China Zhongsheng Resources Holdings Limited
中國中盛資源控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02623)

UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

The Group recorded revenue of approximately RMB611.3 million for the six months ended 30 June 2012, representing an increase of approximately 83.6% over the revenue of approximately RMB332.9 million for the six months ended 30 June 2011.

The Group's total comprehensive income decreased by approximately RMB14.4 million, or approximately 25.1% from approximately RMB57.5 million for the six months ended 30 June 2011 to approximately RMB43.1 million for the six months ended 30 June 2012.

UNAUDITED INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of China Zhongsheng Resources Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2012 together with comparative figures for the corresponding period in 2011. The unaudited consolidated interim results have not been audited but have been reviewed by the Company's audit committee.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2012
(Expressed in Renminbi Yuan thousands)

	Note	Six months ended 30 June 2012 (Unaudited) *RMB'000*	2011 (Unaudited) *RMB'000*
Revenue	*4*	**611,269**	332,929
Cost of sales		**(499,488)**	(204,352)
Gross profit		**111,781**	128,577
Selling and distribution costs		**(7,146)**	(4,728)
Administrative expenses		**(26,090)**	(21,126)
Other gains/(losses), net		**7,430**	(12)
Profit from operations		**85,975**	102,711
Finance income		**1,824**	1,002
Finance costs		**(24,263)**	(24,360)
Finance costs, net		**(22,439)**	(23,358)
Share of loss of an associate		**–**	(1,606)
Profit before income tax		**63,536**	77,747
Income tax expense	*5*	**(19,378)**	(21,136)
Profit for the period		**44,158**	56,611
Other comprehensive income			
Change in value on available-for-sale financial assets		**(896)**	–
Currency translation differences		**(159)**	934
Total comprehensive income for the period		**43,103**	57,545
Total comprehensive income attributable to:			
Equity holders of the Company		**44,580**	59,242
Non-controlling interests		**(1,477)**	(1,697)
		43,103	57,545
Earnings per share attributable to the equity holders of the Company (Expressed in RMB per share)			
Basic and diluted	*6*	**0.07**	0.10
Dividends	*7*	**–**	80,000

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

At 30 June 2012

(Expressed in Renminbi Yuan thousands)

	Note	**As at 30 June 2012 (Unaudited) *RMB'000***	As at 31 December 2011 (Audited) *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**216,222**	192,523
Intangible assets		**30,024**	29,219
Available-for-sale financial assets		**3,319**	4,256
Other financial assets		**–**	561
Deferred income tax assets		**2,657**	2,790
		252,222	229,349
Current assets			
Inventories		**38,625**	34,080
Accounts receivables	*8*	**278,066**	199,798
Notes receivables	*9*	**188,720**	327,150
Prepayments and other receivables		**65,640**	102,391
Restricted bank deposits	*10*	**15,100**	–
Cash and cash equivalents	*10*	**296,772**	202,586
		882,923	866,005
Total assets		**1,135,145**	1,095,354
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital and share premium	*11*	**385,125**	274,769
Reserves		**2,332**	(6,956)
Retained earnings		**196,882**	161,590
		584,339	429,403
Non-controlling interests		**7,013**	8,490
Total equity		**591,352**	437,893
LIABILITIES			
Non-current liabilities			
Borrowings	*12*	**100,000**	160,000
Provision for close down, restoration and environmental costs		**9,116**	9,978
Deferred income tax liabilities		**4,559**	3,189
		113,675	173,167
Current liabilities			
Borrowings	*12*	**315,100**	357,620
Accounts payables	*13*	**63,052**	63,280
Notes payables	*14*	**15,000**	–
Accruals and other payables		**28,527**	36,113
Current income tax liabilities		**8,439**	27,281
		430,118	484,294
Total liabilities		**543,793**	657,461
Total equity and liabilities		**1,135,145**	1,095,354
Net current assets		**452,805**	381,711
Total assets less current liabilities		**705,027**	611,060

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in Renminbi Yuan thousands)

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

Except as described below, the principal accounting policies adopted are consistent with those applied in the financial statements for the year ended 31 December 2011, as described in those financial statements.

The Company and its subsidiaries have adopted the following amendments to standards in 2012:

Amendments to HKFRS 7, 'Financial instruments: disclosures'. The amendments were as a result of amendments on disclosure requirements of transfers of financial assets released in October 2010 (effective for financial year beginning 1 July 2011). The amendments clarified and strengthened the disclosure requirements of transfers of financial assets which help users of financial statements evaluating related risk exposures and the effect of those risks on the financial position of the Company and its subsidiaries. The Company and its subsidiaries adopt the amendments from 1 January 2012. These amendments have no material impact on the unaudited condensed consolidated interim financial information.

New standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

- HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

- HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 12 'Disclosure of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS. The Group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

There are no other HKFRS or HKFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. SEGMENT INFORMATION

(a) General information

The chief operating decision-maker ("CODM") has been identified as the Senior Executive Management who reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments base on these reports.

Senior Executive Management assess the performance of the business segments based on relative net profit/loss contributed by the respective segments.

The Group's reportable segments are defined by location, which is the basis by which the CODM makes decisions about resources to be allocated to the segments and assesses their performance. Financial information of the two locations has been separated to present discrete segment information to be reviewed by the CODM.

The CODM assesses performance of two reportable segments:

i Shandong Ishine Mining Industry Co., Ltd. ("Shandong Ishine"), which was incorporated in the PRC and is engaged in iron ore mining, iron ore processing and sales of iron concentrate in the PRC.

ii Ishine International Resources Limited ("Ishine International"), which was incorporated in Australia and is engaged in the exploration of metal reserve in Australia.

(b) Information about reportable segment profit, assets and liabilities

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies. The amounts of segment information of Shandong Ishine and Ishine International are denominated in Renminbi ("RMB") and Australian Dollar ("AUD") respectively. The segment information of Ishine International is translated into RMB for the reports used by the CODM.

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2012:

	Shandong Ishine	**Ishine International**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Six months ended 30 June 2012 (Unaudited)			
Revenue	**611,269**	**–**	**611,269**
Tenement and exploration expenses	**(150)**	**(804)**	**(954)**
Gross profit/(loss)	**113,546**	**(1,765)**	**111,781**
Finance income	**875**	**5**	**880**
Finance costs	**(24,263)**	**–**	**(24,263)**
Income tax expense	**(19,378)**	**–**	**(19,378)**
Net profit/(loss)	**55,793**	**(3,655)**	**52,138**
Other information			
Depreciation of property, plant and equipment	**11,793**	**63**	**11,856**
Expenditures for non-current assets	**36,543**	**–**	**36,543**
Six months ended 30 June 2011 (Unaudited)			
Revenue	332,929	–	332,929
Tenement and exploration expenses	(55)	(1,248)	(1,303)
Gross profit/(loss)	129,825	(1,248)	128,577
Finance income	1,002	–	1,002
Finance costs	(24,360)	–	(24,360)
Share of loss of an associate	–	(1,606)	(1,606)
Income tax expense	(21,136)	–	(21,136)
Net profit/(loss)	62,940	(6,329)	56,611
Other information			
Depreciation of property, plant and equipment	8,499	97	8,596
Expenditures for non-current assets	60,012	–	60,012

(i) ***Reconciliations of reportable segments revenue, profit or loss***

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Total revenue for reportable segments	**611,269**	332,929
Elimination of inter-segment revenue	**–**	–
Group revenue	**611,269**	332,929

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Net profit for reportable segments	**52,138**	56,611
Other unallocated expenses	**(7,980)**	–
Net profit	**44,158**	56,611

The segment information provided to the CODM for the reportable segments assets and liabilities as at 30 June 2012 and 31 December 2011 is as follows:

	Shandong Ishine *RMB'000*	Ishine International *RMB'000*	Total *RMB'000*
As at 30 June 2012 (Unaudited)			
Segment assets	**1,073,684**	**25,481**	**1,099,165**
Segment liabilities	**603,359**	**289**	**603,648**
As at 31 December 2011 (Audited)			
Segment assets	1,065,148	30,551	1,095,699
Segment liabilities	650,616	649	651,265

(ii) ***Reconciliations of reportable segments assets***

	As at 30 June 2012 (Unaudited) *RMB'000*	As at 31 December 2011 (Audited) *RMB'000*
Total assets for reportable segments	**1,099,165**	1,095,699
Other unallocated assets	**501,022**	398,137
Elimination of inter-segment accounts	**(465,042)**	(398,482)
Group assets	**1,135,145**	1,095,354

(iii) ***Reconciliations of reportable segments liabilities***

	As at 30 June 2012 (Unaudited) *RMB'000*	As at 31 December 2011 (Audited) *RMB'000*
Total liabilities for reportable segments	**603,648**	651,265
Other unallocated liabilities	**11,505**	10,995
Elimination of inter-segment accounts	**(71,360)**	(4,799)
Group liabilities	**543,793**	657,461

4. REVENUE

	Six months ended 30 June	
	2012 (Unaudited) *RMB'000*	2011 (Unaudited) *RMB'000*
Production		
– Sales of iron concentrate	**383,883**	272,774
Trading		
– Sales of iron concentrate	**–**	9,097
– Sales of iron pellets	**–**	50,202
– Sales of coarse iron powder	**227,386**	–
– Others	**–**	856
	227,386	60,155
Total	**611,269**	332,929

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current income tax- PRC:	**17,875**	20,440
Deferred income tax	**1,503**	696
	19,378	21,136

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 revised) of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

The subsidiary incorporated in British Virgin Islands under the International Business Companies Acts of the British Virgin Islands is exempted from payment of British Virgin Islands income tax.

Hong Kong profits tax has not been provided for the subsidiaries in Hong Kong as there is no estimated assessable profit arising in or derived from Hong Kong during the six months ended 30 June 2012.

Australia corporation income tax is 30%. Australia corporation income tax has not been provided for the subsidiary in Australia as there is no estimated assessable profit arising in or derived from Australia during the six months ended 30 June 2012.

Corporate income tax ("CIT") in the PRC is calculated at 25% based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjusting certain income and expense items, which are not assessable or deductible for income tax purposes.

6. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	**45,303**	58,602
Weighted average number of ordinary shares in issue (thousands of shares)	**640,532**	591,112
Basic and diluted earnings per share (RMB per share)	**0.07**	0.10

7. DIVIDENDS

The Board of Directors of the Company resolved not to declare any interim dividend for the six months ended 30 June 2012.

8. ACCOUNTS RECEIVABLES

	As at 30 June 2012 (Unaudited) RMB'000	As at 31 December 2011 (Audited) RMB'000
Accounts receivables	**278,066**	199,798

The Group's sales are mainly made on credit terms of 1 to 90 days.

Ageing analysis of accounts receivables as at 30 June 2012 and 31 December 2011 is as follows:

	As at 30 June 2012 (Unaudited) *RMB'000*	As at 31 December 2011 (Audited) *RMB'000*
– Less than 3 months	**260,341**	195,864
– 3 months to 6 months	**17,571**	3,399
– 6 months to 1 year	**154**	535
	278,066	199,798

As at 30 June 2012, accounts receivable with carrying amounts of RMB140,261,000 (31 December 2011: RMB145,445,000) were pledged as collaterals for the Group's borrowings (Note 12).

9. NOTES RECEIVABLES

	As at 30 June 2012 (Unaudited) *RMB'000*	As at 31 December 2011 (Audited) *RMB'000*
Notes receivables		
– bank acceptance notes	**188,720**	327,150

The ageing of notes receivables is within 6 months.

As at 30 June 2012, bank acceptance notes with carrying amounts of RMB55,000,000 (31 December 2011: RMB69,000,000) were pledged as collaterals for the Group's borrowings (Note 12).

10. CASH AND BANK DEPOSITS

	As at 30 June 2012 (Unaudited) *RMB'000*	As at 31 December 2011 (Audited) *RMB'000*
Cash and cash equivalents		
– Cash on hand	**390**	331
– Cash at banks	**296,382**	202,255
	296,772	202,586
Restricted bank deposits		
– Deposits for issuance of bank notes acceptance notes	**15,100**	–
	311,872	202,586

Cash and bank deposits are denominated in the following currencies:

	As at 30 June 2012 (Unaudited) *RMB'000*	As at 31 December 2011 (Audited) *RMB'000*
RMB	**257,248**	184,694
HKD	**39,995**	7
AUD	**8,613**	11,837
USD	**6,016**	6,048
	311,872	202,586

11. SHARE CAPITAL AND SHARE PREMIUM

Authorised shares:

	Number of authorised shares
As at 1 January 2012	38,000,000
Addition (a)	2,962,000,000
As at 30 June 2012	3,000,000,000

(a) On 9 April 2012, the Company's shareholders resolved to increase the authorised share capital of the Company from HKD380,000 to HKD30,000,000 by the creation of additional 2,962,000,000 shares, each ranking pari passu with shares then in issue in all respects.

Issued shares:

	Number of shares issued and fully paid	**Share capital** *RMB'000*	**Share premium** *RMB'000*	**Total** *RMB'000*
Issue of one share upon incorporation on 8 February 2011	1	–	–	–
Issue of shares to Hongfa Holdings Limited	749,999	6	–	6
Issue of shares to Hongfa Holdings Limited	1	–	104,987	104,987
Issue of shares to All Five Capital Limited and Novi Holdings Limited (a)	250,000	2	98,422	98,424
Issue of shares to Jiuding Callisto Limited (b)	111,111	1	71,351	71,352
At 31 December 2011 (Audited)	1,111,112	9	274,760	274,769
Shares issued pursuant to the capitalisation issue (c)	590,000,472	4,774	(4,774)	–
Shares issued for initial public offering (d)	129,760,000	1,050	109,306	110,356
At 30 June 2012 (Unaudited)	**720,871,584**	**5,833**	**379,292**	**385,125**

(a) On 2 September 2011, 250,000 shares were allotted and issued, all credit as fully paid, to All Five Capital Limited and Novi Holdings Limited incorporated in BVI, both of which were beneficially owned by Mr. Lang Weiguo. Mr. Lang beneficially holds approximately 18.45% issued share capital of the Company.

(b) On 25 October 2011, 111,111 shares were allotted and issued fully paid to Jiuding Callisto Limited at a total consideration of USD11,250,000 (equivalent to RMB71,352,000).

(c) Pursuant to a shareholder's resolution dated 9 April 2012, and conditional on the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the proposed share offering described in the Company's prospectus dated 17 April 2012, the Company capitalised an amount of HKD5,900,004.72, standing to the credit of its share premium account and to appropriate such amount as capital to pay up 590,000,472 shares in full at par.

(d) On 27 April 2012, the Company issued ordinary shares at HKD1.23 per share as the result of initial public offering.

12. BORROWINGS

	As at 30 June 2012 (Unaudited) *RMB'000*	As at 31 December 2011 (Audited) *RMB'000*
Non-current		
Bank borrowings	**100,000**	160,000
Current		
Bank borrowings	**255,100**	317,620
Short-term portion of non-current borrowings	**60,000**	40,000
	315,100	357,620
Total borrowings	**415,100**	517,620
Representing:		
Secured –		
Pledged (i)	**320,100**	362,620
Guaranteed	**95,000**	155,000
	415,100	517,620

(i) As at 30 June 2012, bank borrowings of RMB160,000,000 (31 December 2011: RMB200,000,000) were pledged by a mining right of Shandong Ishine with net book value of RMB4,178,000 (31 December 2011: RMB4,327,000).

As at 30 June 2012, bank borrowings of RMB107,000,000 (31 December 2011: RMB107,000,000) were pledged by the Group's accounts receivables with carrying amount of RMB140,261,000 (31 December 2011: RMB145,445,000) (Note 8).

As at 30 June 2012, bank borrowings of RMB53,100,000 (31 December 2011: RMB55,620,000) were pledged by the Group's notes receivables with carrying amount of RMB55,000,000 (31 December 2011: RMB69,000,000) (Note 9).

13. ACCOUNTS PAYABLES

	As at 30 June 2012 (Unaudited) *RMB'000*	As at 31 December 2011 (Audited) *RMB'000*
Accounts payables	**63,052**	63,280

Ageing analysis of accounts payables at the respective balance sheet dates is as follows:

	As at 30 June 2012 (Unaudited) *RMB'000*	As at 31 December 2011 (Audited) *RMB'000*
Less than 6 months	**62,363**	63,015
6 Months to 1 year	**446**	194
1 year and above	**243**	71
	63,052	63,280

14. NOTES PAYABLES

	As at 30 June 2012 (Unaudited) *RMB'000*	As at 31 December 2011 (Audited) *RMB'000*
Notes payables		
– Bank acceptance notes	**15,000**	–

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in iron and ilmenite ore exploration, iron ore mining and iron ore processing to produce iron concentrates in Shandong Province, the PRC. The Group's major customers are mainly iron pellets makers and steel manufacturers located in close proximity.

The Group possesses mining rights in respect of Yangzhuang Iron Mine (楊莊鐵礦), an iron ore mine located in Qinjiazhuang Village, Yangzhuang Town, Shandong Province, the PRC ("Yangzhuang Iron Mine"), Zhuge Shangyu Ilmenite Mine (諸葛上峪鐵鈦礦), an ilmenite and magnetite mine located in Yishui County, Shandong Province, the PRC ("Zhuge Shangyu Ilmenite Mine"), and Bashan Iron Project, an iron ore project located in Yishui County, and owns the exploration rights over Yangzhuang Iron Mine, Qinjiazhuang Ilmenite Project, an ilmenite ore project located in Qinjiazhuang District, Yishui County, Shandong Province, the PRC, Zhuge Shangyu Ilmenite Mine and Gaozhuang Shangyu Ilmenite Project, an ilmenite ore project located in Shangyu District, Yishui County, Shandong Province, the PRC.

During the six months ended 30 June 2012, total revenue of the Group has increased by approximately RMB278.4 million, or approximately 83.6% as compared to the six months ended 30 June 2011. The significant increase in revenue is mainly due to (1) the increased sales of iron concentrates produced from coarse iron powder; and (2) increase in turnover from trading of coarse iron powder during the six months ended 30 June 2012.

However, the total comprehensive income attributable to equity holders of the Company has decreased by approximately RMB14.6 million, representing a drop of approximately 24.7% as compared to the six months ended 30 June 2011. This was mainly due to (1) the slowdown of China's economy and the sluggish demand from steel makers in Shandong Province, the PRC and, therefore, the average selling price of iron concentrates decreased by approximately 17.4% for the six months ended 30 June 2012 compared to the six months ended 30 June 2011; and (2) the increase in professional fees of approximately RMB8.4 million which mainly represented fees paid to various professional services provided to the Group in preparation for the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was listed on the Stock Exchange on 27 April 2012. In the first quarter of 2012, the average selling price of iron concentrates with 65% iron content per tonne was RMB1,025.9. Since April 2012, the entire iron and steel market demonstrated an ongoing downward moving trend as the economy in China continued to remain sluggish. The price of iron concentrates with 65% iron content also fell from one bottom to another. In the second quarter of 2012, the average price of iron concentrates with 65% iron content per tonne further fell to RMB981.5. Between January and June 2012, the average selling price of iron concentrates with 65% iron content per tonne was RMB1,000.4, representing a decrease of RMB210.3 per tonne from RMB1,210.7 per tonne as for the same period last year. Facing the unfavourable condition in the market, the management adopted the following measures:

(1) To reinforce operation management

(i) To use more endeavours in sales and marketing in order to increase the sales revenue

Upon the sluggish iron and steel market, the Group adopted a series of measures for using more endeavours in sales and marketing and increased the sales revenue. In the first half of 2012, a total of 383,747 tonnes of iron concentrate were sold, representing an increase of 158,442 tonnes, or 70.3% from the same period of 2011. In the first half of 2012, the revenue of the Group was approximately RMB611.3 million, representing an increase of approximately RMB278.4 million, or 83.6% from the same period of 2011.

(ii) To reduce production costs

By adopting cost control measures, the Group reduced production costs of iron concentrate. Between January and June 2012, the average production costs of iron concentrate per tonne was RMB533.0, a decrease of RMB15 per tonne from the same period of 2011.

(iii) To repay loans in order to reduce finance costs

As a result of the measures taken to reduce borrowings, total bank loans of the Group amounted to approximately RMB415.1 million as at 30 June 2012, representing a decrease of RMB34.9 million from 30 June 2011 and a decrease of approximately RMB102.5 million from 31 December 2011. Between January to June 2012, the finance costs amounted to approximately RMB22.4 million, representing a decrease of approximately RMB0.9 million from the same period last year.

(iv) To improve profitability in order to mitigate trading risks

As there had not been much recovery in the market price, the Group gradually cut the scale of its trading business in order to mitigate trading risks. Between January and June 2012, 287,345 tonnes of coarse iron powder were traded, which generated an operating revenue of approximately RMB227.4 million. As compared with the period between July and December 2011, there was a decrease of 16,172 tonnes of coarse iron powder traded and approximately RMB35.5 million operating revenue respectively.

(2) To pursue technology enhancement in order to achieve breakthrough in technology for titanium concentrate products

During the past two years, the price of titanium concentrate with 42% to 46% titanium content was approximately RMB2,000 per tonne, whilst the costs of production was less than RMB1,000 per tonne. They have been considered to be economic efficiencies. The Group has fully developed and controlled the processing technologies for titanium concentrate with above 42% titanium content through its commitment to research and development, which laid a sound foundation to improve the profitability of the Group.

The Directors believe that the Group shall maximize its profit through the adoption of the above measures in such a sluggish market, which laid a solid foundation to capture practicable technologies for its development in future.

In the second half of 2012, the Group will continue to devote more efforts in improving the quality of its operation, reducing its costs, controlling over operation risks and applying new technologies for titanium concentrate and will use its best endeavours to accomplish the operating targets set for the year.

Financial Review

For the six months ended 30 June 2012, the Group recorded revenue of approximately RMB611.3 million as compared to approximately RMB332.9 million for the six months ended 30 June 2011, representing an increase of approximately 83.6%. For the six months ended 30 June 2012, 62.8% of the total sales consisted of the sales of iron concentrates produced by the Group's processing plants, while the remaining 37.2% of sales were derived from trading of coarse iron powder. The Group mainly sold iron concentrates produced by it to iron pellets and steel producers in Shandong Province, the PRC. In addition to those customers of iron concentrates produced by the Group, it also sold trading goods to other customers engaged in trading and manufacturing of iron-related products in the PRC.

Prices of products

The average unit selling price of iron concentrates during the six months ended 30 June 2012 is RMB1,000.4 per tonne, representing a decrease of approximately 17.4% as compared to the average unit price of RMB1,210.7 per tonne for the six months ended 30 June 2011, or a decrease of approximately 15.5% as compared to the average unit price of RMB1,184.5 for the year ended 31 December 2011. Such decrease was mainly as a result of the slowdown of China's economy and the sluggish demand from steel makers in Shandong Province, the PRC.

Revenue

Revenue was generated from the sale of products to external customers net of value added tax as well as from trading activities. Revenue from sale of products is mainly affected by total sales volume which in turn is subject to the mining and processing capacity and market conditions and price of the products. The following table sets forth a breakdown of revenue by segments for the periods indicated:

	Six months ended 30 June 2012		Six months ended 30 June 2011	
	RMB'000	*%*	*RMB'000*	*%*
Revenue				
Sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine	**160,717**	**26.3%**	195,750	58.8%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder	**223,166**	**36.5%**	77,024	23.1%
	383,883	**62.8%**	272,774	81.9%
Trading of				
– iron concentrates	**–**	**–**	9,097	2.7%
– coarse iron powder	**227,386**	**37.2%**	–	–
– others	**–**	**–**	51,058	15.4%
	227,386	**37.2%**	60,155	18.1%
	611,269	**100%**	332,929	100%

The following table sets forth a breakdown of the volume of iron concentrates sold for the periods indicated:

	Six months ended 30 June 2012 *in Tonne*	Six months ended 30 June 2011 *in Tonne*
Sales volume of iron concentrates		
Iron concentrates produced by the Group		
– from iron ore of Yangzhuang Iron Mine	**160,018**	161,684
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder	**223,729**	63,621
	383,747	225,305
Iron concentrates sold in trading	**–**	9,098

Revenue increased from approximately RMB332.9 million for the six months ended 30 June 2011 to approximately RMB611.3 million for the six months ended 30 June 2012 by approximately 83.6%, which was mainly due to (1) increase in sales of iron concentrates produced from processing coarse iron powder by approximately RMB146.1 million, and (2) increase in turnover from trading of coarse iron powder by approximately RMB227.4 million, partially offset by (i) the decrease in sales of iron concentrates produced from iron ore of Yangzhuang Iron Mine by approximately RMB35.0 million and (ii) the cessation of trading of iron concentrates and others which recorded turnover in aggregate of approximately RMB60.2 million for the six months ended 30 June 2011.

The decrease in sales of iron concentrates produced from iron ore of Yangzhuang Iron Mine by approximately 17.9% was mainly due to the decrease in average unit selling price of iron concentrates from RMB1,210.7 per tonne for the six months ended 30 June 2011 to RMB1,000.4 per tone for the six months ended 30 June 2012, representing a decrease of 17.4%.

Besides producing directly from iron ore of Yangzhuang Iron Mine, the Group produced iron concentrates by processing coarse iron powder during the first half of 2012 from which the revenue generated increased significantly by approximately 189.7% from approximately RMB77.0 million for the six months ended 30 June 2011 to approximately RMB223.2 million for the six months ended 30 June 2012, mainly as a result of increase in sales volume by approximately 251.7%, offset by the decrease in average unit selling price of iron concentrates by approximately 17.4%. The significant increase in sales volume of iron concentrates produced from coarse iron powder was mainly due to the utilization of the excessive processing capacity as a result of the expansion of the Third Yangzhuang Processing Facility (an existing ore processing facility which is in use by the Group located near the Yaungzhuang Iron Mine) by setting up a new iron concentrates production line and the new Dry Grinding Workshop (the workshop for dry pulverization of non-magnetic coarse iron powder or tailings into iron concentrates).

The increase in sales resulted from trading activities was mainly due to increase in trading turnover of coarse iron powder from nil for the first half of 2011 to approximately RMB227.4 million for the six months ended 30 June 2012. Coarse iron powder was sourced from several trading companies in Shandong Province, the PRC. The Group traded a large volume of coarse iron powder during the first half of 2012 mainly due to that it successfully identified several stable suppliers and earned a high gross margin of approximately 8.7%.

Cost of Sales

The following table sets forth a breakdown of the cost of sales by segments for the periods indicated:

	Six months ended 30 June 2012		Six months ended 30 June 2011	
	RMB'000	***%***	*RMB'000*	*%*
Cost of Sales				
Cost of sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine	**85,268**	**17.1%**	88,660	43.4%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder	**204,749**	**41.0%**	55,013	26.9%
	290,017	**58.1%**	143,673	70.3%
Cost of sales of trading of				
– iron concentrates	**–**	**–**	9,191	4.5%
– coarse iron powder	**207,706**	**41.6%**	–	–
– others	**–**	**–**	50,240	24.6%
	207,706	**41.6%**	59,431	29.1%
Exploration costs incurred by Ishine International	**1,765**	**0.3%**	1,248	0.6%
	499,488	**100.0%**	204,352	100.0%

Cost of sales increased from approximately RMB204.4 million for the six months ended 30 June 2011 to approximately RMB499.5 million for the six months ended 30 June 2012 by approximately 144.4%. Such increase was consistent with the increase in revenue during the same period and mainly contributed by (1) increase of cost of sales of iron concentrates produced by the Group from processing coarse iron powder by approximately RMB149.7 million; and (2) increase in cost of sales from trading of coarse iron powder by approximately RMB207.7 million, partially offset by the cessation of trading of iron concentrates and others which recorded cost of sales in aggregate of approximately RMB59.4 million for the six months ended 30 June 2011.

Gross profit and gross profit margin

The following table sets forth a breakdown of gross profit and gross profit margins by segments for the periods indicated:

	Six months ended 30 June 2012		Six months ended 30 June 2011	
	RMB'000	*%*	*RMB'000*	*%*
Gross profit				
Gross profit of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine	**75,449**	**67.5%**	107,090	83.3%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder	**18,417**	**16.5%**	22,011	17.1%
Gross profit of trading of				
– iron concentrates	**–**	**–**	(94)	(0.1)%
– coarse iron powder	**19,680**	**17.6%**	–	–
– others	**–**	**–**	818	0.6%
	19,680	**17.6%**	724	0.5%
Exploration costs incurred by Ishine International	**(1,765)**	**(1.6)%**	(1,248)	(0.9)%
	111,781	**100.0%**	128,577	100.0%

	Six months ended 30 June 2012	Six months ended 30 June 2011
	%	*%*
Gross profit margin		
Gross profit margin of iron concentrates produced by the Group		
– from iron ore of Yangzhuang Iron Mine	**46.9%**	54.7%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder	**8.3%**	28.6%
Cost of sales of trading of		
– iron concentrates	**–**	(1.0)%
– coarse iron powder	**8.7%**	–
– others	**–**	1.6%
	8.7%	1.2%
Overall gross profit margin *(Note)*	**18.3%**	38.6%

Note: This overall gross profit/(loss) margin includes the effect of the exploration costs incurred by Ishine International.

The gross profit decreased by approximately 13.1% from approximately RMB128.6 million for the six months ended 30 June 2011 to approximately RMB111.8 million for the six months ended 30 June 2012. Despite the significant growth in revenue, gross profit decreased mainly due to decrease in gross profit of iron concentrates produced by the Group, which was mainly as a result of the decline in average unit selling price of iron concentrates and drop of sales volume of iron concentrates produced from iron ore mined from Yangzhuang Iron Mine. Such decrease was offset by the increase in gross profit of trading of coarse iron powder of approximately RMB19.7 million.

Overall gross profit margin declined from 38.6% in first half of 2011 to 18.3% in first half of 2012. This was mainly due to (i) the decrease in gross profit margin of iron concentrates produced from iron ore of Yangzhuang Iron Mine from 54.7% to 46.9% which was mainly caused by the decrease in average unit selling price of iron concentrates; and (ii) the decrease in gross profit margin of iron concentrates produced from coarse iron powder from 28.6% to 8.3% as the Group mainly pulverized non-magnetic coarse iron powder and mixed them with iron concentrates produced from iron ore from Yangzhuang Iron Mine for sales during the first half of 2011 while the Group mainly processed magnetic coarse iron powder using current processing facilities during the first half of 2012. The pulverization of non-magnetic coarse iron powder is much simpler than processing of magnetic coarse iron powder which involves crushing, dry magnetic separation and wet magnetic separation and hence yielded a higher gross profit margin; and (iii) decrease in revenue contribution from the sales of iron concentrates produced from iron ore of Yangzhuang Iron Mine which has higher gross profit margin. Such decline was partially offset by increase in gross profit margin of trading activities from 1.2% to 8.7% as the Group successfully sourced coarse iron powder from several suppliers in Shandong Province, the PRC and sold them with a high gross profit margin of 8.7%. To the best of the Directors' knowledge, the Group was able to generate such a high gross profit margin from trading coarse iron powder as (i) it was able to identify reliable suppliers of quality coarse iron powder; (ii) it was financially able to purchase a significant amount of coarse iron powder in bulk from the supplier; and (iii) it was able to solicit its trading customers and satisfy their demands.

Selling and distribution costs

Selling and distribution costs increased by 51.1% from approximately RMB4.7 million for the first half of 2011 to approximately RMB7.1 million for the first half of 2012. This was primarily due to the increase in transportation costs by approximately RMB2.3 million as a result of increase in sales volume of iron concentrates produced by the Group. Such transportation costs were incurred by the Group on behalf of the customers and were added to the contracted sales price.

Administrative expenses

Administrative expenses mainly consisted of employee benefits, depreciation and amortisation, professional fees, travelling expenses, entertainment expenses and other expenses. The following table presents the breakdown of administrative expenses for the periods indicated:

	Six months ended 30 June 2012 *RMB'000*	Six months ended 30 June 2011 *RMB'000*
Employee benefits	**4,391**	4,296
Sales tax and other surcharges	**283**	205
Depreciation and Amortisation	**3,835**	2,457
Professional Fees	**10,331**	1,892
Travelling Expenses	**415**	3,981
Entertainment Expenses	**433**	1,170
Vehicle fees	**809**	1,352
Office fees	**425**	291
Other expenses	**5,168**	5,482
Total	**26,090**	21,126

Administrative expenses increased from approximately RMB21.1 million for the first half of 2011 to approximately RMB26.1 million for the first half of 2012. Such increase was mainly due to the increase in professional fees of approximately RMB8.4 million which mainly represented fees paid to various professionals for professional services provided to the Group in preparation for listing of the Company on the Stock Exchange, and partially offset by decrease in travelling expenses of approximately RMB3.6 million which was mainly as a result of reduced business trips by management.

Other (losses)/gain, net

Other gain of approximately RMB7.4 million was made for the first half of 2012 as compared to approximately nil for the first half of 2011 which mainly consisted of the government grant of RMB8.0 million rewarded by the local government in recognition of the Company's successful listing on the Stock Exchange and in support of its future development.

Finance costs, net

Net finance costs mainly represented interest expenses on bank loans, and on discount of bank's acceptance notes of the Group, offset by interest income of bank deposits. Finance costs decreased from approximately RMB23.4 million for the six months ended 30 June 2011 to approximately RMB22.4 million for the six months ended 30 June 2012 by approximately 4.3%, which was mainly due to the decrease in bank loans balance by approximately 19.8% from approximately RMB517.6 million as at 31 December 2011 to approximately RMB415.1 million as at 30 June 2012.

Total comprehensive income

Total comprehensive income decreased from approximately RMB57.5 million for the six months ended 30 June 2011 to approximately RMB43.1 million for the six months ended 30 June 2012 by approximately RMB14.4 million, or 25.0%, which was mainly due to (1) the decrease in gross profit of approximately RMB16.8 million, (2) increase in selling and distribution expenses of approximately RMB2.4 million, and (3) increase in administrative expenses of approximately RMB5.0 million.

Property, plant and equipment

Property, plant and equipment as at 30 June 2012 increased by approximately RMB23.7 million, or 12.3% as compared to that at 31 December 2011. Such increase mainly represented the costs of building an additional set of equipment to dry up tailings and the construction of relevant infrastructure facilities in order to cater for the expanded processing capacity and purchase of manufacturing equipment.

Inventories

Inventories consisted of raw materials, finished goods and spare parts and others. Raw materials included iron ores and other raw materials which mainly consist of coarse iron powder to be processed into iron concentrates. The following table sets forth balances of inventory as of each of the statement of financial position dates:

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
Raw materials		
– Iron ores	**1,751**	3,139
– Other raw materials	**25,748**	4,750
Finished goods	**7,080**	22,708
Spare parts and others	**4,046**	3,483
Total	**38,625**	34,080

The balance of inventories increased by approximately RMB4.5 million mainly due to (1) increase in other raw materials which mainly consisted of coarse iron powder of approximately RMB21.0 million as processing activities of coarse iron powder increased significantly during the first half of 2012, and (2) increase in spare parts and others of approximately RMB0.6 million, and partially offset by decrease in finished goods of approximately RMB15.6 million.

Accounts receivables

The Group's sales are generally made on credit terms of 90 days, and accounts receivables are settled by either bank transfer or bank acceptance notes with maturity within 6 months. Ageing analysis of accounts receivables as at 30 June 2012 and 31 December 2011 is as follows:

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
Accounts receivables		
– Less than 3 months	**260,341**	195,864
– 3 months to 6 months	**17,571**	3,399
– 6 months to 1 year	**154**	535
Total	**278,066**	199,798

Accounts receivables increased from approximately RMB199.8 millions as at 31 December 2011 to approximately RMB278.1 million as at 30 June 2012, which was mainly due to the significant increase in revenue generated by sales of iron concentrates produced by the Group as a result of increased sales of iron concentrates produced from coarse iron powder by approximately 189.7%.

Accounts payables

Accounts payables remained stable from approximately RMB63.3 million as at 31 December 2011 to approximately RMB63.1 million as at 30 June 2012.

Bank borrowings

The following table sets forth the breakdown of bank borrowings as of each of the statement of financial position dates:

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
Non-current		
– Bank borrowings	**100,000**	160,000
Current		
– Bank borrowings	**255,100**	317,620
– Short-term portion of non-current borrowings	**60,000**	40,000
	315,100	357,620
Total	**415,100**	517,620

Total bank borrowings as at 30 June 2012 decreased to approximately RMB415.1 million from approximately RMB517.6 million as at 31 December 2011 mainly as a result of decrease in both non-current and current bank borrowings.

As at 30 June 2012, bank borrowings of approximately RMB107.0 million were pledged by the Group's account receivables with carrying amount of approximately RMB140.3 million. Bank borrowings of approximately RMB53.1 million was pledged by the Group's notes receivables with carrying amount of approximately RMB55.0 million. Also, bank borrowings of approximately RMB160.0 million was pledged by a mining right of Shandong Ishine with book value of approximately RMB4.3 million.

The bank borrowing of approximately RMB102 million were planned to be settled before 30 June 2012, however, the bank delayed the process of the settlement and such amount were fully settled in July 2012.

Ishine International

Ishine International, the Group's non-wholly owned subsidiary, is principally engaged in the business of the exploration of mineral resources in Australia, and its shares are listed on the Australian Securities Exchange. Net loss incurred by Ishine International for the six months ended 30 June 2012 was approximately RMB3.7 million as compared to net loss of approximately RMB6.3 million for the six months ended 30 June 2011. The decrease in net loss was mainly contributed by (1) the decrease of tenement and explorations expenses of approximately RMB0.4 million; (2) the decrease of travelling expenses by approximately RMB0.3 million due to reduced business trips for the six months ended 30 June 2012; and (3) decrease in share of loss of an associate of approximately RMB1.6 million as Athena Resources Limited ceased to be the associate of the Group in the second half of 2011.

Capital Structure

The company's issued share capital as at 30 June 2012 is HK$7,208,715.84 divided into 720,871,584 shares of HK$0.01 each.

The Group adopts a prudent treasury policy, and its gearing ratio (calculated as total borrowings divided by the aggregate amount of total equity and total borrowings) as at 30 June 2012 was 41.2% (31 December 2011: 54.2%). The current ratio (calculated as current assets divided by current liabilities) as at 30 June 2012 was 2.1 times (31 December 2011: 1.8 times).

Liquidity and Financial Resources

As at 30 June 2012, the total amount of the borrowings in the Group was RMB415.1 million (31 December 2011: RMB517.6 million). The Group's cash and bank balances amounted to RMB296.8 million (31 December 2011: RMB202.6 million).

Material Acquisition or Disposals

The Group did not have any material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2012.

Exposure to Fluctuations in Exchange Rates and Related Hedge

Shandong Ishine and Ishine International, which operate in PRC and Australia respectively, are two major subsidiaries of the Group. Almost all of the transactions of Shandong Ishine and Ishine International are denominated and settled in their respective functional currencies, i.e. RMB and AUD respectively. There is no hedging by means of derivative instruments.

Pledge of Group Assets

As at 30 June 2012, bank borrowings of RMB107.0 million were pledged by the Group's account receivables with carrying amount of RMB140.3 million. Bank borrowings of RMB53.1 million was pledged by the Group's notes receivables with carrying amount of RMB55.0 million. Also, bank borrowings of RMB160.0 million was pledged by a mining right of Shandong Ishine with book value of RMB4.3 million.

Capital Commitments and Operating Lease Commitments

Ishine International has obligations under the exploration license to spend a minimum amount of exploration expenditures on its project. The obligations may vary from time to time subject to the approval from the relevant government authorities. Due to the nature of Ishine International's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditures may be reduced by seeking exemption from individual commitments, by relinquishing of tenure or any new joint venture agreements. Expenditure may be increased when new tenements are granted or joint venture agreements amended. The total tenement commitment for Ishine International as at 30 June 2012 is approximately RMB31.5 million.

Employee Benefits and Remuneration Policies

As at 30 June 2012, the Group had a total of 449 employees (31 December 2011: 406). The employees of the Group were remunerated based on their experience, performance, qualifications, the Group's performance and the market conditions. Share options may also be granted to staff with reference to individual's performance. During the period under review, staff costs (including Directors' remunerations) amounted to approximately RMB14.0 million (six months ended 30 June 2011: RMB11.3 million).

Contingent Liabilities

As at 30 June 2012, the Group has no material contingent liabilities.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2012.

Future Plans

The Group's mission is to continue to build on its core competence and to become one of the principal integrated iron ore operators in China. The Group plans to accomplish the goal through the following business strategies:

1. ***Expand the mining capacity of Yangzhuang Iron Mine***

   The current mining permit in respect of Yangzhuang Iron Mine has an approved production scale of 2.3 Mt of iron ore per annum. The annual ore processing capacity in respect of existing ore processing facilities in use by the Group located near the Yangzhuang Iron Mine was approximately 3.56 Mt as at 30 June 2012. The Group started the expansion of mining capacity of Yangzhuang Iron Mine in the second quarter of 2012 and expected to complete the expansion with an increased annual mining capacity of 3.5Mt of iron ores by the fourth quarter of 2013. The Group expects to finance such expansion with net proceeds from IPO, internal resources, and bank borrowings.

2. ***Develop the mining and processing capacities of Zhuge Shangyu Ilmenite Mine***

   The Group is preparing for the application for the renewal of the mining permit of Zhuge Shangyu Ilmenite Mine and submitted to the Ministry of Land and Resources certain documents in respect of the application. It is expected that the Group will obtain a renewed mining permit for Zhuge Shangyu Ilmenite Mine with increased production volume of ilmenite ore from 400,000 cubic metres per annum to 8.0 Mt per annum by the second half of 2012. The Group started the expansion of mining capacity of Zhuge Shangyu Ilmenite Mine in the second quarter of 2012 and expected to complete the first stage of the expansion with an annual mining and processing capacity of 2Mt of iron ores by the fourth quarter of 2013. The Group expects to finance such expansion with net proceeds from IPO, internal resources, bank borrowings and/or other means of equity or debt financing.

3. ***Mixing of iron concentrates produced by the Group with tailings or iron concentrates purchased from third parties***

   This will be able to further utilize Yangzhuang Processing Facilities and increase iron concentrates outputs for sale to customers before the mining capacity is increased.

4. ***Expand iron ore and titanium ore reserves***

   The Group plans to expand its mineral reserves which can be accomplished in a number of ways, including acquisition of mining rights or exploration rights and new application for exploration rights or mining rights in other mines.

5. ***Strengthen customer relationships and broaden customer base***

   The Group intends to further develop and strengthen business relationships with its existing customers and to broaden customer base in order to stabilize and grow its revenue. In addition, the Group will seek to diversify customer base to extend product coverage to include titanium concentrates.

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

The Company was listed on the Main Board of the Stock Exchange on 27 April 2012 (the "Listing Date"). Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities from the Listing Date to 30 June 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code during the period from the Listing Date to 30 June 2012.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

In the opinion of the Directors, the Company was in compliance with the code provisions set out in the CG Code throughout the period from the Listing Date to 30 June 2012.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 9 April 2012 with written terms of reference in compliance with the CG Code, which currently comprises three independent non-executive Directors namely, Mr. Lin Chu Chang (as Chairman), Mr. Li Xiaoyang and Mr. Zhang Jingsheng. The main objective of the Audit Committee is to be responsible for the relationship with the Company's auditors, review of the Company's financial information and monitoring of the Company's financial reporting system and internal control procedures. The Audit Committee has reviewed this announcement and the unaudited interim financial statements for the six months ended 30 June 2012 before such documents were tabled for the Board's review and approval and are of the opinion that such documents complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board
China Zhongsheng Resources Holdings Limited
Li Yunde
Chairman

Hong Kong, 27 August 2012

As at the date of this announcement, the executive directors of the Company are Mr. Li Yunde, Mr. Geng Guohua and Mr. Lang Weiguo; and the independent non-executive directors of the Company are Mr. Zhang Jingsheng, Mr. Li Xiaoyang and Mr. Lin Chu Chang.