quartz and calcite with minor feldspar, sericite and chlorite. Apatite, zircon, rutile, fluorite and others are present only in trace amounts.

Magnetite occurs as compact aggregates (78%) with grain sizes generally over 3 mm. It can also be disseminated (20%) in gangue with grain sizes of 0.1 mm to over 1 mm, generally 0.2 – 0.6 mm. These occurrences indicate that the mineral will be amenable to magnetic separation. Chalcopyrite is unevenly distributed. It either occurs with magnetite (generally as 0.04 – 0.6 mm size grains) or with the gangue in very fine grains (generally below 0.04 mm, some even below 0.005 mm). This type of chalcopyrite amounts for about 90% of the total chalcopyrite in the ore. Pyrite is generally disseminated in the gangue; its grain size generally between 0.15 mm and 0.5 mm. Limonite is sparsely distributed mostly replacing magnetite with grains sized from 0.02 mm to 0.15 mm. Siderite distribution is uneven; it may replace magnetite or be disseminated in calcite. Gangue minerals are mostly quartz and calcite with minor feldspar, sericite and chlorite.

To summarize, magnetite and pyrite are medium-grained while chalcopyrite is fine-grained and disseminated. Based on these minerals' size distribution, to liberate about 90% chalcopyrite, a grind of 100% -0.1 mm will be required. At that grind about 85% of the minerals would be below 0.074 mm, and magnetite and pyrite grains are free.

Given the mineral composition and characteristics of the ore, the most economically and technologically feasible concentration methods for their concentration are flotation for the copper and iron sulfides and magnetic separation for magnetite. Preliminary test work determined that between two possible approaches, i.e., magnetic separation followed by sulfide flotation and sulfide flotation followed by magnetic separation; the latter produces better grades and recoveries and is significantly easier to apply industrially. Consequently, this approach was selected.

Additional test work demonstrated that in flotation, the copper and iron sulfides should be floated selectively and not in bulk. The comparison of the selective and bulk flotation results are shown in Table 9.4.

Table 9.4
Comparison of Selective and Bulk Flotation Results

	Selective (Grade/Recovery %)		**Bulk (Grade/Recovery %)**	
Item	**Cu**	**S**	**Cu**	**S**
Copper Concentrate	13.25/82.08	33.74/15.72		
Sulfur Concentrate	0.21/4.66	40.71/67.98		
Sulfide Concentrate			6.24/76.50	48.66/41.92
Middling #3			1.3/13.73	13.73/34.76
Test Feed	0.52/100.00	7.52/100.00	0.52/100.00	7.46/100.00

As demonstrated by the above results, the selective flotation approach was more favorable and was used in further test work.

The comprehensive and detailed flotation test work was designed to determine optimum flotation processing parameters. The most practical fineness of grind for copper flotation was determined to be 71% -0.074 mm. Dosages of collector, lime and the number of cleaners for copper flotation were established. Additionally, optimum conditions for pyrite flotation were defined. Having all parameters established, a closed cycle flotation test was carried out and the test results are presented in Table 9.5.

Table 9.5
Results of Closed Cycle Test on Flotation of Copper and Sulfur

		Grade, %		**Recovery, %**	
Product	**Yield %**	**Cu**	**S**	**Cu**	**S**
Copper Concentrate	2.34	19.46	31.43	87.94	9.91
Sulfur Concentrate	11.98	0.16	50.71	3.70	81.89
Tails	85.68	0.05	0.71	8.36	8.20
Feed	100.00	0.52	7.42	100.00	100.00

These results were satisfactory. They may be improvable under the steady and continuous conditions in a processing facility.

The final products of the copper and sulfur flotation will be copper and sulfur concentrates and flotation tails. These flotation tails are rich in iron (magnetite) and low in sulfur, which was floated away in the previous steps.

The magnetic separation tests on the sulfide flotation tails (the plant feed ground to 71% and 80% -0.074 mm) were run at four different magnetic field intensities, i.e., 300, 800, 900 and 1000 Gauss. The comparison of the results obtained is shown in Table 9.6.

Table 9.6
Effect of Magnetic Field Intensity and Feed Grind on Magnetite Separation Results

Magnetic Field Intensity (Gauss)	Original Feed Fineness of Grind, % passing 0.074 mm	Fe Concentrate Yield, %	TFe Grade %	S Grade %	TFe Recovery %
300	71.4	50.26	65.35	0.83	83.69
	79.9	42.38	65.82	0.86	70.29
800	71.4	50.36	65.43	0.81	82.70
	79.9	43.43	65.43	0.85	69.53
900	71.4	47.88	65.80	0.82	80.57
	79.9	43.02	65.80	0.85	68.59
1000	71.4	49.05	65.44	0.85	82.02
	79.9	43.55	65.44	0.88	70.30

The results of magnetic separation tests showed that, at any magnetic field intensity, the coarser grind of the original test feed of 71.4% -0.074 mm yields substantially higher TFe recoveries than the finer grind of 79.9% -0.074 mm. The lowest tested magnetic field intensity of 300 Gauss produced best iron recoveries as well as one of the lowest sulfur contents (0.83%) in the magnetite concentrate. The iron grade, under any test conditions, was very satisfactory, i.e., between 65% and 66% TFe.

The test results on the Fe-Cu ore samples demonstrated that the concentration of the economic minerals from the ore is simple and efficient.

In conclusion, the developed approaches and obtained test results are satisfactory. In addition, the professional quality of the test work is considered high. BDASIA believes that the results from the laboratory results could be obtained under commercial, industrial plant conditions.

The metallurgical testing resulted in the concentration parameters needed for the plant design work. These parameters are at the same time expected metallurgical concentration results. They are compiled and presented in Table 9.7.

Table 9.7
Processing Design Parameters and Expected Metallurgical Results

	Ore Type		
Product	**Cu-Pb-Zn**	**Fe-Cu**	**Cu-Fe**
Copper Concentrate, Yield %	0.30	1.41	2.97
Grade Cu, %	16	18	22
Grade Au, g/t	7.60	1.81	2.42
Grade Ag, g/t	1,232	359	268
Recovery Cu, %	30	82	86
Lead Concentrate, Yield %	1.41		
Grade Pb, %	40[1]		
Grade Au, g/t	1.61		
Grade Ag, g/t	672		
Recovery Pb, %	65		
Zinc Concentrate, Yield %	7.80		
Grade Zn, %	50		
Grade Au, g/t	1.31		
Grade Ag, g/t	108		
Recovery Zn, %	85		
Sulfur Concentrate, Yield %	10.50	3.87	28.36
Grade S, %	42	35	42
Recovery S, %	55	55	80
Iron Concentrate, Yield %		41.31	
Grade Fe, %		63	
Recovery Fe, %		69	
Feed to Processing			
Grade Cu, %	0.16	0.31	0.76
Grade Pb, %	0.87		
Grade Zn, %	4.59		
Grade S, %	8.02	2.46	14.89
Grade Fe, %		37.72	
Grade Au, g/t	0.57	0.17	0.18
Grade Ag, g/t	52.81	8.18	12.27

Note:

1. Not actually achieved in the laboratory. Must be commercially obtained as it is the lowest-grade saleable concentrate.

9.2 Current Processing Plants

There are currently two concentrators at the Xinzhuang Mine, namely, Concentrator No.1 and Concentrator No.2. Each has a capacity to treat ore at the rate of 200,000 tpa.

Concentrator No.1 has two sections. The first section has a 100,000-tpa capacity and treats Cu-Pb-Zn ore by flotation and magnetic separation, producing copper, lead, zinc, sulfur and iron (magnetite) concentrates. The second section, at a 100,000-tpa capacity, treats Cu-Fe ore by flotation and magnetic separation, producing the copper, sulfur and iron (magnetite) concentrates.

Concentrator No.2 has a capacity of 200,000 tpa. It was designed to treat Fe-Cu ore, by flotation and magnetic separation. Copper, sulfur and iron (magnetite) concentrate are produced in this plant. The plant also has the capability to produce zinc concentrate should the zinc quantities in the feed warrant it.

9.2.1 Description of Concentrator No.1

The Sections 1 and 2 flowsheets for Concentrator No.1 are shown in Figures 9.1 and 9.2, respectively. The two sections share the crushing facilities. The Cu-Pb-Zn and Cu-Fe ores are crushed in campaigns. Each ore type is subjected to three stages of crushing and screening. The first two stages are in open circuit and the third is in a closed circuit with a screen. The finely crushed products (-12 mm) are stored in individual and separate fine ore bins which feed two separate ball mill grinding/classification circuits, each pertaining to its own section. Each finely crushed ore is ground to 65% -0.074 mm and sent to its own concentrating line.

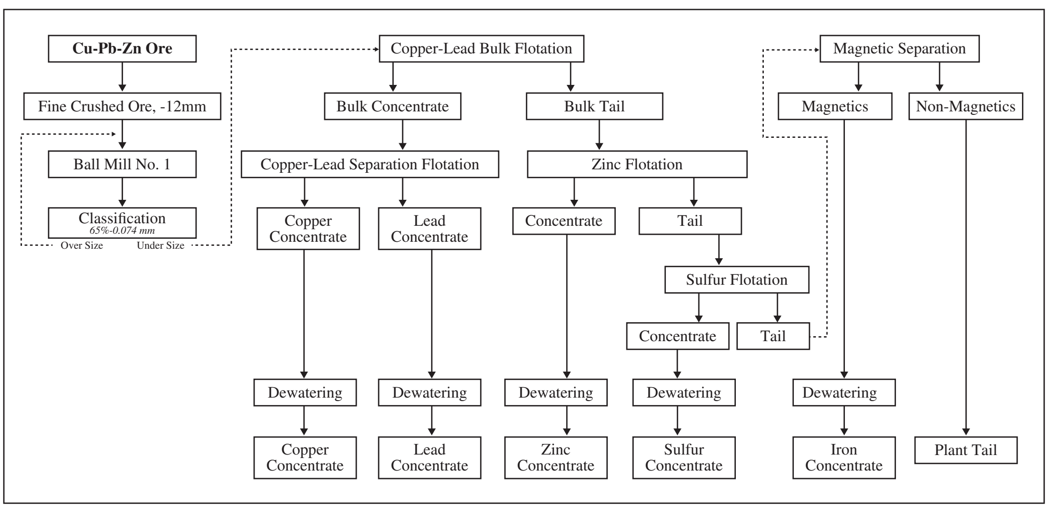

Figure 9.1 Simplified Processing Flowsheet for Section 1 of Concentrator No.1

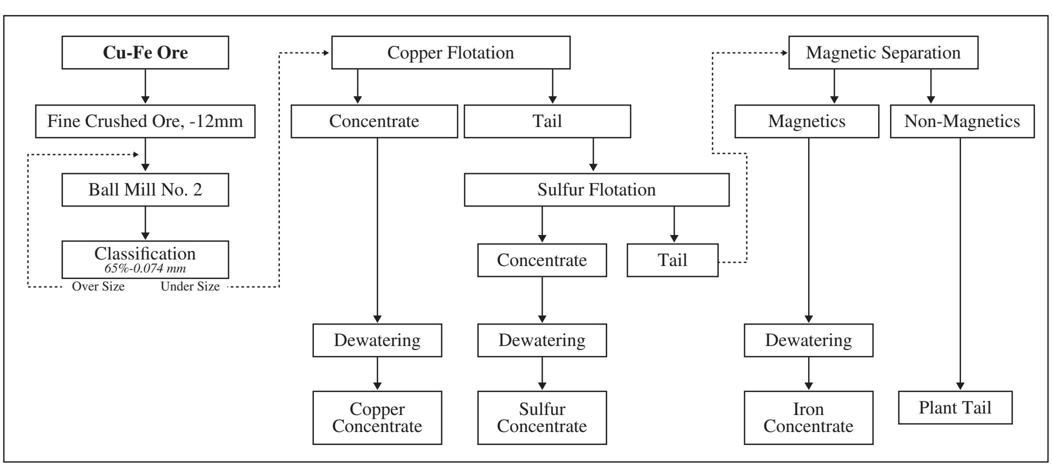

Figure 9.2 Simplified Processing Flowsheet for Section 2 of Concentrator No.1

In Section 1, the concentration process begins with the copper-lead bulk flotation and is followed by selective zinc and sulfur flotation. The latter tails are subjected to magnetic separation. The copper-lead rougher bulk concentrate is cleaned several times and then the two minerals are separated from each other, yielding the final Cu and Pb concentrates. The zinc and sulfur rougher concentrates are cleaned several times each until the final concentrate grades are reached. The iron (magnetite) which remains in the final flotation tails is concentrated by magnetic separation. All final concentrates are dewatered by thickening and filtration and stored in the concentrate bins until sold and shipped out. BDASIA notes that up to the end of 2011, the Company had not activated the process to produce lead concentrate from the system due to cost-effectiveness reasons as the lead grade in the Cu-Pb-Zn ore was not sufficiently high. However, based on the current production schedule, the lead grade is expected to improve starting from 2012 as the Company would extract more Cu-Pb-Zn ore from areas with higher lead grade, some lead concentrate may be produced from 2012 on.

The Section 2 feed, fine-crushed to -12 mm, is ground to 65% -0.074 mm in a closed ball mill/classification circuit. The ground ore is subjected to selective rougher copper flotation and rougher sulfur flotation. The rougher concentrates are cleaned several times each. Iron (magnetite) is concentrated from the final flotation tails. The final concentrates of copper, sulfur and iron are dewatered and stored in concentrate bins awaiting shipment.

When fully refurbished, Concentrator No.1 will use two jaw crushers (PD6090 and PD4075) and one cone crusher (GYP 900) with vibrating screens (SZZ 1250×2500 and SZZ 1500×4000) to produce the fine-crushed product. The latter will be ground in two 2,130-mm-diameter and one 1,630-mm-diameter ball mills working in conjunction with a spiral classifier. The flotation concentration will take place in SF 2.8 and SF 1.2 flotation machines. Several types of magnetic separators (CTB 1018, NCT 0821 and CT 900×1800) will be employed for iron separation. Agitators, cranes, hoist, ceramic filters and various pumps add to the basic equipment inventory.

9.2.2 Description of Concentrator No.2

This concentrator is designed to treat the Cu-Fe ore. Its flowsheet is presented in Figure 9.3. The fine-crushed ore (-12 mm) is ground in a closed ball mill/classification system, to 65% -0.074 mm. The approach here consists of selective copper flotation followed by the rougher bulk zinc-sulfur flotation. The copper rougher concentrate is cleaned three times and the final cleaner concentrate dewatered and stored. The rougher bulk zinc-sulfur concentrate is cleaned twice and then separated into two concentrates i.e. zinc and sulfur. The latter are dewatered and stored. The final flotation tails are subjected to magnetic separation which yields the iron (magnetite) concentrate and the final plant tail.

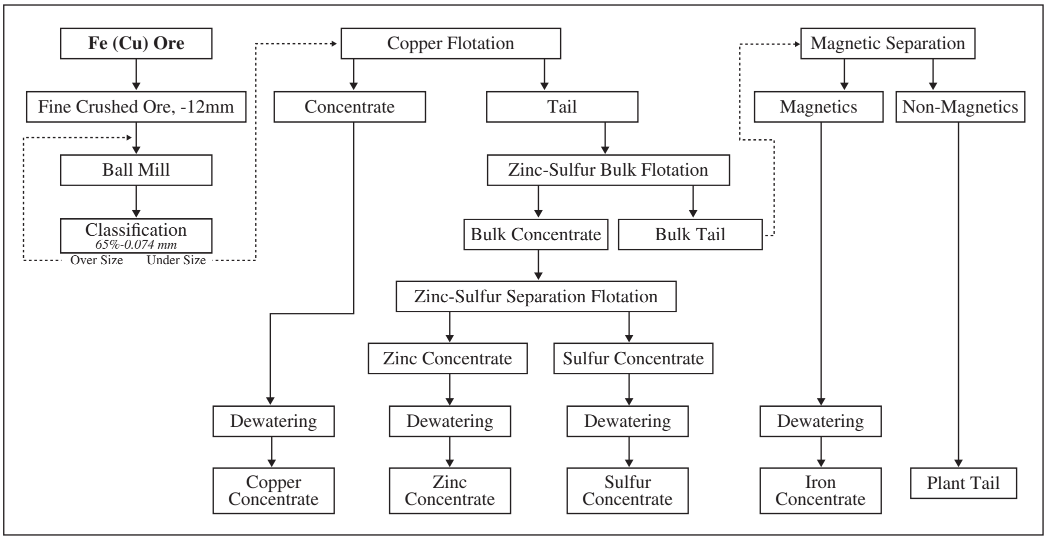

Figure 9.3 Simplified Processing Flowsheet for Concentrator No.2

The processing flowsheets in Figures 9.1, 9.2 and 9.3 are conventional and satisfactory. They are flexible enough to accommodate changes in ore types by changing processing flows and equipment arrangement. The equipment is sturdy, Chinese-made and relatively easy to maintain. The crushing section is designed to work 330 days per year and three 6-hour shifts per day. The other processing units work 330 days per year and in three 8-hour shifts per day. Fresh water, both surface and underground, is abundant. At present most of the fresh processing water comes from the mine. Additional water comes from the nearby Shishui River. The power supply is from the national grid and is sufficient. The tailings are classified, the coarse portion is sent to the mine to be used as backfill and the fines are thickened and sent to tailings storage facility. The thickener overflow is recycled as process water.

9.3 Processing Plant Expansion

The Xinzhuang Mine is undergoing an expansion which will require increasing the processing capacity from 400,000 tpa to 600,000 tpa. This will be achieved by the construction of a new, 200,000-tpa capacity concentrator in close proximity to the two existing plants. The new concentrator will basically process Cu-Fe ore and produce individual copper, sulfur and iron (magnetite) concentrates. The Concentrator No.3 flowsheet is exactly the same as that for Section 2 of Concentrator No.1.

The new concentrator will not have its own crushing/screening plant but will use the excess crushing capacity at Concentrator No.1. The ore will be crushed to -12 mm at Concentrator No.1 crushing section, then conveyed to Concentrator No.3 where the grinding and classification, in closed circuit, will take place. The ground product, sized at 65% -0.074 mm will be pumped to the selective flotation section where copper rougher concentrate followed by the sulfur rougher concentrate will be obtained. These two rougher concentrate will be cleaned and final copper and sulfur concentrates produced. The final flotation tails will be subjected to magnetic separation which will produce magnetite concentrate. The three concentrates will be dewatered and stored. The magnetic separation tails are the final plant tails.

The coarse portion of the tails is to be used for backfill, and the fines will be thickened and sent to a tailing storage facility. The thickener overflow is recycled to the plant as process water.

The major equipment pieces in this concentrator are a 2,736-mm-diameter ball mill, a 2FC20 duplex spiral classifier, nineteen SF8 flotation machines, three SF4 flotation machines and a 6-m thickener. Auxiliary equipment consists of feeders, hoists, belt conveyers, cranes, agitation tanks and pumps.

The equipment is Chinese-made and is expected to perform well. Based on the Company's development plant, Concentrator No.3 will be built in 2013.

10.0 PRODUCTION

Tables 10.1, 10.2 and 10.3 show the historical 2009 to 2011 and forecast 2012 to 2014 concentrator processed ore, concentrator processing recoveries and concentrate production of the Xinzhuang Mine based on the January 2010 Nerin feasibility study report as well as the updated detailed production schedule provided by Yifeng Wanguo.

Table 10.1
Historical and Forecast Concentrator Processed Ore for the Xinzhuang Mine, 2009-2014

	Historical			Forecast		
Item	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Cu-Fe Ore (t)	92,190	99,980	118,470	50,000	100,000	150,000
Cu Grade (%)	1.50	1.40	1.28	0.76	0.76	0.76
TFe Grade (%)	N/A	N/A	N/A	N/A	N/A	N/A
Au Grade (g/t)	0.25	0.23	0.18	0.18	0.18	0.18
Ag Grade (g/t)	12.27	14.20	12.27	12.3	12.3	12.3
Cu Metal (t)	1,387	1,396	1,516	380	760	1,140
TFe Metal (t)	N/A	N/A	N/A	N/A	N/A	N/A
Au Metal (kg)	23.05	23.17	21.32	9.0	18.0	27.0
Ag Metal (kg)	1,131	1,420	1,454	610	1,230	1,840
Fe-Cu Ore (t)	146,190	167,130	154,020	300,000	300,000	300,000
TFe Grade (%)	36.50	34.82	35.50	37.7	37.7	37.7
Cu Grade (%)	0.43	0.33	0.52	0.31	0.31	0.31
Au Grade (g/t)	0.27	0.24	0.17	0.17	0.17	0.17
Ag Grade (g/t)	8.84	14.20	8.18	8.2	8.2	8.2
TFe Metal (t)	53,358	58,188	54,675	113,200	113,200	113,200
Cu Metal (t)	629	558	807	930	930	930
Au Metal (kg)	39.47	40.11	26.18	51.0	51.0	51.0
Ag Metal (kg)	1,292	2,373	1,260	2,450	2,450	2,450

	Historical			Forecast		
Item	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Cu-Pb-Zn Ore (t)	49,110	36,850	83,850	100,000	100,000	150,000
Cu Grade (%)	0.19	0.20	0.57	0.16	0.16	0.16
Pb Grade (%)	0.88	0.50	0.55	0.87	0.87	0.87
Zn Grade (%)	4.81	4.70	3.63	4.59	4.59	4.59
Au Grade (g/t)	0.57	0.57	0.57	0.57	0.57	0.57
Ag Grade (g/t)	51.53	51.52	51.52	52.8	52.8	52.8
Cu Metal (t)	93	74	478	160	160	240
Pb Metal (t)	432	184	461	870	870	1,310
Zn Metal (t)	2,362	1,733	3,044	4,590	4,590	6,890
Au Metal (kg)	27.99	21.00	47.79	57.0	57.0	85.5
Ag Metal (kg)	2,531	1,899	4,320	5,280	5,280	7,920
Total Processed Ore (t)	**287,490**	**303,960**	**356,340**	**450,000**	**500,000**	**600,000**

Note: the historical as well as forecast gold and silver grades for different ore types in the table were estimated based on limited composite assays, and may have a relatively large margin of error.

As shown in Table 10.1, the total processed ore increased gradually from 287,490 t in 2009 to 303,960 t in 2010 and to 356,340 t in 2011. Concentrator production will increase further to 450,000 t in 2012 and 500,000 in 2013 during the mine/plant construction period for the expansion and the full production rate of 600,000 tpa will be reached in 2014 when planned/plant mine expansion is completed. The forecast ore grades are based on the updated reserve estimates. BDASIA notes that the historical mined-out ore from 2009 to 2011 are generally higher in grade than the forecast ore production from 2012 to 2014 in Table 10.1, especially for copper grade in the Cu-Fe ore and Cu-Pb-Zn ore. The Company has advised that the actual mined-out ore grades are generally higher than reserve estimates for the areas mined-out in the last three years. Although the actual production ore grade could also be higher than the reserve estimates for the areas to be mined for the next three years, this trend cannot be guaranteed. Therefore, the forecast ore grades for the next three years are based on the prudent ore reserve estimates and are generally lower than the historical mined-out copper ore grades in the last three years. BDASIA considers that the ore grades for the Xinzhuang Mine are generally in the mediocre range.

BDASIA considers these production targets are achievable provided the planned mine expansion is completed on schedule. BDASIA notes that the planned ore production of 450,000 t in 2012 is more than the combined designed processing capacity of 400,000 tpa of the two existing concentrators. However, based on BDASIA's review of the two concentrators and BDASIA's experiences with similar operations in China, BDASIA considers that the stated designed production capacities are relatively conservative and the two concentrators should have the ability to process 450,000 tpa of ore if the equipment is maintained and managed effectively. The new concentrator to be constructed in the first half of 2013 will be put into production in the second half of that year; therefore, the ore processing target of 500,000 t in 2013 is considered achievable provided that the new concentrator construction is completed on schedule. It should be noted that the total processed ore in Table 10.1 is somewhat different from the total mined-out ore in Table 8.1 for the Xinzhuang Mine from 2009 to 2011 as there is a surface ore stockpile. It is assumed that the surface ore stockpile will be nearly completely consumed by the end of 2011, and therefore, the total processed ore will be very close to the total mined-out ore starting in 2012.

Forecast metallurgical recoveries for copper, iron and zinc in Table 10.2 are generally in line with the historical concentrator performance and the metallurgical test results and are considered reasonable and achievable. As lead was not recovered historically because of the low lead grade in the ore, the forecast lead recovery may need to be proved by actual production. Gold and silver processing recoveries are uncertain for the Xinzhuang Mine as gold and silver grades in the processed ore are not regularly assayed. However, the gold and silver grades in the copper concentrate have been forecasted conservatively compared with the historical gold and silver grades in copper concentrates (Table 10.3).

Table 10.2
Historical and Forecast Concentrator Processing Recoveries for the Xinzhuang Mine, 2009-2014

	Historical			Forecast		
Item	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Cu-Fe Ore						
Cu to Cu Concentrate (%)	87.10	86.10	89.19	86.0	86.0	86.0
TFe to Iron Concentrate (%)	N/A	N/A	N/A	N/A	N/A	N/A
Fe-Cu Ore						
TFe to Iron Concentrate (%)	69.00	69.20	88.28	69.0	69.0	69.0
Cu to Cu Concentrate (%)	84.00	82.19	89.19	82.0	82.0	82.0
Cu-Pb-Zn Ore						
Cu to Cu Concentrate (%)	30.00	30.30	52.01	30.0	30.0	30.0
Pb to Pb Concentrate (%)	–	–	–	65.0	65.0	65.0
Zn to Zn Concentrate (%)	84.00	85.20	89.17	85.0	85.0	85.0

Table 10.3
Historical and Forecast Concentrate Production for the Xinzhuang Mine, 2009-2014

	Historical			Forecast		
Item	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Cu Concentrate (t)	8,142	7,457	11,066	6,020	7,510	9,140
Cu Grade (%)	21.67	22.57	20.97	18.9	19.5	19.9
Au Grade (g/t)	4.27	2.36	4.28	2.3	2.3	2.4
Ag Grade (g/t)	503	458	336	380	360	360
Cu Metal (t)	1,764	1,683	2,321	1,140	1,460	1,820
Au Metal (kg)	34.77	36.99	47.41	13.5	17.1	21.9
Ag Metal (kg)	4,092	3,412	3,719	2,290	2,690	3,270
Fe Concentrate (t)	58,255	63,915	77,889	123,900	123,900	123,900
TFe Grade (%)	63.20	63.00	61.97	63.0	63.0	63.0
TFe Metal (t)	36,817	40,266	48,268	78,100	78,100	78,100

	Historical			Forecast		
Item	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Pb Concentrate (t)	–	–	–	1,410	1,410	2,120
Pb Grade (%)	–	–	–	40.0	40.0	40.0
Au Grade (g/t)	–	–	–	1.6	1.6	1.6
Ag Grade (g/t)	–	–	–	670	670	670
Pb Metal (t)	–	–	–	570	700	850
Au Metal (kg)	–	–	–	2.3	2.8	3.4
Ag Metal (kg)	–	–	–	950	950	1,430
Zn Concentrate (t)	4,159	3,145	5,746	7,800	7,800	11,700
Zn Grade (%)	47.70	46.93	47.23	50.0	50.0	50.0
Zn Metal (t)	1,984	1,476	2,714	3,900	3,900	5,850
S Concentrate (t)	11,153	23,168	64,617	36,300	50,500	69,900
S Grade (%)	39.48	38.00	38.90	40.6	41.5	41.5

BDASIA notes the grade of the concentrates in Table 10.3 is able to meet the customers' requirement in China and no further processing to improve the grade of the concentrates extracted is required before selling to customers. This is supported by that the Xinzhuang Mine has been selling the produced copper, iron, zinc and sulfur concentrates to its customers for a number of years. BDASIA considers that the forecast copper, iron, and zinc concentrate production in Table 10.3 are reasonable and achievable provided the planned mine expansion is completed on schedule. There are some uncertainties with the forecast lead concentrate production but its contribution to the project economics is relatively small.

11.0 OPERATING COSTS

Based on information in the January 2010 Nerin feasibility study and information provided by Yifeng Wanguo, BDASIA has developed historical 2009 to 2011 and forecast 2012 to 2014 unit mining, processing and general and administrative ("G&A") and others costs on a per-tonne basis for ore processed by the concentrators. BDASIA has also calculated a unit copper equivalent ("CuEq") in concentrate operating cash cost and a total production cost (Table 11.1).

The operating cash costs include mining costs, processing costs, general and administrative ("G&A") costs, marketing and transportation costs, environmental protection and monitoring costs, production taxes, resource compensation levy, interests on loans, reserve for reclamation costs, and other cash cost items. The total production costs comprise the operating cash costs and depreciation/amortization costs.

Table 11.1
Historical and Forecast Operating Costs for the Xinzhuang Mine, 2009-2014

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

Table 11.1 shows that historical unit mining cost has been decreased, but unit processing and G&A and other costs have generally been increased from 2009 to 2011 when the Xinzhuang Mine maintained a generally stable production rate around the then permitted 300,000 tpa level. The increases in operating costs generally reflect the increases in labor cost, material cost, marketing cost, and non-income taxes in the last three years. However, the decrease in mining cost from 2009 to 2011 reflects the decrease in the amount of non-capitalized development work in the last three years when the production rate was generally consistent.

Forecast unit operating costs for the next three years will generally decrease from the 2011 level when production rate increases gradually from approximately 300,000 tpa in the last three years to 600,000 tpa in 2014, mostly resulted from that some of the cost items are relatively stable when the production rate is doubled from 2011 to 2014. BDASIA believes that the operating cost forecasts are generally reasonable and achievable provided that there are no significant inflation and labor cost increase as inflation factors and cost increase for labors are not considered in the unit operating cost forecast while these factors have contributed significantly for the cost increase for the last three years.

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

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

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

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

Table 11.2
Historical and Forecast Metal in Concentrate Prices used for CuEq Calculation

Metal	Historical 2007	2008	2009	2010	2011	Forecast
Cu in Cu Concentrate Price (RMB/t)	50,656	41,373	31,497	41,506	48,661	42,739
Au in Cu Concentrate Price (RMB/kg)	131,586	147,103	172,704	213,533	266,021	186,189
Ag in Cu Concentrate Price (RMB/kg)	2,369	2,222	2,011	2,772	4,600	2,795
Fe Concentrate Price (RMB/t)	467.5	851.2	484.0	820.0	881.0	701
Pb in Pb Concentrate Price (RMB/t)	–	–	–	–	–	14,225
Au in Pb Concentrate Price (RMB/kg)	–	–	–	–	–	187,250
Ag in Pb Concentrate Price (RMB/kg)	–	–	–	–	–	3,817
Zn in Zn Concentrate Price (RMB/t)	18,905	8,948	7,166	9,618	9,145	10,756
S Concentrate Price (RMB/t)	–	505.65	98.26	322.00	408.00	333

It can be noted that the historical unit CuEq in concentrate operating costs and total production costs have generally been in the range of RMB22,300/t to RMB24,900/t and RMB24,400/t to RMB27,500/t, respectively, from 2009 to 2011 when the production rate is relatively stable at the Xinzhuang mine. The forecast CuEq costs are slightly higher than the 2009-2011 costs as the forecast production ore grades are generally lower than the historical production ore grades in the past three years (Table 10.1) although the forecast unit operation costs, which is not related to the ore grade, are generally lower than the historical unit operating costs.

BDASIA notes that the unit CuEq cost depends on a number of factors, including the ore grade and the unit operating costs. The unit CuEq cost is in positive proportion to the unit operating costs, but it is in negative proportion to the ore grade as more ore will be needed to produce a tonne of concentrate with the same metal grades when the ore grades are lower. It is obvious that the forecast lower ore grade for the next three years has a larger influence on the unit CuEq cost than the forecast lower unit operating costs. BDASIA also notes that the selling price of metal contained in concentrate generally should not be lower when the ore grades are lower as the concentrate is sold based on its metal contents, not based on the original ore grades.

12.0 CAPITAL COSTS

Historical capital costs from January 2006 to 2011 and forecast capital costs from 2012 to 2013 for the Xinzhuang Mine are shown in Table 12.1.

Table 12.1
Historical and Forecast Capital Costs for the Xinzhuang Mine, 2006-2013

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

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

The total capital cost for upgrading the Xinzhuang Mine from approximately 300,000-tpa mining capacity and 400,000-total processing capacity to an overall production capacity of 600,000 tpa capacity, from 2011 to 2013, is estimated at RMB354 M (US$56.2 M). This capital cost estimate is generally based on Nerin's January 2010 feasibility study and updated according to the detailed design for the upgrade. The mine makes up approximately 58% of the overall expansion cost and the process plant 9%. Other major capital cost items for the expansion include constructing the new mine administration building and staff living quarters as well as land acquisition. The total costs include a contingency of 11%.

The total mine expansion capital cost is estimated to be RMB204 M (US$32.5 M), which includes capital expenditures for the development of shafts and haulage levels as well as mine equipment costs, such as shaft hoists, mine diesel equipment, rail haulage equipment and underground pumps. The total concentrator expansion capital cost is estimated to be RMB32 M (US$5.1 M), which is for construction of the new concentrator No.3 in the first half of 2013.

Based on the Nerin feasibility study report, another major capital investment of approximately RMB138 M (US$21.9 M) will be needed in 2023 to develop the mining infrastructure for stage 2 mining below the -315-m MSL elevation and for equipment replacement. The replacement capital may be spread over several years of the operation rather than one distinct amount as forecast but the general amount is considered by BDASIA to be reasonable.

BDASIA considers that the overall capital estimate is generally reasonable for the mine expansion,

13.0 ENVIRONMENTAL AND SOCIAL MANAGEMENT

13.1 Environmental Management

The Xinzhuang Mine management team is complying with Chinese requirements and aspires to achieve a responsible standard of environmental protection. In August 2005, environmental approval for project construction was granted by the Bureau of Environment Protection ("BEP") of the Jiangxi Province. On July 11, 2007, an environmental permit was issued for the operational phase of the project. Environment approval for the current project expansion to the 600,000 tpa production rate was granted on January 9, 2012. The mine has an approved reclamation plan for the mine expansion prepared by the West-Jiangxi Brigade in October 2011 and a security deposit for land reclamation of RMB10.6391 M (approximately US$1.69 M) was assessed by the Department of Land and Resources of Jiangxi Province in December 2010. Yifeng Wanguo has made the payments on time for the security deposit according to the payment schedule specified by the Department of Land and Resources of Jiangxi Province.

The local sub-tropical conditions result in the evaporation rate (1,400 mm per annum) at times being almost as high as the precipitation rate (1,600 mm per annum); however, availability of water is not a problem for the project. This is in large part due to the abundant ground water supply that is pumped daily from the underground workings into a 400-m^3 tank on the surface. Up to 75% of waste water from the processing plant and the TSF system is recycled back to the processing plant's production line. Water consumption for the project is estimated at 3,387 m^3/day, of which 1,434 m^3/day comprises recycled water.

Environment protection measures for the mine site comprise:

- **Water management:** the site has been developed with an emphasis on recycling used process and TSF drainage water, which is recycled to the concentrator for reuse. A recycling rate of up to 75% is obtained. Xinzhuang obtains top-up water from the underground mine workings, while any surplus waste water from the site (including treated sewage) will be discharged to the nearby Shishui River following treatment in accordance with the regulatory standards in China.

- **Solid waste:** underground waste is either left underground or used for construction purposes (as a good quality construction material it is also sold locally). An engineered waste rock dump will be constructed if necessary in the future. A TSF has been constructed in a shallow valley 2.5 km west of the Xinzhuang Mine concentrator to store tailings material (Table 13.1) and a second valley is available at such time as a second TSF is required. In addition, approximately 67% of the tailings (coarse fraction) are mixed with cement and sent underground for use as stope fill.

- **Dust and air quality mitigation:** water sprays will be used for the crushing and screening plant (with wet scrubbers to also be installed in conjunction with the project expansion); however, the ore and concentrates are either wet or damp, thereby requiring minimal dust mitigation measures. Other mitigation measures include enclosure of any potentially dusty activities, paving of surface roads, revegetation and availability of personal protection devices to workers to provide additional personal protection from dust, as required.

- **Noise control:** methods of noise control include use of silencers, noise and vibration dampening, enclosure of noisy equipment, use of insulation and ongoing equipment maintenance.

- **Ground subsidence:** potential subsidence of the karst rock overlying the underground workings is being mitigated by backfilling cemented tailings (the coarse fraction) in abandoned stopes.

- **Environmental monitoring:** a mine site environmental monitoring plan is in place in which analytical results are expected to comply with the regulatory standards in China. The regular company monitoring program is supplemented by random monitoring tests conducted by the EPB.

- **Rehabilitation:** a conceptual mine closure plan comprises part of the Xinzhuang Mine site's soil and water conservation plan.

Table 13.1
Tailings Storage Facility for the Xinzhuang Mine

Design Capacity & Estimated Life	Comments
The design life of the existing TSF can be extended by raising the dam crest from the current 78 m to 87 m, thereby extending the storage capacity to 0.74 Mm^3 representing a production life extension of 4.2 years. This represents an available capacity for 5.5 years production at the expanded production rate from the commencement of 2011 until the TSF is full. Once the TSF is full a new TSF will be constructed in a nearby valley with a proposed storage capacity of almost 1 Mm^3 representing storage capacity for a further production life of 7.8 years. Approval for constructing the new TSF has been granted by relevant government authorities.	The TSF is located 2.5 km west of the concentrator, with a current available storage capacity of around 0.5 Mm^3. The initial stone faced, earth-fill dam wall is 15.5 m high, 3.5 m wide, 110 m long with a dam crest elevation of 78 m. An auxiliary dam has been constructed that will enable a dam crest elevation of 82 m. It is planned to eventually raise the embankment wall to 24.5 m, which will increase the effective storage capacity to 0.74 Mm^3 (adding a further 4.2 years production life at the expanded production rate). The TSF is designed with a 1 in 100 year flood design factor and seismic intensity Level 6 with a basic earthquake acceleration value of 0.05g. Tailings are currently pumped to the TSF with 28% solids in the slurry (this will increase to 50% when the expansion is in place), and when complete the height of the stacked tailings will be 87 m, with an average slope of 1:2.5. The TSF has just a small catchment basin (0.15 km^2), so flooding is not expected to be an issue; however, an overflow pipe is in place (as a long-term measure) which will direct any excess water away from the TSF. This flood discharging system enables any discharge water to have a 4 hours residence time prior to discharge to allow for settlement. The drainage system installed at the base of the tailings pile directs seepage water into a seepage collection system. The water is collected, treated and recycled through the processing plant. A second TSF for future use has been designated in a valley near the existing TSF which will provide a total storage capacity of approximately 1 Mm^3 (almost 8 years of estimated production life at the expanded production rate). When the existing TSF is full it will be topsoiled and revegetated.

13.2 Social Management

Prior to mining operations being established in the area in 2004, the minesite area was used for rice growing. Land was acquired for the minesite and associated infrastructure in compliance with PRC law, approved by the local government authorities. Compensation for land and land use rights was negotiated in line with standard PRC guidelines.

The community has, in general, welcomed the mine development due to the new opportunities for employment in the area (Yifeng Wanguo employs approximately 60 permanent local mine workers and additional construction and casual workers); the provision of tax revenues to local government that has assisted local infrastructure development; and also the support to local economic development through the generation of increased local consumption demand.

14.0 OCCUPATIONAL HEALTH AND SAFETY

The Xinzhuang Mine has been operating since December 2006, and is conducting its operations in accordance with specific national laws and regulations covering occupational health and safety ("OH&S") in construction, mining, underground mining, production blasting and explosives handling, mineral processing, TSF design, hazardous wastes, environmental noise, fire protection and fire extinguishment, sanitary provisions, power provision, lightning and seismic protection, labor and supervision.

To manage the health and safety of the workforce the mine is implementing OH&S procedures in line with national standards, with initial medical checks (including medical check in respect of silicosis) for all employees and ongoing checks for potentially affected employees. There is a part time medical clinic on site with one doctor and one nurse, and in addition the nearby local Community Hospital serves the mine community. Safety statistics for the mine to date show a record of no significant injuries. An emergency response plan is in place for the management of chemical spills, floods, fires, etc.

The mine holds a current safety permit issued by the Jiangxi Safety Bureau for both the mine and the TSF, issued August 30, 2010 and valid for 3 years. The safety permit is extendable thereafter. Once the mine expansion construction is completed, the Xinzhuang Mine will apply for the safety permit for the new production system.

BDASIA was advised by Yifeng Wanguo that the Xinzhuang Mine's mine safety permit was temporally seized by the Jiangxi Safety Bureau and ore mining was suspended on July 30, 2008 because of incomplete backfill system and ventilation system. After completing the backfill system and ventilation system, the mine safety permit was returned to the Xinzhuang Mine and ore mining resumed in April 2009. The Xinzhuang Mine has been maintaining a valid mine safety permit since April 2009.

15.0 RISK ANALYSIS

When compared with many industrial and commercial operations, mining is a relatively high-risk business. Each mineralized body is unique. The nature of the mineralized body, the occurrence and grade of the mineralization, and its behavior during mining and processing can never be accurately predicted.

Estimations of the tonnes, grade, and overall metal content of a deposit are not precise calculations but are based on interpretation and on samples from drilling or channel sampling, which, even at close sample spacing, remain very small samples of the entire mineralized body. There is always a potential error in the projection of sampling data when estimating the tonnes and grade of the surrounding rock, and significant variations may occur. Reconciliations of past production and ore reserve estimates can confirm the reasonableness of past estimates but cannot categorically confirm the accuracy of future predictions.

Estimations of project capital and operating costs are rarely more accurate than ±10% and will be at least ±15% for projects in the planning stages. Mining project revenues are subject to variations in metal prices and exchange rates, though some of this uncertainty can be removed with hedging programs and long-term contracts.

Yifeng Wanguo's Xinzhuang Mine reviewed in this CPR has been in operation for over 4 years and the risks are reduced by the knowledge and experience gained from the ongoing operations. The long-term production projections are largely based on recent production and planned expansion. Forecast cost parameters are considered generally reasonable.

In reviewing the Xinzhuang Mine, BDASIA has considered areas where there is perceived technical risk to the operation, particularly where the risk component could materially impact the projected production and resulting cash flows. The assessment is necessarily subjective and qualitative. Risks have been classified as low, moderate, or high based on the following definitions:

- High Risk: the factor poses an immediate danger of a failure, which if uncorrected, could have a material impact (>15%) on the project cash flow and performance and could potentially lead to project failure.

- Moderate Risk: the factor, if uncorrected, could have a significant impact (>10%) on the project cash flow and performance unless mitigated by some corrective action.

- Low Risk: the factor, if uncorrected, could have little or no effect on project cash flow and performance.

Risk Component	**Comments**
Mineral Resources *Low to moderate Risk*	The Xinzhuang copper-polymetallic deposit is a porphyry-skarn-hydrothermal deposit related to the Yanshanian granites; it consists primarily of large irregularly-stratiform and lenticular mineralized bodies controlled by the granite intrusive contact. The primary mineralized bodies are generally hundreds to over one thousand of meters in dimension along the strike and dip directions with reasonably good spacial and grade continuity. The current mineral resources of the deposit were estimated by a polygonal method using drill hole and underground channel samples. The Measured resource was estimated by drilling and underground channel sampling at a data spacing no more than 70 m by 50 m and the Indicated resource was estimated by a data spacing of no more than 150 m by 100 m. The Inferred resource was also estimated reasonably by using a data spacing of no more than 200 m by 150 m. The Xinzhuang Mine has been in production since the end of 2006, and the resource estimates for the mine have generally been supported by the mining operation, although detailed production reconciliation data is currently unavailable.

Risk Component	Comments
Ore Reserves *Low to moderate Risk*	Proved and Probable ore reserves under the JORC Code have been defined for the Xinzhuang Mine by Nerin in a feasibility study report based on the Measured and Indicated resource estimates, respectively. The planned mining method is cut-and-fill. A mining dilution factor of 7.2% and a mining recovery factor of 80% were utilized in reserve estimation, which BDASIA considers appropriate and perhaps slightly conservative for the selected mining method. The currently defined reserves are sufficient to support mining operations at an expanded production rate of 600,000 tpa for more than 30 years.
Underground Mining *Low to moderate Risk*	Given the good ground conditions and the use of cut-and-fill mining method the mining risk is considered low except for the issue of water. There is a significant risk to the underground operation from increasing ingress of water as the operation becomes deeper. Yifeng Wanguo has several risk mitigating measures in place such as the grout curtain, filling of stopes with cemented fill to protect the hanging wall, installing excessive underground pumping capacity and starting mining the deposit 115-120 m below the surface. However, BDASIA believes that the issue of water still brings a low to moderate risk for the underground mining operation and special attention should be paid to this issue at all times of the underground mining operation.
Mineral Processing *Low Risk*	The test work on the future concentrator feeds was well done. The design of the process and the processing facilities is competent. The metallurgical recoveries in past production are satisfactory. BDASIA considers that the technological and economic performance of all three plants will be as forecast or very close to it.
Infrastructure *Low Risk*	Access to the Xinzhuang Mine is excellent. Power supply for current mining operation has been established for several years. An additional power-transmission line will need to be constructed for the planned expansion. Power supply is generally sufficient for the operation at the expanded level. Water supply is abundant.

Risk Component	Comments
Production Targets *Moderate Risk*	The underground production targets for the expanded production are reasonable once the expansion has been implemented. The 2012 production target of 450,000 t of ore will also depends on maintaining and managing the equipment effectively in the two existing concentrators. A significant risk to production is considered to be the ability to ensure dewatering of the mine remains ahead of stope production. Several mitigating factors are in place but the risk remains. Concentrator production targets should be achievable provided that construction of the new concentrator is completed as scheduled in the first half of 2013.
Operating Cost *Moderate Risk*	Forecast unit operating costs are generally decreasing from recent actual operating costs when the production increases in the next three years at the Xinzhuang Mine. The changeover to diesel powered equipment and increased mechanization of the mine has potential to increase costs during commissioning of the new equipment and establishing maintenance schedules. BDASIA notes that forecast labor and material costs are generally kept constant at the 2011 level. However, costs have potential to escalate given the level of growth within China.
Capital Cost *Low to Moderate Risk*	Nerin's estimate of amount of capital equipment to increase production capacity is reasonably calculated; mine level development plans reflect the current reserve and are appropriate. Costs have potential to escalate given the level of growth within China.
Environmental and Social Management *Low Risk*	Mitigation measures are in place to reduce environmental risks and to ensure regulatory environmental requirements are satisfied. Existing risks will be further reduced when the environment measures associated with the mine expansion program are installed. Ongoing dialogue is maintained between Yifeng Wanguo, the local government and local residents with the objective of maintaining good community relations. All structures and infrastructure, including the TSF, are designed to withstand a 1 in 100-year flood event and a Level 6 seismic event with an acceleration value of 0.05 g.
Occupational Health and Safety *Low Risk*	Yifeng Wanguo conducts its operations in accordance with the national safety standards and has maintained a good safety record to date.

Set out below is a summary of certain provisions of the memorandum and articles of association of our Company and of certain aspects of Cayman Islands Companies Law.

1. MEMORANDUM OF ASSOCIATION

The memorandum of association provides that our objects are unrestricted. The objects of our Company are set out in Clause 4 of the Memorandum of Association which is available for inspection at the address and during the period specified in the paragraph headed "Documents delivered to the Registrar of Companies and available for inspection" specified in Appendix VIII to this prospectus. As an exempted company, our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles of Association were conditionally adopted on 12 June 2012. The following is a summary of certain provisions of the Articles of Association.

(a) Directors

(i) Power to allot and issue shares

Subject to the provisions of the Cayman Islands Companies Law and the Memorandum and Articles and without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as our Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as our Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of our Company or at the option of the holder. Our Directors may issue warrants to subscribe for any class of shares or securities of our Company on such terms as they may from time to time determine.

Subject to the provisions of the Cayman Islands Companies Law and the Articles and without prejudice to any special rights or restrictions attaching to any shares or any class of shares for the time being, all unissued shares in our Company shall be at the disposal of our Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) Power to dispose of the assets of our Company or any subsidiary

There are no specific provisions in the Articles of Association relating to the disposal of the assets of our Company or any of its subsidiaries although our Directors may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles of Association or relevant statutes of the Cayman Islands to be exercised or done by our Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(iv) Loans and the giving of security for loans to Directors

Where the shares of our Company remain listed on the Stock Exchange or on a stock exchange in such other territory as our Directors may from time to time decide, our Company may not make, without the approval of, or ratification by, our Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles of Association do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of our Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80% of the fair market value of such residence nor 5% of the consolidated net asset value of our Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which our Company has an equity interest, and the amount of such loan, or the liability assumed by our Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) Financial assistance to purchase shares of our Company or its holdings company

There are no provisions in the Articles of Association relating to the giving by our Company of financial assistance for the purchase, subscription or other acquisition of shares of our Company or of its holding company. The law on this area is summarized in paragraph 4(b) below.

(vi) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefore (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of our Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with our Company or any other company in which our Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Cayman Islands Companies Law and the Articles of Association, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of our Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of our Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles of Association, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his associate(s) is to his knowledge materially interested, and if he does so his vote will not be counted, but this provisions will not apply to any of the following matters, namely:

(aa) any contract or arrangement for the giving to the Director or his associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of our Company;

(bb) any contract or arrangement for the giving by our Company of any security to a third party in respect of a debt or obligation of our Company or any company in which our Company has an interest for which the Director or his associate(s) has himself/themselves guaranteed or secured in whole or in part;

(cc) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of our Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;

(dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by our Company for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;

(ee) any contract or arrangement in which the Director or his associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of our Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;

(ff) any contract or arrangement concerning any company in which he or his associate(s) is/are interested directly or indirectly, whether as an officer or an executive or a member of that company, other than a company in which the Director or his associates owns 5% or more of the voting equity capital or voting rights of any class of shares of such company (or of any third company through which his interest is derived), excluding shares which carry no voting rights at general meetings and no or nugatory dividend and return of capital rights, and excluding shares held directly or indirectly through our Company;

(gg) any proposal or arrangement for the benefit of employees of our Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his associate(s) and employees of our Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, associate(s) of Directors and employees of our Company or any of its subsidiaries and does not give the Director or his associate(s) any privilege not accorded to the relevant class of persons of which the Director is a member and to whom such scheme or fund relates;

(hh) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by our Company to, or for the benefit of, the employees of our Company or its subsidiaries under which the Director or his associate(s) may benefit; and

(ii) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associate(s), officer or employee pursuant to the Articles of Association.

(vii) Remuneration

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in our Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of our Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of our Company, or of any company which is a subsidiary of our Company, or is allied or associated with our Company or with any such subsidiary company, or who are or were at any time directors or officers of our Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in our Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be less than one. A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and our Company). Subject to the statutes and the provisions of the Articles of Association, our Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed by the Directors shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of our Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Cayman Islands Companies Law, by the issue of debentures, debenture stock, bonds or other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: The provisions summarised above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of our Company.

(x) Qualification shares

Directors are not required under the Articles of Association to hold any qualification shares.

(xi) Indemnity to Directors

The Articles of Association contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) Alterations to constitutive documents

The memorandum of association of our Company may be altered by our Company in general meeting. The Articles of Association may also be amended by our Company in general meeting. As more fully described in paragraph 3 below, the Articles of Association provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles of Association and to change the name of our Company.

(c) Alterations of capital

Our Company may from time to time by ordinary resolution in accordance with the Cayman Islands Companies Law:

(i) increase its share capital;

(ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares. On any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to our Company for our Company's benefit;

(iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;

(v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Cayman Islands Companies Law, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares;

(vi) change the currency of denomination of its share capital; and

(vii) make provision for the issue and allotment of shares which do not carry any voting rights.

Our Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. Our Company may apply its share premium account in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Cayman Islands Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles of Association relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions – majority required

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given in the manner in accordance with paragraph 2 (i) below. However, at all times while any part of the issued capital of our Company remains listed on the Stock Exchange, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right, (or, in the case of an annual general meeting, by all members) a resolution may be proposed and passed as a special resolution at a meeting of which a shorter notice than that specified in the Articles of Association has been given.

(f) Voting rights and right to demand a poll

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or installments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles of Association), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll.

Where a shareholder is a clearing house (as defined in the Articles of Association) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of our Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles of Association shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of our Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation.

(g) Requirements for annual general meetings

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of our Company are listed with the permission of our Company.

(h) Accounts and audit

The Directors shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by law or are necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of our Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of our Company except as conferred by the Cayman Islands Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by our Company in general meeting.

The Directors shall from time to time cause to be prepared and laid before our Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in our Company are listed on the Stock Exchange, the accounts of our Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of our Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before our Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, our Company and every other person entitled to receive notices of general meetings of our Company under the Cayman Islands Companies Law or of the Articles of Association. Subject to due compliance with the Cayman Islands Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Cayman Islands Companies Law and instead of such copies, a summary financial statement derived from our Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of our Company and the directors' report thereon may, if he so requires by notice in writing served on our Company, demand that our Company sends to him, in addition to a summary financial statement, a complete printed copy of our Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of our Company are for the time being (with the consent of our Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles of Association. Save as otherwise provided by such provisions, the remuneration of the auditors shall be fixed by or on the authority of our Company at each annual general meeting, but in respect of any particular year, our Company in general meeting may delegate the fixing of such remuneration to the Directors.

(i) Notices of meetings and business to be conducted thereat

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, an annual general meeting must be called by giving notice of not less than 21 clear days and not less than 20 clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by giving notice of not less than 21 clear days and not less than 10 clear business days in writing and any other extraordinary general meeting shall be called by giving notice of not less than 14 clear days and not less than 10 clear business days in writing (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in our Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefore, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which our Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with our Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognize an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for our Company to purchase its own shares

The Articles of Association provide that the power of our Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Cayman Islands Companies Law.

(l) Power of any subsidiary to own securities in our Company

There are no provisions in the Articles of Association relating to ownership of securities in our Company by a subsidiary.

(m) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. Our Company may also make a distribution out of share premium account subject to the provisions of the Cayman Islands Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, installments or otherwise.

Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared on the share capital of our Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

Our Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realization of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to our Company and, in the case where any of the same are securities in our Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company or a meeting of the holders of any class of shares in our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of our Company or at a class meeting. At any general meeting on a poll, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of our Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) Corporate representatives

A corporate member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

Subject to the Articles, the Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as the Directors may decide.

If a member fails to pay any call or installment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all moneys which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of our Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if our Company were incorporated under and is subject to the Hong Kong Companies Ordinance.

(r) Inspection of register of Directors

There are no provisions in the Articles of Association relating to the inspection of the register of directors and officers of our Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(t) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles of Association relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of our Company under Cayman Islands company law as summarized in paragraph 4(e) below.

(u) Procedures on liquidation

A resolution for a court or voluntary winding up of our Company must be passed by way of a special resolution.

If our Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If our Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of our Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

Our Company may sell the shares of any member if (i) dividends or other distributions have been declared by our Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) our Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of our Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) our Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) our Company has notified the stock exchange on which the ordinary share capital of our Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to our Company and upon the receipt of such net proceeds by our Company, our Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) Stock

Our Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of our Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles of Association as are applicable to paid up shares shall apply to stock, and the words "share" and "shareholder" and "member" therein shall include "stock" and "stockholder".

(x) Other provisions

The Articles of Association provide that, to the extent that it is not prohibited by and is in compliance with the Cayman Islands Companies Law, if any rights attaching to any warrants which our Company may issue after the date of this document shall remain exercisable and our Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of our Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of our Company may be altered by our Company by special resolution. The Articles of Association state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles of Association or to change the name of our Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of our Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which in the manner in accordance with paragraph 2(i) above notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of minimum notice period specified in the Articles of Association may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

4. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Share capital

The Cayman Islands Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

(i) in paying distributions or dividends to members;

(ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(iii) in redeeming or purchasing its shares as provided in the Cayman Islands Companies Law;

(iv) in writing off:

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(v) in providing for the premium payable on redemption of any shares or of any debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Cayman Islands Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of associations, issue redeemable shares and, purchase its own shares, including any redeemable shares. Purchases and redemptions may only be effected out of the profits of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Cayman Islands Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Cayman Islands Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. The shares so purchased or redeemed will be treated as cancelled and the company's issued, but not its authorised, capital will be diminished accordingly.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) Management

The Cayman Islands Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) Accounting and auditing requirements

The Cayman Islands Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, our Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (2011 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, our Company, for a period of 1 year from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of our Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(l) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum of association expires, or the event occurs on the occurrence of which the memorandum of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. A declaration of solvency must be signed by all directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the Company's articles of association and published in the Gazette in the Cayman Islands.

5. GENERAL

Harney Westwood & Riegels, our Company's legal advisors on Cayman Islands law, have set to our Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Islands Companies Law, is available for inspection as referred to in the paragraph headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VIII to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

We were incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law on 13 May 2011. We have established a place of business in Hong Kong at Unit 1, 30/F, Singga Commercial Centre, 144-151 Connaught Road West, Hong Kong and registered as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance under the same address. Mr. Wong Chi Wah, at Unit 1, 30/F, Singga Commercial Centre, 144-151 Connaught Road West, Hong Kong, has been appointed as our agent for the acceptance of service of process and notices under the same address.

As we are incorporated in the Cayman Islands, our corporate structure, and our Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our Memorandum and Articles of Association and certain relevant aspects of the Cayman Islands Companies Law are set out in Appendix VI to this prospectus.

2. Changes in share capital

As of the date of our incorporation, our authorised share capital was HK$390,000 divided into 3,900,000 Shares of HK$0.10 each. On 13 May 2011, 33,499 and 16,500 Shares were allotted and issued to Victor Soar and Achieve Ample respectively, and one subscriber Share was transferred to Victor Soar. On 12 June 2012, the authorised share capital of our Company was increased to HK$100,000,000 divided into 1,000,000,000 Shares of HK$0.10 each.

Saved as disclosed in this prospectus, there has been no alteration in our share capital within the two years preceding the date of this prospectus.

3. Resolutions of our Shareholders

(a) Resolutions dated 12 June 2012

Pursuant to the written resolutions passed by our Shareholders on 12 June 2012, among other matters:

(1) the authorised share capital of our Company was increased from HK$390,000 to HK$100,000,000 by the creation of 996,100,000 additional new Shares of HK$0.10 each in the capital of our Company to rank pari passu in all respect with the existing issued share;

(2) conditional upon the execution of the International Underwriting Agreement, the sum of HK$44,995,000 standing to the credit of the share premium account of the Company was approved to be capitalised and applied in paying in full at par 449,950,000 Shares for allotment and issue and 301,466,500 and 148,483,500 Shares be allotted and issued to Victor Soar and Achieve Ample, respectively (the "**Capitalisation Issue**");

(3) our Company approved and adopted its new Memorandum of Association and Articles of Association with effect on the date which our Shares are listed on the Stock Exchange, the terms of which are summarized in Appendix VI of this prospectus;

(4) conditional upon the conditions for completion of the Share Offer being fulfilled:

(i) the Share Offer was approved and our directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer;

(ii) the Over-allotment Option was approved and our Directors were authorised to allot and issue any Shares which may be required to be issued if the Over-allotment Option is exercised;

(iii) the rules of the Share Option Scheme were approved and adopted and our directors were authorised to implement the same, grant options to subscribe for shares thereunder and to allot, issue and deal with the shares pursuant to the exercise of the options which may be granted under the Share Option Scheme;

(5) a general unconditional mandate (the "**Issuing Mandate**") was given to our Directors to allot, issue and deal with (otherwise than pursuant to a rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or upon the exercise of the options that may be granted under the Share Option Scheme or pursuant to the Share Offer) unissued Shares with an aggregate par value of not exceeding the sum of 20% of the aggregate par value of the share capital of our Company in issue immediately following the completion of the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme) during the period prior to (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or the Cayman Islands Companies Law or any applicable laws of the Cayman Islands to be held; or (iii) the revocation or variation of such mandate by any ordinary resolution of our Shareholders in a general meeting, whichever occurs first;

(6) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers for and on behalf of our Company to repurchase Shares with an aggregate par value of not exceeding 10% of the aggregate par value of the share capital of our Company in issue immediately following the completion of the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme) during the period prior to (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or the Cayman Islands Companies Law or any applicable laws of the Cayman Islands to be held; or (iii) the revocation or variation of such mandate by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first;

(7) the Issuing Mandate was extended by the addition to the aggregate par value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate par value of the share capital of our Company repurchased by our Company pursuant to the Repurchase Mandate provided that such extended amount shall not exceed 10% of the aggregate par value of the issued share capital of our Company immediately following the completion of the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issue pursuant to the exercise of the options that may be granted under the Share Option Scheme).

(b) Resolutions dated 21 June 2012

Pursuant to the written resolutions passed by our Shareholders on 21 June 2012, our Company has declared a dividend of RMB32.4 million to our Shareholders, namely Victor Soar and Achieve Ample, in the same proportion as their respective shareholding in our Company.

4. Changes in share capital of the subsidiaries of our Group

Our subsidiaries are referred to in the accountants' report as set out in Appendix I to this prospectus. The following alterations in the share capital (or registered capital, as the case may be) of our subsidiaries have taken place within the two years preceding the date of this prospectus:

HK Taylor

On 15 December 2011, HK Taylor increased its capital HK$10,000 divided into 10,000 shares of HK$1.00 each to HK$100,000,000 divided into 100,000,000 shares of HK$1.00 each. On 22 December 2011, HK Taylor issued and allotted 86,890,000 shares of HK$1.00 each in the capital of HK Taylor to MIH for the consideration of MIH releasing a shareholder loan of HK$86,890,000 owed by HK Taylor to MIH.

MIH

On 25 July 2011, our Company acquired the entire issued share capital of MIH by acquiring 33,000 shares of US$1.00 each of MIH from Mr. Gao and 17,000 shares of US$1.00 of MIH from Ms. Gao for the consideration of US$1.00 and US$1.00, respectively.

Yifeng Wanguo

On 31 March 2011, HK Taylor acquired 13% equity interest in Yifeng Wanguo from Quanzhou Wanguo for a consideration of RMB20.5 million. Upon the completion of the acquisition, Yifeng Wanguo was owned as to 88% by HK Taylor and 12% by West-Jiangxi Brigade. On 27 April 2012, West-Jiangxi Brigade redeemed its 12% equity investment in Yifeng Wanguo and the total investment and registered capital of Yifeng Wanguo were reduced to approximately RMB268.8 million and RMB89.6 million, respectively. Upon completion of the redemption and reduction, Yifeng Wanguo became a wholly-owned subsidiary of HK Taylor.

Saved as the aforesaid, there has been no other alternation in share capital of the subsidiaries of our Company in the two years preceding the date of this prospectus.

5. Reorganisation

The companies comprising our Group and the companies at the shareholders level of our Company underwent a reorganisation to rationalize the business and the structure of our Company in anticipation of the Share Offer. For information with regard to our Reorganisation, see the section headed "History and Development – Reorganisation" in this prospectus.

6. Repurchases of our own securities

(A) Relevant legal and regulatory requirements in Hong Kong

The Listing Rules permit a listed company whose primary listing is on the Stock Exchange to repurchase its securities on the Stock Exchange subject to the following restrictions:

(1) Shareholder's approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction. Pursuant to a resolution passed by our Shareholders on 12 June 2012, a general unconditional mandate (being the Repurchase Mandate referred to above) was given to our Board authorising any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate par value of our Company's share capital in issue immediately following the completion of the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme).

(2) Source of funds

Repurchases by our Company must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(3) Trading restrictions

The total number of Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme). Without the prior approval of the Stock Exchange, our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. Our Company is required to procure that the broker appointed by it to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(4) Status of repurchased Shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under Cayman Islands Companies Law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate par value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(5) Suspension of repurchase

Pursuant to the Listing Rules, our Company may not make any repurchase of Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, under the requirements of the Listing Rules in force as at the date of this prospectus, during the period of one month immediately preceding the earlier of:

(a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(b) the deadline for our Company to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of our Shares on the Stock Exchange if our Company has breached the Listing Rules.

(6) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares. The report must state the total number of the Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. Moreover, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of the Shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid.

(7) Connected parties

Our Company is prohibited from knowingly repurchasing Shares on the Stock Exchange from a "connected person" and a connected person shall not knowingly sell its securities to our Company on the Stock Exchange.

(B) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(C) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which in the opinion of our Directors are from time to time appropriate for our Company.

The exercise in full of the Repurchase Mandate, on the basis of 600,000,000 Shares in issue immediately after the Share Offer (and assuming that the Over-allotment Option is not exercised and none of the options that may be granted under the Share Option Scheme is exercised), could accordingly result in up to 60,000,000 Shares being repurchased by our Company during the period prior to (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by Cayman Islands Companies Law or the Articles of Association or any applicable laws of the Cayman Islands to the held; or (iii) the revocation or variation of the purchase mandate by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first (the "**Relevant Period**").

(D) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Codes on Takeovers and Mergers and Share Repurchases ("**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. No connected person has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

(1) an agreement dated 4 January 2011 entered into between West-Jiangxi Brigade and HK Taylor in relation to Yifeng Wanguo (the Second Management Entrustment Agreement as referred to on page 108 of this prospectus);

(2) an equity transfer agreement dated 2 March 2011 between Quanzhou Wanguo and HK Taylor for the transfer of 13% equity interest in Yifeng Wanguo from Quanzhou Wanguo to HK Taylor for a consideration of RMB20.5 million;

(3) an agreement dated 25 March 2011 entered into between HK Taylor and West-Jiangxi Brigade in relation to Yifeng Wanguo (the Joint Venture Agreement as referred to on page 107 of this prospectus);

(4) a share transfer form dated 25 July 2011 between Mr. Gao and our Company for the transfer of 33,000 shares in MIH from Mr. Gao to our Company for a consideration of US$1.00;

(5) a share transfer form dated 25 July 2011 between Ms. Gao and our Company for the transfer of 17,000 shares in MIH from Ms. Gao to our Company for a consideration of US$1.00;

(6) a loan agreement dated 15 December 2011 between Mr. Gao and HK Taylor in relation to a shareholder loan provided by Mr. Gao to HK Taylor (the "**Taylor Shareholder Loan**");

(7) a deed of assignment dated 22 December 2011 between Mr. Gao, MIH and HK Taylor for the assignment of the Taylor Shareholder Loan from Mr. Gao to MIH;

(8) a deed of release dated 22 December 2011 executed by MIH in favour of HK Taylor for the release of the Taylor Shareholder Loan;

(9) an agreement dated 3 March 2012 entered into between Yifeng Wanguo, West-Jiangxi Brigade and HK Taylor in relation to the capital reduction of Yifeng Wanguo (the Capital Reduction Agreement as defined on page 13 of this prospectus);

(10) the Deed of Non-competition;

(11) the Deed of Indemnity; and

(12) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

As of the Latest Practicable Date, our Group has registered/has applied for the registration of the following intellectual property rights.

(A) Trademarks

As of the Latest Practicable Date, our Group is the owner of certain registered trade or service marks, details of which are as follows:

Trade/Service Marks	Name of Registered Owner	Territory of Registration	Class	Registration Number	Commencement Date (DD/MM/YY)
	Yifeng Wanguo	Hong Kong	1	301833075	15/02/2011
	Yifeng Wanguo	Hong Kong	6	301833075	15/02/2011
	Yifeng Wanguo	Hong Kong	37	301833075	15/02/2011
	Yifeng Wanguo	Hong Kong	40	301833075	15/02/2011

(B) Domain Names

As at the Latest Practicable Date, our Group had registered the following domain names:

Registrant	Domain Name	Date of Registration (DD/MM/YY)	Expiry Date (DD/MM/YY)
Yifeng Wanguo	wgmine.com	07/12/2009	07/12/2012
Yifeng Wanguo	万国矿业.com	07/12/2009	07/12/2012

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT, STAFF AND EXPERTS

1. Disclosure of Interests

Immediately following completion of the Share Offer (without taking into account Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or upon the exercise of options granted under the Share Option Scheme), the interests of our Directors and chief executive of our Company in the equity or debt securities of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once the Shares are listed, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange once the Shares are listed will be as follows:

(a) Interest in our Company

Name of Director	Nature of interest	Number of Shares	Approximate percentage of interest in our Company immediately after the Share Offer[(1)]
Mr. Gao[(2)]	Interest in controlled corporation	301,500,000	50.25%
Ms. Gao[(3)]	Interest in controlled corporation	148,500,000	24.75%

Notes:

1. Assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued and allotted upon the exercise of options granted under the Share Option Scheme.

2. Victor Soar is wholly owned and controlled by Mr. Gao. Therefore, Mr. Gao is deemed to be interested in 301,500,000 Shares held by Victor Soar.

3. Achieve Ample is wholly owned and controlled by Ms. Gao. Therefore, Ms. Gao is deemed to be interested in 148,500,000 Shares held by Achieve Ample.

(b) Interest in associated corporations of our Company

Name of Director	Name of associated corporation	Percentage of interest in the associated corporation
Mr. Gao	Victor Soar[(1)]	100%

Note:

1. Victor Soar will be holding more than 50% of our Shares and, therefore, the holding company and an associated corporation of our Company.

2. Substantial shareholders

So far as our Directors are aware, immediately following completion of the Share Offer (without taking into account any shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or upon the exercise of options granted under the Share Option Scheme), the following persons (who is neither our Director nor chief executive) will have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Capacity/nature of interest	Number of Shares	Approximate percentage of interest in our Company immediately after the Share Offer(1)
Victor Soar(2)	Beneficial owner	301,500,000	50.25%
Ms. Lin Yinyin(3)	Interest of spouse	301,500,000	50.25%
Achieve Ample(4)	Beneficial owner	148,500,000	24.75%
Mr. Wang Weimian(5)	Interest of spouse	148,500,000	24.75%

Notes:

1. Assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued and allotted upon the exercise of options granted under the Share Option Scheme.

2. Victor Soar is a company wholly owned and controlled by Mr. Gao.

3. Ms. Lin Yinyin is the wife of Mr. Gao and is deemed to be interested in the 301,500,000 Shares held by Victor Soar, a company controlled by Mr. Gao.

4. Achieve Ample is a company wholly owned and controlled by Ms. Gao.

5. Mr. Wang Weimian is the husband of Ms. Gao and is deemed to be interested in the 148,500,000 Shares held by Achieve Ample, a company controlled by Ms. Gao.

3. Particulars of service contracts

Each of our executive Directors and non-executive Directors has entered into a service contract with our Company on 12 June 2012 for a term of three years commencing from the Listing Date, subject to termination before expiry by either party giving not less than three months' notice in writing to the other. Under these service contracts, Mr. Gao, Ms. Gao, Mr. Liu Zhichun, Mr. Xie Yaolin, Mr. Li Kwok Ping, Mr. Lee Hung Yuen and Mr. Wen Baolin will receive an annual salary (including any director's fees) of RMB600,000, RMB350,000, RMB350,000, RMB550,000, RMB200,000, RMB200,000 and RMB240,000, respectively (such annual salary is subject to annual review by our board and the remuneration committee) and a discretionary bonus as may be decided by our board and the remuneration committee at their discretion, having regard to the performance of the relevant executive director. Such executive director shall abstain from voting, and not be counted in the quorum, in respect of any resolution of our board approving the determination of the salary, bonus and other benefits payable to him or her.

Each of our independent non-executive Directors, has entered into a service contract with our Company on 12 June 2012 for an initial term of three years commencing from the Listing Date, and shall continue thereafter unless terminated by either party giving at least one month's notice in writing. The annual fee for Dr. Lu Jian Zhong, Mr. Qi Yang and Mr. Shen Peng is RMB150,000, RMB150,000 and RMB200,000, respectively.

Save as disclosed above, none of our directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation.

4. Directors' remuneration

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 our Directors for the three years ended 31 December 2011, were approximately RMB258,000, RMB962,000 and RMB1,863,000, respectively.

It is estimated that remuneration and benefits in kind, excluding any discretionary bonus payable to our Directors, that is equivalent to approximately RMB2,729,000 in the aggregate will be paid and granted to our Directors by us in respect of the financial year ending 31 December 2012 under arrangements in force at the date of this prospectus.

5. Fees or commissions received

Save as disclosed in this prospectus, none of our Directors or any of the persons whose names are listed in the paragraph headed "F. Other Information – 8. Consents" in this Appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group from our Group within the two years preceding the date of this prospectus.

6. Related party transactions

During the two years preceding the date of this prospectus, we were engaged in related party transactions as described under note 34 of the accountants' report set out in Appendix I to this prospectus. Our Directors are of the view that the related party transactions are based on normal commercial terms determined and agreed by the respective parties. The related party transactions will be discontinued after the Listing.

D. DISCLAIMERS

Save as disclosed in this prospectus:

(1) none of our Directors or chief executive of our Company has any interests and short positions in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to us and the Stock Exchange, in each case once our Shares are listed;

(2) none of our Directors nor any of the parties listed in the paragraph headed "F. Other Information – 8. Consents" in this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(3) none of our Directors nor any of the parties listed in the paragraph headed "F. Other Information – 8. Consents" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(4) none of the persons whose names are listed in the paragraph headed "F. Other Information – 8. Consents" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(5) none of our Directors are interested in any business apart from our Group's business, which competes or is likely to compete, directly or indirectly, with the business of our Group.

E. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted pursuant to the written resolutions of our Shareholders passed on 12 June 2012 and the resolutions of the Directors passed on 12 June 2012:

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive for Eligible Participants (defined below) to work with commitment towards enhancing the value of our Company and the Shares for the benefit of our Shareholders and to retain and attract calibres and working partners whose contributions are or may be beneficial to the growth and development of our Group.

2. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

The board of directors of our Company (the "**Board**") may at its discretion grant options to any full-time or part-time employees, potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive Directors) of our Company or any of its Subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board has contributed or will contribute to our Group (collectively "**Eligible Participants**").

3. Status of the Share Option Scheme

(a) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to and is conditional upon: (i) the commencement of dealing in the shares on the Stock Exchange; (ii) the passing of the necessary resolutions to adopt the Share Option Scheme by our Shareholders and the Board; (iii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, following the waiver(s) of any conditions by the Joint Bookrunners) (acting for and on behalf of the Underwriters) and not being terminated in accordance with their terms or otherwise; and (iv) the Listing Committee approving the listing of and permission to deal in any Shares to be allotted and issued pursuant to the exercise of options under the Share Option Scheme (the "**Conditions**").

(b) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for 10 years from the Listing Date (the "**Scheme Period**"), after which time no further option will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects.

4. Grant of options

(a) Making of offer

An offer of the grant of an option shall be made to an Eligible Participant by an offer document ("**Offer Letter**") in such form as the Board may from time to time determine, requiring the Eligible Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme (including any operational rules made under the Share Option Scheme). The offer shall remain open for acceptance for a period of 14 business days from the date on which it is made provided that no such offer shall be open for acceptance after the expiry of the Scheme Period or after the termination of the Share Option Scheme. Unless otherwise determined by the Board and stated in the Offer Letter, there shall be no general performance target for the vesting or exercise of options.

(b) Acceptance of an offer

An option shall be deemed to have been granted to (subject to certain restrictions in the Share Option Scheme), and accepted by, the Eligible Participant (the "**Grantee**") and to have taken effect upon the issue of an option certificate after the duplicate offer letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant of the option shall have been received by our Company on or before the last day for acceptance set out in paragraph 4(a) above. The remittance is not in any circumstances refundable and shall be deemed as part payment of the exercise price. Once accepted, the option is granted as from the date on which it was offered to the relevant Grantee.

(c) Restrictions on time of grant

(i) No grant of options shall be made after a price sensitive event in relation to the securities of our Company has occurred or a price sensitive matter in relation to the securities of our Company has been the subject of a decision, until the price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period of one month immediately preceding the earlier of:

(1) the date of the Board meeting as shall have been notified to the Stock Exchange for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(2) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the actual date of the results announcement for such year, half year, quarterly or interim period (as the case may be). The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(ii) For so long as the shares are listed on the Stock Exchange:

(1) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(2) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(d) Grant to connected persons

Any grant of options to a connected person must be approved by all our independent non-executive Directors (if any independent non-executive Director is a proposed Grantee of the options, the vote of such independent non-executive Director shall not be counted for the purposes of approving the grant).

(e) Grant to substantial shareholders and independent non-executive directors

Without prejudice to paragraph 4(d) above, any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by our Shareholders in general meeting if the shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12 month period up to and including the proposed date of such grant:

(i) would represent in aggregate more than 0.1%, or such other percentage as may from time to time be provided under the Listing Rules, of the Shares then in issue; and

(ii) would have an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

(f) Proceedings in general meeting to approve the grant of option

At the general meeting to approve the proposed grant of options under paragraph (d), all connected persons of our Company must abstain from voting unless intending to vote against the proposed grant. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the relevant provisions of the Listing Rules.

5. Subscription price

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the "**Subscription Price**") shall, subject to any adjustment pursuant to paragraph 7 below, be a price determined by the Board but in any event shall be at least the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the option is offered (the "**Offer Date**");

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and

(iii) the par value of the Shares;

except that for the purposes of calculating the Subscription Price under paragraph 5(ii) above for an option offered within five business days of the Listing Date, the price at which the Shares are to be offered for subscription pursuant to the Share Offer shall be used as the closing price for any business day falling within the period before the Listing Date.

6. Maximum number of Shares available for subscription

(a) Scheme Mandate

Subject to sub-paragraphs 6(b) and 6(c) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as of the Listing Date (excluding Shares which may be allotted and issued under the Over-allotment Option) ("**Scheme Mandate**"), which is expected to be 60,000,000 Shares. For the purpose of calculating the Scheme Mandate, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted.

(b) Renewal of Scheme Mandate

Our Company may seek approval by our Shareholders in general meeting for renewing the Scheme Mandate provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes of our Company under the Scheme Mandate as renewed must not exceed 10% of the total number of Shares in issue as at the date of the shareholders' approval. Options previously granted under the Share Option Scheme and any other share option schemes of our Company, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted for the purpose of calculating the limit as renewed.

For the purpose of seeking the approval of our Shareholders under this sub-paragraph 6(b), a circular containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules must be sent to our shareholders.

(c) Grant of Options beyond Scheme Mandate

Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the Scheme Mandate provided that the options in excess of the Scheme Mandate are granted only to Eligible Participants who are specifically identified before such approval is sought.

For the purpose of seeking the approval of our Shareholders under this sub-paragraph (6)(c), our Company must send a circular to our Shareholders containing a generic description of the specified Grantees who may be granted such options, the number and terms of the options to be granted, the purpose of granting such options to the Grantees with an explanation as to how the terms of options serve such purpose and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer as required under Rule 17.02(4) of the Listing Rules.

(d) Maximum number of Shares issued pursuant to Options

Notwithstanding anything to the contrary in the Share Option Scheme, the maximum limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our

Company must not exceed such number of Shares as shall represent 30% of the Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

(e) Grantee's maximum holding

Unless approved by our Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that Grantee on exercise of his options during any 12 month period exceeding 1% of the total Shares then in issue.

Where any further grant of options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such Grantee (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant exceeding 1% of the total number of Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Grantee and his associates abstaining from voting. Our Company must send a circular to our Shareholders and the circular must disclose the identity of the Grantee, the number and terms of the options to be granted and options previously granted to such Grantee and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the Subscription Price) of the options to be granted to such Eligible Participant must be fixed before the Shareholders' approval. The date of the meeting of the Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the Subscription Price.

(f) Adjustment

The number of Shares subject to the options and to the Share Option Scheme may be adjusted in such manner as our Company's independent financial advisor or auditor (acting as expert and not as arbitrator) shall certify in writing to the Board to be in its opinion fair and reasonable in accordance with sub-paragraph 7(b) below.

7. Reorganisation of capital structure

(a) Adjustment of options

In the event of any alteration in the capital structure of our Company whilst any option becomes or remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), the Board shall make (and shall notify to the Grantee) such corresponding alterations (if any) in:

(i) the Subscription Price; or

(ii) the number of Shares subject to the Share Option Scheme;

that are required to give each Grantee the same proportion of the share capital as that to which the Grantee was previously entitled, but not so that the effect would be to enable any Share to be issued to a Grantee at less than its par value, provided that no adjustment to the Subscription Price and number of Shares should be made to the advantage of the Eligible Participants without specific prior approval of our Shareholders.

(b) Auditors/independent financial advisor confirmation

On any capital reorganisation other than a capitalisation issue, the auditor or an independent financial advisor shall certify in writing to the Board that the adjustments made by the Board pursuant to sub-paragraph 7(a) above is in its opinion fair and reasonable pursuant to Rule 17.03(13) of the Listing Rules and the supplementary guidance on adjustments to the exercise price and number of share options under the Listing Rules.

8. Cancellation of options

Subject to the consent from the relevant Grantee, the Board may at its discretion cancel options previously granted to and yet to be exercised by a Grantee for the purpose of re-issuing new options to that Grantee provided that there are sufficient available unissued options under the Scheme Mandate as renewed from time to time (excluding such cancelled options) in accordance with the terms of the Share Option Scheme.

9. Assignment of options

An option is personal to the Grantee and shall not be transferable or assignable. No Grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt to do so (except that the Grantee may nominate a nominee, of which the Grantee is the sole beneficial owner, in whose name the Shares issued pursuant to the Share Option Scheme may be registered provided that evidence of such trust arrangement between the Grantee and the nominee has been provided to the satisfaction of, and on terms acceptable by, the Board).

10. Rights attached to the Shares

The Shares to be allotted upon exercise of an option will be subject to all the provisions of our bye-laws and will rank pari passu with the fully paid Shares in issue as from the day when the name of the Grantee is registered on the register of members of our Company (the "**Registration Date**"). Accordingly the Shares will entitle the holders to participate in all dividends or other distributions paid or made on or after the Registration Date other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which is before the Registration Date.

A Share issued upon the exercise of an option shall not carry any voting rights until the registration of the Grantee or his nominee as the holder of the Share on the register of members of our Company.

Unless otherwise regulated by applicable law, a Grantee, shall have no rights as a Shareholder with respect to any Shares covered by an option before such Grantee exercises the option.

11. Exercise of options

(a) General

The period during which an option may be exercised in accordance with the terms of the Share Option Scheme ("**Option Period**") shall be the period of time to be notified by our Board to each Grantee, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the Offer Date.

(b) Rights on a takeover

In the event of a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner, is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the option granted to them, our Shareholders. If such offer becomes or is declared unconditional, the Grantee shall be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to our Company in exercise of the option at any time before the expiry of the period of ten business days following the date on which the offer becomes or is declared unconditional.

(c) Rights on a voluntary winding up

In the event a notice is given by our Company to our Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each of our Shareholders give notice to all Grantees (together with a notice of the existence of the provisions of this subparagraph 11(c)). Upon receipt of such notice, each Grantee (or where permitted, his or her legal personal representative(s)) shall be entitled to exercise all or any of the option (to the extent which has become exercisable and not already exercised) at any time not later than two (2) business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given. Upon receipt of such notice together with the remittance by our Company, our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid. The allotted Shares shall rank pari passu with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.

(d) Rights on a compromise or arrangement

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice to the Grantee on the same day as it gives notice of the meeting to its shareholders or creditors to consider the compromise or arrangement. Upon receipt of the notice, the Grantee may, during the period commencing on the date of the notice and ending on the earlier of:

(i) the date two calendar months thereafter; and

(ii) the date on which such compromise or arrangement is sanctioned by the court,

exercise the option (to the extent not already exercised), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Our Company may require the Grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of the Grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.

12. Lapse of options

An option whether vested or unvested shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the Option Period;

(ii) the expiry of the periods referred to in sub-paragraphs 11(b) to (d) above;

(iii) the date of the commencement of the winding-up of our Company in respect of the situation contemplated in sub-paragraph 11(c);

(iv) the date on which the scheme or compromise referred to in sub-paragraph 11(d) above becomes effective;

(v) in respect of a Grantee (being an Eligible Participant) who ceases to be an Eligible Participant by reasons other than termination of employment on grounds under sub-paragraph 12(vi) below, one month following the date of such cessation;

(vi) the date on which the Grantee (being Eligible Employee) ceases to be an Eligible Participant by reason of the termination of his employment on any one or more of the following grounds:

(a) that he has been guilty of serious misconduct; or

(b) that he has been convicted of a criminal offence involving his integrity or honesty; or

(c) any other ground on which an employer would be entitled to unilaterally terminate his employment or service at common law or pursuant to any applicable laws or under the Grantee's service contract with our Company or the relevant subsidiary of our Company;

and a resolution of the Board or the board of directors of the relevant subsidiary of our Company or of the Interested Entity to that effect shall be conclusive;

(vii) the date on which a Grantee commits a breach of paragraph 9 above;

(viii) if an option was granted subject to certain conditions, restrictions or limitation, the date on which the Board resolves that the Grantee has failed to satisfy or comply with such conditions, restrictions or limitation; and

(ix) the occurrence of such event or expiry of such period as may have been specifically provided for in the offer letter, if any.

13. Amendment of the Share Option Scheme

(a) Amendments requiring Board approval

Any amendment to the Share Option Scheme other than those set out in subparagraph 13(b) below must be approved by the majority of the Board or the scheme administrator.

(b) Amendments requiring shareholder approval

Subject to sub-paragraphs 13(c) and (d), the following matters require the prior sanction of a resolution of the Shareholders in general meeting:

(i) any change to the provisions relating to:

(1) the purpose of the Share Option Scheme;

(2) the definitions of "Eligible Participant", "Expiry Date", "Grantee" and "Option Period" contained in the Share Option Scheme;

(3) the provisions relating to the Scheme Period, the basis of eligibility for options, the making of offer, the contents of offer letter, the acceptance of an option, the Subscription Price, the granting of options to connected persons,

substantial shareholders and independent non-executive directors, the exercise of options, the lapse of options, the maximum number of shares available for subscription, cancellation of options, reorganisation of capital structure and termination of the Share Option Scheme; which operates to the advantage of Eligible Participants or Grantees;

(ii) any change to the authority of the Board or the scheme administrator;

(iii) any amendment to the terms and conditions of the Share Option Scheme which are of a material nature except where such amendment takes effect automatically under the existing terms of the Share Option Scheme; and

(iv) any amendment to the terms of options granted except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

(c) Amendments requiring the super majority consent from the Grantees

Notwithstanding any approval obtained pursuant to sub-paragraphs 13(b) above, no amendment shall operate to adversely affect the terms of issue of any option granted or agreed to be granted prior to such amendment except with the consent or sanction in writing of such number of Grantees as shall together hold options in respect of not less than three-fourths in par value of all Shares then subject to the options granted under the Share Option Scheme, except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

(d) Amendments requiring the approval of the Stock Exchange

Any amendment to the terms and conditions of the Share Option Scheme which are of a material nature shall first be approved by the Stock Exchange except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

14. Termination

Our Company may at any time terminate the operation of the Share Option Scheme by resolution of the Board or resolution of the shareholders in general meeting and in such event no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects to the extent necessary to give effect to the exercise of the options (to the extent not already exercised) granted prior to the termination or otherwise or may be required in accordance with the provisions of the Share Option Scheme. All options granted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

As of the Latest Practicable Date, no option has been granted by our Company under the Share Option Scheme.

F. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, BVI, the PRC and other jurisdictions in which the companies comprising our Group are incorporated.

2. Tax and other indemnity

Each of Mr. Gao Mingqing and Victor Soar (together, the "**Indemnifiers**") has entered into the Deed of Indemnity in favor of our Group (being a material contract referred to in the paragraph headed "B. Further Information about our Business – 1. Summary of material contracts" of this Appendix) to provide the following indemnities in favor of our Group. Our Directors have been advised that no material liability for estate duty is likely to fall on us or any of our subsidiaries.

Under the Deed of Indemnity, the Indemnifiers jointly and severally indemnify each of the members of our Group against, among other things, (a) taxation falling on any member of our Group in respect of or by reference to any income, profits or gains earned, accrued or received (or alleged to have been earned, accrued or received) on or before the date on which the Share Offer becomes unconditional and all reasonable costs, expenses and losses which any member of our Group may properly incur in connection therewith; (b) costs, expenses and losses incurred by any member of our Group resulting from or in respect of any non-compliance with the applicable laws, rules and regulations by any member of our Group on or before the date on which the Share Offer becomes unconditional; (c) any costs, expenses and losses resulting from or in respect of the non-availability of the land use rights certificates and real estate title certificates of any property in the PRC owned by or leased to our Group or the breach of the tenancy agreement and deed of mutual covenant in relation to any property leased to our Group in Hong Kong except where such costs, expenses and losses that arise after the date on which the Share Offer becomes unconditional.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation where, among others, (a) full provision or allowance has been made for such taxation in the audited accounts of our Group; and (b) the taxation arises or is incurred as a result of a retrospective change in law or regulation or retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; (c) the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, any member of our Group which is carried out or effect in the ordinary course of business or in the ordinary course of acquiring or disposing capital assets after 31 December 2011 or carried out or entered into pursuant to a legally binding commitment on or after 31 December 2011; (d) any provision or reserve made for such taxation in the audited accounts of any member of our Group up to 31 December 2011 which is finally established to be an over-provision or an excessive reserve.

In the event the Indemnifiers have indemnified our Group of any tax liability and payment arising from any additional assessment by any tax authority pursuant to the Deed of Indemnity referred to above, our Company shall disclose such fact and relevant details by way of an announcement to the public immediately after the payment of indemnification by the Indemnifiers.

3. Litigation

As of the Latest Practicable Date, we were not aware of any other litigation or arbitration proceedings pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operation.

4. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as set out in this prospectus.

5. Preliminary expenses

Our estimated preliminary expenses are approximately US$3,900 and have been paid by our Company.

6. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

7. Qualifications of experts

The qualifications of the experts (as defined under the Listing Rules and the Hong Kong Companies Ordinance) who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
Guotai Junan Capital Limited	Licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as defined under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
DTZ Debenham Tie Leung Limited	Property valuers
Commerce & Finance Law Offices	PRC legal advisers
Harney Westwood & Riegels	Cayman Islands legal advisers
Behre Dolbear Asia, Inc.	Independent technical expert

8. Consents

Each of Guotai Junan Capital, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited, Commerce & Finance Law Offices, Harney Westwood & Riegels and Behre Dolbear Asia, Inc. has given and has not withdrawn its respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies Ordinance so far as applicable.

10. Compliance Adviser

Our Company will appoint Guotai Junan Capital Limited as our compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules.

11. Shares will be eligible for CCASS

We have applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, our Shares (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options to be granted under the Share Option Scheme).

All necessary arrangements have been made enabling our Shares to be admitted into the Central Clearing and Settlement System, or CCASS, established and operated by the Hong Kong Securities Clearing Company Limited, or HKSCC.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. Miscellaneous

(1) Saved as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(a) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(d) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.

(2) Saved as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries and no amount or benefit had been paid or given within the two immediately preceding years or is intended to be paid or given to any promoter.

(3) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2011 (being the date to which the latest audited consolidated financial statements of our Group were made up).

(4) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

(5) The register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of our Shares must be lodged for registration with any registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.

(6) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(7) Our Directors have been advised that, under the Cayman Islands Companies Law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with its English name does not contravene the Cayman Islands Companies Law.

(8) The English text of this prospectus shall prevail over the Chinese text.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms; (ii) copies of each of the material contracts referred to in the paragraph headed "B. Further Information about our Business – 1. Summary of material contracts" in Appendix VII to this prospectus and their certified English translations (where appropriate); and (iii) the written consents referred to in the section headed "F. Other Information – 8. Consents" in Appendix VII to this prospectus; and other information required by Section 342C of the Hong Kong Companies Ordinance.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of O'Melveny & Myers at 31/F, AIA Central, 1 Connaught Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(1) our Memorandum of Association and Articles of Association;

(2) the accountants' reports prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

(3) the report in relation to pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(4) the letters, summary of values and valuation certificates relating to our property interests prepared by DTZ Debenham Tie Leung Limited, the texts of which are set out in Appendix III to this prospectus;

(5) the PRC legal opinion issued by Commerce & Finance Law Offices, our PRC Legal Advisers, in respect of, among other things, general matters, property interests and taxation matters of our Group;

(6) the report prepared by the Independent Technical Expert, Behre Dolbear Asia, Inc., the text of which is set out in Appendix V to this prospectus;

(7) the letter of advice prepared by Harney Westwood & Riegels, our legal advisers on the Cayman Islands laws, summarising certain aspects of the Cayman Islands company law referred to in Appendix VI to this prospectus;

(8) the material contracts referred to in the paragraph headed "B. Further Information about our Business – 1. Summary of material contracts" in Appendix VII to this prospectus;

(9) the service contracts referred to in the paragraph headed "Statutory and General Information – C. Further Information About Our Directors, Management, Staff and Experts – 3. Particulars of service contracts" in Appendix VII to this prospectus;

(10) the written consents referred to in the paragraph headed "F. Other Information – 8. Consents" in Appendix VII to this prospectus;

(11) the rules of the Share Option Scheme; and

(12) the Cayman Islands Companies Law.