



新礦資源有限公司
NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1231



GLOBAL OFFERING

Sole Global Coordinator



Joint Sponsors



MACQUARIE



ROTHSCHILD

Joint Bookrunners and Joint Lead Managers



MACQUARIE



交銀國際
BOCOM INTERNATIONAL



VMS Securities Limited

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



新礦資源有限公司
NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares:	1,000,000,000 Shares comprising 800,000,000 new Shares and 200,000,000 Sale Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares:	100,000,000 Shares (subject to adjustment)
Number of International Placing Shares:	900,000,000 Shares comprising 660,000,000 new Shares and 200,000,000 Sale Shares (subject to adjustment and the Over-allotment Option) and 40,000,000 Reserved Shares
Offer Price:	Not more than HK\$2.35 per Offer Share (payable in full on application in Hong Kong dollars, plus brokerage fee of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005% and subject to refund) and not less than HK\$1.75 per Offer Share
Nominal value:	HK\$0.10 each
Stock code:	1231

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VMS Securities Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

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

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters) and the Company on behalf of ourselves and the Selling Shareholder on the Price Determination Date. The Price Determination Date is expected to be on or around 24 June 2011 and, in any event, no later than 28 June 2011. The Offer Price will be not more than HK\$2.35 and is currently expected to be not less than HK\$1.75 unless otherwise announced. If, for any reason, the Offer Price is not agreed by 28 June 2011 by the Joint Bookrunners (on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Sole Global Coordinator (on behalf of the Underwriters) may, with the consent of the Company on behalf of ourselves and the Selling Shareholder, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering. In such a case, a notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) no later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering. If applications for Hong Kong Offer Shares or Reserved Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering, then even if the number of Offer Shares and/or the indicative offer price range is so reduced, such applications cannot be subsequently withdrawn. For further information, see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this Prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Bookrunners (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting – Underwriting Arrangements And Expenses – 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 or to, or for the account or benefit of U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the U.S. Securities Act. The Offer Shares are being offered, in the United States, only to qualified institutional buyers ("QIBs") in reliance on Rule 144A under the U.S. Securities Act and, outside the United States, in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

21 June 2011

EXPECTED TIMETABLE

Time and Date *(Note 1)*

Application Lists open <i>(Note 2)</i>	11:45 a.m. on 24 June 2011
Latest time to lodge WHITE, YELLOW, LIGHT ORANGE, and BLUE Application Forms	12:00 noon on 24 June 2011
Latest time to give electronic application instructions to HKSCC <i>(Note 3)</i>	12:00 noon on 24 June 2011
Latest time to complete electronic applications under the HK eIPO White Form service through the designated website at <u>www.hkeipo.hk</u> <i>(Note 4)</i>	11:30 a.m. on 24 June 2011
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on 24 June 2011
Application Lists close <i>(Note 2)</i>	12:00 noon on 24 June 2011
Expected Price Determination Date <i>(Note 6)</i>	.. on or around 24 June 2011, and in any event no later than 28 June 2011
Announcement of the Offer Price, the level of indication of interest in the Global Offering, the results of applications in the Hong Kong Public Offering and the basis of allotment of the Hong Kong Offer Shares and the Reserved Shares to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or before	30 June 2011
Results of allocations in the Hong Kong Public Offering and the Preferential Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see the paragraph headed "Publication of Results" under the section "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this Prospectus) on or before	30 June 2011
Results of allocations in the Hong Kong Public Offering will be available at <u>www.tricor.com.hk/ipo/result</u> with a "search by ID" function	30 June 2011
Despatch of White Form e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications or wholly successful applications (if applicable) on or before <i>(Note 5)</i>	30 June 2011
Despatch of Share certificates on or before	30 June 2011
Dealings in Shares on the Stock Exchange expected to commence on	4 July 2011

Notes:

- (1) All times and dates refer to Hong Kong local times and dates, except as otherwise stated. Details of the structure of the Global Offering are set out in the section headed "Structure of the Global Offering" in this Prospectus.
- (2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on 24 June 2011, the Application Lists will not open on that day. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares – VI. When may applications be made for the Hong Kong Offer Shares – Effect of bad weather on the opening of the Application Lists" in this Prospectus.
- (3) Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares – III Applying by giving electronic application instructions to HKSCC" in this Prospectus.

EXPECTED TIMETABLE

- (4) You will not be permitted to submit your application 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.
- (5) Refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial Offer Price per Share payable on application. Applicants for 1,000,000 Hong Kong Offer Shares or Reserved Shares or more and who have indicated in their Application Forms that they wish to collect refund cheques and share certificates (as relevant) personally from the Hong Kong Listed Share Registrar may collect refund cheques (where applicable) and share certificates (where applicable) from Tricor Investor Services Limited at 26th Floor Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on 30 June 2011 or any other place and date notified by the Company in the newspapers as the place and date of despatch of share certificates/e-Auto Refund payment instructions/refund cheques. Individual applicants who opt for personal collection must not authorize any other person to make their collection on their behalf. Applicants being corporations which opt for personal collection must attend by their authorized representatives, each bearing a letter of authorization from such corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms promptly thereafter. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this Prospectus.
- (6) Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or around 24 June 2011 and, in any event, no later than 28 June 2011. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (on behalf of the Underwriters) and us (for our own behalf and on behalf of the Selling Shareholder), the Global Offering will not proceed and lapse. Notwithstanding that the Offer Price may be fixed at below the maximum offer price of HK\$2.35 per Share payable by applicants for Shares under the Hong Kong Public Offering and the Preferential Offering, applicants who apply for Shares must pay on application the maximum offer price of HK\$2.35 per Share plus the brokerage fee of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003% but will be refunded the surplus application monies as provided in the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this Prospectus.

Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements is terminated in accordance with its terms before 8:00 a.m. on the Listing Date, which is expected to be 4 July 2011. No dealings should take place in the Offer Shares prior to the commencement of dealings in the Shares on the Stock Exchange. Investors who trade the Offer Shares on the basis of publicly available allocation details prior to receipt of the Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

You should read carefully the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this Prospectus for details relating to the structure of the Global Offering, how to apply for Hong Kong Offer Shares and Reserved Shares and the expected timetable, including, among other things, conditions, effect of bad weather and the despatch of e-Auto Refund payment instructions and refund cheques and share certificates.

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You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by us, the Selling Shareholder, the Sole Global Coordinator, Joint Bookrunners, Joint Lead Managers and Joint Sponsors, any of the Underwriters, any of their respective directors and advisors or any other persons or parties involved in the Global Offering.

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SUMMARY

This summary aims to provide you with an overview of the information contained in this Prospectus and should be read in conjunction with the full text of this Prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the Prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” of this Prospectus.

OVERVIEW

We own and operate the Yanjiazhuang Mine which is the largest privately-owned iron ore mine and the sixth largest iron ore mine in Hebei Province in terms of iron ore reserves, according to Hatch. China is the world's largest iron ore importer and Hebei Province is the largest steel producing and iron ore importing province in China. The Yanjiazhuang Mine is a large-scale open-pit iron ore mine occupying a mining area of approximately 5.22 km². According to the Independent Technical Report, the Yanjiazhuang Mine had proved and probable reserves of approximately 260.0 Mt, which were converted from total measured and indicated iron ore resources of approximately 311.8 Mt as of 31 December 2010 and our overall objective is to attain iron ore mining and processing capacities of 10,500 ktpa by the second quarter of 2012. With our significant JORC reserves and resources, estimated low production cost structure, strong growth potential through our rapid production capacity ramp-up, significant exploration opportunities and strategic location, we believe we are well-positioned to capture increasing market opportunities arising from the strong growth in Chinese steel production and significant shortfall in domestically-produced iron ore historically experienced in China, especially in Hebei Province.

Our vision is to become a leading iron ore operator in China and to implement NWS's strategic initiative of using the Company as a platform to acquire and operate mining assets within the steel supply chain. We stand to benefit from the continuing iron ore supply shortfall in China and, in particular, Hebei Province and its substantial steel production industry. We are in a period of rapid expansion and have taken extensive measures to ramp up our iron ore processing capacity through our three-phase expansion plan, which we expect to complete in the second quarter of 2012. Our open-pit mining and simple ore extraction and processing methods position us to be a low-cost iron concentrate producer in the markets in which we operate. Accordingly, the Yanjiazhuang Mine is considered by AME to be in the lowest 5% of the estimated cost curve for Chinese iron ore producers on an iron equivalent basis. Our close proximity to steel producers in Hebei Province enabled us to enter into an agreement regarding the sale of iron concentrate with Shougang Hong Kong (a wholly-owned subsidiary of Shougang Corporation) and memoranda of understanding regarding the sale of iron concentrate with Hebei New Wuan, Handan Iron & Steel, Wen'an Iron & Steel, Hebei Baoxin, Xingtai Weilai and Xingtai Longhai. Our agreement with Shougang Hong Kong also presents a platform for us to contemplate entering into further agreements with them regarding technical support and strategic cooperation in future investment opportunities. Pursuant to the technical assistance agreement, Shougang Hong Kong would provide technical support and expertise to the Company in areas including project exploration, evaluation, due diligence and operations (including at our existing Yanjiazhuang Mine). Additionally, pursuant to the strategic cooperation agreement, the Company could invite an individual from Shougang Hong Kong, in accordance with applicable law, the Listing Rules and Stock Exchange Requirements and the Articles of the Company, to serve as a non-executive director of the Company until the next annual general meeting of the Company, with subsequent re-appointment subject to shareholders' approval.

We are also well positioned to significantly increase our resources and reserves further in the future due to the significant exploration potential of the Yanjiazhuang Mine and neighboring iron ore assets in Hebei Province. We expect to be able to expand our reserves and resources organically through continued exploration inside and outside of our current permitted mining area. In addition, we obtained the direct support of the Lincheng County government authority to consolidate local iron ore assets in a letter dated 2 November 2009. In February 2010, we entered into a contract to acquire the exploration

SUMMARY

rights to the Gangxi Mine and the Shangzhengxi Mine which are located approximately 20 km and 120 km, respectively, from the Yanjiazhuang Mine. The Yanjiazhuang Mine also contains resources of gabbro-diabase, a valuable by-product from our iron ore operations, in the amount of approximately 207 million m³, according to the Independent Technical Report. We plan to explore the potential for the extraction of gabbro-diabase and believe that its commercialization will increase the exploitable value of the Yanjiazhuang Mine. In February 2011, we entered into four memoranda of understanding with well-known PRC property companies or their subsidiaries, to negotiate future specific purchase contracts for the sale of our gabbro-diabase products. For additional information about our competitive strengths and business strategies, see “– Competitive Strengths” and “Business – Competitive Strengths” and “– Business Strategies” and “Business – Business Strategies”. For a more detailed description of our business, see “– Business” and “Business”.

Our vision and development are supported by our Controlling Shareholders, NWS and VMS, since their acquisition of the Company in July 2010 from our previous controlling shareholder, Mr. Zhao, who sold his interest in the Company following the Stock Exchange’s receipt of an anonymous letter (the “Anonymous Letter”), which included allegations that a person or persons surnamed “Zhao” in the then senior management of the Company had been involved in a civil complaint of the United States Securities and Exchange Commission (the “SEC”), and following Citi’s and Rothschild’s (the “Prior Sponsors”) decision not to proceed with a prior initial public offering of the Shares and listing on the Stock Exchange (the “Prior Offering”) in May 2010. Shortly thereafter, the New World Group, through Rothschild, became aware of the opportunity to acquire Mr. Zhao’s 51% equity interest in us. Since early 2006, NWS, a member of the New World Group, has been implementing a strategy for entering into the resources sector. In light of our significant JORC reserves and resources and strong growth potential, NWS has selected us as the base from which to implement its strategic initiative. At the same time, the New World Group also approached VMS to explore the investment opportunity together. VMS, with which the New World Group has co-invested in the past, has experience in the mining sector and investing in special situations. Following numerous rounds of extensive arm’s length negotiations with Mr. Zhao, NWS and VMS acquired an initial 51% equity interest in the Company and, later on, further negotiated and completed the acquisition of the remaining 49% equity interest in the Company from the other then minority shareholders of the Company. NWS has informed us that it will hold its interest in the Company as a long-term investment and that it intends to develop the resources sector as one of NWS’s core businesses in the future.

Our Controlling Shareholders have demonstrated their long-term commitment to us by injecting significant capital to fund the ongoing development of our operations, as well as bringing extensive management and investment experience to our operations, in order to assist us in bringing the Yanjiazhuang Mine from a development stage mining asset into commercial production on 1 January 2011. We are working closely with our Controlling Shareholders to implement the long-term strategic objective of using the Company as a platform to develop into an international mining group, and to acquire and operate mining assets globally within the steel supply chain. For additional information about our Controlling Shareholders, see “Relationship with our Controlling Shareholders”, and about the acquisition of the Company by the Controlling Shareholders, see “History, Reorganization and Corporate Structure – Change in Controlling Shareholder”. For a more detailed discussion of the civil complaint of the SEC, see “– SEC Complaint” and “History, Reorganization and Corporate Structure – SEC Complaint”.

BUSINESS

We own and operate the Yanjiazhuang Mine, a large-scale open-pit iron ore mine. The Yanjiazhuang Mine occupies a mining area of approximately 5.22 km². Our overall objective is to attain iron ore mining and processing capacities of 10,500 ktpa by the second quarter of 2012. The Yanjiazhuang Mine contains gabbro-diabase resources in the amount of approximately 207 million m³, according to the Independent Technical Report, which the Company will mine as a secondary product of the iron ore mining.

SUMMARY

China has become the world's largest iron ore importer due to its rapid urbanization and industrialization. Its total iron ore imports reached approximately 618.6 Mt in 2010. The largest steel-producer among China's provinces, Hebei Province produced approximately 23.1% of China's raw steel in 2010. Iron ore production in Hebei Province was not sufficient to meet the demand in the province and, as a result, Hebei's total iron ore imports reached 119.4 Mt in 2010, making it the largest iron ore importing province in China.

Our Iron Ore Mining Operations

We hold the mining rights to the Yanjiazhuang Mine, a large-scale open-pit iron ore mine. According to the Independent Technical Report, the Yanjiazhuang Mine had proved and probable reserves of approximately 260.0 Mt, which were converted from total measured and indicated iron ore resources of approximately 311.8 Mt as of 31 December 2010.

Based on the Independent Technical Report, the Hatch Report and the cost curve prepared by AME, we believe we will be a leading iron ore producer in China with low operating costs. According to AME, the Yanjiazhuang Mine is estimated to be in the lowest 5% of the estimated cost curve for Chinese iron ore producers on an iron equivalent basis. We use cost-efficient mining and processing methods to extract and process our iron ore. We use open-pit mining to extract our reserves. Open-pit mining is characterized by shorter timeframes for mine infrastructure construction, lower capital expenditure requirements and a relatively simple iron ore extraction process. Based on these facts and the estimated future operating costs set forth in the Independent Technical Report, we believe we will be able to maintain a low mining cost structure. We also expect to enjoy low iron ore processing costs because our iron ore is relatively easy to crush and mill due to its density and mineral composition and because the strong magnetic properties of our iron ore allow iron to be easily separated from non-magnetic tailings and waste rocks through the use of magnetic pulleys. Moreover, our iron ore resources contain low levels of harmful elements, such as sulfur and phosphorus, which reduces the need to treat tailings. As a result, our overall iron ore processing costs are low and we believe we will be able to produce iron concentrate with an iron grade of 66% through a relatively simple iron ore processing phase.

Furthermore, our estimated future operating costs, as set forth in the Independent Technical Report, are significantly lower than the current iron concentrate prices in China. According to Hatch, the continued rapid growth of China's steel industry will likely be accompanied by increases in domestic iron ore prices. The combination of our estimated future operating costs being significantly lower than current iron ore prices highlights the potential profitability of our operations.

For information on our estimated operating and production costs, see "Business – Our Existing Production Operations and Facilities – Operating Costs."

Our geographical and geological conditions provide us with favorable mining conditions and enable us to carry out our operations throughout the year, thereby increasing our productivity. Our location provides us with convenient access to available infrastructure, such as major transportation networks and access to water and electricity, which are both key components in our processing operations. In addition, our location in Hebei Province, the largest steel-producer among China's provinces, places us in close proximity to potential steel-producing customers allowing us to enjoy relatively lower transportation costs. There are nine steel producers with a combined steel production capacity of approximately 31.2 Mtpa within approximately 90 km of our operations.

SUMMARY

Iron Ore Reserves and Resources

Based on our current reserves as confirmed by the Independent Technical Advisor, the Yanjiazhuang Mine has a mine life of approximately 26 years based on the assumption that our iron ore processing capacity will increase to 10,500 ktpa in the second quarter of 2012.

According to the Independent Technical Report, at least four mineralized bodies containing magnetite, a type of iron ore, have been detected in the mining rights area of the Yanjiazhuang Mine. This iron ore contains low levels of harmful elements, such as sulfur and phosphorus.

The following table sets forth information regarding our iron ore reserves as of 31 December 2010:

JORC Ore Reserve Category	Tonnage	Grades		Contained Metals	
	Mt	TFe %	mFe %	TFe Mt	mFe Mt
Proved	85.80	21.39	18.48	18.35	15.85
Probable	174.21	19.97	17.30	34.79	30.13
Total	260.01	20.43	17.68	53.14	45.98

Source: Independent Technical Report

Note: Our attributable share of the iron ore reserves is 99%. The reporting standard for our iron ore reserves is the Australian JORC Code, which is in compliance with the requirements under Chapter 18 of the Listing Rules.

The following table sets forth information regarding the iron ore resources, as classified under the JORC Code, in the four mineralized bodies of the Yanjiazhuang Mine as of 31 December 2010:

Mineralized Body Number	JORC Mineral Resource Category	Tonnage	Grades		Contained Metals	
		Mt	TFe %	mFe %	TFe Mt	mFe Mt
I	Measured	40.32	23.36	21.00	9.42	8.47
	Indicated	20.24	20.60	17.96	4.17	3.64
	Subtotal	60.56	22.43	19.98	13.59	12.10
II	Measured	40.28	22.46	18.37	9.05	7.40
	Indicated	61.10	22.20	17.67	13.50	10.79
	Subtotal	101.38	22.24	17.94	22.55	18.19
III	Measured	19.20	20.92	18.52	4.02	3.56
	Indicated	129.81	20.60	18.53	26.74	24.05
	Subtotal	149.01	20.64	18.53	30.76	27.61
IV	Indicated	0.81	19.15	16.78	0.16	0.14
Total	Measured	99.80	22.53	19.46	22.48	19.42
	Indicated	211.96	21.03	18.22	44.57	38.62
	Total	311.76	21.51	18.62	67.05	58.04

Source: Independent Technical Report

Note: Our attributable share of the mineral resources is 99%. The reporting standard for mineral resources is the Australian JORC Code, which is in compliance with the requirements under Chapter 18 of the Listing Rules.

SUMMARY

Commercial Production and Expansion Plan

We plan to increase our iron concentrate production capacity at the Yanjiazhuang Mine in three phases.

As part of our Phase One commissioning and production ramp-up schedule, we commenced commercial production on 1 January 2011. During the course of January and February 2011, we produced and sold 33.0 kt of iron concentrate. We use independent third-party contractors to perform part of our mining, hauling and road building activities.

Following the commencement of commercial production, we were impacted by severe droughts in Northern China, including the Yanjiazhuang Mine area, which were the worst experienced in the last 60 years. As a result, we experienced a shortage of water supply to our processing plants and accordingly, our production levels were significantly reduced in March 2011. Instead of waiting for the droughts to end and to mitigate our exposure to future droughts, we devoted significant management time and resources to identifying additional water sources and constructing facilities to give us access to them. We identified the Lincheng Reservoir as an adequate and reliable future water source and commenced construction of a 20 km long water pipeline to the Lincheng Reservoir. We estimate that the Lincheng Reservoir water project will be completed by August 2011. While operating at a significantly reduced level waiting for the Lincheng Reservoir water project to be completed, we decided to utilize this period of time to undertake efforts to enhance the efficiency and reliability of our processing facilities. We undertook plant construction and modifications, including the planned Phase One upgrade to our No. 2 Processing Facility and the replacement of a section of our ore crushing equipment with machines which are able to produce crushed ores of smaller and more uniform dimensions. The upgrades to the No. 2 Processing Facility and to the crushers are expected to produce iron concentrate with an average grade of 66% or above and enhance processing efficiency and reliability.

We expect to complete Phase One of our expansion plan with processing efficiency optimization in June 2011 and we intend to complete construction of the additional water pipeline to the Lincheng Reservoir by August 2011. While there will be limited production during this period, we expect to resume normal commercial production in September 2011 upon the completion of the water projects and to ramp up to our expected Phase One iron ore processing capacity of 3,000 ktpa and total iron concentrate production capacity of approximately 760 ktpa.

We commenced preparation for Phase Two of our expansion plan in September 2010. Phase Two is expected to increase our mining and ore processing capacities to 7,000 ktpa and achieve an iron concentrate production capacity of approximately 1,770 ktpa. During Phase Two, we plan to develop three additional open-pit mining pits, construct one additional dry magnetic cobbing system and build the No. 3 Processing Facility. We expect to complete Phase Two in the third quarter of 2011. We intend to further expand our mining and processing capacities to 10,500 ktpa and achieve an iron concentrate production capacity of approximately 2,655 ktpa in Phase Three of our expansion plan, which we expect to complete in the second quarter of 2012. We expect to reach this level of production in October 2012. We are in the process of applying for licenses and permits for this ore processing capacity. We intend to supplement Phase One, Phase Two and Phase Three of our expansion plan with the development of a larger tailings storage facility and a new water reservoir, and the construction of a new electricity converting station with two voltage transformers and supporting roadways. Based on the Independent Technical Report, we believe that our plan to increase our mining and processing capacities to 10,500 ktpa and our iron concentrate production capacity to reach approximately 2,655 ktpa is reasonable and achievable in accordance with our three-phase expansion plan.

SUMMARY

					2009				2010				2011				2012				2013			
Development phase	Increase in iron ore mining and ore processing capacities ⁽¹⁾	Increase in iron concentrate production capacity	Increase in iron concentrate production volume	Capital expenditure ⁽²⁾ (RMB in millions)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Phase One	3,000 ktpa	approx 760 ktpa	approx 760 ktpa	240.1 ⁽⁴⁾																				
Phase Two	from 3,000 ktpa to 7,000 ktpa	from approx 760 ktpa to approx 1,770 ktpa	from approx 760 ktpa to approx 1,770 ktpa	380.0																				
Phase Three	from 7,000 ktpa to 10,500 ktpa	from approx 1,770 ktpa to approx 2,655 ktpa	from approx 1,770 ktpa to approx 2,655 ktpa	277.2																				
Gabbro-diabase ⁽³⁾				303.2																				
Total				1,200.5																				

Estimated schedule to achieve production capacity

- (1) Planned processing capacities for Phase One, Phase Two and Phase Three of our expansion plan are the designed capacities of our processing facilities based on 300 working days per year. We may, from time to time, increase the utilization rate of our processing facilities, thereby increasing our actual processing capacities. Based on the Independent Technical Report, we expect to be able to operate our processing facilities for up to 330 working days per year, which is a common practice in the industry.
- (2) Our Board approved our planned expenditures for Phase One, Phase Two and Phase Three of our expansion plan in June 2011 and approved our planned gabbro-diabase expenditures in June 2011.
- (3) We plan to commence commercial production of quarry stones and crushed stones in July 2011; slabs and powder in November 2011; and carving stones in the second quarter of 2013.
- (4) Capital expenditures for Phase One include expenditures of all processing facilities and equipment incurred since the beginning of the development of Yanjiazhuang Mine.

We estimate our total investment for Phase One of our expansion plan to be approximately RMB240.1 million, of which we have invested approximately RMB207.1 million as of 31 December 2010. The following table sets forth our expected capital expenditures for Phase One of our expansion plan:

Estimated Phase One	Capital expenditures (RMB in millions)
One open-pit mining pit and upgrade of existing two mining pits and mining pit equipment . .	34.7
No. 1 and No. 2 dry magnetic cobbing systems	55.2
Upgrade No. 1 and No. 2 Processing Facility	43.2
Road infrastructure (36 km)	79.3
Water supply (including Huangmi I and II Reservoir)	19.0
Supporting equipment	3.4
Land rehabilitation	3.0
Tailing storage facility	2.3
Total capital expenditures	240.1

SUMMARY

We commenced preparation for Phase Two of our expansion plan, and expect to complete Phase Two in the third quarter of 2011, increasing our processing capacity to 7,000 ktpa. We estimate a total investment for the completion of Phase Two of our expansion plan of approximately RMB380.0 million, of which we had already invested approximately RMB84.6 million up to 31 December 2010. The following table sets forth our expected capital expenditures for Phase Two of our expansion plan:

Estimated Phase Two	Capital expenditures (RMB in millions)
Three open-pit mining pits and mining pit equipment	49.9
No. 3 dry magnetic cobbing system	55.9
No. 3 Processing Facility	85.4
Road infrastructure (29 km)	83.7
Water supply	40.3
Electrical converting station	13.6
Supporting equipment	17.0
Land rehabilitation	7.0
Tailing storage facility	27.2
Total capital expenditures	380.0

We expect to complete Phase Three, which is expected to increase our processing capacity to 10,500 ktpa, in the second quarter of 2012. We expect to reach this level of production in October 2012. We expect to invest approximately RMB277.2 million to complete Phase Three. The following table sets forth expected capital expenditures for Phase Three:

Estimated Phase Three	Capital expenditures (RMB in millions)
Two open-pit mining pits and mining pit equipment	50.0
No. 4 dry magnetic cobbing system	56.0
No. 4 Processing Facility	85.0
Road infrastructure	29.3
Electrical converting station	15.0
Supporting equipment	16.9
Land rehabilitation	10.0
Tailing storage facility	15.0
Total capital expenditures	277.2

In addition to our plan to increase our mining and ore processing capacities, we also intend to develop our gabbro-diabase resources. We expect to spend approximately RMB303.2 million to bring our gabbro-diabase resources to commercial production, of which we had already invested approximately RMB1.7 million up to 31 December 2010. We plan to commence commercial production of quarry stones and crushed stones in July 2011; slabs and powder in November 2011; and carving stones by the second quarter of 2013. The following table sets forth our expected capital expenditures for developing our gabbro-diabase resources:

Gabbro-Diabase	Capital expenditures (RMB in millions)
Infrastructure construction	90.0
Processing equipment	150.0
Other	63.2
Total capital expenditures	303.2

SUMMARY

Iron Concentrate Customer Agreements

We entered into an agreement with Shougang Hong Kong on 28 April 2011. Under this agreement, we are obligated to sell, and Shougang Hong Kong is obligated to buy, 30% of our annual iron concentrate production (which we will endeavor to supply at a grade not lower than 66%), at a 3% discount to the market price at the time of supply, regardless of whether Shougang Hong Kong and the Company enter into a definitive supply agreement or specific purchase orders. The Shougang Agreement also contemplates that the parties will negotiate and enter into definitive agreements for strategic cooperation and the provision of technical support in future investment opportunities. Pursuant to the technical assistance agreement, Shougang Hong Kong would provide technical support and expertise to the Company in areas including project exploration, evaluation, due diligence, and operations (including at our existing Yanjiazhuang Mine). Additionally, pursuant to the strategic cooperation agreement, the Company could invite an individual from Shougang Hong Kong, in accordance with applicable law, the Listing Rules and Stock Exchange Requirements and the Articles of the Company, to serve as a non-executive director of the Company until the next annual general meeting of the Company, with subsequent re-appointment subject to shareholders' approval.

Shougang Hong Kong, a wholly-owned subsidiary of Shougang Corporation, is a Hong Kong incorporated investment holding company. Through its subsidiaries and associated companies, Shougang Hong Kong is engaged in a variety of diversified businesses such as manufacturing and trading of steel and metallic products, shipping, mineral exploration and mining, property investment, and financial services. Shougang Hong Kong holds a significant number of interests in various companies listed on the Stock Exchange, representing a substantial market value as of the Latest Practicable Date. We are not aware of any reason that would render Shougang Hong Kong unable to honor its obligations under the Shougang Agreement.

As one of the largest Chinese steel companies, Shougang Corporation is a state-owned enterprise under the direct supervision of the State Council of the PRC. Shougang Corporation's primary focus is on the steel industry, with other operational interests in the mining, electronics and machinery, construction and real estate, service and trading industries. It is a market leader in the areas of steel industry, production specifications and technical expertise. Shougang Corporation's major iron production facilities are located in Hebei Province. Shougang Corporation has not guaranteed the obligations of Shougang Hong Kong under the Shougang Agreement.

We have also entered into memoranda of understanding in 2009 with Hebei New Wuan, Handan Iron & Steel, Wen'an Iron & Steel, Hebei Baoxin, Xingtai Weilai and Xingtai Longhai, all of which are major steel producers in Hebei Province and are Independent Third Parties. Under the terms of these memoranda of understanding, we have agreed with each of these parties to negotiate the terms of future specific purchase contracts specifying the amount of iron concentrate, the price and other terms. If we cannot agree on such terms, then no such sale will occur. The Company expects that after the completion of Phase One and after further progress has been made on Phase Two and Phase Three of the expansion plan, the Company will seek to enter into long-term binding sales contracts with these parties and other potential long-term customers, which is expected to occur in the second half of 2011.

The Company believes that, barring unforeseen circumstances, it will be able to sell substantially all of its iron concentrate production in 2011 and 2012.

Our customers will arrange for transportation of the iron concentrate from our processing facilities to their sites. We estimate that transportation costs for customers located within a radius of approximately 100 km of our operations will be approximately RMB28/tonne, based on roadway transportation costs for similarly situated companies in our vicinity. We sold iron concentrate at an average price of approximately RMB1,140/tonne (including VAT) in January and February 2011.

SUMMARY

COMPETITIVE STRENGTHS

We believe we possess the following strengths:

- We stand to benefit from the continuing iron ore supply shortfall in China and, in particular, Hebei Province;
- Our significant reserves and resources have the potential to yield high-quality iron concentrate and commercially viable gabbro-diabase in significant quantities;
- Our open-pit mining and simple processing methods position us to be a low-cost producer of iron concentrate in the markets we serve;
- We believe we will be able to rapidly expand our operations through production ramp-up;
- Our operating mine and processing facilities are strategically located near existing and potential customers as well as available resources and developed infrastructure;
- We are well-positioned to further expand our iron ore reserves and resources through exploration and acquisitions;
- Our executive Directors and senior management team have extensive industry and management experience; and
- Our Controlling Shareholders, NWS and VMS, will bring extensive management and investment experience to our operations.

BUSINESS STRATEGIES

Our vision is to become a leading iron ore operator in China and to implement NWS's strategic vision of using the Company as a platform to acquire and operate mining assets within the steel supply chain. We plan to accomplish this goal by pursuing the following strategies:

- Develop and expand our ore mining and processing capacities to ramp up our iron concentrate production;
- Expand our iron ore resources and reserves through exploration and acquisitions;
- Strengthen our customer relationships and broaden our customer base;
- Continue to explore growth opportunities through strategic partnerships with major steel manufacturers in China; and
- Explore opportunities to develop our gabbro-diabase resources.

FUTURE EXPLORATION AND ACQUISITION PLANS

We are well positioned to significantly increase our resources and reserves further in the future through (i) exploring the undrilled as well as the extended area of the Yanjiazhuang Mine which includes significant exploration potential and (ii) acquiring other neighboring iron ore assets in Hebei Province. Hebei Province has the second largest iron ore reserves and the largest number of iron ore mines in China. We believe this provides us with significant opportunities to expand our operations through exploration activities and carefully selected acquisitions of local assets by leveraging our business scale, strong exploration track record and industry expertise of our management team and our expected strong future operational cash flow and ability to raise debt and equity financing.

SUMMARY

We have applied to the relevant government body for an exploration license for an adjacent 0.75 km² area. If we receive the exploration license and consider the area to be attractive to us after exploration, we will apply for the relevant permits to develop mining operations in the area. Furthermore, because the areas located to the west beyond the current permitted mining area also have exploration potential according to the Independent Technical Report, we may seek to obtain additional exploration or mining permits to explore and mine them. The development plan for the adjacent 0.75 km² area is not included in our three-phase expansion plan. We estimate the costs for the acquisition of mining and exploration rights for this adjacent area to be RMB30 million. We expect that any additional resources discovered at this area could be processed through the facilities we build pursuant to our three-phase expansion plan. The final development plan of this adjacent area is subject to government approval and the outcome of further exploration. We intend to continue expanding our production capacity as we engage in further exploration work and discover additional defined resources and reserves.

In addition, we obtained the direct support of the Lincheng County government authority to consolidate local iron ore assets in a letter dated 2 November 2009. As part of our plan for acquisitive growth and guided by our team of experienced professionals, we entered into an agreement in February 2010 to purchase the exploration rights for two iron ore mines in Hebei Province, namely, the Gangxi Mine and the Shangzhengxi Mine, which cover permitted exploration areas of 5.28 km² and 2.06 km², respectively. We have engaged the 11th Geological Brigade to provide an exploration report for each of the two mines. We expect to receive the exploration report for the Gangxi Mine by the end of 2012 and the exploration report for the Shangzhengxi Mine by the end of 2011. We will then pay RMB6 million plus RMB2/tonne of iron ore reserves to obtain the exploration rights for the Gangxi Mine and RMB3 million plus RMB2/tonne of iron ore reserves to obtain the exploration rights for the Shangzhengxi Mine. Under the terms of the agreement with the 11th Geological Brigade, we are not obligated to pay the exploration fees incurred by the 11th Geological Brigade if iron ore reserves are not discovered. The transfer of the exploration rights for these two mines is subject to the approval of the relevant government authorities. Our PRC legal advisor, King & Wood, has confirmed that there are no foreseeable legal impediments for us to obtain the requisite licenses, permits and other regulatory approvals necessary for exploration and mining at these two mines. We expect to conduct further exploration activities at that time, at a cost of approximately RMB20 million. Based on the exploration reports and our exploration activities, we will then decide whether to commence commercial production. Assisted by our executive Directors, who have an average of approximately 29 years of experience in the mining industry, we plan to continue to carefully evaluate and identify selective exploration and acquisition opportunities with significant potential.

As of the Latest Practicable Date, the Gangxi Mine and the Shangzhengxi Mine were in the early stages of preliminary exploration work. As a result, information regarding the scope of exploration, mining method and technology to be used, iron ore quality, expected annual production volumes and estimated resources and reserves were not yet available. Under the guidance of our executive Directors and senior management, who possess extensive mining and exploration experience, we expect to spend approximately RMB720.0 million for the acquisition and exploration of these two mines and other mines in Hebei Province yet to be identified by us. We will decide whether or not to develop commercial mining operations at these two mines upon completion of the exploration reports. For additional information, see “Risk Factors – Risks Relating to Our Business – Our exploration and mining projects, acquisition activities and expansion plans require substantial capital investment and may not achieve the intended economic results.”, “Business – Future Plans for Developing Other Mines” and “Financial Information – Financing of Our Mining Projects.”

SUMMARY

GABBRO-DIABASE BUSINESS

In addition to significant iron ore reserves and resources, the Yanjiazhuang Mine also contains gabbro-diabase, a valuable mineral resource that is a mining by-product that naturally occurs in the footwalls and hanging walls of our iron ore bodies. An igneous rock known for its hardness, abrasion resistant qualities and durability, gabbro-diabase is commonly used to manufacture a wide variety of products, including high-quality, high-end countertops, interior decorative materials and indoor flooring. According to the Independent Technical Report, there are approximately 207 million m³ of gabbro-diabase indicated resources at the Yanjiazhuang Mine. As the removal of gabbro-diabase resources is already part of our normal mining operations to reach the underlying iron ore in our mining pits, our commercial production of gabbro-diabase will benefit from production cost sharing with our iron concentrate production. Thus, we do not expect to expend substantial resources for the extraction of gabbro-diabase, other than our initial capital expenditure of RMB303.2 million as disclosed under “Financial Information – Financing Of Our Mining Projects.” As a result, we believe that the development of our gabbro-diabase business will enhance the cost-efficiency and profitability of our operations. We believe the commercialization of gabbro-diabase increases the exploitable value of the Yanjiazhuang Mine. We plan to commence commercial production of gabbro-diabase in July 2011 (following receipt of the required permits and approvals) in order to diversify our product portfolio and customer base, add to our revenue sources and increase the cost-efficiency and profitability of our operations. According to Hatch, China’s stone industry and gabbro-diabase demand are expected to continue to grow over the next several years.

We entered into memoranda of understanding in February 2011 with Hengda Real Estate Group Limited (a subsidiary of Evergrande Real Estate Group Limited), Sinolink Properties Limited (a subsidiary of Sinolink Worldwide Holdings Limited), Glorious Qiwei (Shanghai) Industries, Co., Ltd. (a subsidiary of Glorious Property Holdings Limited) and Champ Max Enterprise Limited (a subsidiary of C C Land Holdings Limited), all of which are PRC property companies or their subsidiaries, and are Independent Third Parties. In April 2011, we amended the memoranda of understanding with Hengda Real Estate Group Limited and Champ Max Enterprise Limited. Under the terms of these original and amended memoranda of understanding, the buyer and seller have agreed to negotiate the terms of future specific purchase contracts specifying the amount of gabbro-diabase, the price and other terms. If we cannot agree on such terms, then no such sale will occur. These memoranda of understanding are effective from 1 May 2011 to 31 December 2015 and contemplate possible sales up to an aggregate of 507,000 m², 897,000 m², 1,287,000 m², 1,287,000 m² and 1,287,000 m² in 2011, 2012, 2013, 2014 and 2015, respectively. Certain of these memoranda of understanding further specify that the current average market price of gabbro-diabase slabs is RMB150 per m², although there is no certainty we will make any sales at this price.

Our Directors believe that the willingness of developers to enter into long-term agreements with us for the sale of gabbro-diabase is further evidence of the likely future demand for our gabbro-diabase products. We may also enter into new contracts with other Independent Third Parties for the sale of our planned gabbro-diabase products.

CHANGE IN CONTROLLING SHAREHOLDERS

NWS and VMS

NWS and VMS are our Controlling Shareholders.

NWS is a Bermuda incorporated company whose shares are listed on the Stock Exchange. It is the infrastructure and service flagship of New World Development, which is one of the leading Hong Kong-based conglomerates and also one of the first batch of Hong Kong enterprises to make large-scale investments in the PRC. In addition to being a major service provider in Hong Kong in areas such as construction, public transport, duty free retailing and management of the Hong Kong Convention and

SUMMARY

Exhibition Centre, NWS is committed to infrastructure development in the PRC. Its diversified business portfolio in the PRC includes more than 60 projects in the high growth sectors of roads, water, energy, ports and logistics. Two of these projects are located in Hebei Province with approximately 10 years' standing.

NWS will hold its interest in the Company as a long-term investment and intends to develop the resources sector as one of NWS's core businesses in the future.

VMS was incorporated in June 2006 as the holding company of an investment group with businesses now covering proprietary investments, asset management, securities brokerage and corporate finance advisory services and which is licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined in the SFO). VMS makes and/or advises on investments in private equity, pre-IPO investments, private investments in public equity (PIPEs), special situation investments including distressed assets, acquisitions of controlling equities, collateralized loans, bonds, risk arbitrage and stocks. VMS has a diversified portfolio of investments in listed and unlisted entities in metals, oil, renewable energies, real estate properties, chemicals, media and logistics. As of the Latest Practicable Date, VMS had more than 10 investment projects under management with assets under active management and advisory exceeding US\$1 billion, including proprietary investments and third party assets under management.

NWS acquired an equity stake in the Company for implementing NWS's strategic initiative to enter into the mining and resources sector. At the same time, the New World Group also approached VMS, with which the New World Group has co-invested in the past and which has experience in the mining sector and investing in special situations, to explore the investment opportunity together. Following numerous rounds of extensive arm's length negotiations with Mr. Zhao, NWS and VMS acquired an initial 51% equity interest in the Company and later on, further negotiated and completed the acquisition of the remaining 49% equity interest in our Company from the other then minority shareholders of the Company. NWS has informed us that it will hold its interest in the Company as a long-term investment and that it intends to develop the resources sector as one of NWS's core businesses in the future. VMS has informed us that it also intends to remain as a substantial shareholder for the foreseeable future, and have taken actions demonstrating their long-term commitment to us since the acquisition of the Company. As our Controlling Shareholders, NWS and VMS have brought extensive management and investment experience to our operations; injected significant capital to fund the ongoing development of our operations; assisted us in obtaining the relevant licenses, permits and approvals required to commence commercial production; enhanced our management team and board of Directors; and provided leadership and expertise in order to assist us in bringing the Yanjiazhuang Mine from a development stage mining asset into commercial production on 1 January 2011.

The Controlling Shareholders appointed Mr. Yao Zanzun as Executive Director and Chief Executive Officer in December 2010 and as vice-chairman in May 2011 and Ms. Yu Shuxian as Executive Director in March 2011 to strengthen the management team. Furthermore, to emphasize the concrete support and commitment by NWS to the Company, three representatives of NWS, namely Mr. Tsang Yam Pui (chairman), Mr. Lam Wai Hon, Patrick (vice-chairman) and Mr. Cheng Chi Ming, Brian, were appointed in May 2011 as non-executive Directors of the Company. For additional information about our non-executive Directors, see "Directors, Senior Management and Employees – Non-Executive Directors".

For additional information about our Controlling Shareholders, see "Relationship with our Controlling Shareholders and Connected Transactions" and "History, Reorganization and Corporate Structure – Change in Controlling Shareholders".

SUMMARY

Background to the Acquisition of the Company by the Controlling Shareholders

In December 2009, when the Company was still controlled by Mr. Zhao, the Prior Sponsors filed an application with the Stock Exchange for the Prior Offering. On 6 May 2010, the Prior Sponsors became aware that the Anonymous Letter had been sent to the Stock Exchange alleging that a person or persons surnamed “Zhao” in senior management had been involved in a civil complaint filed in December 2006 in the United States federal court in the Eastern District of New York by the SEC against China Energy, a company unrelated to us, and other persons relating to trading in China Energy’s stock (the “SEC Complaint”). In the SEC Complaint, the SEC alleged that China Energy and others had devised a wide-ranging stock manipulation scheme to fraudulently obtain a listing on the Nasdaq National Market System, to artificially inflate China Energy’s stock price, and to sell millions of China Energy shares into the U.S. capital markets. According to the SEC Complaint, other participants in the scheme included a former China Energy employee, Jun Tang Zhao. Precise Power Holdings Limited, Yan Hong Zhao and others were named as relief defendants in the SEC Complaint.

In March 2008, the U.S. District Court for the Eastern District of New York entered a final judgment in the litigation that permanently enjoined China Energy, Jun Tang Zhao, and the other main defendants from violations of the antifraud and registration provisions of the U.S. securities laws. The judgment also ordered the payment of approximately US\$33 million in disgorgement of profits, penalties and interest, and granted other ancillary relief. In December 2009, the court ordered the relief defendants to pay approximately US\$4 million in disgorgement of profits and interest.

The senior management of the Company at the time of the Anonymous Letter included two persons with the surname “Zhao”: Mr. Zhao and Mr. Zhao Yinhe. Moreover, Precise Power Holdings Limited, a company incorporated in the BVI in 2004, was controlled by Mr. Zhao in 2006 (when the actions alleged in the SEC Complaint took place) and previously owned our subsidiary Xingye Mining. A company named Precise Power Holdings Limited, also organized under the laws of the BVI, is one of the relief defendants named in the SEC Complaint and against which a judgment was rendered in 2009.

In light of the Anonymous Letter, the Prior Sponsors considered a number of factors, including (1) that the Anonymous Letter had come to light only four days before the commencement of the Hong Kong portion of the Prior Offering on 10 May 2010, (2) the seriousness of the allegations in the SEC Complaint, (3) the fact that a company named Precise Power Holdings Limited was involved in the matters alleged in the SEC Complaint and (4) that Mr. Zhao and Mr. Zhao Yinhe had not demonstrated to the satisfaction of the Prior Sponsors that they were not Mr. Jun Tang Zhao or Mr. Yan Hong Zhao, two of the parties named in the SEC Complaint. On the basis of these considerations and the then overall market conditions, the Prior Sponsors decided not to proceed with the Prior Offering.

For additional information about the SEC Complaint, see “History, Reorganization and Corporate Structure – SEC Complaint”.

Following the decision not to proceed with the Prior Offering, Mr. Zhao expressed an interest in selling his 51% equity interest in the Company and requested the Prior Sponsors to assist in a search for potential buyers. Without the proceeds from the Prior Offering, the Group lacked the capital needed to develop the Yanjiazhuang Mine as planned. With the abandonment of the Prior Offering, it was also likely that Faithful Boom would be required to repay the Exchangeable Bonds in cash. Failure to timely repay the Exchangeable Bonds could trigger the enforcement of Mr. Zhao’s personal guarantee under the Exchangeable Bonds and the exercise of the share pledges under the Exchangeable Bonds, possibly resulting in the loss of the shares in Faithful Boom, a company majority-owned by Mr. Zhao, as well as other assets pledged as security to the Original Bondholders.

SUMMARY

Following Mr. Zhao's request to seek potential buyers, Rothschild reached out to potential buyers including the New World Group. Since early 2006, NWS, a member of the New World Group, has been implementing a strategy for entering into the resources sector. New World Group also approached VMS to explore the investment opportunity together. VMS, with which the New World Group has co-invested in the past, has experience in the mining sector and investing in special situations. NWS, a subsidiary of the New World Group, was evaluating potential expansion into the mining sector at the time and was also brought in to explore the opportunity in light of its experience in more than 60 investment projects in sectors such as roads, water, energy, ports and logistics. For more information see "Relationship with our Controlling Shareholders and Connected Transactions – Relationship with our Controlling Shareholders". Having contacted other potential buyers, on 17 May 2010, Mr. Zhao executed a conditional agreement with Bright Prosper, pursuant to which, among other terms and conditions, an exclusivity period was given to Bright Prosper to conduct due diligence on the Group.

On 1 June 2010, the Original Bondholders issued a notice to Citicorp International Limited, acting as the security agent (the "Security Agent"), stating that one or more events of default (the "EOD") under the Exchangeable Bonds had occurred. Pursuant to the terms of the Exchangeable Bonds, a sum of US\$96 million (the "EOD Redemption Amount") immediately became due and payable by Faithful Boom. In addition, each Original Bondholder was entitled to require the Security Agent to exercise any of its powers, remedies, discretion and rights under the Exchangeable Bonds, including enforcing the share or asset charges or mortgages given by the Group and its then shareholders pursuant to the Exchangeable Bonds, and enforcing Mr. Zhao's guarantee on the Exchangeable Bonds.

The Original Bondholders also issued notices to the Security Agent, on 1 June 2010 which, among other things, directed the Security Agent to transfer funds from certain bank accounts of Faithful Boom to the cash collateral account and release such funds to the Original Bondholders. Approximately US\$39.8 million (being a part of the proceeds of the Exchangeable Bonds) was collected by the Security Agent, and paid to the Original Bondholders pursuant to the direction of the Original Bondholders, resulting in a residual EOD Redemption Amount of approximately US\$56.2 million owed by Faithful Boom immediately due and payable to the Original Bondholders. Save as to US\$39.8 million which was collected by the Security Agent and paid to the Original Bondholders, none of the other security provided was enforced prior to the termination of the Exchangeable Bonds.

Acquisition of the Company by the Controlling Shareholders

Based on results of their extensive business, financial, legal and technical due diligence as well as site visits, NWS and VMS decided to proceed with the acquisition of Mr. Zhao's 51% equity interest in the Company. In particular, NWS and VMS, in making their decision to purchase Mr. Zhao's interest, took into account that none of the Company or its subsidiaries was named in, or alleged to have participated in the actions complained of in the SEC Complaint, and as such there was not expected to be legal or financial liability stemming from the SEC Complaint that would cause a material adverse impact on the Company. The Controlling Shareholders conducted an independent due diligence to ensure (i) that there would be no adverse impact on the business or financial condition of the Company as a result of the SEC Complaint, (ii) that there are no undisclosed shareholder benefits or arrangements between current and former shareholders of the Company and (iii) that the former shareholders, in particular Mr. Zhao, no longer have any economic or other interest in the Company.

On 4 June 2010, following arm's length negotiations, Bright Prosper, Mr. Zhao and Zhao SPV entered into a sale and purchase agreement, whereby Mr. Zhao's 51% equity interest in the Company would be acquired by the Controlling Shareholders for US\$140.0 million.

SUMMARY

At the time of the negotiations for the acquisition of Mr. Zhao's 51% equity interest in the Company, the Company required significant additional capital investment in order to fund the Company's then production ramp-up plan. As a result of the Prior Sponsors' decision not to proceed with the Prior Offering following the receipt of the Anonymous Letter and their consideration of the matters alleged therein in May 2010, it was highly unlikely that the Company's planned Prior Offering would have been able to proceed in the short term. The buyers of Mr. Zhao's equity interest, namely NWS and VMS, did not know what other financing options were available to the Company or to Mr. Zhao, nor did they know what other offers to acquire the 51% equity interest in the Company Mr. Zhao may have received at that time. However, it was certain that after the EOD was declared under the Exchangeable Bonds, Mr. Zhao faced additional imminent financial pressure for payment of the EOD Redemption Amount of US\$96.0 million and potential enforcement of various guarantees and security interests pursuant to the Exchangeable Bonds. Given that Mr. Zhao would need to fund the Company's capital investment requirements without the expected proceeds from the Prior Offering, and the additional imminent financial pressure from the Exchangeable Bonds, NWS and VMS have informed us that they believed they were in a strong bargaining position vis-a-vis Mr. Zhao. Since NWS and VMS were at that time Independent Third Parties engaging in arm's length negotiations, the ultimate purchase price reflected the relative bargaining positions of the parties.

In parallel with acquisition of Mr. Zhao's 51% equity interest in the Company, NWS and VMS also reviewed and conducted extensive analyses on the terms and conditions of the Exchangeable Bonds to understand the rights of the bondholders and their potential impact on the Company. On 9 June 2010, NWS and VMS agreed to purchase the Exchangeable Bonds from the Original Bondholders for approximately US\$44.2 million as a result of which the Original Bondholders were no longer in a position to seize the pledged shares of the Company. The consideration was arrived at after arm's length negotiations between the parties and represented a discount to the outstanding EOD Redemption Amount of US\$56.2 million. NWS and VMS acquired all the outstanding Exchangeable Bonds on 18 June 2010.

On 12 July 2010, after further negotiations between NWS (through Modern Global), VMS (through Fast Fortune) and Mr. Zhao, the parties entered into a revised sale and purchase agreement. Under the terms of the revised agreement, the purchase price for Mr. Zhao's 51% equity interest in the Company was reduced to US\$139.0 million, with payment to be made to Mr. Zhao in installments upon certain conditions being achieved, including certain licenses being obtained. The negotiation of the amendment to the sale and purchase agreement was concluded on an arm's length basis. Completion of the transfer of Mr. Zhao's 51% equity interest in the Company also took place on 12 July 2010. Payment of the purchase price was made in installments on 12 July 2010, 22 September 2010 and 27 September 2010 in accordance with certain conditions being achieved. The total consideration of US\$139.0 million was fully paid by the Controlling Shareholders as of 27 September 2010.

After the acquisition of the 51% equity interest in the Company held by Mr. Zhao and the Exchangeable Bonds from the Original Bondholders, our Controlling Shareholders demonstrated their commitment to us by injecting significant capital to fund the ongoing development of our operations; assisting us in obtaining the relevant licenses, permits and approvals required to commence commercial production; enhancing our management team; and providing leadership and expertise to assist us in bringing the Yanjiazhuang Mine from a development stage mining asset into commercial production on 1 January 2011, at a time when iron ore prices had increased almost to previous peak levels in 2008. As a result, the risks associated with the development of our projects have been substantially reduced over the past six months. Furthermore, our Directors believe that our current Controlling Shareholders bring significant financial expertise and improved corporate governance practices to the Company.

As part of NWS's and VMS's intention to simplify and restructure the Group's ownership structure, on 28 January 2011 and 18 February 2011, NWS and VMS, through their subsidiaries, acquired the remaining 49% equity interest in the Company for a total consideration of US\$138.7 million. The total investment cost of NWS's and VMS's acquisition of the 100% equity interest in the Company and the Exchangeable Bonds was approximately US\$321.9 million in aggregate.

SUMMARY

In addition to the independent due diligence conducted by the Controlling Shareholders prior to their acquisition of a 51% equity interest in the Company, as aforementioned, the Joint Sponsors have undertaken enhanced due diligence to seek to establish and ensure that Mr. Zhao and Mr. Zhao Yinhe retain no economic or other interests in the Company and are independent both of the Company and of the Controlling Shareholders. These steps included conducting site visits, making enhanced and in-depth due diligence enquiries, conducting public searches and engaging a third-party search firm to conduct background searches on all existing Directors and senior management of the Company to ensure that they are not connected to Mr. Zhao or Mr. Zhao Yinhe. Furthermore, the Joint Sponsors have also conducted due diligence interviews with all of the current members of the board of Directors and senior management, in which all of the current members of the board of Directors and senior management confirmed that they have no direct or indirect association with Mr. Zhao or Mr. Zhao Yinhe. The foregoing steps did not bring anything to the Joint Sponsors' attention which would indicate that (1) Mr. Zhao or Mr. Zhao Yinhe retain any economic or other interests in the Company or are not independent of both the Company and the Controlling Shareholders or (2) that the historical involvement of Mr. Zhao or Mr. Zhao Yinhe in the Company would adversely affect the financial condition of the Company.

The Directors, the Company and the Controlling Shareholders confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, each of the Controlling Shareholders and the Company is independent of Mr. Zhao, Mr. Zhao Yinhe and any individuals who, to the Directors', the Company's, and the Controlling Shareholders' best knowledge, are their respective associates. Mr. Zhao, Mr. Zhao Yinhe and any individuals who, to the Directors', the Company's, and the Controlling Shareholders' best knowledge, are their respective associates retain no economic or other interests in the Company or in the proposed Listing. There is no relationship between any person or other party involved in the SEC Complaint and the Company or the Controlling Shareholders, and the SEC Complaint will not have any impact on the Company's business, operations or financial condition. The acquisition of the equity interests in the Company and the Exchangeable Bonds reflected a commercial decision concluded after due diligence and extensive arm's length negotiations. Prior to the acquisition, the Controlling Shareholders were not in any manner related to Mr. Zhao or Mr. Zhao Yinhe, and did not otherwise know them or their respective associates. The Controlling Shareholders, the Directors and members of our senior management do not have any agreement (other than those already disclosed), arrangement, or understanding with any of the former controlling shareholders and senior management of the Company who are no longer with the Group in relation to the Group's affairs going forward.

For additional information about the sale of the Company to our Controlling Shareholders, see "History, Reorganization and Corporate Structure – Change in Controlling Shareholders".

Proposed Spin-Off of the Company from NWD and NWS

Pursuant to the Listing Rules and in accordance with the corporate structure and ownership of the Company (as set out in the section "History, Reorganization and Corporate Structure"), the listing of the Company would constitute a spin-off of each of NWD and NWS.

The boards of directors of NWD and NWS are of the view that the proposed spin-off of the Company (the "Proposed Spin-off") will be beneficial for NWD, NWS and the Company as it will:

- (1) provide capital for our operations and new investment opportunities, and free up capital which would otherwise be required from NWS and NWD for such new developments and opportunities;
- (2) increase the operational and financial transparency of the Company and provide investors and the public with greater clarity on our business, operations and financial performance;
- (3) allow the Company to establish our own profile as a separately listed entity with the ability to access the debt and equity capital markets to fund our operations, future development and investment opportunities; and

SUMMARY

- (4) provide incentives to the Company's management who are focused on the iron-ore mine operation business.

The Proposed Spin-off by NWD and NWS complies with the requirements of Practice Note 15 of the Listing Rules.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The selected financial information from our consolidated statements of financial position as of 31 December 2008, 2009 and 2010, consolidated statements of comprehensive income and consolidated statements of cash flows for the years ended 31 December 2008, 2009 and 2010 set forth below is derived from our Accountants' Report included in Appendix I to this Prospectus, and should be read in conjunction with the Accountants' Report and with "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations" included herein.

Summary Consolidated Statements of Comprehensive Income Data

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Continuing operations			
Revenue ⁽¹⁾	—	—	—
Cost of sales	—	—	—
Gross profit	—	—	—
Administrative expenses	(227)	(2,136)	(7,747)
Other expense	—	—	(95)
Finance (costs)/income	—	(27)	4,894
Gain on disposal of a subsidiary	—	15	—
Loss before tax from continuing operations	(227)	(2,148)	(2,948)
Income tax expense	—	—	—
Loss for the year from continuing operations	(227)	(2,148)	(2,948)
Discontinued operation			
Loss for the year from a discontinued operation	(144)	(85)	—
Total comprehensive loss	(371)	(2,233)	(2,948)
Attributable to:			
Owners of the parent	(367)	(2,204)	(2,921)
Non-controlling interests	(4)	(29)	(27)
	(371)	(2,233)	(2,948)

- (1) During the Track Record Period, our business activities were focused on infrastructure development in preparation for the production of iron concentrate. We did not generate revenue from our operations during this period.

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Summary Consolidated Statements of Financial Position Data

	As of 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Non-current assets	67,846	67,766	357,811
Current assets	492	18,296	116,931
Total assets	68,338	86,062	474,742
Current liabilities	53,025	48,087	438,490
Net current liabilities	(52,533)	(29,791)	(321,559)
Total assets less current liabilities	15,313	37,975	36,252
Non-current liabilities	1,180	1,180	1,180
Net assets	14,133	36,795	35,072
Total equity	14,133	36,795	35,072

Summary Consolidated Statements of Cash Flows Data

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents at beginning of year	784	340	4,043
Net cash (used in)/flows from operating activities	(86)	(11,913)	13,570
Net cash used in investing activities	(5,513)	(10,374)	(233,334)
Net cash flows from financing activities	5,155	26,017	273,120
Net (decrease)/increase in cash and cash equivalents ...	(444)	3,730	53,356
Effect of foreign exchange rate changes	—	(27)	(1,465)
Cash and cash equivalents at end of year	340	4,043	55,934

As of the date of this Prospectus, our Directors and the Joint Sponsors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 December 2010, the date of our latest audited financial statements.

SUMMARY

PROFIT FORECAST⁽¹⁾⁽²⁾⁽³⁾

Our Directors believe that, on the bases and assumptions set out in Appendix III to this Prospectus and in the absence of unforeseen circumstances, our estimated consolidated profit attributable to owners of the parent of the Company for the six months ending 30 June 2011 is expected to be approximately RMB9.6 million (equivalent to approximately HK\$11.5 million).

Note:

- (1) The forecast of the consolidated profit attributable to owners of the parent for the six months ending 30 June 2011 is extracted from the “Financial Information — Profit Forecast” section of this Prospectus. The bases and assumptions on which the above profit forecast for the six months ending 30 June 2011 have been prepared are summarized in part (A) of Appendix III of this Prospectus.
- (2) Our Directors have prepared the forecast of the consolidated profit attributable to owners of the parent for the six months ending 30 June 2011 based on the unaudited management accounts of the Group for the four months ended 30 April 2011 and the forecast of the consolidated results of the remaining two months ending 30 June 2011.
- (3) Our Directors forecast that the average selling price of iron ore concentrate per tonne (net of value-added tax and other surtaxes) will not be less than RMB1,120 per tonne throughout the forecast period in May and June 2011. Assuming that the average iron ore concentrate price in May and June 2011 varies 10% and 20% above or below the base case iron ore concentrate price, the corresponding forecast consolidated net profit attributable to owners of the parent for the six months ending 30 June 2011 will increase or decrease by approximately RMB333,000 and RMB665,000, respectively.

DIVIDEND POLICY

After completion of the Global Offering, our Shareholders will be entitled to receive any dividend we declare. The payment and amount of any dividend will be at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, interests of our shareholders, taxation conditions, statutory restrictions, and other factors that our Board deems relevant. The payment of any dividend will also be subject to the Companies Law and our constitutional documents, which indicate that payment of dividends out of our share premium account is possible on the condition that we are able to pay our debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

Our ability to declare future dividends will also depend on the availability of dividends, if any, received from our PRC operating subsidiary. Pursuant to PRC law, dividends may only be paid out of distributable profits, defined as retained earnings after tax payments as determined under PRC GAAP less any recovery of accumulated losses and the required allocations to statutory reserves made by our PRC operating subsidiary. In general, we do not expect to declare dividends in a year where we do not have any distributable earnings.

We currently intend to retain most, if not all, of our available funds and future earnings to operate and expand our business, primarily through acquisitions. The Board will review the dividend policy on an annual basis. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- the Hong Kong Public Offering of 100,000,000 Shares (subject to adjustment) in Hong Kong as described below under “Structure of the Global Offering — The Hong Kong Public Offering”;
- the International Placing of 660,000,000 new Shares and 200,000,000 Sale Shares (subject to adjustment and the Over-allotment Option) in the United States with QIBs in reliance on Rule 144A and outside the United States in reliance on Regulation S; and

SUMMARY

- 40,000,000 Reserved Shares which are being offered to the Qualifying NWD Shareholders and the Qualifying NWS Shareholders pursuant to the Preferential Offering.

Citi is the Sole Global Coordinator. Citi, Macquarie and Rothschild are the Joint Sponsors of the Global Offering, Citi, Macquarie, BOCOM International and VMS Securities are the Joint Bookrunners and Joint Lead Managers of the Global Offering.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, in the Offer Shares under the International Placing, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The International Placing will involve the private placement of the Offer Shares to QIBs in the United States in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act, as well as to institutional and professional investors and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Placing. Prospective professional, institutional and other investors will be required to specify the number of the Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing respectively is subject to possible reallocation as described in “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation and Clawback.”

OFFER STATISTICS

	Based on an Offer Price of HK\$1.75 per Share	Based on an Offer Price of HK\$2.35 per Share
Market capitalization of our Shares ⁽¹⁾	HK\$7,000 million	HK\$9,400 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share ⁽²⁾	HK\$0.31	HK\$0.43

(1) The calculation of market capitalization is based on 4,000,000,000 Shares expected to be in issue immediately after completion of the Global Offering and the Capitalization Issue, assuming that any options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme are not exercised.

(2) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in Appendix II — Unaudited Pro Forma Adjusted Net Tangible Assets to this Prospectus and on the basis of 4,000,000,000 Shares in issue at the respective Offer Price of HK\$1.75 and HK\$2.35 immediately following completion of the Global Offering and Capitalization Issue, without taking into account any options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme.

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USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$1,450.2 million from the Global Offering after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming an Offer Price of HK\$2.05 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this Prospectus.

We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 30%, or HK\$434.9 million, primarily to complete our three-phase expansion plan, in which our mining and processing capacities are expected to increase to 10,500 ktpa. In our three-phase expansion plan, we plan to develop six additional open-pit mining pits, construct four dry magnetic cobbing systems, upgrade two existing processing facilities and build two new processing facilities, and develop supporting infrastructure such as road, two electrical converting stations, four reservoirs and a new water supply system from Lincheng Reservoir, two new tailings storage facilities, as well as our land rehabilitation works;
- approximately 8%, or HK\$115.7 million, to pay resource fees to the relevant Department of Land and Resources in applying for the mining permit to process 10,500 ktpa for the Yanjiazhuang Mine;
- approximately 27%, or HK\$392.1 million, for exploration and acquisition activities to expand our resources, including further exploration work at the Yanjiazhuang Mine, the acquisition of exploration rights to expand the northern boundary of the permitted mining area of the Yanjiazhuang Mine by an additional 0.75 km² and two iron ore mines in Hebei Province, namely, the Gangxi Mine and the Shangzhengxi Mine. Payment for the estimated reserves of these mines to be determined after exploration work is completed for both mines and reimbursement of costs incurred for the exploration work performed by the 11th Geological Brigade for these two mines, as well as the acquisition of other mines yet to be identified by us;
- approximately 22%, or HK\$319.0 million, to develop our gabbro-diorite resources into commercial production, which includes the development of extraction pits, the construction of gabbro-diorite production facilities, provisions for administrative fees such as payments for necessary permits and licenses, development of road infrastructure, land expropriation compensation and land rehabilitation;
- approximately 10%, or HK\$145.0 million, to repay a portion of the shareholders' loans; and
- approximately 3%, or HK\$43.5 million, to fund our working capital.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing and non-interest-bearing bank accounts with licensed commercial banks and/or authorized financial institutions in Hong Kong or China.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range, we will receive net proceeds of approximately HK\$1,221.0 million. Under such circumstances, we intend to apply approximately 35%, or HK\$427.5 million, of the net proceeds primarily to complete our three-phase expansion plan to increase our mining and processing capacities to 10,500 ktpa, approximately 9%, or HK\$109.9 million, to pay resource fees to the relevant Department of Land and Resources in applying for the mining permit to process 10,500 ktpa for the Yanjiazhuang Mine, approximately 17%, or HK\$207.5 million, for exploration and acquisition activities to expand our resources, approximately 26%, or HK\$317.4 million, to develop our gabbro-diorite resources into commercial production, approximately 10%, or HK\$122.1 million, to repay a portion of the shareholders' loans and approximately 3%, or HK\$36.6 million, to fund our working capital.

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In the event that the Offer Price is set at the high-end of the proposed Offer Price range, we will receive net proceeds of approximately HK\$1,679.4 million. Under such circumstances, we intend to apply approximately 26%, or HK\$436.6 million, of the net proceeds primarily to complete our three-phase expansion plan to increase our mining and processing capacities to 10,500 ktpa, approximately 7%, or HK\$117.6 million, to pay resource fees to the relevant Department of Land and Resources in applying for the mining permit to process 10,500 ktpa for the Yanjiazhuang Mine, approximately 35%, or HK\$587.8 million, for exploration and acquisition activities to expand our resources, approximately 19%, or HK\$319.1 million, to develop our gabbro-diabase resources into commercial production, approximately 10%, or HK\$167.9 million, towards the repayment of the shareholders' loans and approximately 3%, or HK\$50.4 million, to fund our working capital.

Because the Over-allotment Option has been granted by the Selling Shareholder, we will not receive any additional proceeds as a result of the exercise of the Over-allotment Option.

RISK FACTORS

There are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting operations in China; and (iv) risks relating to the Shares and the Global Offering. Prospective investors in the Shares should consider carefully all the information set forth in this Prospectus and, in particular, this section in connection with an investment in us.

Risks Relating to Our Business

- As a developing mining company with a limited operating history, we cannot guarantee that we will generate revenue and grow our business as planned.
- Fluctuations in the market price for iron concentrate or steel and foreign currency exchange rates could materially and adversely affect our business, financial condition and results of operations.
- Our operations are primarily exposed to uncertainties in relation to one major project, the Yanjiazhuang Mine.
- Our inability to develop existing or acquire additional iron ore reserves may have a material adverse effect on our business and results of operations.
- Our exploration and mining projects, acquisition activities and expansion plans require substantial capital investment and may not achieve the intended economic results.
- We face certain risks and uncertainties beyond our control that are associated with our operations and our customers' operations.
- Our memoranda of understanding do not create binding sales commitments and may not result in sales or revenues.
- We may not receive the benefits we expect from any cooperation agreement with Shougang Hong Kong or any other major steel manufacturers.
- We may not have sufficient managerial resources to bring our gabbro-diabase resources into production.
- We may have difficulty in managing our future growth and the associated increased scale of our operations.
- Our failure or inability to obtain, retain and renew required government approvals, permits and licenses for our exploration and mining activities could materially and adversely affect our business, financial condition and results of operations.

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- We may not be able to realize our plans to expand processing capacity and achieve our targeted iron ore mining quota.
- We engage third-party contractors for some of our mining operations and our operations could be affected by the performance of our third party contractors.
- We may not be able to obtain land use rights and building ownership rights for our planned mining sites and facilities.
- 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.
- 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.
- Our profit forecast contained in this prospectus is subject to numerous risks, uncertainties and assumptions and our actual results of operations may differ significantly from the forecast.
- Our operations are exposed to risks relating to occupational hazards and production safety.
- Our operations depend on an adequate and timely supply of water, electricity and other critical supplies and equipment.
- We may not be able to retain or secure key qualified personnel.
- We may not be adequately insured against losses and liabilities arising from our operations.
- Our Controlling Shareholders have substantial influence over us and their interests may not be aligned with the interests of our other Shareholders.
- We may incur amortization expenses related to our mining rights, which may adversely affect our results of operations.
- The reserve and resource data cited in this Prospectus are estimates and may be inaccurate.

Risks Relating to Our Industry

- Our business depends on the global economy and China's economic growth.
- Changes to the PRC regulatory regime for the mining industry may have an adverse impact on our results of operations.

Risks Relating to Conducting Operations in China

- We are vulnerable to adverse changes in the political, social and economic policies of the PRC Government.
- The PRC legal system is evolving and has inherent uncertainties that could limit the legal protection available to you.
- Government control of currency conversion and changes in the exchange rate between the Renminbi and other currencies could negatively affect our financial condition, operations and our ability to pay dividends.
- Changes in PRC laws, regulations and policies could adversely affect our business, financial condition and results of operations.
- It may be difficult to enforce judgments from non-PRC courts against us, our Directors or officers who live in China.
- Compliance with the PRC Labor Contract Law may increase our labor costs.
- Restrictions on foreign investment in the PRC mining industry could materially and adversely affect our business and results of operations.

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- Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to taxes under PRC tax laws.
- 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.
- The Income Tax Law may affect tax exemptions on dividends received by us and by our Shareholders and may increase our enterprise income tax rate.
- We may be unable to transfer the net proceeds from the Global Offering to China.
- Any outbreak of widespread contagious diseases may have a material adverse effect on our business operations, financial condition and results of operations.

Risks Relating to the Shares and the Global Offering

- Because there has been no prior public market for our Shares, their market price may be volatile and an active trading market in our Shares may not develop.
- Future issuances or sales, or perceived issuances or sales, of substantial amounts of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares and the Company's ability to raise capital in the future.
- The market price of the Shares when trading begins could be lower than the Offer Price.
- Future financing may cause a dilution in your shareholding or place restrictions on our operations.
- Potential investors will experience immediate and substantial dilution as a result of the Global Offering.
- You may face difficulties in protecting your interests under Cayman Islands law.
- We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official government sources contained in this Prospectus.
- This Prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate.

DEFINITIONS

In this Prospectus, the following terms have the following meanings unless the context otherwise requires. Certain technical terms are explained in the section headed “Glossary of Technical Terms” in this Prospectus.

“1H”	the first half of the calendar year;
“11th Geological Brigade”	No. 11 Geological Brigade of Hebei Bureau of Geological Exploration of the PRC (中國河北省地勘局第十一地質大隊), a state-owned entity and the holder of the Solid Mineral Exploration Grade A Qualification Certificate (固體礦產勘查甲級資質證書) issued by the Land Resources Department of Hebei Province (河北省國土資源廳) and an Independent Third Party;
“12th Five-Year Plan”	the 12th Five-Year Plan for National Economic and Social Development of the PRC (2011-2015) promulgated by the Tenth National People’s Congress of the PRC in 2011;
“Aleman”	Aleman Investments Limited, a company incorporated in the BVI. Aleman was wholly-owned by Mr. Sin at the time of the acquisition of Mr. Sin’s indirect interest in our Company by our Controlling Shareholders;
“AME”	AME Mineral Economics (Hong Kong) Limited, a global research and consulting firm specialising in the metal and mineral industries;
“APOF”	8W APO Holdings, Ltd., a wholly-owned subsidiary of OCM Asia Principal Opportunities Fund L.P., which is a fund managed by Oaktree Capital Management, L.P., a global alternative investment management firm;
“Application Form(s)”	white application form(s), yellow application form(s) and green application form(s) relating to the Hong Kong Public Offering, and the blue application form(s) and light orange application form(s) relating to the Preferential Offering, or where the context so requires, any of them;
“Application Lists”	the application lists for the Hong Kong Public Offering;
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, conditionally adopted on 9 April 2010, and as amended from time to time, a summary of which is contained in “Appendix VII – Summary of the Constitution of the Company and Cayman Islands Companies Law”;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Assured Entitlement(s)”	the entitlements of the Qualifying NWD Shareholders and the Qualifying NWS Shareholders to apply for the Reserved Shares under the Preferential Offering determined on the basis of their respective shareholding as at 5:00 p.m. on the Record Date;

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“Board”	the board of Directors of our Company;
“BOCOM International”	BOCOM International Securities Limited;
“Bond Issuer”	Faithful Boom;
“Bondholder(s)”	holder(s) of the Exchangeable Bonds from time to time;
“Bright Prosper”	Bright Prosper Holdings Limited, a company incorporated in the BVI. Bright Prosper is a wholly-owned subsidiary of VMS;
“business day”	any day (other than Saturday, Sunday or a public holiday) on which licensed banks in Hong Kong are generally open for normal banking business;
“BVI”	the British Virgin Islands;
“CAGR”	compound annual growth rate;
“Capitalization Issue”	the allotment and issue of Shares to Faithful Boom to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the section headed “Statutory and General Information — A. Further Information about Our Company — 3. Written resolutions of the Shareholders passed on 9 April 2010, 25 January 2011, 8 June 2011 and 10 June 2011” in Appendix VIII to this Prospectus;
“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;
“Chen SPV”	Excellent Era Limited, a company incorporated in the BVI. Chen SPV was wholly-owned by Mr. Chen at the time of the acquisition of Mr. Chen’s indirect interest in our Company by our Controlling Shareholders;
“China Customs”	General Administration of Customs of the PRC;

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“China Gate”	China Gate Worldwide Limited, a wholly-owned subsidiary of Hidili Asset Management Co., Ltd, or Hidili Asset Management, which in turn is ultimately a subsidiary of Hidili Industry International Development Ltd. (Stock Code: 01393), or Hidili Industry, a listed company on the Stock Exchange engaging in coal mining business in China;
“C.I.S.”	the Commonwealth of Independent States, a regional organization whose participating countries are former Soviet Republics;
“CISA”	China Iron and Steel Association, an Independent Third Party;
“Citi”	Citigroup Global Markets Asia Limited;
“Companies Law”	the Companies Law (as amended) of the Cayman Islands;
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Company”	Newton Resources Ltd (新礦資源有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 25 September 2009;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules, being NWS, VMS and Ms. Mak Siu Hang, Viola;
“CSMA”	China Stone Material Industry Association;
“Director(s)”	director(s) of our Company, including the non-executive Directors and independent non-executive directors of our Company;
“EOD Redemption Amount”	the redemption amount applicable to the Exchangeable Bonds calculated in accordance with the terms of the Exchangeable Bonds as at the date of the notice given to Faithful Boom upon the occurrence of an event of default specified under the terms of the Exchangeable Bonds;
“Ernst & Young”	Ernst & Young, our reporting accountants;
“Exchangeable Bonds”	the secured exchangeable bonds in the aggregate principal sum of US\$60 million issued by the Bond Issuer on 22 January 2010 and 16 March 2010 to the Original Bondholders, the particulars of which are set out in the section headed “History, Reorganization and Corporate Structure” in this Prospectus;
“Faithful Boom”	Faithful Boom Investments Limited, an investment holding company incorporated in the BVI on 1 August 2007;

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“Fast Fortune”	Fast Fortune Holdings Limited, an investment holding company incorporated in the BVI. Fast Fortune is a subsidiary of VMS in which VMS holds all the voting rights as well as approximately 89.1% of the rights to dividends and other distributions;
“Gangxi Mine”	Gangxi iron ore mine (崗西鐵礦), an iron ore mine located in Lincheng County, Hebei Province, the PRC, approximately 20 km from the Yanjiazhuang Mine;
“GDP”	gross domestic product;
“Global Offering”	the Hong Kong Public Offering and the International Placing;
“Green application form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider;
“Guomu Nangou Mine”	Guomu Nangou iron ore mine (果木南溝鐵礦), an iron ore mine located in Shiwopu Village West, Haozhuang Town, Lincheng County, Hebei Province, the PRC;
“Guomu Nangou Mining Co.”	Lincheng County Guomu Nangou Mining Co. (臨城縣石窩鋪果木南溝鐵礦), a PRC private enterprise established in the PRC on 21 June 2004 by Mr. Wang Lianqing (王連慶) and the predecessor of Guomu Nangou Mining Ltd.;
“Guomu Nangou Mining Ltd.”	Lincheng County Guomu Nangou Mining Ltd. (臨城縣果木南溝鐵礦有限公司), a limited liability company established by the transformation of Guomu Nangou Mining Co. into a limited liability company in the PRC on 19 February 2009 in which the 99.0% equity interest held by us was disposed of on 12 November 2009;
“Handan Iron & Steel”	Handan Iron & Steel Co., Ltd. (邯鄲鋼鐵股份有限公司), part of Hebei Steel, an Independent Third Party;
“Handan Iron & Steel Group Company Limited”	Handan Iron & Steel Group Company Limited (邯鄲鋼鐵集團有限責任公司), part of Hebei Steel, an Independent Third Party;
“Hatch”	Hatch Project Consulting (Shanghai) Co., Ltd., an international consulting firm specializing in providing data and analyses in relation to the mining, metallurgical, manufacturing and energy industries, and an Independent Third Party;
“Hatch Report”	the iron ore and diabase industry report prepared by Hatch dated 21 June 2011;
“Hebei Baoxin”	Hebei Baoxin Iron and Steel Ltd. (河北寶信鋼鐵有限公司), an Independent Third Party;
“Hebei New Wuan”	Hebei New Wuan Iron and Steel Group Limited (河北新武安鋼鐵集團有限公司), an Independent Third Party;

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“Hebei Steel”	Hebei Iron and Steel Group Co., Ltd. (河北鋼鐵集團有限公司), an iron and steel manufacturing company, and an Independent Third Party, that was formed pursuant to a merger among Tangshan Iron and Steel Group Co., Ltd. (唐山鋼鐵集團有限公司), Handan Iron and Steel Group Co., Ltd. (邯鄲鋼鐵集團有限公司), Wuyang Iron and Steel Co., Ltd. (舞陽鋼鐵有限公司), Xuanhua Iron and Steel Group Corp., Ltd. (宣化鋼鐵集團有限公司), and Chengde Iron and Steel Group Co., Ltd. (承德鋼鐵集團有限公司);
“HIBOR”	Hong Kong Interbank Offered Rate;
“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 Bank of East Asia, Limited;
“HK\$”, “HK dollars” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listed Share Registrar”	Tricor Investor Services Limited;
“Hong Kong Offer Shares”	the 100,000,000 new Shares initially being offered for subscription at the Offer Price in the Hong Kong Public Offering (subject to adjustment as described in the section headed “Structure of the Global Offering” in this Prospectus);
“Hong Kong Public Offering”	the offering by the Company of initially 100,000,000 Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering” in this Prospectus) for cash at the Offer Price and on the terms and conditions described in this Prospectus and the Application Forms;
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this Prospectus;
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 21 June 2011 relating to the Hong Kong Public Offering entered into by, among other parties, the Company, the Sole Global Coordinator and the Hong Kong Underwriters;

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“Huangmi I Reservoir”	a surface water reservoir with an existing water storage capacity of approximately 600,000 m ³ located in Lincheng County, Hebei Province, the PRC;
“Huangmi II Reservoir”	a surface water reservoir with an existing water storage capacity of approximately 1,200,000 m ³ located in Lincheng County, Hebei Province, the PRC;
“Huangmi Reservoirs”	the Huangmi I Reservoir and the Huangmi II Reservoir;
“IFRS”	International Financial Reporting Standards;
“Indebtedness Date”	means 30 April 2011;
“Independent Technical Advisor” or “Behre Dolbear”	Behre Dolbear Asia, Inc., a wholly-owned subsidiary of Behre Dolbear & Company, Inc., the Competent Person (which has the meaning ascribed to it under Chapter 18 of the Listing Rules) appointed by our Company in respect of the Listing, and an Independent Third Party that specializes in performing studies and providing consulting services worldwide regarding the minerals industry. Founded in 1911, Behre Dolbear & Company, Inc., a globally-recognized minerals industry consulting firm, is one of the oldest, continually operating industry-focused consultancies in the world with extensive minerals industry experience;
“Independent Technical Report”	the independent technical report prepared by Behre Dolbear dated 21 June 2011;
“Independent Third Party(ies)”	a company or companies that is not or are not connected person(s) of our Company;
“International Placing”	the offering of the International Placing Shares by the International Underwriters for and on behalf of the Company to professional and institutional investors and other investors as further described in the section headed “Structure of the Global Offering” in this Prospectus;
“International Placing Shares”	the 900,000,000 Shares comprising 660,000,000 new Shares initially being offered at the Offer Price pursuant to the International Placing to be issued by the Company and the 200,000,000 Sale Shares being offered for sale by the Selling Shareholder (excluding the Preferential Offering) (subject to adjustment as described in the section headed “Structure of the Global Offering” in this Prospectus), together with, any Option Shares pursuant to the Over-allotment Option, as well as the 40,000,000 Reserved Shares;
“International Underwriters”	the underwriters of the International Placing, who are expected to enter into the International Underwriting Agreement;
“International Underwriting Agreement”	the international underwriting agreement relating to the International Placing which is expected to be entered into by, among other parties, the Company, the Selling Shareholder, the Sole Global Coordinator and the International Underwriters on or around 24 June 2011;

DEFINITIONS

“ISSB”	Iron and Steel Statistics Bureau;
“Issue Mandate”	the general mandate granted to our Directors for the issue of Shares, details of which are set out in the section headed “Statutory and General Information — A. Further Information about Our Company — 3. Written resolutions of the Shareholders passed on 9 April 2010, 25 January 2011, 8 June 2011 and 10 June 2011” in Appendix VIII to this Prospectus;
“Jet Bright”	Jet Bright Limited, a company incorporated in Hong Kong. Jet Bright is a wholly-owned subsidiary of the Company;
“Joint Bookrunners”	Citi, Macquarie, BOCOM International and VMS Securities;
“Joint Lead Managers”	Citi, Macquarie, BOCOM International and VMS Securities;
“Joint Sponsors”	Citi, Macquarie and Rothschild;
“Latest Practicable Date”	16 June 2011, being the latest practicable date for ascertaining certain information in this Prospectus prior to the publication of this Prospectus;
“Li Yuan”	Lincheng County Li Yuan Mining Co. Ltd. (臨城縣利源礦業有限公司), a limited liability company established in the PRC on 23 April 2004;
“Lincheng Reservoir”	a surface water reservoir with an existing water storage capacity of approximately 170,000,000 m ³ located in Lincheng County, Hebei Province, the PRC;
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange;
“Listing Committee”	the listing sub-committee of the board of the directors of the Stock Exchange;
“Listing Date”	the date on which dealings in the Shares first commence on the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Liu SPV”	Big Yield Limited, a company incorporated in the BVI. Liu SPV was wholly-owned by Mr. Liu at the time of the acquisition of Mr. Liu’s indirect interest in our Company by our Controlling Shareholders;
“Long Tree”	Long Tree Investment Limited, a special purpose vehicle for an investment consortium, held by Long Tree Capital, or LTC, the largest investor, and five other investors, including Eastern Wisdom Capital, Primerose Development Group Limited, Total Formation Inc., Smart Value International Limited and Sino Classic Investments Limited. LTC is a China-based private equity firm established in 2007;

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“Longjiawan Reservoir”	a surface water reservoir with a designed water storage capacity of approximately 300,000 m ³ , located in Lincheng County, Hebei Province, the PRC;
“Macquarie”	Macquarie Capital Securities Limited;
“Memorandum”	the memorandum of association of our Company adopted on 25 September 2009, as amended from time to time;
“MEP”	Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部);
“MLR”	Ministry of Land and Resources of the PRC (中華人民共和國國土資源部);
“MMAC”	Metallurgical Mines’ Association of China;
“Modern Global”	Modern Global Holdings Limited, an investment holding company incorporated in the BVI. Modern Global is an indirect wholly-owned subsidiary of NWS;
“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);
“Mr. Chen”	Chen Zhiqing (陳志慶);
“Mr. Liu”	Liu Hui (劉輝);
“Mr. Sin”	Sin, Dominic (冼導明);
“Mr. Yip”	Yip Cheuk Yin, Ryan (葉卓然);
“Mr. Zhao”	Zhao Haofu (趙浩富);
“Mysteel”	Mysteel.com, a professional website designed to supply various information services to the steel industry;
“Nasdaq”	The Nasdaq Stock Market, Inc.;
“NBSC”	National Bureau of Statistics of China;
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會);
“New World Development” or “NWD”	New World Development Company Limited (Stock Code: 17), a company with limited liability incorporated in Hong Kong, the ordinary shares of which are listed on the Stock Exchange. It held approximately 59.79% shareholding interest of NWS as of the Latest Practicable Date;
“New World Group”	New World Development and its subsidiaries, from time to time;

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“No. 1 Processing Facility”	an existing ore processing facility with processing capacity of 1,300 ktpa as at the end of Phase One and located near the Yanjiazhuang Mine;
“No. 2 Processing Facility”	an existing ore processing facility located near the Yanjiangzhuang Mine and which is currently being upgraded in Phase One to achieve processing capacity of 1,700 ktpa;
“No. 3 Processing Facility”	a planned ore processing facility with planned processing capacity of 4,000 ktpa proposed to be constructed at the Yanjiazhuang Mine by August 2011;
“No. 4 Processing Facility”	a planned ore processing facility with planned processing capacity of 3,500 ktpa proposed to be constructed at the Yanjiangzhuang Mine in the second quarter of 2012;
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會), the national legislative body of the PRC;
“NWS”	NWS Holdings Limited (Stock Code: 659), a company with limited liability incorporated in Bermuda, the ordinary shares of which are listed on the Stock Exchange;
“NWS Group”	NWS and its subsidiaries, from time to time;
“NWS Mining”	NWS Mining Limited, an investment holding company incorporated in the BVI. NWS Mining is an indirect wholly-owned subsidiary of NWS;
“NWS Resources”	NWS Resources Limited, an investment holding company incorporated in the BVI. NWS Resources is a direct wholly-owned subsidiary of NWS;
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage fee, SFC transaction levy and Stock Exchange trading fee), to be agreed upon by us (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners (on behalf of the Underwriters) on or before the Price Determination Date, and at which the Offer Shares are to be subscribed for and issued, or purchased and sold, pursuant to the Global Offering;
“Offer Share(s)”	the Hong Kong Offer Shares and the International Placing Shares including, where relevant, the Option Shares;
“open”	refers to a resource or ore body that has not yet been defined by drilling, but in respect of which the existing adjacent ore body is generally considered likely to extend into, based on the drilling conducted on the existing adjacent ore body;
“Option Shares”	the 150,000,000 Shares to be sold by the Selling Shareholder pursuant to the Over-allotment Option;

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“Orient Chance”	Orient Chance Limited, a limited liability company incorporated in the BVI. Orient Chance is an indirect wholly-owned subsidiary of NWS;
“Original Bondholders”	holders of the Exchangeable Bonds, namely (i) APOF, (ii) China Gate and (iii) Long Tree, prior to being transferred to Pioneer Vast and Star Valiant, the details of which are described in the section headed “History, Reorganization and Corporate Structure” in this Prospectus;
“Over-allotment Option”	the option granted by the Selling Shareholder under the International Underwriting Agreement to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Selling Shareholder to sell up to an aggregate of 150,000,000 Option Shares representing 15.0% of the initial number of Offer Shares, at the Offer Price, to, among other things, cover over-allocations (if any) in the International Placing, details of which are further described in the section headed “Structure of the Global Offering — The International Placing” in this Prospectus;
“Overseas NWD Shareholders”	registered holders of the shares of NWD whose addresses on the register of members of NWD were outside Hong Kong as of 5:00 p.m. on the Record Date;
“Overseas NWS Shareholders”	registered holders of the shares of NWS whose addresses on the register of members of NWS were outside Hong Kong as of 5:00 p.m. on the Record Date;
“PBOC”	the People’s Bank of China (中國人民銀行);
“Perfect Move”	Perfect Move Limited, an investment holding company incorporated in the BVI;
“Phase One”	the first Phase of the Company’s three-phase expansion plan, expected to be completed in June 2011, to increase mining and ore processing capacities to achieve total mining and ore processing capacities of 3,000 ktpa to produce approximately 760 ktpa of iron concentrate;
“Phase Two”	the second phase of the Company’s three-phase expansion plan, expected to be completed in the third quarter of 2011, to increase mining and ore processing capacities by 4,000 ktpa to achieve total mining and ore processing capacities of 7,000 ktpa to produce approximately 1,770 ktpa of iron concentrate;
“Phase Three”	the third phase of the Company’s three-phase expansion plan, expected to be completed in the second quarter of 2012, to increase mining and ore processing capacities by 3,500 ktpa to achieve total mining and ore processing capacities of 10,500 ktpa to produce approximately 2,655 ktpa of iron concentrate. We expect to reach this level of production in October 2012;

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“Plus All”	Plus All Holdings Limited, a wholly-owned subsidiary of Shougang Hong Kong;
“Pioneer Vast”	Pioneer Vast Limited, an investment holding company incorporated in the BVI. Pioneer Vast is an indirect wholly-owned subsidiary of NWS;
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this Prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“PRC GAAP”	the generally accepted accounting principles of the PRC;
“PRC Government”	the central government of the PRC including all government subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them;
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by our Company on 25 January 2011, the principal terms of which are summarized in the section headed “Statutory and General Information – D. Pre-IPO Share Option Scheme” in Appendix VIII to this Prospectus;
“Precise Power”	Precise Power Holdings Limited, a company incorporated in the BVI. Precise Power was controlled by Mr. Zhao in 2006;
“Preferential Offering”	the Preferential Offering to the Qualifying NWD Shareholders and Qualifying NWS Shareholders of 40,000,000 Reserved Shares in aggregate (representing 5% of the 800,000,000 new Shares available under the Global Offering), at the Offer Price, on and subject to the terms and conditions stated herein and in the light orange and blue Application Forms, as further described in “Structure of the Global Offering — The Preferential Offering” in this Prospectus;
“Preferential Offering Documents”	this Prospectus, the light orange Application Form, the blue Application Form and any announcements, offer awareness materials and summary disclosure materials in the agreed form issued by our Company and/or NWD and/or NWS in connection with the Preferential Offering (including any supplement or amendment thereto);
“Price Determination Agreement”	the agreement to be entered into by the Joint Bookrunners (on behalf of the Underwriters) and our Company (on our own behalf and on behalf of the Selling Shareholder) on the Price Determination Date to record and fix the Offer Price;
“Price Determination Date”	the date, expected to be on or around 24 June 2011, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than 28 June 2011;
“Prospectus”	this Prospectus in connection with the Hong Kong Public Offering;
“Q1”	the first quarter of a calendar year;

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“Q2”	the second quarter of a calendar year;
“Q3”	the third quarter of a calendar year;
“Q4”	the fourth quarter of a calendar year;
“QIBs”	qualified institutional buyers within the meaning of Rule 144A;
“Qualifying NWD Shareholders”	holders of the shares of NWD, whose names appear on the register of members of NWD as of 5:00 p.m. on the Record Date, other than the Overseas NWD Shareholders;
“Qualifying NWS Shareholders”	holders of the shares of NWS, whose names appear on the register of members of NWS as of 5:00 p.m. on the Record Date, other than the Overseas NWS Shareholders;
“Record Date”	16 June 2011, being the record date for ascertaining the Assured Entitlement;
“Regulation S”	Regulation S under the U.S. Securities Act;
“Reorganization”	the reorganization arrangements implemented by the Group in preparation for the Listing which is more particularly described in the section headed “Statutory and General Information — A. Further Information about Our Company — 4. Reorganization” in Appendix VIII to this Prospectus;
“Repurchase Mandate”	the general mandate granted to our Directors to repurchase Shares, details of which are set out in the section headed “Statutory and General Information — A. Further Information about Our Company — 3. Written resolutions of the Shareholders passed on 9 April 2010, 25 January 2011, 8 June 2011 and 10 June 2011” in Appendix VIII to this Prospectus;
“Reserved Shares”	the 40,000,000 Shares offered pursuant to the Preferential Offering at the Offer Price to the Qualifying NWD Shareholders and the Qualifying NWS Shareholders, representing 5% of the 800,000,000 new Shares available under the Global Offering;
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC;
“Rothschild”	Rothschild (Hong Kong) Limited;
“Rule 144A”	Rule 144A under the U.S. Securities Act;
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局);
“SAIC”	the State Administration for Industry and Commerce of the PRC (中國國家工商行政管理總局);

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“Sale Shares”	the 200,000,000 Shares (subject to adjustment and without taking into account the Over-allotment Option) offered for sale by the Selling Shareholder at the Offer Price under the International Placing;
“SAWS”	State Administration of Work Safety of the PRC (中華人民共和國國家安全生產監督管理總局);
“Selling Shareholder”	Fast Fortune;
“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;
“Shangzhengxi Mine”	Shangzhengxi iron ore mine (上鄭西鐵礦), an iron ore mine located near Shahe City, Hebei Province, the PRC, approximately 120 km from the Yanjiazhuang Mine;
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal or par value of HK\$0.10 each;
“Share Option Scheme”	the share option scheme conditionally approved and adopted by the Company on 9 April 2010, the principal terms of which are summarized in the section headed “Statutory and General Information — E. Share Option Scheme” in Appendix VIII to this Prospectus;
“Shareholder(s)”	holder(s) of our Share(s);
“Shougang Agreement”	the agreement entered into by Shougang Hong Kong and the Company on 28 April 2011, the principal terms of which include sales of iron concentrate, future strategic cooperation and technical support;
“Shougang Corporation”	Shougang Corporation, a state-owned enterprise in the PRC. One of Shougang Corporation’s subsidiaries is Shougang Concord International Enterprises Company Limited, that is listed on the Stock Exchange;
“Shougang Hong Kong”	Shougang Holding (Hong Kong) Limited, a subsidiary of Shougang Corporation, a company incorporated in Hong Kong and is an Independent Third Party;
“Sinosteel”	Sinosteel Engineering Design & Research Institute (中鋼集團工程設計研究院), an Independent Third Party;
“Sole Global Coordinator”	Citi;
“Stabilizing Manager”	Citi;

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“Standlink”	Standlink Holdings Ltd., a company incorporated in the BVI. Standlink was wholly-owned by Mr. Yip at the time of the acquisition of Mr. Yip’s indirect interest in our Company by our Controlling Shareholders;
“Star Valiant”	Star Valiant Limited, an investment holding company incorporated in the BVI. Star Valiant is a subsidiary of VMS in which VMS holds all the voting rights as well as approximately 89.1% of the right to dividends and other distributions;
“Start Well”	Start Well International Ltd., an investment holding company incorporated in the BVI. Start Well was wholly-owned by Mr. Sin at the time of the transfer of Start Well’s indirect and direct interest in our Company to Aleman and Mr. Zhao, respectively;
“Steelhome”	Shanghai Steelhome Information Technology Co., Ltd.;
“Stock Borrowing Agreement”	a stock borrowing agreement expected to be entered into on or about 24 June 2011 among the Stabilizing Manager and Fast Fortune pursuant to which Fast Fortune will agree to lend up to 150,000,000 Shares to the Stabilizing Manager on terms set out therein;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Stream Joy”	Stream Joy Limited, a limited liability company incorporated in Hong Kong. Stream Joy is an indirect wholly-owned subsidiary of NWS;
“Subscription Agreement”	the subscription agreement dated 17 January 2010 entered into among the Bond Issuer, the Guarantors and the Original Bondholders, pursuant to which the Original Bondholders agreed to purchase, and the Bond Issuer agreed to issue, secured exchangeable bonds in the amount of US\$60.0 million, a summary of which is set out in the section headed “History, Reorganization and Corporate Structure – Issuance of the Exchangeable Bonds by Faithful Boom (January – March 2010)” in this Prospectus;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
“Tianjin Chuangji”	Tianjin Chuangji Industry Development Company Limited (天津創吉實業發展有限公司), a limited liability company established in the PRC. Tianjin Chuangji is an indirect wholly-owned subsidiary of NWS;
“Track Record Period”	the period comprising the three financial years of the Group ended 31 December 2010;
“Underwriters”	the Hong Kong Underwriters and the International Underwriters;

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“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement;
“United States” or “U.S.”	the United States of America;
“US¢” or “U.S. cents”	United States cents, the lawful currency of the United States;
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States;
“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time;
“USGS”	the United States Geological Survey, a fact-finding research organization of the United States government which engages in four major science disciplines concerning biology, geography, geology and hydrology;
“VAT”	Value-added tax;
“Venca”	Venca Investments Limited, an investment holding company incorporated in the BVI. Venca is a wholly-owned subsidiary of the Company;
“VMS”	VMS Investment Group Limited, a limited company incorporated in the BVI whose entire interest is owned by Ms. Mak Siu Hang, Viola;
“VMS Securities”	VMS Securities Limited, a subsidiary of VMS. VMS Securities is licensed to conduct type 1, type 4, type 6 and type 9 regulated activities under the SFO;
“we” or “us” or “our” or “the Group”	Newton Resources Ltd or its predecessors, and except where the context otherwise requires, all of its subsidiaries from time to time;
“Wen’an Iron & Steel”	Hebei New Wuan Iron and Steel Group Wen’an Iron & Steel Co., Ltd. (河北新武安鋼鐵集團文安鋼鐵有限公司), an Independent Third Party;
“WSA”	World Steel Association;
“WTO”	World Trade Organization;
“Xing Rong Coal Mine”	Lincheng County Xing Rong No.1 Coal Mine (臨城興融第一煤礦), a coal mine located in Lincheng Village, Lincheng County, Hebei Province, the PRC;
“Xingtai Longhai”	Xingtai Longhai Iron and Steel Group Ltd. (邢臺龍海鋼鐵集團有限公司), an Independent Third Party;
“Xingtai Weilai”	Xingtai Weilai Smelting Foundry Co., Ltd. (邢臺未來冶煉鑄造有限公司), an Independent Third Party;
“Xingye Mining”	Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司), a sino-foreign joint venture established in the PRC on 10 May 2006. Xingye Mining is a subsidiary of the Company as to 99.0% of its equity interest;

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“Yanjiazhuang Mine”	Lincheng Xingye Mineral Resources Co., Ltd Yanjiazhuang Mine (臨城興業礦產資源有限公司閆家莊鐵礦), an iron ore mine located in Yanjiazhuang Mining Area, Shiwopu, Haozhuang Town, Lincheng County, Hebei Province, the PRC;
“Yanjiazhuang Reservoir”	a surface water reservoir with an existing water storage capacity of approximately 120,000 m ³ located in Lincheng County, Hebei Province, the PRC;
“Zhao SPV”	Wonderful Sky Limited, a company incorporated in the BVI. Zhao SPV was wholly-owned by Mr. Zhao at the time of the acquisition of Mr. Zhao’s indirect interest in our Company by our Controlling Shareholders; and
“%”	per cent.

The English names of the PRC nationals, entities, departments, facilities, certificates, titles and the like mentioned in this Prospectus are translations from their Chinese names. If there is any inconsistency, the Chinese names shall prevail.

Unless otherwise specified, all references to any shareholdings in the Company assume no exercise of the Over-allotment Option.

GLOSSARY OF TECHNICAL TERMS

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

“O”	degrees;
“adit”	a type of entrance to an underground mine which is horizontal or nearly horizontal, usually built into the side of a hill or mountain;
“Al ₂ O ₃ ”	aluminum oxide;
“ball mill”	a rotating cylindrical mill that uses heavy iron balls to grind ore into fine particle powder;
“beneficiation”	a process of crushing and separating ore into valuable substances and waste;
“CaO”	calcium oxide;
“CFR”	cost and freight, a term of sale whereby the seller is considered to have delivered the goods when they pass the ship’s rail in the port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination but the risk of loss of or damage to the goods, as well as any additional costs incurred after the time of delivery, is transferred from the seller to the buyer;
“CIF”	cost, insurance and freight, a term of sale whereby the seller is considered to have delivered the goods when they pass the ship’s rail in the port of shipment. The seller must pay the costs, insurance and freight necessary to bring the goods to the named port of destination but the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time of delivery, is transferred from the seller to the buyer;
“CO ₂ ”	carbon dioxide;
“concentrate”	a powdery product containing an upgraded mineral content resulting from initial processing of mined ore to remove waste materials. A concentrate is an intermediary product, subject to further processing, such as smelting, to effect recovery of metal;
“crude steel”	steel in the first solid state after melting, suitable for further processing or for sale;
“crusher”	a machine for crushing solids to small grain sizes;

GLOSSARY OF TECHNICAL TERMS

“deposit”	a body of mineralization 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 due to the inclusion of waste material in the mined ore;
“dm _t u”	dry metric tonne unit;
“DRI”	directly reduced iron, produced from iron ore through a direct reduction process;
“drilling”	the process of making a circular hole in the ground with a drill, which is typically used to obtain a cylindrical sample of ore. Alternatively, blasthole drilling is a technique used to create a hole to house an explosive charge in preparation for blasting a zone of rock;
“exploration”	activity to prove the location, volume and quality of an ore body;
“Fe”	iron;
“Fe ₂ O ₃ ”	iron oxide;
“FeO”	iron (II) oxide;
“FINEX”	a direct smelting process for the production of iron from iron ore;
“flotation”	a process to induce mineral to particles to attach to bubbles of froth and to float, sink, so that the valuable minerals are concentrated and separated from the remaining mineral material;
“footwall”	the rock immediately underlying a mineral deposit;
“FOB”	free on board, a term of sale whereby the seller delivers when the goods pass the ship’s rail at the named port of shipment after which the buyer has to bear all shipping and other costs and risks in respect of loss of or damage to the goods from that point;
“gabbro-diabase”	a hard abrasian-resistant durable igneous rock, often obtain as a mining by-product, used in a wide variety of construction products;
“gangue”	waste rock;
“grade”	the concentration, commonly expressed as percentage or grams per tonne, of useful elements, minerals or their components in any ore or concentrate;

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“hanging wall”	the rock immediately overlying a mineral deposit;
“HBI”	hot briquetted iron, produced from iron ore through a direct reduction process;
“HISmelt”	high intensity smelting, a direct smelting process for the production of iron from iron ore;
“indicated resource”	a mineral resource sampled by drill holes or other procedures at locations too widely spaced to ensure continuity, but close enough to provide a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability, as defined by the JORC Code;
“inferred resource”	mineral resource that has geoscientific evidence from drill holes or other sampling procedures such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability, as defined by the JORC Code;
“in-situ”	in its natural position;
“iron”	the silvery-white, lustrous, malleable, ductile, magnetic or magnetizable, metallic element, with atomic number 26, occurring abundantly in combined forms, notably in hematite, limonite, magnetite, and taconite, and alloyed for use in a wide range of important structural materials;
“iron concentrate”	concentrates whose main mineral content (by value) is iron;
“iron ore”	compounds of iron and oxygen (iron oxides) mixed with impurities (gangue) and a mineral that yields metallic iron when heated in the presence of a reductant;
“JORC”	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy;
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the JORC, Australian Institute of Geoscientists and Minerals Council of Australia in September 1999 and revised in December 2004, a widely used and internationally recognized code setting out the minimum standards, recommendations and guidelines for public reporting of exploration results, mineral resources and ore reserves;
“K ₂ O”	the chemical symbol for potassium oxide;
“kg/m”	kilogram(s) per meter;
“km”	kilometer(s);

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“km ² ”	square kilometer(s);
“kt”	thousand tonnes, a metric unit of weight;
“ktpa”	kt per annum;
“kV”	kilovolt;
“kVA”	kilovolt-ampere;
“m”	meter(s);
“m ² ”	square meter(s);
“m ³ ”	cubic meter(s);
“m ³ /min”	cubic meter(s) per minute;
“measured resource”	mineral resource that has been intersected and tested by drill holes or other sampling procedures at locations close enough to confirm continuity and where geoscientific data are reliably known, as defined by the JORC Code;
“mFe”	average magnetic iron grade;
“mine life”	the number of years that a mine is expected to continue operations based on the current mine plan;
“mineral deposits”	a natural occurrence of a useful mineral in a 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;
“mineralization”	an area with discontinuous distribution belts of mineralization, including the occurrence of deposits, mine sites and alteration of waste rock, as exploration indicators and under control of same geology conditions. It is a key zone for estimation and further planning of exploration of minerals;
“mining dilution”	waste material taken in the process of ore extraction;
“mining loss”	the part of an ore reserve not recovered during the mining process;

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“mining rights”	the rights to mine mineral resources and obtain mineral products in areas where mining activities are licensed;
“mm”	millimeter(s);
“MgO”	magnesium oxide;
“MnO ₂ ”	manganese oxide;
“Mt”	megatonne(s);
“Mtpa”	Mt per annum;
“Na ₂ O”	sodium oxide;
“Oe”	oersted, the unit of magnetizing field in the centimeter-gram-second system, also known as magnetic field strength or intensity;
“open-pit mining”	mining of a deposit from a pit open to surface and usually carried out by stripping overburden materials;
“ore”	mineral bearing rock that can be mined and treated profitably under current or immediately foreseeable economic conditions;
“ore body”	natural mineral accumulations that can be extracted for use under existing economic conditions and using existing extraction techniques;
“ore processing” or “processing”	the process of extracting usable portions of ores 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 occurring 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 reserves are subdivided into probable and proved;
“P ₂ O ₅ ”	phosphorous pentoxide;
“probable reserves”	the economically mineable part of an indicated, (and in some circumstances, a measured) mineral resource, as defined by the JORC Code. It includes diluting materials and allowances for losses that may occur when the material is mined;

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“proved reserves”	the economically mineable part of a measured mineral resource, as defined by the JORC Code. It includes diluting materials and allowances for losses which may occur when the material is mined;
“recovery rate”	the percentage of valuable mineral resource that is able to be recovered from mining and processing activities;
“S”	sulfur;
“sintering”	a method to cause iron or other powders to be formed into solid objects by heating it below its melting point until the powder agglutinates;
“SiO ₂ ”	silicon dioxide;
“strip ratio”	the ratio of waste rock to iron ore;
“tailing”	waste materials produced after processing ore to extract target minerals;
“TFe”	average total iron grade;
“TiO ₂ ”	titanium dioxide;
“tonne” or “t”	a metric unit of weight;
“tpa”	tonne(s) per annum;
“tpd”	tonne(s) per day;
“US¢ /dm tu”	US cents per dry metric tonne unit, the measure used to quote iron ore prices. This measure is multiplied by the iron ore grade of the saleable product to arrive at the price per tonne of material; and
“waste rock”	rock or minerals other than iron ore or other desired deposits removed during mining operations.

FORWARD-LOOKING STATEMENTS

We have included in this Prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. The Directors of the Company have made these statements with due care and have no reason to believe that the statements are not accurate.

These forward-looking statements include, without limitation, statements relating to our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, any statements preceded by, followed by or that include the words “aim,” “anticipate,” “believe,” “continue,” “could,” “expect,” “going forward,” “intend,” “ought to,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and similar expressions, and any other statements in this Prospectus that are not historical facts.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. We undertake no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement.

These factors include, among others, the following:

- our business prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions in the markets in which we operate;
- the exploration of mineral reserves and development of mining facilities;
- the depletion and exhaustion of mines and mineral reserves;
- trends in commodity prices and demand for commodities;
- industry trends, including the direction of prices and expected levels of supply and demand;
- our operations and production costs;
- our ore processing capacity expansion and planned production;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- supply and demand changes in iron ore or gabbro-diabase;
- changes in prices for iron ore or gabbro-diabase;

FORWARD-LOOKING STATEMENTS

- our production capabilities;
- our relationship with, and other conditions affecting, our customers;
- risks inherent in our mining and production;
- changes in political, economic, legal and social conditions in China, including the government's specific policies with respect to the iron ore or gabbro-diabase industries, economic growth, inflation, foreign exchanges and the availability of credit; and
- weather conditions or catastrophic weather-related damage.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors” and elsewhere in this Prospectus. Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this Prospectus are qualified by reference to this cautionary statement.

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You should carefully consider all of the information set out in this Prospectus, including the risks and uncertainties described below and in Appendix V — Independent Technical Report — Risk Analysis in respect of, inter alia, our business and industry, before making an investment in the Shares being offered in this Global Offering. You should pay particular attention to the fact that our principal operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from that which prevails in other countries. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares being offered in this Global Offering could decline due to any of these risks, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorized as: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting operations in China; and (iv) risks relating to the Shares and the Global Offering. Prospective investors in the Shares should consider carefully all the information set forth in this Prospectus and, in particular, this section in connection with an investment in the Company.

RISKS RELATING TO OUR BUSINESS

As a developing mining company with a limited operating history, we cannot guarantee that we will generate revenue and grow our business as planned.

We have only been in existence since 2005 and our business is focused on one iron ore mine, which we have only recently started to exploit through commercial production. As a result, there is limited historical information available upon which you can base your evaluation of our business and prospects. During the Track Record Period, we focused our efforts on acquiring and preparing the Yanjiazhuang Mine for commercial production. In addition, the commencement of our commercial operations was originally scheduled for July 2010, but as a result of the change of Controlling Shareholders (See “History, Reorganization, and Corporate Structure – History and Development – Prior to Change in Controlling Shareholders”), a period of time was required both to effect the change of Controlling Shareholders and for the new Controlling Shareholders to assess, review and adjust mine development and operational plans, which has resulted in the commencement of commercial operations on 1 January 2011. As a result, we only began to generate revenue from our operations in January 2011 and incurred net losses and negative cash flow over the Track Record Period. Our limited operating history makes the prediction of our future operating results, operating costs and prospects difficult. The Independent Technical Report provides a forecast of our operating, processing and production costs. See Appendix V — Independent Technical Report — Operating Costs. If the assumptions underlying our expected costs are incorrect, such as the lack of inflation factors, our financial condition and results of operations could be adversely affected. For further discussion regarding the risks relating to our operating costs, see Appendix V — Independent Technical Report — Risk Analysis — Operating Cost. We believe that period-to-period comparisons of our operating results may not be meaningful and the results for any period should not be relied upon as an indication of future performance. You should consider our business and prospects in light of the risks, uncertainties, expenses and challenges that we will face as a developing mining company.

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Fluctuations in the market price for iron concentrate or steel and foreign currency exchange rates could materially and adversely affect our business, financial condition and results of operations.

Upon commencement of commercial operations, we expect to derive our revenues primarily from the sale of iron concentrate. The prices of our iron concentrate are determined by the content and grade of the iron contained in our products and the market price of iron concentrate. In addition, fluctuations in the price of iron concentrate, due to factors such as an imbalance in the supply of and demand for iron concentrate in local, national and global markets could adversely affect the unit price of our products. The performance of the PRC steel industry could also influence the demand for our products. Government policies, macroeconomic factors, including currency exchange rates, interest rates and the level of inflation, global economic trends, inventory levels, actions of participants in the commodity markets and other factors beyond our control could result in a significant oversupply or decreased demand for steel which, in turn, would result in fluctuations in the market price and demand for iron ore. Historically, the market price of iron concentrate or steel has fluctuated widely and each has experienced periods of significant decline. For the years ended 31 December 2009 and 2010 and year-to-date 2011 (up to the Latest Practicable Date), iron concentrate prices in Hebei Province (inclusive of VAT) averaged RMB770/tonne, RMB1,201/tonne and RMB1,404/tonne, respectively, according to Hatch. Like our competitors, we have a limited ability to anticipate and manage commodity price fluctuations. There can be no assurance that the market price of any or all 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 prices of any of these metals, and in particular iron concentrate, could materially and adversely affect our business, financial condition and results of operations.

In addition, substantially all of our revenue and our operating costs are, and for the foreseeable future will be, denominated in Renminbi. Since the prices in Renminbi of the metals contained in the concentrates we sell effectively move in line with the market prices of those metals in U.S. dollars, our earnings may be affected by the Renminbi/U.S. dollar exchange rate. We currently do not, and currently have no plans to, hedge our U.S. dollar currency exposure. Therefore, any appreciation of the Renminbi against the U.S. dollar could materially and adversely affect our financial results. See “— Risks Relating to Conducting Operations in China — Government control of currency conversion and changes in the exchange rate between the Renminbi and other currencies could negatively affect our financial condition, operations and our ability to pay dividends.”

Our operations are primarily exposed to uncertainties in relation to one major project, the Yanjiazhuang Mine.

We focus our operations primarily on one iron ore mine, the Yanjiazhuang Mine. Our Yanjiazhuang Mine is in the early stage of production and we have only explored a small percentage of our total reserves and resources. As of the Latest Practicable Date, we have obtained a mining permit for the Yanjiazhuang Mine that covers 5.22 km² with a mining quota of 3,000 ktpa. We have developed three open-pit mining pits and have completed test runs on two of our processing facilities. We expect to complete Phase Three of our expansion plan to increase our iron ore processing capacity to 10,500 ktpa in the second quarter of 2012, and we expect to achieve this level of production in October 2012. As we have a considerable amount of unexplored reserves and resources and only commenced commercial production on 1 January 2011, we cannot assure you that the expected economic benefits from this project will be successfully realized.

There are a number of risks involved in estimating our ore reserves and resources and operating the Yanjiazhuang Mine, as set forth in Appendix V — Independent Technical Report — Risk Analysis — Ore Reserves. These include risks relating to the following:

- limited history of trial and commercial production: the Company commenced commercial production in January 2011. The Yanjiazhuang Mine is in its Phase One expansion stage and only limited trial and commercial production has occurred as of the date of the Independent

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Technical Report. This may bring an additional risk for the project, as the assumptions and estimations inherent in the ore reserve estimation have not been subject to verification through actual full production over a period of time;

- stripping activities and costs: no detailed mine plan has been completed for the Yanjiazhuang Mine. Further, the relatively higher strip ratio of 3.00:1.00 starting in year three and the further increase in year seven to 3.40:1.00 compared to the strip ratios in the earlier years of 2.41:1.00 in 2011 and 2.51:1.00 in 2012 makes the Yanjiazhuang Mine more vulnerable to changes in iron ore/concentrate prices. The Independent Technical Advisor has noted that the annual strip ratios in the production plan are not based on a detailed production schedule, and recommended that we prepare a detailed production schedule to derive the real waste stripping needs for the early years of the mine life. If waste stripping is not scheduled appropriately, ore production in the subsequent years could be affected. The Company is preparing a more detailed two-year mine plan and 10-year mine plan which are expected to be completed in September 2011, and has also begun preparing a detailed 26-year mine plan which is expected to be completed in December 2011;
- cost estimations: according to the Independent Technical Advisor, estimates of project capital and operating costs usually deviate by at least 10% and often more than 15% for projects in development stages. Further, the Independent Technical Advisor has noted that the capital cost for construction of the conveyor system and declines from the crushing plants to the concentrators is not included in the initial capital cost estimate, as this pre-concentrated ore transportation system is not scheduled to be built in the initial years of the mine life;
- absence of a detailed geotechnical study and use of preliminary grade study: the Independent Technical Advisor has noted that detailed geotechnical studies have not been completed to determine the appropriate pit slopes and the grade model used for pit optimization for the Yanjiazhuang Mine and that the ore reserve estimation is also considered preliminary in nature. The Independent Technical Advisor has also noted that although it is not essential to have detailed geotechnical and/or grade studies to conduct efficient and/or profitable mining operations, especially at the early stage of the open pit mining operation, it recommends the Company to conduct a detailed geotechnical study for the project and to implement a more detailed grade model for pit optimization and ore reserve estimation in order to fully optimise the mining operations at Yanjiazhuang. A detailed geotechnical study would provide more detailed information as to the geology, soils, and seismic conditions at the Yanjiazhuang Mine. Using this information to construct a more detailed grade model would provide additional relevant information to enable us to determine the appropriate pit slope angles during the early years of mining operations and design the relevant walls of the open pit most appropriately. Without such information, we may construct pit slope angles that are lower than necessary, resulting in more waste stripping than is necessary with significant additional costs, and our mine design may also be less efficient, resulting in mining of less ore reserves than we otherwise could have with an efficient mine design; and
- infrastructure: additional roads, substations and transmission lines will need to be built for completion of Phases Two and Three of our expansion plan.

These risks are classified by the Independent Technical Advisor as either low, or low to moderate risks. The Independent Technical Advisor has further noted that the risk associated with a mining project will be reduced when the project evolves from the exploration stage to the development stage and the production stage.

In addition, our mining permit for the Yanjiazhuang Mine will expire in 2017. We cannot guarantee that we will be able to successfully obtain an extension of the mining permit from the relevant government authorities upon the expiration of our current mining permit. See “— Our failure or inability

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to obtain, retain and renew required government approvals, permits and licenses for our exploration and mining activities could materially and adversely affect our business, financial condition and results of operations.” The occurrence of any of the foregoing may adversely affect our business, financial condition and results of operations. For additional information regarding the risks involved in estimating our ore reserves, see Appendix V — Independent Technical Report — Risk Analysis — Ore Reserves. Moreover, our stripping activities and related costs for the Yanjiazhuang Mine may adversely affect our business and results of operations. For additional information regarding the risks relating to the stripping costs for the Yanjiazhuang Mine, see Appendix V — Independent Technical Report — Risk Analysis — Open Pit Mining.

Our inability to develop existing or acquire additional iron ore reserves may have a material adverse effect on our business and results of operations.

As of the Latest Practicable Date, we held the mining rights to one open-pit iron ore mine, the Yanjiazhuang Mine. We have not yet explored and developed all of the mineralized bodies in the 5.22 km² mining area covered by our mining permit. In addition, we have applied to the relevant government body for a license to explore the 0.75 km² area adjacent to the northern boundary of the permitted mining area of Yanjiazhuang Mine. The development plan for this adjacent 0.75 km² area is not included in our three-phase expansion plan. The final development plan of this adjacent land is subject to government approval and the outcome of further exploration. There are no assurances that the exploration permit will be granted, nor that iron ore resources and reserves will be found in the area. We cannot guarantee that our plans to expand our reserves and resources and further develop the Yanjiazhuang Mine will succeed. Such plans may be delayed or adversely affected by various factors, including the failure to obtain relevant regulatory approvals, the failure to secure sufficient financing to fund our expansion and production, the occurrence of geotechnical difficulties or constraints on managerial, operational, technical and other resources, the incurrence of higher-than-expected stripping costs and our decision to utilize small-scale mining equipment in our open-pit mining operations. For additional information regarding the risks involved in our open-pit mining plans, see Appendix V — Independent Technical Report — Risk Analysis — Open Pit Mining. In the event that we encounter any delay or difficulty in developing the Yanjiazhuang Mine, we may experience cost overruns or fail to obtain the intended economic benefits from the project, which may in turn materially and adversely affect our business, financial condition and results of operations. For example, delays in our planned construction or equipment adjustment may affect our ability to meet planned production targets during our initial stages of commercial production. See Appendix V — Independent Technical Report — Risk Analysis — Production Targets. In addition, the assumptions underlying our forecast planned production targets may prove to be incorrect, which in turn may adversely affect our results of operations.

We entered into a contract with the 11th Geological Brigade in February 2010 to acquire the exploration rights to two iron ore mines located in Hebei Province, namely the Gangxi Mine and the Shangzhengxi Mine. We expect to decide whether to develop these mines upon completion of the relevant exploration activities. We cannot guarantee that we will be able to proceed with or successfully complete these acquisitions. If the acquisition of the exploration rights to these two mines is unsuccessful or if we fail to discover mineable resources or develop them into commercially viable assets, our expansion plan may be delayed or adversely affected.

We also intend to acquire iron ore assets in the future to expand our mineral reserves and resources. However, we may encounter intense competition during the acquisition process and we may fail to select or value our targeted assets appropriately. One of the important factors that we consider when selecting or evaluating targets is reserve and resource data. Such data are estimates that may be affected by many factors and may be inaccurate. See “— The reserve and resource data cited in this Prospectus are estimates and may be inaccurate.” The failure to select or value our targeted assets appropriately may result in our inability to complete our expansion plans at a reasonable cost, if at all.

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Our exploration and mining projects, acquisition activities and expansion plans require substantial capital investment and may not achieve the intended economic results.

Exploration of mineral properties is speculative in nature. There is no assurance that our exploration activities will result in the discovery of mineable resources and that feasibility assessments will result in the justification of ore extraction. If a viable deposit is discovered, it can take several years and significant capital expenditures from the initial phases of exploration until commercial production commences during which time the capital cost and economic feasibility may change. Furthermore, actual production results may differ from those anticipated at the time of discovery. In order to maintain production beyond the life of our current ore reserves, additional iron ore reserves must be identified and explored, either to extend the life of existing mines or to justify the development of new projects in our existing mining area or in other areas in which we acquire mining rights. Our exploration programs and feasibility studies may not result in the replacement of such reserves or result in new commercial mining operations. In the event that we are unable to develop our exploration and mining projects in the quantity or manner as planned, yielding commercially viable products or otherwise achieving a positive return on our investment, our business, financial condition and results of operations may be materially and adversely affected.

Our exploration and mining projects and acquisition activities require substantial capital investment. For example, we entered into a contract to acquire the exploration rights to the Gangxi Mine and the Shangzhengxi Mine from the 11th Geological Brigade in February 2010. Since both mines are in the early stages of preliminary exploration as of the Latest Practicable Date, information regarding the scope of exploration, mining method and technology to be used, iron ore quality, expected annual production volumes, and estimated resources and reserves are not yet available. As such, we are unable to determine with certainty the total amount of fees to be paid to the 11th Geological Brigade until exploration work for these two mines is completed. Pursuant to our contract with the 11th Geological Brigade, we are required to pay an aggregate of RMB9 million for the exploration rights to both mines upon the transfer of the exploration rights to us and, after the iron ore reserves are ascertained, we are also required to pay an additional amount, which shall be calculated as RMB2/tonne of iron ore reserves. We expect to spend approximately RMB720.0 million for the exploration and acquisition costs of these two mines along with other mines in Hebei Province not yet identified by us. However, we cannot guarantee that the amount we have estimated and budgeted will be sufficient to cover the actual fees. In addition, our expansion plans are subject to change, require significant capital investment and our actual capital expenditures might be higher than we currently anticipate.

For additional information about our estimated financing needs for our expansion plan, see “Financial Information — Financing of our Mining Projects.” In the event that our actual capital expenditures exceed our estimates or we are unable to obtain adequate financing on acceptable terms, or at all, for these projects and plans, our business, financial condition and results of operations may be materially and adversely affected.

We face certain risks and uncertainties beyond our control that are associated with our operations and our customers’ operations.

Our mining operations are subject to a number of operating risks and hazards, some of which are beyond our control. These operating risks and hazards include:

- unexpected or periodic interruptions due to inclement or hazardous weather conditions;
- major catastrophic events and natural disasters, including fires, earthquakes, floods and snowstorms;
- water, power or fuel supply interruptions;

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- unusual or unexpected variations in the ore; and
- geological or mining conditions such as subsidence of the working areas.

Such risks and hazards may require us to evacuate personnel or curtail operations, which could result in the temporary suspension of operations, a reduction in our productivity, or difficulties for our customers in accessing our processing facilities to obtain our products. Periods of curtailed activity could increase the costs associated with our mining operations and may have a material adverse effect on our business, financial condition and results of operations.

Natural disasters, such as earthquakes, floods and snowstorms, may disrupt or seriously affect our operations and production as well as the operations and production of our customers. Droughts, such as the unusually severe drought affecting Northern China with limited rain since last winter and into spring, significantly reduce the available water supply and affect our ability to access water, as a result of which we accelerated commencement of our plan to construct water pipelines to the Lincheng Reservoir, and in response to which the Company decided to significantly reduce levels of production temporarily, thus disrupting our mining operations. These natural disasters may also damage ancillary operations such as travel and access by our customers to the Yanjiazhuang Mine to obtain our products. In addition, any sustained disruption to the operations of our mine, processing facilities or supporting infrastructure, particularly the highway and roadway network, or any change to the natural environment surrounding our mine, may have a material adverse effect on our business, financial condition and results of operations.

Our memoranda of understanding do not create binding sales commitments and may not result in sales or revenues.

In 2009, we entered into memoranda of understanding for the sale of iron concentrate with six purchasers in Hebei Province, all of which are major steel producers and are Independent Third Parties. In 2011, we entered into memoranda of understanding for the sale of gabbro-diabase products with four purchasers, all of which are well-known PRC property companies or their subsidiaries and are Independent Third Parties. Under these memoranda of understanding, we and each of the purchasers have agreed to negotiate the terms of future specific contracts, specifying the amount of iron concentrate or gabbro-diabase to be sold, the price and other terms. However, unlike the Shougang Agreement, which created purchase and sale obligations regardless of whether Shougang Hong Kong and the Company enter into a definitive supply agreement, we cannot assure you that future sales will result from these other memoranda of understanding. In addition, although we will seek to convert our iron concentrate memoranda of understanding into long-term binding sales agreements with these parties and other potential customers on terms acceptable to us after the completion of Phase One, and after further progress has been made on Phase Two and Phase Three, of our expansion plan, we cannot assure you that we will be successful in this endeavor.

We may not receive the benefits we expect from any cooperation agreement with Shougang Hong Kong or any other steel manufacturers.

On 28 April 2011, we entered into the Shougang Agreement with Shougang Hong Kong, a wholly-owned subsidiary of Shougang Corporation, wherein we have agreed to negotiate to enter into definitive agreements to pursue resource-related opportunities (including potential acquisitions) in China and overseas and to cooperate in relation to operational and technical matters following any such acquisitions. Shougang Corporation has not guaranteed the obligations of Shougang Hong Kong under the Shougang Agreement. We may also seek to enter into similar agreements with other companies in the future. We offer no assurances that we will be able to identify suitable acquisition opportunities or successfully complete any such acquisitions. Furthermore, we may not obtain the desired benefits from our agreement with Shougang Hong Kong or any other cooperation agreements for a variety of reasons, including the fact that we have not previously worked together with the cooperating party in this manner,

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possible management conflict, and differences in business strategy as well as the financial standing of any cooperating party which may change over time.

We may not have sufficient managerial resources to bring our gabbro-diabase resources into production.

As part of our business strategy, we intend to invest in the exploration and development of our gabbro-diabase resources, which will include the development of extraction pits and construction of gabbro-diabase production facilities. We plan to invest approximately RMB303.2 million to develop and commercialize our gabbro-diabase resources and expect to fund this investment with revenue generated from our operations following the commencement of commercial production and the proceeds of the Global Offering. We expect to commence commercial production of quarry stones and crushed stones, two of our gabbro-diabase products, by July 2011. Our ability to implement this strategy will depend on, among other things, the availability of our managerial resources. However, our current management team may not have sufficient experience in developing and marketing gabbro-diabase products. While we plan to hire directors and management members who possess relevant knowledge and expertise in the gabbro-diabase industry, we cannot guarantee that we will be able to secure personnel with the relevant expertise and experience in the exploration and development of gabbro-diabase in a timely manner or at all. In the event that we are unable to procure adequate managerial resources, we may be unable to develop our gabbro-diabase resources as planned to yield commercially viable products or otherwise achieve a return on our investment — which would have a material adverse effect on our business, financial condition and results of operations.

We may have difficulty in managing our future growth and the associated increased scale of our operations.

We expect to expand through both organic growth and acquisitions due to the significant exploration potential of the Yanjiazhuang Mine and other neighboring iron ore assets in Hebei Province. Our future expansion may place a significant strain on our managerial, operational, technical and financial resources. In order to better allocate our resources to manage our growth, we must hire, recruit and manage our workforce effectively and implement adequate internal controls in a timely manner. If we fail to maintain sufficient internal sources of liquidity and secure external sources of funding for future growth, we may encounter, among other things, delays in production and operational difficulties. If we are unable to effectively manage our growth and the associated increased scale of our operations, the quality of our products, our ability to attract and retain key personnel and our business or prospects could be harmed significantly.

Our failure or inability to obtain, retain and renew required government approvals, permits and licenses for our exploration and mining activities could materially and adversely affect our business, financial condition and results of operations.

Under the Mineral Resources Law of the PRC, all mineral resources in China are owned by the state. Mining companies such as ours are required to obtain certain government approvals, permits and licenses for each of their exploration and mining projects. Our ability to carry on our business is therefore subject to our ability to obtain, and the government's willingness to issue, renew and not revoke, such requisite exploration and mining rights.

For example, under relevant PRC laws and regulations, mining companies are required to apply and register for an exploration or mining permit before the commencement of exploration or mining activities, respectively, relating to mineral resources. Before commercial mining activities may commence, the permit holder must also obtain the relevant production safety permits, metallurgical mineral production permits and a waste discharge permit as well as pass an inspection of the environmental protection facilities conducted by relevant environmental protection authorities, which are required by PRC production safety and environmental protection laws as well as the local laws and

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regulations of Hebei Province. The Company is currently constructing a new tailings storage facility, which is expected to be completed in August 2011, with an estimated discharge storage capacity of 5 million m³. One of the production safety permits for our tailing storage facility at the No. 1 Processing Facility has expired on 15 April 2011. We are currently applying for the production safety permit for our new tailings dam. The Lincheng County Production Safety Supervision and Administration Bureau issued a notice letter to us on 12 April 2011. The notice letter states that the Company shall commence the closure procedures for the tailings storage facility within a period of one year from 15 April 2011, and the Company is allowed to use the tailings storage facility during the closure period with strengthened safety precaution measures. During such period, without renewing the expired permit or obtaining a new permit, the relevant government authorities may, in the future, not allow us to discharge the tailings into the tailings storage facility, which may adversely affect our production. We hold a mining permit for the Yanjiazhuang Mine which will expire in 2017. In addition, as of the Latest Practicable Date, we had filed an application with the relevant government authorities to expand the area covered by our mining permit for the Yanjiazhuang Mine. We have not yet obtained the required approvals to commence construction of Phase Two or Phase Three of our expansion plan nor to commence commercial production under Phase Two or Phase Three. Furthermore, we have not yet obtained the required approvals for construction of the gabbro-diabase related facilities or commercial production of gabbro-diabase. We have entered into a project investment agreement with the Lincheng County Industrial Park Administration Committee (LCIPAC) in respect of the land we intend to use to construct our gabbro-diabase production and processing facilities. Under this agreement, we are required to complete and commence operation of the production and processing facilities by June 2011. If we fail to commence operation by that date, LCIPAC may have the right to take back our land use rights. We cannot guarantee that we will be able to renew our existing approvals, permits and licenses or that we will be able to successfully obtain, retain or renew future approvals, permits and licenses in a timely manner, or at all, or that such approvals, permits and licenses will not be revoked by the relevant authorities. Failure to obtain or renew such approvals, permits and licenses as planned may cause delays in our production or expansion plans, thereby adversely affecting our business, financial condition and results of operations.

We may not be able to realize our plans to expand processing capacity and achieve our targeted iron ore mining quota.

Our iron ore output volume at the Yanjiazhuang Mine project is subject to the ore output volume limits stipulated in our current mining permits. The current mining permit for the Yanjiazhuang Mine allows for a mining quota of 3,000 ktpa of iron ore. We are in the process of applying for an expansion of this quota to 10,500 ktpa of iron ore. Any increase in the authorized ore processing capacity is subject to feasibility studies and the approvals of the relevant authorities, including the NDRC, MEP, SAWS and MLR or their respective branches. If we decide to increase our ore processing capacity, any such increase will be subject to the approval of the relevant government authorities. If we are unable to increase our ore processing capacity, our growth may be delayed and our business, financial condition and results of operations may be materially and adversely affected.

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We engage third-party contractors for some of our mining operations and our operations could be affected by the performance of our third-party contractors.

We engage third-party contractors to extract our iron ore, consolidate the extracted iron ore at the mine for hauling, haul the extracted iron ore to our processing facilities and remove the waste rock from our mining activities to waste rock dumps located outside of the Yanjiazhuang Mine pursuant to service contracts. As a result, our operations are affected by the performance of our third-party contractors. In selecting third-party contractors, we require the third-party contractors to have the relevant production safety permits issued by SAWS and, in cases where we hire third-party contractors for mining activities, the relevant qualifications issued by the construction administrative authorities. Such third-party contractors are required to carry out their work in accordance with the design and schedule of the relevant assignments as well as with our quality, safety and environmental standards, which are typically defined in the contracts we sign with them. Our specialized technical management personnel typically supervise the work performed by our third-party contractors and regularly inspect safety management. We cannot guarantee that we will be able to control at all times the quality, safety and environmental standards of the work performed by third-party contractors to the same extent as work performed by our own employees. Any failure by these third-party contractors to meet our quality, safety and environmental standards may result in liabilities to third parties and have a material adverse effect on our business, results of operations, financial condition and reputation. Any under-performance or non-performance by these third-party contractors could also affect our compliance with government rules and regulations relating to exploration, mining and workers' safety. Moreover, since we do not yet have long cooperative relationships with each of our third-party contractors, any failure by us to retain our third-party contractors or seek replacements on favorable terms or at all may have a material adverse effect on our business and results of operations.

We may not be able to obtain land use rights and building ownership rights for our planned mining sites and facilities.

As part of Phase Two of our capacity expansion plans, we plan to add three additional open-pit mining pits, one additional dry magnetic cobbing system and construct the No. 3 Processing Facility at the Yanjiazhuang Mine in the third quarter of 2011. In addition, we also intend to develop two additional open-pit mining pits, one additional dry magnetic cobbing system and construct the No. 4 Processing Facility during Phase Three of our expansion plan. We intend to apply for land use permits for the land required for Phase Two and Phase Three of our expansion plan. We may also, in the future, construct additional facilities that require us to obtain necessary building ownership rights. However, we cannot assure you that we will be able to obtain the requisite land use rights and building ownership rights for any additional land parcels or buildings that we intend to include as part of our expansion plan. Failure to do so may have a material adverse effect on our ability to expand our operations as planned.

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 have a finite life and will eventually close. According to the Independent Technical Advisor, the estimated mine life of the Yanjiazhuang Mine is approximately 26 years based on its ore reserve estimates as of 31 December 2010 and assuming mining and ore processing capacities gradually increase to 10,500 ktpa in the second quarter of 2012 (we expect to reach this level of production in October 2012) and gradually decrease at the end of the Yanjiazhuang Mine's life. The key costs and risks for mine closures are: (i) long-term management of permanent engineered structures; (ii) achievement of environmental closure standards; (iii) orderly retrenchment of employees and third-party contractors; and (iv) relinquishment of the site with associated permanent structures and community development infrastructure and programs to new owners. We are also subject to laws and regulations regarding the rehabilitation of areas we have cleared for mining and production purposes. The successful completion of these tasks is dependent on our ability to successfully implement negotiated

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agreements with the relevant government authorities, community and employees. The consequences of a difficult closure range from increased closure costs and handover delays to ongoing environmental rehabilitation costs and damage to our reputation if a desired outcome cannot be achieved, all of which could materially and adversely affect our business and results of operations.

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 of 31 December 2008, 2009 and 2010, we had net current liabilities of approximately RMB52.5 million, RMB29.8 million and RMB321.6 million, respectively, primarily because we were in the development stage of our facilities and pits during the Track Record Period. A net current liability position may impair our ability to make necessary capital expenditures, develop business opportunities or make strategic acquisitions. We commenced commercial production on 1 January 2011, and are continuing to expand our operations. We may continue to incur net losses during the early stages of our operations.

There can be no assurance that our business will generate sufficient cash flow from operations in the future to service any future debt and make necessary capital expenditures, in which case we may seek additional financing, dispose of certain assets or seek to refinance some or all of our future debt. If we are unable to secure sufficient external funds when required, we may not be able to fund necessary capital expenditures. The availability of external funding is subject to various factors, some of which are beyond our control, including governmental approvals, prevailing capital market conditions, credit availability, interest rates and the performance of our business. Recently, in response to a rapid increase in liquidity in the market, the PRC Government has implemented a number of tightening measures, including raising interest rates. Our inability to arrange additional financing in a timely manner on terms that are satisfactory to us could materially and adversely affect our business, results of operations and expansion plans.

Our profit forecast contained in this prospectus is subject to numerous risks, uncertainties and assumptions and our actual results of operations may differ significantly from the forecast.

This Prospectus contains our forecast of the consolidated profit attributable to owners of the parent for the six months ending 30 June 2011. We have prepared this profit forecast based on the unaudited management accounts of the Group for the four months ended 30 April 2011 and the forecast of the consolidated results of the remaining two months ending 30 June 2011. Specifically, our profit forecast was based on our understanding and assumptions with respect to iron concentrate prices, and we cannot assure you that we will be able to sell our iron concentrate at this price. Please refer to “Bases and Assumptions” in Appendix III to this Prospectus for a detailed discussion of the principal assumptions adopted in calculating our profit forecast. In addition, the profit forecast contained in this Prospectus is limited to the six months ending 30 June 2011. The forecast results for the six months ending 30 June 2011 may not necessarily give any indication and should not be interpreted as a guidance of the Company’s full year financial results.

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Our operations are exposed to risks relating to occupational hazards and production safety.

As a mining company, we are subject to extensive laws, rules and regulations imposed by the PRC Government regarding production safety. In particular, our exploration and mining operations involve the handling and storage of explosives and other dangerous articles. Since assuming ownership of the Yanjiazhuang Mine, we have implemented a set of guidelines and rules regarding the handling of dangerous articles which comply with existing PRC laws, regulations and policies. In the future, we may experience increased costs of production arising from compliance with production safety laws and regulations. The PRC Government continues to strengthen the enforcement of safety regulations in relation to the iron ore mining industry. There can be no assurance that more stringent laws, regulations or policies regarding 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 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, our operations involve the use of heavy machinery, which involves inherent risks that cannot be completely eliminated through prevention efforts. We or our third-party contractors may encounter accidents, maintenance or technical difficulties, mechanical failures or breakdown during the exploration, mining and production processes. The occurrence of such accidents may disrupt or result in a suspension of our operations and/or increased production costs which may, in turn, result in liability to us and harm to our reputation. Such incidents may also result in a breach of the conditions of our exploration and mining permits, or any other consents, approvals or authorizations obtained from the relevant authorities, any or all of which may result in fines and penalties or even possible revocation of our mining and exploration permits.

We cannot assure you that accidents such as explosions, fires, equipment mishandling and mechanical failures which may result in property damage, severe personal injuries or even fatalities will not occur during the course of our operations. Should we fail to comply with any relevant laws, regulations or policies or should any accident occur as a result of any of the foregoing events, 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. In order to ensure the safety of our employees and the employees of third-party contractors and to avoid any accidents, we have established a set of safety policies that require our employees to have a good understanding of rescue procedures and escape routes. Despite our endeavors to enhance workplace safety, there can be no assurance that accidents will not occur.

Our operations depend on an adequate and timely supply of water, electricity and other critical supplies and equipment.

Water and electricity are the main utilities used in our ore processing activities. We are required by the relevant laws and regulations to hold water harvesting permits for taking surface and underground water, and there is no assurance that we will maintain and renew such permits for the sufficient amount of water at acceptable prices in a timely manner, or at all. We source our electricity from the local power grid and are required to obtain approvals for the use of electricity from the government of Xingtai City of Hebei Province. An interruption in electricity supply or an inability to obtain further necessary approvals from these or other government authorities for the electricity needed in our operations would materially and adversely affect our production and our safety by disrupting operations.

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As of the Latest Practicable Date, we had sourced a portion of our water supplies from the Yanjiazhuang Reservoir, for which we obtained water use rights based on a contract that we entered into with Lincheng Haozhuang Town Yanjiazhuang Village Committee (臨城縣郝莊鎮閆家莊村委會) permitting us to access water supply from the reservoir, an underground water supply use permit that we obtained on 9 September 2009 and a confirmation letter issued by the Lincheng Country Water Bureau dated 13 November 2009. We also source our water supplies from the Huangmi I Reservoir, for which we obtained water use rights based on a contract that we entered into with the Lincheng Haozhuang Town Huangmi Village Committee (臨城縣郝莊鎮皇迷村村委會) on 27 February 2010. In addition, to prepare for possible water shortages and to ensure that we have sufficient water supply for our future growth plans, we entered into a contract with the Lincheng Haozhuang Town Huangmi Village Committee on 27 February 2010 to obtain water use rights to the Huangmi II Reservoir nearby. According to the terms of the water use rights contracts for both the Huangmi I Reservoir and the Huangmi II Reservoir, the Lincheng Haozhuang Town Huangmi Village Committee has the right to permit the population of the Huangmi Village to use water from the reservoirs for farming purposes. If that right is exercised, we will be required to share the water supply of the Huangmi I Reservoir and the Huangmi II Reservoir with the residents of the Huangmi Village. We cannot guarantee that the water supply of the Huangmi I Reservoir and the Huangmi II Reservoir will be sufficient for our operations if the Lincheng Haozhuang Town Huangmi Village Committee determines that the water supply should be shared. Moreover, because we source a portion of our water from reservoirs, a change in the precipitation rate in the region or other unforeseen events beyond our control that may materially reduce the amount of water contained in such reservoirs could adversely affect our operations and expansion plans. For example, Northern China, including Hebei Province, is currently experiencing a severe drought, affecting our ability to access water and disrupting our operations. We have accelerated commencement of the construction of water pipelines from the Lincheng Reservoir to the Yanjiazhuang Mine to ensure the availability of an adequate water supply regardless of weather conditions. However, if the drought continues, it may continue to affect our ability to maintain a sufficient water source, adversely affecting our mining operations. Failure to obtain sufficient water supplies from our water supply sources could materially adversely affect our operations and future growth plans. For further information on the risks relating to the sufficiency of our electricity and water supplies, as well as other supporting infrastructure, see Appendix V — Independent Technical Report — Risk Analysis — Infrastructure.

Our principal raw material is the iron ore extracted from our mine. Major auxiliary materials used in our production include fuel, chemical products, explosives, electric wires and cables. We also purchase equipment such as excavators, bulldozers and crushers for our mining and ore processing operations. The majority of our materials are sourced from local suppliers within Hebei Province and our equipment is sourced from suppliers within China. We cannot assure you that supplies of auxiliary materials, equipment or spare parts will not be interrupted, will be delivered in a timely manner or that their prices will not increase in the future. Moreover, because we do not have a long history of dealing with suppliers of our auxiliary materials, equipment and spare parts, we cannot guarantee that our supplier base is stable. We have not entered into long-term contracts with or obtained guarantees of supply from all of our suppliers. In the event that our existing suppliers cease to supply us with auxiliary materials, equipment or spare parts at existing or lower prices in a timely manner or at all, our financial condition, results of operations, planned expansion plan timetable and expected production targets will be adversely affected.

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We may not be able to retain or secure key qualified personnel.

Our success depends, to a significant extent, on our ability to attract, retain and train key management and technical personnel such as our Directors and senior management set out under “Directors, Senior Management and Employees”, as well as other management and technical personnel. We cannot prevent employees from terminating their respective contracts in accordance with the relevant agreed conditions. Our success further depends on the ability of our key personnel to operate effectively, both individually and as a group. All of our key management and technical personnel are important to our success. For example, the majority of our Directors have extensive industry expertise in the areas of exploration, mining, processing, production, production safety, trading and mining management. Loss of the services of any of our key management personnel could materially and adversely affect our business, financial condition and results of operations. Additionally, our ability to recruit and train skilled operating and maintenance personnel is a key factor to the success of our business activities. If we are not successful in recruiting and training such personnel, our business, financial condition and results of operations could be materially and adversely affected.

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

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 our part or that of our employees. The relevant PRC laws and regulations do not require mining enterprises to obtain insurance for such liability, except in respect of work-related injuries which we have obtained for our employees. Consistent with industry practice, we do not maintain business interruption insurance. In addition, we cannot assure you that the safety measures we have in place for our operations will be sufficient to mitigate or reduce industrial accidents. We also cannot assure you that casualties or accidents will not occur or that our insurance coverage will be sufficient to cover costs associated with material accidents.

In the event that we incur any uninsured losses or liabilities, or our insurance is inadequate to cover such losses or liabilities, our business, financial condition and results of operations may be materially and adversely affected.

Our Controlling Shareholders have substantial influence over us and their interests may not be aligned with the interests of our other Shareholders.

Immediately following the Global Offering and the Capitalization Issue, our Controlling Shareholders will hold in aggregate 75.0% of our Shares (assuming the Over-allotment Option is not exercised), or 71.25% (if the Over-allotment Option is exercised in full). Our Controlling Shareholders will, through their voting power at the Shareholders’ meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions with respect to: mergers or other business combinations; acquisition or disposition of assets; issuance of additional shares or other equity securities; timing and amount of dividend payments; and our management.

Our Controlling Shareholders may cause us to undertake certain corporate transactions or not enter into other corporate transactions which may or may not be in, the best interests of our other Shareholders. We cannot assure you that our Controlling Shareholders will vote on Shareholders’ resolutions in a way that will benefit all of our Shareholders.

We may incur amortization expenses related to our mining rights, which may adversely affect our results of operations.

We intend to amortize our mining rights based on the unit-of-production method utilizing only recoverable iron ore reserves as the depletion base. We intend to review the amount of the reserves for our mine on an annual basis. Any material decrease in the amount of our reserves for our mine may result in impairment of the carrying value of our mining rights, which may have a material adverse effect on our business, financial condition and results of operations.

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We will amortize our mining rights over the useful lives of our mine in accordance with the production plans and reserves of the mine on the unit-of-production method. According to the Independent Technical Advisor, the estimated mine life of the Yanjiazhuang Mine is approximately 26 years based on its ore reserve estimates as of 31 December 2010 and assuming mining and ore processing capacities gradually increase to 10,500 ktpa in the second quarter of 2012 (we expect to reach this level of production in October 2012) and gradually decrease at the end of the Yanjiazhuang Mine's life. During the Track Record Period, we did not incur amortization costs because we had not commenced commercial production. However, we will incur amortization expenses related to our mining rights in the future. Any material decrease in the amount of reserves for our mine may cause impairment of the carrying value of our mining rights, which may have a material adverse effect on our business, financial condition and results of operations.

The reserve and resource data cited in this Prospectus are estimates and may be inaccurate.

We base our production, expenditure and revenue plans on our reserve and resource data, which are speculative in nature and may prove to be inaccurate. The reserve and resource data are estimates based on a number of assumptions and involve professional judgment. The accuracy of these estimates may be affected by many factors, including the quality of the results of exploration drilling, sampling of the ore, analysis of the ore samples, estimation procedures and the experience of the person making the estimates. There are also many assumptions and variables beyond our control that result in inherent uncertainties in estimating reserves. As a result, the reserve and resource data are only estimates and our actual volume of resources and reserves and rates of production may differ materially from these estimates.

Estimates of our resources and reserves may change significantly when new information becomes available or new factors arise to change the assumptions underlying the reserve and resource estimates. Reserve and resource estimates locate in-situ mineral occurrences from which minerals may be recovered, but do not provide an analysis as to whether such resources are capable of being mined or whether minerals could be processed economically and do not incorporate mining dilution or allowance for mining losses. The reserve estimates contained in this Prospectus represent the amount of reserves such as iron ore that we believe can be mined and processed economically. In the future we may need to revise our reserve estimates, if, for instance, our production costs increase or the prices of our products decrease and render a portion (or all) of our reserves uneconomical to recover. A revision of our reserve estimates may result in the lowering of our estimated reserves as well as the expected mining life of our mine.

Unforeseen geological or geotechnical perils may require us to revise our reserve and resource data. If such revisions result in a substantial reduction in recoverable reserves at our mine, our business, financial condition and results of operations may be materially and adversely affected. For more information on our resources and reserves, including qualifications to the Report of Independent Technical Advisor, see the "Independent Technical Report" attached as Appendix V to this Prospectus. For additional information regarding the risks involved in estimating our ore reserves, see Appendix V — Independent Technical Report — Risk Analysis — Ore Reserves.

RISKS RELATING TO OUR INDUSTRY

Our business depends on the global economy and China's economic growth.

Our business and prospects depend on China's economic growth, which in turn affects the demand for iron and steel and their related products. Growth in demand for these products is fueled largely by the growth of the PRC iron and steel industries. The demand for our iron concentrate is, in particular, heavily dependent on the performance of major steel producers in China. In 2008 and 2009, the economies of the United States, Europe and certain countries in Asia experienced a severe and prolonged recession and China experienced a slowdown in growth, which led to a reduction in economic activity. As the growth of China's overall economy has slowed compared with recent years, the growing demand for metals such as

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iron and steel may abate if declines in economic activity continue or if an economic recovery, of which there have been signs recently, does not take hold. Any further significant slowdown in economic growth rates in China or globally may reduce the demand for our products and materially and adversely affect our business, financial condition, results of operations and profitability. In addition, a continuation of the global financial crisis may also result in a low level of liquidity in many financial markets and increased volatility in credit and equity markets, which may materially adversely affect our ability to secure financing to fund our plans to expand our mineral reserves, production capacities and overall business as well as our customers' growth, capital expenditure and related building plans. We cannot assure you that recent PRC Government initiatives in response to the slowdown in the PRC economy will stabilize economic conditions. Furthermore, in response to a rapid increase in liquidity in the market as a result of fiscal stimulus measures, the PRC Government has recently implemented a number of tightening measures, including raising interest rates. These factors may adversely affect our business, financial condition and results of operations.

Changes to the PRC regulatory regime for the 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 mining industry in China. Our operations are subject to a range of PRC laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, development, production, taxation, labor standards, foreign investment 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 business, financial condition and results of operations.

In addition, our operations are subject to PRC laws and regulations relating to occupational health and safety for the mining industry. For additional information regarding our compliance with respect to occupational health and safety laws and regulations, see "Business — Occupational Health and Safety." The relevant government authorities regularly conduct safety inspections of the mines and facilities of mining companies. Mining companies that fail to comply with the applicable safety laws and regulations may be subject to fines, penalties or even suspension of operations. We cannot predict the timing or the outcome of such safety inspections. Failure to pass the safety inspections may harm our corporate image, reputation and credibility as well as that of our management, and thereby have a material adverse effect on our financial condition and results of operations. See "Regulation — PRC Laws relating to Production Safety."

We have not been subject to any claims and we have complied with all relevant rules and regulations regarding environmental protection during the Track Record Period, as confirmed by the Administration of Environmental Protection of Lincheng County. However, we are still subject to extensive and increasingly stringent environmental protection laws and regulations that impose fees for the discharge of waste substances, require the establishment of reserves for reclamation and rehabilitation and impose fines for serious environmental offences. The PRC Government, adopting a rigorous approach when enforcing the relevant laws and regulations and implementing increasingly stringent environmental standards, may at its discretion shut down any facility that fails to comply with orders requiring it to rectify or cease operations that violate applicable environmental laws and regulations. As a result, our budgeted capital expenditures for environmental regulatory compliance may be insufficient and we may need to allocate additional funds. For additional information regarding our compliance with environmental protection laws and regulations, see "Business — Environmental Protection and Land Rehabilitation — Environmental Protection." If we fail to comply with the applicable environmental laws and regulations, we may be subject to significant liability for damages, clean-up costs or penalties or suspension of our right to operate where there is evidence of serious breach. Such costs or disruptions in operations could materially and adversely affect our business, financial condition and results of operations. See "Regulation — PRC Laws Relating to Environmental Protection."

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Moreover, there is no assurance that we will be able to comply with any new PRC laws, regulations, policies, standards or requirements applicable to the iron ore mining industry or any changes in existing laws, regulations, policies, standards and requirements economically or at all. Furthermore, any such new PRC laws, regulations, policies, standards and requirements or any such changes in existing laws, regulations, policies, standards and requirements may also constrain our future expansion plans and adversely affect our profitability.

RISKS RELATING TO CONDUCTING OPERATIONS IN CHINA

We are vulnerable to adverse changes in the political, social and economic policies of the PRC Government.

All of our business operations are conducted in China. Accordingly, we are affected by the economic, political and legal environment in China and China's overall GDP growth. China's economy differs from the economies of most developed countries in many respects, including the fact that it:

- has a high level of government involvement;
- is in the early stages of developing a market-oriented economy;
- has experienced rapid growth;
- has a tightly controlled foreign exchange policy; and
- is characterized by an inefficient allocation of resources.

China's economy has been transitioning from a planned economy towards a more market-oriented economy. However, a substantial portion of productive assets in China remains state-owned and the PRC Government exercises a high degree of control over these assets. In addition, the PRC Government continues to play a significant role in regulating industrial development by imposing industrial policies. For the past three decades, the PRC Government has implemented economic reform measures to emphasize the utilization of market forces in economic development.

China's economy has grown significantly in recent years; however, we cannot assure you that such growth will continue. The PRC Government exercises control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Some of these measures benefit the overall Chinese economy, but may also have a negative effect on our business. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. As such, our future success is, to some extent, dependent on the economic conditions in China, and any significant downturn in market conditions, particularly in the PRC environmental protection and municipal public facilities sector, may adversely affect our business prospects, financial condition and results of operations.

The PRC legal system is evolving and has inherent uncertainties that could limit the legal protection available to you.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which prior court decisions have limited value as precedents. Since 1979, the PRC Government has promulgated laws and regulations governing economic matters in general such as foreign investment, corporate organization and governance, commerce, taxation and trade. In addition, laws, regulations and legal requirements regarding various forms of foreign investment in China, particularly with respect to laws and regulations applicable to wholly foreign-owned enterprises ("WFOE") and Sino-foreign joint ventures ("JV") are relatively new. Because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these newer laws and regulations involve greater uncertainties than those in many other jurisdictions. We cannot predict the

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effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws, or to the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws.

Government control of currency conversion and changes in the exchange rate between the Renminbi 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 Renminbi. The PRC Government imposes controls on the convertibility of the Renminbi 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 Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Since a significant amount of our future cash flow from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies. This could 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.

Changes in PRC laws, regulations and policies could adversely affect our business, financial condition and results of operations.

Our operations, like those of other mining companies in China, are subject to regulations imposed by the PRC Government. These regulations affect many aspects of our operations, including the pricing of our products, utility expenses, industry-specific taxes and fees, business qualifications, capital investment and environmental and safety standards. As a result, we may face significant constraints on our ability to implement our business strategies, to develop or expand our business operations or to maximize profitability. Our business may also be adversely affected by future changes in policies of the PRC Government applicable to our industry. Any policy reforms promulgated by the PRC Government in respect of iron ore resources may also have an impact on our future operations. Besides factors arising from our industry, the macroeconomic control measures implemented by the PRC Government may have an impact on the demand and supply conditions applicable to our products.

The Ministry of Finance and the State Administration of Taxation issued the Circular on Adjusting the Policy on Resource Tax of Molybdenum Ore and Other Resources on 12 December 2005 to adjust the resource tax rates of ferrous metal ore. Pursuant to the notice, which has been in effect since 1 January 2006, the resource tax rate of iron ore applicable to us has increased from RMB4.8/tonne to RMB7.2/tonne. Any further material increase in resource related taxes or any policy reforms promulgated by the PRC Government in relation to iron ore may have a material adverse effect on our business, financial condition and results of operations.

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It may be difficult to enforce judgments from non-PRC courts against us, our Directors or officers who live in China.

The legal framework to which we and our operating subsidiaries are subject is materially different in certain areas from that of other jurisdictions, including Hong Kong and the United States, particularly with respect to the protection of minority Shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which we and our operating subsidiaries are subject are also relatively underdeveloped and untested. However, in 2005, the PRC Company Law was amended to allow shareholders to commence an action against the directors, officers or any third party on behalf of a company under certain limited circumstances.

China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with countries such as the United States, the United Kingdom, and Japan, and therefore enforcement in China of judgments of a court in these jurisdictions may be difficult or impossible.

Compliance with the PRC Labor Contract Law may increase our labor costs.

The PRC Labor Contract Law became effective on 1 January 2008. Compliance with the requirements under the PRC Labor Contract Law, in particular the requirements to make severance payments and non-fixed term employment contracts, may increase our labor costs.

Pursuant to the PRC Labor Contract Law, since 1 January 2008 we have been required to enter into non-fixed term employment contracts with employees who have worked for us for more than ten years or, unless otherwise provided in the PRC Labor Contract Law, for whom a fixed term employment contract has been concluded for two consecutive terms. We may not be able to efficiently terminate non-fixed term employment contracts under the PRC Labor Contract Law without cause. We are also required to make severance payments to fixed term contract employees when the term of their employment contracts expire, unless such employee voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance 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, except in circumstances where the employee's monthly wage is three or more times greater than the average monthly wage in the relevant district or locality, in which case the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by a maximum of twelve years. A minimum wage requirement has also been incorporated into the PRC Labor Contract Law. Liability for damages or fines may be imposed for any material breach of the PRC Labor Contract Law. In addition to the cost of compliance with current PRC labor laws and regulations, any significant changes in PRC labor laws in the future may substantially increase our operating costs and have a material adverse effect on our business, financial condition and results of operations.

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

In China, 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 and encouraging opportunities for foreign investment in mining projects and this process is expected to continue, especially following China's accession into the WTO. However, if the PRC Government should reverse this trend, or impose greater restrictions on foreign companies, or seek to nationalize our operations in China, 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, see "Regulation."

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Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to taxes under PRC tax laws.

Under the Enterprise Income Tax Law of the PRC (the “Income Tax Law”) and its implementation rules issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are “non-resident enterprises,” which do not have an establishment or place of business in China, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within China. Similarly, any gain realized on the transfer of Shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within China. If we are considered a PRC “resident enterprise,” it is unclear whether dividends we pay with respect to our Shares, or the gain our shareholders may realize from the transfer of our Shares, would be treated as income derived from sources within China and be subject to PRC tax. If we are required under the Income Tax Law to withhold PRC income tax on dividends payable to our non-PRC investors that are “non-resident enterprises,” or if our shareholders are required to pay PRC income tax on the transfer of our Shares, the value of our Shareholders’ investment in our Shares may be materially and adversely affected.

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, our ability to declare future dividends will depend on the availability of dividends, if any, received from our PRC operating subsidiary. Under PRC law and the constitutional documents of our PRC operating subsidiary, dividends may be paid only out of distributable profits, which refer to after-tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years.

The calculation of our distributable profits under PRC GAAP differs in many respects from the calculation under IFRS. As a result, our PRC operating subsidiary may not be able to pay a dividend in a given year if it does not have distributable profits as determined under PRC GAAP even if it has profits as determined under IFRS. Accordingly, since we will derive all of our earnings and cash flows from dividends paid to us by our PRC operating subsidiary in China, we may not have sufficient distributable profits to pay dividends to our Shareholders.

The Income Tax Law may affect tax exemptions on dividends received by us and by our Shareholders and may increase our enterprise income tax rate.

We are incorporated under the laws of the Cayman Islands and hold interests in our PRC operating subsidiary. Pursuant to the Income Tax Law, effective 1 January 2008, if any of our overseas members is deemed to be a non-PRC resident enterprise for tax purposes without an office or premises in China, it will be subject to a withholding tax rate of 10% on any dividends paid by our PRC operating subsidiary unless it is entitled to certain tax reductions or exemptions. Under the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) effective on 1 January 2007 (the “Tax Arrangement”), the withholding tax rate for dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is 5% if the Hong Kong enterprise owns at least 25% of the PRC enterprise; if otherwise, the dividend withholding tax rate is 10%. According to the Notice of the State Administration of Taxation on issues relating to the administration of the dividend provision in tax treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guoshuihan [2009] No.81) (“Notice 81”) promulgated on 20 February 2009, the corporate recipients of dividends distributed by PRC enterprises must satisfy the direct ownership

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thresholds at all times during the 12 consecutive months preceding the receipt of the dividends. According to Notice 81, if the primary purpose of the transactions or arrangements is deemed by the relevant authorities to be entered into for the purpose of enjoying a favorable tax treatment, the favorable tax benefits enjoyed by us pursuant to the Tax Arrangement may be adjusted by the relevant tax authorities in the future.

The Income Tax Law provides that if an enterprise incorporated outside China has its “de facto management organization” within China, such enterprise may be deemed a PRC resident enterprise for tax purposes and be subject to an enterprise income tax rate of 25% on its worldwide income. Most members of the Company are located in China and, if they remain there, our overseas members as well as the Company may be deemed PRC resident enterprises and therefore subject to an enterprise income tax rate of 25% on our worldwide income. Should we become subject to these changes, our historical operating results will not be indicative of our operating results for future periods and the value of our Shares may be materially and adversely affected.

The Income Tax Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, but due to the short history of the Income Tax Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC operating subsidiary to us will meet such qualification requirements even if our overseas members are considered PRC resident enterprises for tax purposes.

The Income Tax law also stipulates that if (i) an enterprise distributing dividends is domiciled in China, or (ii) capital gains are realized from the transfer of equity interests in enterprises domiciled in China, then such dividends or capital gains are treated as PRC-sourced income. If our overseas members are deemed PRC resident enterprises for tax purposes, then (i) any dividends we pay to our overseas Shareholders and (ii) any capital gains realized by our Shareholders from transfers of our Shares may be regarded as PRC-sourced income and be subject to a PRC withholding tax at a rate of up to 10%.

Although the Income Tax Law took effect on 1 January 2008, there is still uncertainty about how it will be implemented by the relevant PRC tax authorities. If dividend payments from our PRC operating subsidiary to us are subject to the PRC withholding tax, it may have a material adverse effect on our business, financial condition and results of operations. If our dividend payments to overseas Shareholders are subject to the PRC withholding tax, it may have a material adverse effect on your investment return and the value of your investment with us.

We may be unable to transfer the net proceeds from the Global Offering to China.

Pursuant to Article 4 of SAFE Circular No. 75 and other relevant laws and regulations of the PRC, we are required to transfer the net proceeds from the Global Offering to China in accordance with the use of proceeds set forth in the “Future Plans and Use of Proceeds” section in this Prospectus or the use-of-capital plan stipulated in the business plan letter submitted to the relevant foreign exchange authority. If we are unable for any reason (including if we are unable to obtain the approval of the relevant PRC authorities for the transfer of the net proceeds of the Global Offering into China) to use the net proceeds from the Global Offering on certain planned expansion projects, namely the acquisition or consolidation of other mines, the expansion of the mining boundaries set forth in our existing mining rights and the construction of new production lines, then we currently plan not to proceed with such projects. Because these projects are important to our business growth, we expect that not proceeding with such projects may have a material adverse effect on our business, financial condition and results of operations.

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Any outbreak of widespread contagious diseases may have a material adverse effect on our business operations, financial condition and results of operations.

The outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome, avian influenza or H1N1 influenza) in China could materially and adversely affect the overall business sentiments and environment in China, particularly if such outbreak is inadequately controlled. This, in turn, could materially and adversely affect domestic consumption, labor supply and, possibly, the overall GDP growth of China. As our revenue is currently derived from our operations in China, any labor shortages or contraction or slowdown in the growth of domestic consumption in China could materially and adversely affect our business, financial condition and results of operations. In addition, if any of our employees are affected by any severe communicable disease, it could adversely affect or disrupt those areas in which we have operations and materially and adversely affect our financial condition and results of operations as we may be required to close our facilities to prevent the spread of the disease. The spread of any severe communicable disease in China may also affect the operations of our customers and suppliers, which could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE SHARES AND THE GLOBAL OFFERING

Because there has been no prior public market for our Shares, their market price may be volatile and an active trading market in our Shares may not develop.

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range of our Shares is negotiated by the Joint Bookrunners on behalf of the Underwriters and us. The Offer Price may differ significantly from the market price of our Shares following the Global Offering. We have applied for listing and permission to trade our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, that it will be sustainable following the Global Offering or that the market price of our Shares will not decline after the Global Offering.

Furthermore, the price and trading volume of our Shares may be volatile. The following factors, among others, may cause the market price of our Shares after the Global Offering to vary significantly from the Offer Price:

- variations in our revenue, earnings and cash flow;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to compete effectively in the market;
- political, economic, financial and social developments in China and in the global economy;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance; and
- involvement in material litigation.

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

The market price of the Shares could decline as a result of future sales of substantial amounts of the Shares or other securities relating to the Shares in the public market, including by the Company's

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substantial shareholders or Selling Shareholder, or the issuance of new Shares by the Company, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of the Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to it, 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, 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 market price of the Shares when trading begins could be lower than the Offer Price.

The initial price to the public of the Shares sold in the Global Offering will be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be the sixth business day after the pricing date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of the Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Future financing may cause a dilution in your shareholding or place restrictions on our operations.

We may need to raise additional funds in the future to finance further expansion of our capacity and business relating to our existing operations, acquisitions or strategic partnerships. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in the Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by the Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consents for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate needs; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering.

Investors will pay a price per Share that substantially exceeds the per Share value of the Company's tangible assets after subtracting the Company's total liabilities and will therefore experience immediate dilution when investors purchase the Shares in the Global Offering. As a result, if the Company were to distribute its net tangible assets to the Shareholders immediately following the Global Offering, investors participating in the Global Offering would receive less than the amount they paid for their Shares. See Appendix II – Unaudited Pro Forma Financial Information.

You may face difficulties in protecting your interests under Cayman Islands law.

Our corporate affairs are governed by, among other things, the Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands.

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The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. For example, the Companies Law does not contain an express provision which is equivalent to section 168A of the Companies Ordinance, which provides a remedy for shareholders who have been unfairly prejudiced by the conduct of the company's affairs. See Appendix VII — Summary of the Constitution of the Company and Cayman Islands Companies Law.

We cannot guarantee the accuracy of information, forecasts and other statistics obtained from official government sources contained in this Prospectus.

Information, forecasts and other statistics in this Prospectus relating to the economy and the mining industry on an international, regional and specific country basis have been collected from materials from official government sources. The Directors of the Company have made these statements with due care and have no reason to believe that the statements are not accurate. We believe that the source(s) of this information 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 or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sponsors, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

This Prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate.

This Prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Prospectus, the words “aim,” “anticipate,” “believe,” “continue,” “could,” “expect,” “going forward,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this Prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions in the markets in which we operate;
- the exploration of mineral reserves and development of mining facilities;
- the depletion and exhaustion of mines and mineral reserves;
- trends in commodity prices and demand for commodities;
- industry trends, including the direction of prices and expected levels of supply and demand;
- our operations and production costs;
- our ore processing capacity expansion and planned production;
- our strategies, plans, objectives and goals;

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- general economic conditions;
- changes to regulatory or operating conditions in the markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- supply and demand changes in iron ore or gabbro-diabase;
- changes in prices for iron ore or gabbro-diabase;
- our production capabilities;
- our relationship with, and other conditions affecting, our customers;
- risks inherent to our mining and production;
- changes in political, economic, legal and social conditions in China, including the government's specific policies with respects to the iron or gabbro-diabase industries, economic growth, inflation, foreign exchanges and the availability of credit; and
- weather conditions or catastrophic weather-related damage.

Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking descriptions of events and circumstances discussed in this Prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Prospectus are qualified by reference to this cautionary statement.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

The following material waivers from the basic conditions in relation to qualifications for Listing have been applied for and granted from the Stock Exchange.

BASIC CONDITIONS IN RELATION TO QUALIFICATIONS FOR LISTING

Pursuant to Rule 8.05 of the Listing Rules, an issuer must satisfy one of the three tests in relation to: (i) profit; (ii) market capitalization, revenue and cash flow; or (iii) market capitalization and revenue requirements. Pursuant to Rule 8.05(1)(a), (b) and (c) of the Listing Rules, the issuer is required to satisfy the profit record requirement, management continuity requirement for at least the three preceding financial years and ownership continuity and control requirement for at least the most recent audited financial year respectively. Chapter 18 of the Listing Rules applies to mineral companies. Under Rules 18.04 of the Listing Rules, the requirements of profit test in Rule 8.05(1), the market capitalization/revenue/cash flow test in Rule 8.05(2), or the market capitalization/revenue test in Rule 8.05(3) of the Listing Rules may not apply if the Stock Exchange is satisfied that the directors and management of the issuer have sufficient and satisfactory experience of at least five years in exploration and/or extraction activities.

Since our Group has been in the preliminary stage of commercial production, our Company cannot meet the profit record requirement under Rule 8.05(1)(a) of the Listing Rules. Further, as all the Directors and a majority of the members of senior management joined our Group for less than three financial years of our Company as set out in the section headed “Directors, Senior Management and Employees” in this Prospectus, our Company cannot meet the requirement for management continuity for at least the three preceding financial years of our Company under Rule 8.05(1)(b) of the Listing Rules. Lastly, due to the change in controlling shareholders as set out in the section headed “History, Reorganization and Corporate Structure” in this Prospectus, our Company cannot meet the requirement of ownership continuity and control requirement for at least the most recent audited financial year of our Company under Rule 8.05(1)(c) of the Listing Rules.

The Directors consider that the pre-conditions to a waiver in Rule 18.04 of the Listing Rules requested by the Stock Exchange were complied with as follows:

(a) Inability to comply with financial standards requirements due to pre-production activities

We have obtained all requisite permits, licenses and approvals for commencing commercial production in 2010 and commenced commercial production of iron concentrate on 1 January 2011. As our Group did not have production during the Track Record Period and only commenced commercial production in January 2011, our Group does not meet the profit record requirement under Rule 8.05(1)(a) of the Listing Rules. We plan to increase our Group’s iron concentrate production capacity at the Yanjiazhuang Mine in three phases. We expect to complete Phase One of our expansion plan in June 2011 which will ramp-up our expected iron ore processing capacity to 3,000 ktpa and total iron concentrate production capacity of approximately 760 ktpa. We commenced preparation for Phase Two of our expansion plan in September 2010. Phase Two is expected to increase our mining and ore processing capacities to 7,000 ktpa and achieve an iron concentrate production capacity of approximately 1,770 ktpa. We intend to further expand our mining and processing capacities to 10,500 ktpa and achieve an iron concentrate production capacity of approximately 2,655 ktpa in Phase Three of our expansion plan, which we expect to complete in the second quarter of 2012. Behre Dolbear has considered our expansion plan and production schedule to be reasonable and achievable.

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(b) Management experience requirement in Rule 18.04

The Board consists of 12 Directors, comprising six executive Directors, three non-executive Directors and three independent non-executive Directors. The executive Directors have an average of 29 years of mining industry experience. Each of Mr. Yao Zanzun (chief executive officer), Ms. Yu Shuxian, Mr. Li Yuelin (chief operating officer), Mr. Lin Zeshun (chief manager of mining) and Mr. Liu Yongxin (chief manager of ore processing), has more than 28 years of experience in the mining industry. Mr. Jing Zhiqing (chief of mine construction), has approximately 11 years of experience in mine construction and 11 years of experience in civil engineering and construction. Mr. Wang Jiangping (head of safety department) and Mr. Wang Xiaoxing (head of geological exploration) have 12 years and 31 years of experience in the mining industry respectively. We believe our executive Directors and the members of senior management, taken together, have sufficient experience relevant to the exploration and/or extraction activity of our Group (exploration and/or extraction of iron ore), and that each of the core management team (which consists of the executive Directors, Mr. Wang Jiangping and Mr. Wang Xiaoxing) that we relied on has a minimum of five years relevant industry experience. As such, our Company has satisfied the management experience requirement under Rule 18.04 of the Listing Rules.

(c) Primary activity in Rule 18.04

The primary activities of our Group involve the exploration for, development and production of iron ore, being a type of natural resources. Our Group also plans to commence commercial production of gabbro-diabase, being another type of mineral resources. Accordingly, our Group's primary activity is the exploration for and/or extraction of mineral and our Company is a Mineral Company as defined under Rule 18.01 of the Listing Rules, to which Chapter 18 of the Listing Rules applies.

Our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.05(1)(a) of the Listing Rules in accordance with the reasoning under Rules 18.04 and 8.05 of the Listing Rules.

Further, our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.05(1)(b) and (c) of the Listing Rules on the basis that:

- (a) Upon completion of the acquisition of equity interest in our Company by the Controlling Shareholders, NWS and VMS became the controlling shareholders of the Company which, our Directors believe, is in a better and stronger business and financial position than under the former controlling shareholders of the Company. NWS as one of the Controlling Shareholders will provide greater stability to facilitate the further development and operation of our Group. Since early 2006, NWS has been implementing a strategy for entering into the resources sector. In light of our Group's significant JORC reserves and resources and strong growth potential, NWS acquired an equity stake in us for implementing a strategic initiative to enter into the mining and resources sector and to implement a strategic vision of using our Company as a platform to acquire and operate mining assets within the steel supply chain. NWS has informed us that it intends to hold its interest in our Company as a long-term investment and that it intends to develop the resources sector as one of NWS' core businesses in the future. VMS has informed us that it also intends to remain as a substantial shareholder for the foreseeable future.

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- (b) The Controlling Shareholders bring significant financial expertise and improved corporate governance practices to our Company. NWS and VMS have brought extensive management and investment experience to our operations. After the acquisition of the 51% equity interest held by Mr. Zhao and the Exchangeable Bonds from the Original Bondholders, the Controlling Shareholders demonstrated their commitment to us by injecting significant capital to fund the ongoing development of our operations; assisting us in obtaining the relevant permits, licenses and approvals required to commence commercial production; enhancing our management team (the Controlling Shareholders appointed Mr. Yao Zanzun as Executive Director, vice chairman and Chief Executive Officer in December 2010 and Ms. Yu Shuxian as Executive Director in March 2011 to strengthen the management team); and providing leadership and expertise to assist us in bringing the Yanjiazhuang Mine from a development stage mining asset into commercial production on 1 January 2011, at a time when iron ore prices had increased almost to previous peak levels in 2008. As a result, we consider that the risks associated with the development of our projects have been substantially reduced over the past six months. Furthermore, to emphasize the concrete support and commitment by NWS to our Company, three representatives of NWS, namely Mr. Tsang Yam Pui, Mr. Lam Wai Hon, Patrick and Mr. Cheng Chi Ming, Brian, were appointed in May 2011 as non-executive Directors.
- (c) The intention and objective of the Controlling Shareholders in the acquisitions of the equity interest in us and the Exchangeable Bonds by the Controlling Shareholders are to participate in the long-term development of our Company. The Controlling Shareholders will have held the equity stakes in us for almost one year since the acquisition of Mr. Zhao's 51% equity interest in us on the Listing Date. They confirmed that they have no intention to add or aggregate any other assets or businesses with those of our Group nor to remove any assets or businesses from our Group for the purposes of the Listing.
- (d) Pursuant to Rule 10.07 of the Listing Rules, the Controlling Shareholders are required not to 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 securities of our Company in respect of which they are shown by the Prospectus to be the beneficial owners in the period commencing on the date hereof and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange. To demonstrate their long term commitment to us, NWS and VMS voluntarily offer that they:
- (i) will extend the lock-up period to a period commencing from the date hereof to 30 June 2012, which is effectively a lock-up period of approximately one year after the Listing Date; and
 - (ii) will not during the period from 1 July 2012 to 31 December 2012, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the securities of our Company held by them if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would then cease to be controlling shareholders of the Company.

Such extended lock-up period is longer than the lock-up period required under Rule 10.07 of the Listing Rules which indicates that the Controlling Shareholders are not intending to take advantage of the ownership continuity requirements waiver.

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- (e) Notwithstanding the suspension of the listing application in May 2010 and the subsequent change in the controlling shareholders of our Company, we have continued to pursue the same business and operation as described in our prospectus in the Prior Offering, in particular our pursuit towards a three-phase expansion plan of Yanjiazhuang Mine for the extraction and processing of iron ore as our primary activity. We have obtained the requisite permits, licenses and approvals for commercial production under the applicable PRC laws and regulations and as part of our Phase One commissioning and production ramp-up schedule we commenced commercial production on 1 January 2011. During the course of January and February 2011 we produced and sold 33.0 kt of iron concentrate. To continue and expand our mining operation, we inevitably require further funding for capital expenditures of our expansion plan and future growth initiatives. As we have commenced commercial production on 1 January 2011, proceeding with the Global Offering now will not only provide capital for our operation and new investment opportunities but also allow us to establish our own profile as a separately listed entity with the ability to access the debt and equity capital markets to fund our operations, future development and investment opportunities. Being a separately listed entity will increase the operational and financial transparency of our Company and provide investors and the public with greater clarity on our business, operations and financial performance. It will also provide incentives to our management who are focused on the iron-ore mine operation business.
- (f) Subsequent to the acquisitions of the equity interest in us by the Controlling Shareholders, Mr. Zhao, Mr. Zhao Yinhe, Mr. Liu, Mr. Chen and Mr. Wong Man Cheung have left the management team of our Group. To ensure a smooth and effective operation of our Group as a result of the change in controlling shareholders and to strengthen the business support functions of our Group, the Controlling Shareholders enhanced our senior management team and restructured the board of Directors by adding new executive Directors and senior management team members who have extensive industry and management experience. Mr. Yao Zanzun, one of the executive Directors, has been in the mining industry since 1982 and has international work experience in well-known Chinese and Australian mining corporations, such as a joint venture project with a subsidiary of Rio Tinto Group in Australia, Sinosteel Corporation and CITIC Pacific Limited. Mr. Jing Zhiqing, an executive Director, has approximately 11 years of experience in mine construction and has been involved in mining design and construction, especially in iron ore and civil engineering construction management. Ms. Yu Shuxian, an executive Director, has more than 31 years of experience in the mining and metallurgical industry. Mr. Jiao Ying and Ms. Ho Siu Mei, the newly appointed chief financial officer and company secretary, respectively, both have substantial experience in corporate and financial management. Mr. Wang Xiaoxing, who was re-designated from independent non-executive Director to head of geological exploration of our Group, has 31 years of experience in the exploration and mining industry. Furthermore, to emphasize the concrete support and commitment by NWS to our Company, Mr. Tsang Yam Pui, Mr. Lam Wai Hon, Patrick and Mr. Cheng Chi Ming, Brian, non-executive Directors who have extensive management experience, were appointed to oversee our Group in our overall strategy and major management decisions. See “Directors, Senior Management and Employees” for details of these Directors and members of the senior management of our Group. We have confirmed that the Directors and members of the senior management do not have any agreement (other than those already disclosed), arrangement or understanding with any of our Company’s former controlling shareholders or senior management who are no longer with us in relation to our Group’s affairs going forward. All these newly appointed executive Directors, the non-executive Directors and members of the senior management of our Group have solid and substantial knowledge and work experience in their respective fields, including mining operation, mine construction, finance, company secretarial administration and geological

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

exploration management, and each of the key members that we relied on has more than five years of experience in the mining industry. Under the leadership of the newly appointed executive Directors and members of the senior management of our Group, we have commenced commercial production on 1 January 2011 and are expected to make a profit attributable to owners of the parent for the six months ending 30 June 2011 to be not less than RMB9.6 million (equivalent to approximately HK\$11.5 million). They will positively contribute to our development and growth and provide better and efficient support to us to implement our strategies and expansion plans.

- (g) According to the Independent Technical Report, the Yanjiazhuang Mine had proved and probable reserves of approximately 260.0 Mt, which were converted from total measured and indicated iron ore resources of approximately 311.8 Mt as of 31 December 2010. The nature of the mining reserve, including its quality and quantity, is the key, if not the most important, factor in potential investors' investment decision in a mining company. The change in the controlling shareholders of the Company does not alter in any way the principal assets of our Group, the Yanjiazhuang Mine. Furthermore, we have commenced commercial production on 1 January 2011 and have progressed from development stage to production stage, and the change of controlling shareholders of the Company before commencement of commercial production did not have any material adverse effect on (i) our transition to the production stage and (ii) our operation as half of the executive Directors have been retained to continue with our existing business pursuit. The Controlling Shareholders have significantly enhanced the quality and strength of our operation by injecting significant capital to fund the ongoing development of our operations; assisting us in obtaining the relevant permits, licenses and approvals required to commence commercial production; enhancing our management team; and providing leadership and expertise in order to assist us in bringing the Yanjiazhuang Mine from a development stage mining asset into commercial production on 1 January 2011. We believe that the Controlling Shareholders bring significant financial expertise and improved corporate governance practices to our Company.
- (h) In the Prior Offering, we have applied for and the Stock Exchange has granted waivers from strict compliance with Rules 8.05 of the Listing Rules (the **"Profit Test Waiver"**) as well as Rule 8.12 of the Listing Rules (the **"Rule 8.12 Waiver"**). The change in the controlling shareholders of the Company and the resignation of Mr. Zhao and certain our former directors and members of senior management in 2010 would not affect the basis upon which we applied for the Profit Test Waiver and the Rule 8.12 Waiver. We will comply with the conditions to be imposed by the Stock Exchange in granting the Rule 8.12 Waiver.
- (i) For investors who invest in early stage of natural resources exploration and/or extraction companies, it is common that they make their investment decisions based on the mineral resources and ore reserves of the companies, the mining plan for commercial production and the competency of the management team to carry out the plan so as to assess the investment risk and the potential for reward. The current requirements under Chapter 18 of the Listing Rules are designed to distinguish mineral companies engaging in natural resources exploration and/or extraction business from other companies and to provide potential investors in such mineral companies with sufficient relevant information in making their investment decisions. The relevant disclosure requirement in respect of, among the others, information of the Yanjiazhuang Mine, the proposed clear path to commercial production, the technical report/opinion prepared by an independent competent person (as defined under Rule 18.01(3) of the Listing Rules) and the experience of the members of our management team have been complied with such that the investors are given sufficient material information about us to make their investment decisions.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE IN HONG KONG

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 Group 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 Group's core business operations are based, managed and conducted in the PRC, our Group'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 authorized 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 authorized representatives are Mr. Yao Zanzun, our vice-chairman, Executive Director and chief executive officer and Ms. Ho Siu Mei, our Group's company secretary and general manager in the finance and administration department. Ms. Ho Siu Mei ordinarily resides in Hong Kong and Mr. Yao Zanzun ordinarily resides in the PRC and possesses valid travel documents to visit Hong Kong. Both authorized 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;
- (b) in compliance with Rule 3A.19 of the Listing Rules, our Company shall retain a qualified institution to act as compliance advisor 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 advise our Company on its obligations to comply with the Listing Rules, all other applicable laws, rules, codes and guidelines. The compliance advisor 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 listing and, where our Company's authorized 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 authorized representatives have means to contact all members of the Board (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 matter. Our Company will implement a policy whereby (a) each Director will provide his or her mobile phone number, office number, fax number and e-mail address to the authorized representatives; (b) each Director will provide valid phone numbers or means of communication to the authorized representatives when he or she is travelling; and (c) each Director will provide his or her mobile phone number, office phone number, fax number and e-mail address to the Stock Exchange; and
- (d) all Directors who are not ordinary residents in Hong Kong have confirmed that they possess or can 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.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

CONTINUING CONNECTED TRANSACTIONS

Our Company has entered into, and is expected to continue, certain transactions which will constitute continuing connected transactions of our Company that are subject to the reporting and announcement requirements under the Listing Rules following the Listing. Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver in relation to the continuing connected transactions between our Company and its connected person under Chapter 14A of the Listing Rules. For further details, please see the section headed “Relationship with our Controlling Shareholders and Connected Transactions” in this Prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus contains particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong (as amended) and the Listing Rules for the purpose of giving information to the public with regard to the Company. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and the Application Forms as set out in the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this Prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Hong Kong Public Offering or to make any representation not contained in this Prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Selling Shareholder, the Sole Global Coordinator, Joint Bookrunners, the Joint Lead Managers and Joint Sponsors, any of the Underwriters, any of their respective directors and advisors or any other persons or parties involved in the Hong Kong Public Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this Prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this Prospectus and the relevant Application Forms.

UNDERWRITING

This Prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this Prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the Company and the Joint Bookrunners (on behalf of the Underwriters) agreeing on the Offer Price. The International Placing is expected to be fully underwritten by the International Underwriters. The Global Offering is managed by the Sole Global Coordinator.

If, for any reason, the Offer Price is not agreed between the Company and the Joint Bookrunners (on behalf of the Underwriters) by 28 June 2011, the Global Offering will not proceed. For full information about the Underwriters and the underwriting arrangements, refer to the section headed "Underwriting" in this Prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and the Capitalisation Issue (including any Shares which may be issued pursuant to the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme). No part of the share or loan capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

HONG KONG REGISTER AND STAMP DUTY

All Shares to be issued pursuant to the Global Offering and any Shares to be transferred upon exercise of the Over-allotment Option and the options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme will be registered on the Company's register of members to be maintained in Hong Kong. The Company's unlisted register of members will be maintained in the Cayman Islands.

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in the Shares. None of the Company, the Selling Shareholder, the Joint Sponsors, the Sole Global Coordinator, Joint Bookrunners, Joint Lead Managers, any of the Underwriters, any of their respective directors and advisors or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposing of, or dealing in, the Shares or the exercise of any rights attaching to the Shares.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this Prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Hong Kong Public Offering, the International Placing and the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this Prospectus.

CURRENCY TRANSLATIONS

Solely for your convenience and for illustrative purposes, this Prospectus contains translations of certain Renminbi amounts into Hong Kong dollars or U.S. dollars at specified rates. No representation is made that the Renminbi amounts could actually be converted into any Hong Kong dollar or U.S. dollar amounts at the rates indicated or at all. Unless we indicate otherwise, the translation of Hong Kong dollars into Renminbi was made at the rate of HK\$1.1752 to RMB1.00. Unless otherwise specified, the translation of Renminbi into U.S. dollars was made at the rate of RMB6.600 to US\$1.00. Discrepancies in any table between totals and sums of amounts listed herein are due to rounding.

ROUNDING

Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
YAO Zanxun (姚贊勳)	Room 5, 14/F, No. 51A Xiaoguan Street Chaoyang District Beijing China	Chinese
YU Shuxian (于淑賢).....	Room 401, Unit 6, Block 22 Shenggubeili Chaoyang District Beijing China	Chinese
LI Yuelin (李躍林)	Room 10, Unit 1, Block 66 No.18 Qianjin Street Fuxing District Handan City Hebei Province China	Chinese
JING Zhiqing (景志慶)	Room 502, Unit 1, Block 22 Kuangyuan Lane Harbour District Qinhuangdao City Hebei Province China	Chinese
LIN Zeshun (林澤順)	Room 509, Unit 1, Block 12 Huanghe Sub-district Jiangxiang Lane Qiaoxi District Xingtai City Hebei Province China	Chinese
LIU Yongxin (劉永信)	No. 102, Row 2 Qi Village Mining Residential Area Qiaoxi District Xingtai City Hebei Province China	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
<i>Non-Executive Directors</i>		
TSANG Yam Pui (曾蔭培) GBS, OBE, QPM, CPM	4/F., Block 29 Baguio Villa Victoria Road Hong Kong	Chinese
LAM Wai Hon, Patrick (林煒瀚)	House 9 Severn Hill 4 Severn Road The Peak Hong Kong	Chinese
CHENG Chi Ming, Brian (鄭志明)	8 Black's Link Hong Kong	Canadian
<i>Independent Non-executive Directors</i>		
TSUI King Fai (徐景輝)	6B, 21 Braemar Hill Road North Point Hong Kong	Australian
LEE Kwan Hung (李均雄)	Flat D, 26th Floor, Block 2 Ronsdale Garden 25 Tai Hang Drive Jardine's Lookout Hong Kong	Chinese
WU Wai Leung, Danny (胡偉亮)	Suite 11A, William Mansion 16-18 MacDonnell Road Mid-Levels Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

OTHER PARTIES INVOLVED IN THE GLOBAL OFFERING

<i>Sole Global Coordinator</i>	Citigroup Global Markets Asia Limited 50th Floor, Citibank Tower, Citibank Plaza 3 Garden Road Central Hong Kong
<i>Joint Sponsors</i>	Citigroup Global Markets Asia Limited 50th Floor, Citibank Tower, Citibank Plaza 3 Garden Road Central Hong Kong
	Macquarie Capital Securities Limited Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Rothschild (Hong Kong) Limited 16th Floor, Alexandra House 18 Chater Road Central Hong Kong
<i>Joint Bookrunners and Joint Lead Managers</i>	Citigroup Global Markets Asia Limited 50th Floor, Citibank Tower, Citibank Plaza 3 Garden Road Central Hong Kong
	Macquarie Capital Securities Limited Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong
	BOCOM International Securities Limited 201 Far East Consortium Building 121 Des Voeux Road Central Hong Kong
	VMS Securities Limited Unit 1803C, 18/F, Tower One, Enterprise Square 9 Sheung Yuet Road Kowloon Bay Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisors to the Company **As to Hong Kong and United States law:**

Jones Day
29th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:

King & Wood
40th Floor, Office Tower A
Beijing Fortune Plaza
7 Dongsanhuan Zhonglu
Chaoyang District
Beijing
China

As to Cayman Islands law:

Walkers
15th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

*Legal advisors to the Joint Sponsors,
Sole Global Coordinator and
the Underwriters*

As to Hong Kong law:

Skadden, Arps, Slate, Meagher & Flom
42nd Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to United States law:

Skadden, Arps, Slate, Meagher & Flom LLP
42nd Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:

Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing
China

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<i>Auditors and reporting accountants</i>	Ernst & Young Certified Public Accountants 18th Floor, Two International Finance Centre 8 Finance Street Central Hong Kong
<i>Property valuer</i>	Jones Lang LaSalle Sallmanns Limited 6/F Three Pacific Place 1 Queen's Road East Hong Kong
<i>Market Research Consultant</i>	Hatch Project Consulting (Shanghai) Co., Ltd. Room 1108-09 Tower W1, Oriental Plaza No.1 East Chang An Avenue Dong Cheng District Beijing 100738 China AME Mineral Economics (Hong Kong) Limited 403, 4/F Lucky Building 39 Wellington Street Central Hong Kong
<i>Independent Technical Advisor</i>	Behre Dolbear Asia, Inc. 999 Eighteenth Street Suite 1500 Denver, CO 80202 USA
<i>Receiving bankers</i>	Standard Chartered Bank (Hong Kong) Limited 15/F, Standard Chartered Tower 388 Kwun Tong Road Kowloon Hong Kong Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong

CORPORATE INFORMATION

Registered office	Walkers Corporate Services Limited Walker House 87 Mary Street George Town Grand Cayman KY1-9005 Cayman Islands
Headquarters and principal place of business in the PRC	Yanjia Zhuang Mine Shiwopu Village West Hao Zhuang Town Lincheng County Hebei Province China
Principal place of business in Hong Kong as registered under Part XI of the Companies Ordinance	Rooms 1502-5 15th Floor New World Tower 16-18 Queen's Road Central Hong Kong
Company's website	www.newton-resources.com *
Authorized representatives	YAO Zanzun (姚贊勳) Room 5, 14/F, No. 51A Xiaoguan Street Chaoyang District Beijing China HO Siu Mei (何筱微) Flat A, 7/F, Tower 6 Parc Royale 8 Hin Tai Street Tai Wai, Shatin Hong Kong
Members of the audit committee	TSUI King Fai (徐景輝) (chairman) LEE Kwan Hung (李均雄) WU Wai Leung, Danny (胡偉亮)

* The contents of this website do not constitute a part of this Prospectus.

CORPORATE INFORMATION

Members of the remuneration

committee LEE Kwan Hung (李均雄) (*chairman*)
TSUI King Fai (徐景輝)
WU Wai Leung, Danny (胡偉亮)
TSANG Yam Pui (曾蔭培)
LAM Wai Hon, Patrick (林煒瀚)

Members of the nomination committee...

LEE Kwan Hung (李均雄) (*chairman*)
TSUI King Fai (徐景輝)
WU Wai Leung, Danny (胡偉亮)
TSANG Yam Pui (曾蔭培)
LAM Wai Hon, Patrick (林煒瀚)

Company secretary

HO Siu Mei *FCCA, FCCA*

Unlisted share registrar and

transfer office Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Listed Share Registrar

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal banker

Standard Chartered Bank (Hong Kong) Limited
13/F, Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

Compliance advisor

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

INDUSTRY OVERVIEW

Investors should note that Hatch, an experienced consultant in the metals and mining industry, has been engaged to prepare an iron ore and diabase industry report, for use in whole or in part in this Prospectus. Hatch prepared its report based on Hatch's in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Hatch contacts companies operating in the industry to gather and synthesize information about market, prices and other relevant information. Hatch has assumed that the information and data which it relied on are complete and accurate.

Hatch has provided part of the statistical and graphical information contained in this Industry Overview. Hatch has advised that (i) some information in the Hatch's database is derived from estimates from industry sources or subjective judgments; and (ii) the information in the database of other mining data collection agencies may differ from the information in Hatch's database.

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 or misleading or that any part has been omitted that would render such information false or misleading. Investors should also 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. Our Company, the Sole Global Coordinator, Joint Bookrunners, Joint Lead Managers and Joint Sponsors, any of the Underwriters, any of their respective directors and advisors or any other persons or parties involved in the Global Offering make no representation as to the accuracy of the information from official government and non-official sources.

INTRODUCTION TO IRON ORE

Iron ore is the main source of iron for the world's iron and steel industries. It is an essential component used in the production of steel. Approximately 98% of the global supply of iron ore is used in steelmaking.

Iron ore refers to rock that contains a sufficient level of iron minerals that can be mined economically for iron. Iron ore is mainly composed of compounds of iron and oxygen (iron oxides) mixed with gangue, or impurities that are not generally utilized commercially. The most common types of iron ore are magnetite and hematite. Other iron ore types that are naturally occurring include limonite, siderite, goethite, pyrite, chamosite and greenalite. When heated in the presence of a reductant, iron ore will yield metallic iron (Fe). Iron ore is graded according to size as "lumps" or "fines" based on whether the individual particles have a diameter of more or less than six millimeters. Iron concentrate is the valuable fines that are separated commercially from iron ore in the form of rock with gangue by crushing, grinding, and beneficiation and can be agglomerated before being used in an iron making blast furnace or a direct reduction furnace. Iron ore is used directly as lump ore, or as concentrates or fines converted into pellets or sinter.

Iron is produced from iron ore by one of three methods, namely, the blast furnace method, the direct reduction process (e.g. DRI, HBI), or the direct smelting process. The latter two methods are often grouped together and referred to as "alternative iron making" processes, as they are relatively under-developed.

INDUSTRY OVERVIEW

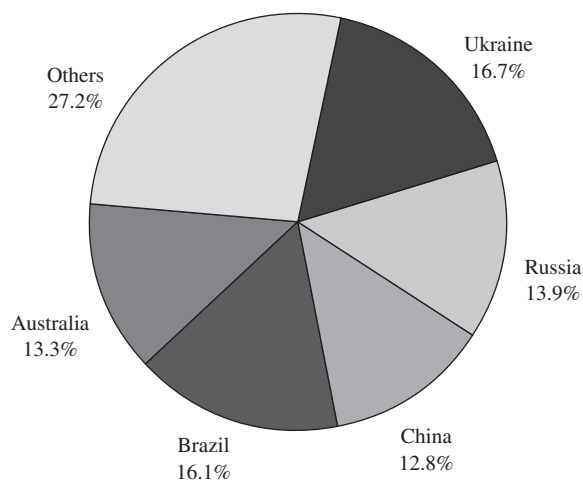
OVERVIEW OF THE IRON ORE INDUSTRY

Global Iron Ore Industry

Iron ore reserve

In 2010, global crude iron ore reserves were estimated to be at 180 billion tonnes, according to the U.S. Geological Survey (USGS) and Hatch. Although there are iron ore deposits distributed globally, the top five countries (Ukraine, Russia, China, Australia and Brazil) collectively account for approximately 72.8% of the world's reserves. The following chart sets forth the distribution of iron ore reserves globally in 2010 as estimated:

World Iron Ore Reserves (2010)⁽¹⁾



Source: USGS

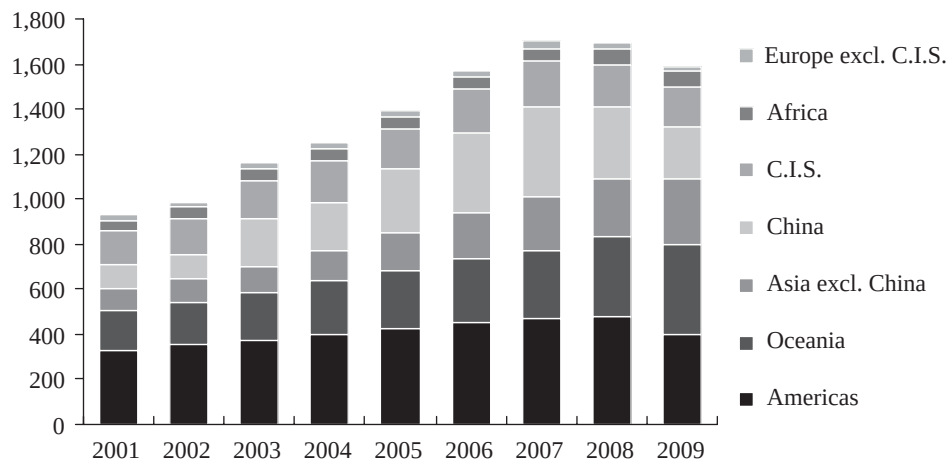
(1) In terms of iron ore. Reserves are that part of resource base which is economically extractable and recoverable.

INDUSTRY OVERVIEW

Iron ore production

According to the United Nations Conference on Trade and Development (UNCTAD), global iron ore production increased from 930 Mt to 1,588 Mt in the period from 2001 to 2009, representing a CAGR of approximately 6.9%. The following chart sets forth the iron ore output of major iron ore producing regions from 2001 to 2009:

World Iron Ore Production 2001-2009 (in Mt)

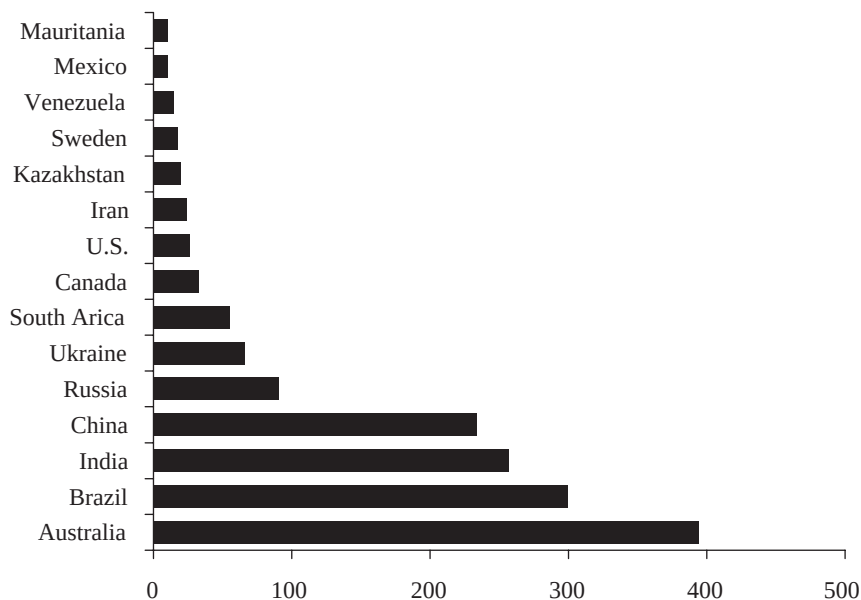


Source: UNCTAD

Note: Chinese iron ore production is converted by UNCTAD on a comparable grade basis of 63% Fe

The following chart sets forth the iron ore output of the top 15 iron ore producing countries in 2009:

Iron Ore Production of the Top 15 Iron Ore Producing Countries in 2009 (in Mt)



Source: UNCTAD

Note: Chinese iron ore production is converted by UNCTAD on a comparable grade basis of 63% Fe

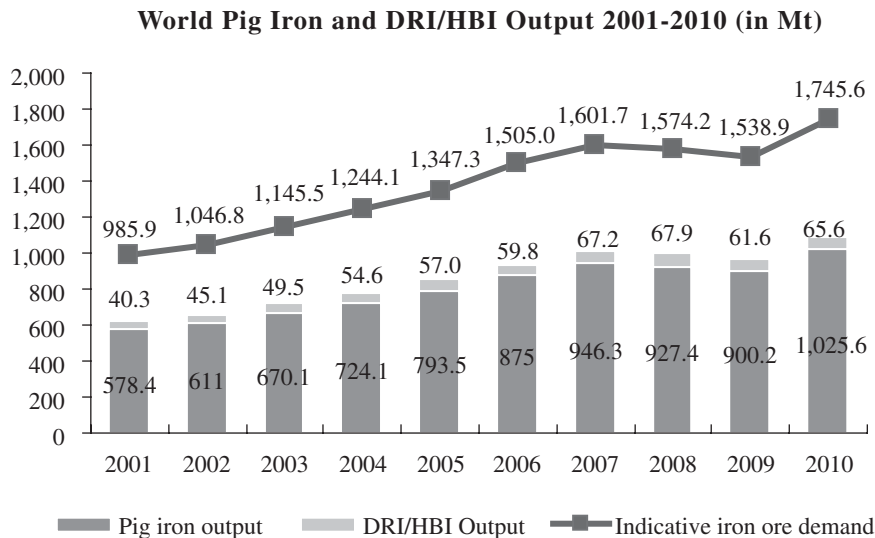
INDUSTRY OVERVIEW

Iron ore demand

Iron ore is mainly used as blast furnace feedstock to produce iron but can also be used (after agglomeration) in direct reduction furnaces to produce directly reduced iron and hot briquetted iron (DRI/HBI). Most of the iron produced in a blast furnace (pig iron) is then transferred to the basic oxygen conversion process in integrated steelworks, whereas DRI/HBI is used mainly as a substitute for ferrous scrap in electric arc furnaces.

According to the World Steel Association (WSA), from 2001 to 2010, global pig iron and DRI/HBI output increased from approximately 619 Mt to 1,091 Mt, representing a CAGR of approximately 6.5%. In comparison, global iron ore output grew at a CAGR of approximately 6.9% from 2001 to 2009.

Unlike iron ore production, the production of pig iron and DRI/HBI is mainly geographically concentrated in Asia, Europe and the C.I.S. The pig iron and DRI/HBI output in these areas accounted for approximately 80.0% of the world's total from 2001 to 2010. The following chart sets forth the pig iron and DRI/HBI output of different regions from 2001 to 2010:



Source: WSA and Hatch estimates

Note: Iron ore demand is calculated as 1.6 times pig iron and DRI/HBI output

INDUSTRY OVERVIEW

Iron ore trade and competition

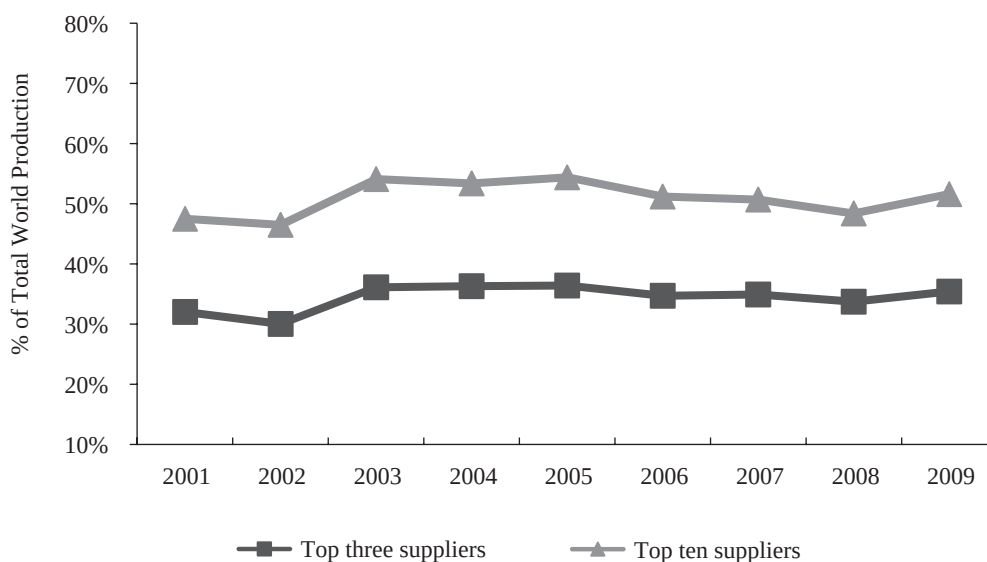
Since most of the world's accessible iron ore deposits are not located in the same countries where the majority of steel production facilities are found, iron ore is a highly traded commodity. Approximately 950 Mt of iron ore, or approximately 60.0% of total global production, was internationally traded in 2009, up 7.4% from 2008.

According to UNCTAD, Australia and Brazil together accounted for over 65.8% of the world's iron ore exports in 2009. China and Japan accounted for approximately 66.8% and 11.2%, respectively, of the world's iron ore imports in 2009.

The global iron ore industry has gradually consolidated since the 1970s and is dominated by the three largest global suppliers, namely, Vale S.A. ("Vale", formerly Companhia Vale do Rio Doce), Rio Tinto Limited ("Rio Tinto") and BHP Billiton Limited ("BHPB"). These companies together accounted for 35.4% of world production in 2009. The top ten iron ore producers controlled approximately 51.6% of the total world production in 2009, down from approximately 54.4% in 2005. The top ten and top three iron ore suppliers' respective world market share has slightly shrunk since 2005 as many new producers, including a large number of relatively small enterprises, entered the market to take advantage of the high prices. Nevertheless, the top three iron ore suppliers accounted for approximately 60.8% of the seaborne trade in 2009.

The following chart sets forth the iron ore suppliers' share of the world market from 2001 to 2009:

Iron Ore Suppliers' Share of World Market 2001-2009



Source: Hatch and UNCTAD

Note: Chinese iron ore production is converted by UNCTAD on a comparable grade basis of 63% Fe

INDUSTRY OVERVIEW

PRC Iron Ore Industry

Iron ore reserves

According to USGS, China ranked fifth globally in terms of iron ore reserves, accounting for approximately 12.8%, or 23.0 billion tonnes, of global iron ore reserves in 2010. According to the NBSC, China's iron ore reserves were primarily situated in the northeastern, northern and southwestern regions of China, which together accounted for approximately 78.5% of China's total iron ore reserves in 2009.

China's iron ore reserves distribution in 2009 is set forth below:



Source: NBSC

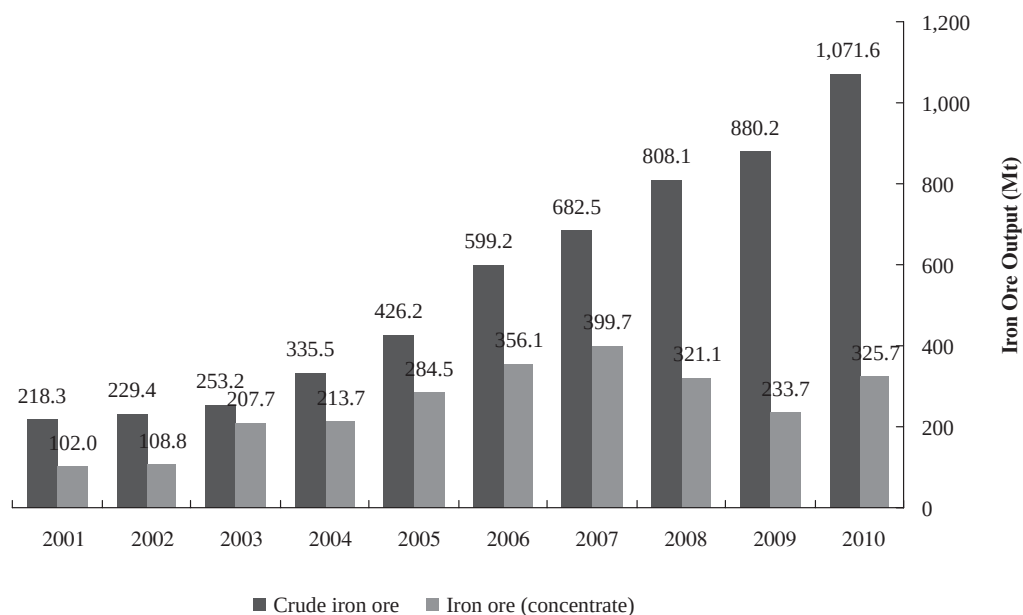
INDUSTRY OVERVIEW

Iron ore production

According to NBSC and Hatch, China is one of the world's leading producers of iron ore on a gross tonnage basis. Iron ore (run of mine) production reached approximately 1,072 Mt in 2010, representing a CAGR of approximately 19.3% since 2001 and representing an increase of approximately 21.6% compared to 2009. However, as the iron content (or ore grade) of China's resources is generally lower than the global average, China's iron ore output figures are usually adjusted downwards to enable reasonable comparisons with other countries.

According to UNCTAD's estimates, on a comparable grade basis (Fe content of 63%), Chinese iron ore production was approximately 326 Mt in 2010, up approximately 39.4% from 2009. The following chart sets forth China's iron ore output from 2001 to 2010:

PRC Iron Ore Output 2001-2010 (in Mt)



Source: NBSC and UNCTAD

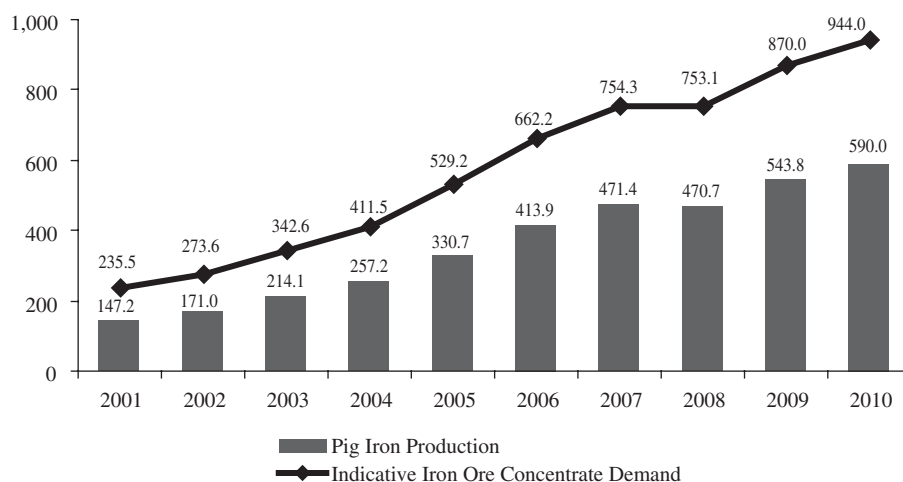
INDUSTRY OVERVIEW

Iron ore demand

China is the largest steel consuming country in the world. According to WSA, China consumed approximately 44.9% of worldwide finished steel in 2010. China is one of the fastest growing countries in terms of iron ore demand and the main driver behind the growth of the global iron ore sector.

While DRI/HBI output in China is extremely limited, accounting for no more than 0.02% of the total output of China's iron output in 2010, pig iron output increased from 147 Mt in 2001 to 590 Mt in 2010, representing a CAGR of approximately 16.7%. The following chart sets forth China's pig iron output and indicative iron ore demand from 2001 to 2010:

PRC Pig Iron Output and Indicative Iron Ore Demand 2001-2010 (in Mt)⁽¹⁾

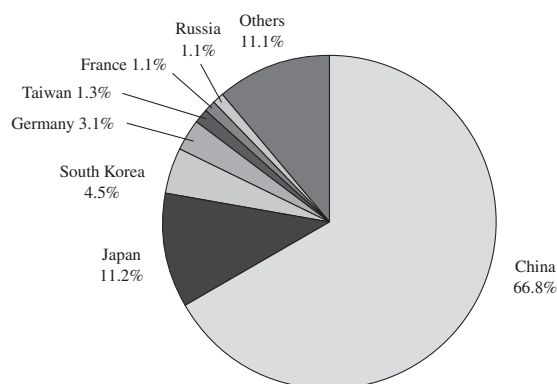


Source: NBSC and Hatch estimates

- (1) Iron ore demand is calculated as 1.6 times pig iron output. DRI/HBI output is not included as there are no available official statistics.

With its substantial demand for iron ore, China was the largest iron ore importer in the world in 2009. The following table sets forth the global market share of the leading iron ore importers in 2009:

Largest Iron Ore Importers Worldwide (2009)



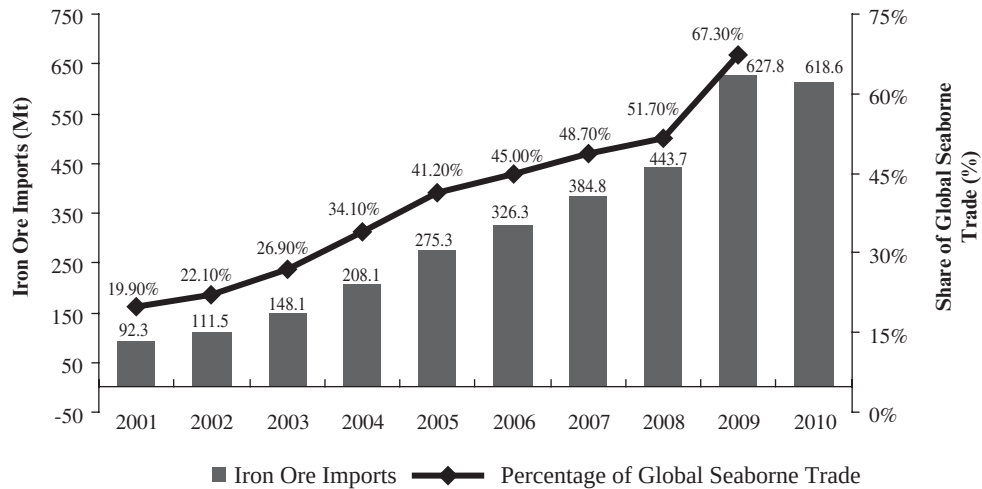
Source: UNCTAD

INDUSTRY OVERVIEW

Iron ore trade and competition

China continues to be the main destination for global iron ore shipments. Iron ore imports into China have grown steadily for almost the past decade, from approximately 92.3 Mt in 2001 to approximately 618.6 Mt in 2010. The following chart sets forth China's iron ore import volumes from 2001 to 2010 and share of global seaborne trade from 2001 to 2009:

PRC Iron Ore Imports 2001-2010



Source: China Customs

INDUSTRY OVERVIEW

Australia, Brazil and India are the three main countries from which China imports iron ore. Iron ore imports from these three countries accounted for 79.6% of total iron ore imports into China in 2010. China also imports iron ore from other countries, including South Africa, Ukraine, Russia, Canada, Indonesia, Mauritania, Peru and Kazakhstan. However, iron ore imports from each of these countries into China accounted for less than 2% of total iron imports into China in 2010. The following table sets forth the breakdown of countries from which China imported its iron ore in 2008, 2009 and 2010:

Sources of PRC Iron Ore Imports 2008-2010 (in Mt)

	2008		2009		2010	
	Import volume	Percentage of total PRC iron ore imports	Import volume	Percentage of total PRC iron ore imports	Import volume	Percentage of total PRC iron ore imports
Australia	183.4	41.3%	261.9	41.7%	265.3	42.9%
Brazil	100.6	22.7%	142.4	22.7%	130.9	21.2%
India	91.0	20.5%	107.3	17.1%	96.6	15.6%
South Africa	14.5	3.3%	34.1	5.4%	29.5	4.8%
Iran	5.1	1.2%	6.9	1.1%	14.6	2.4%
Ukraine	4.6	1.0%	11.6	1.8%	11.6	1.9%
Others	8.4	1.9%	10.3	1.6%	8.3	3.2%
Indonesia	6.8	1.5%	6.4	1.0%	7.7	1.2%
Peru	5.3	1.2%	6.0	1.0%	7.4	1.2%
Chile	3.6	0.8%	5.7	0.9%	6.6	1.1%
Russia	5.8	1.3%	9.7	1.5%	6.4	1.0%
Kazakhstan	3.2	0.7%	5.9	0.9%	6.2	1.0%
Venezuela	3.2	0.7%	3.0	0.5%	5.2	0.8%
Canada	3.7	0.8%	8.7	1.4%	4.3	0.7%
Mauritania	2.5	0.6%	6.1	1.0%	4.2	0.7%
North Korea	1.9	0.4%	1.8	0.3%	2.1	0.3%
Total imports	443.7	100.0%	627.8	100.0%	618.6	100.0%

Source: China Customs

According to the Ministry of Land and Resources (MLR), China's iron and steel production is expected to remain reliant on imported iron ore despite the fact that domestic iron ore production capacity is forecast to increase, albeit at a reduced rate, to 1,100 Mt by 2015 from 940 Mt in 2010.

PRC Iron Ore Production Capacity

The Chinese iron ore industry is highly fragmented and is dominated by small sized producers. According to the CISA, the iron ore output from small and medium-scale mines in 2010 was 881 Mt, which accounted for approximately 82% of total iron ore output in China. The remaining 18% of China's iron ore output was produced by large-scale mines, most of which belong to state-owned steel companies. According to the CISA, iron ore mines are classified by their annual production capacity of iron ore. Large-scale mines have a production capacity greater than 2,000 ktpa. Medium-scale mines have a production capacity of between 600 ktpa to 2,000 ktpa. Small-scale mines have a production capacity of less than 600 ktpa.

INDUSTRY OVERVIEW

The major iron ore producers in China in 2010 were as follows:

Major Iron Ore Producers in China (2010)

Company	Location	Iron ore output (kt)
1. Anshan Steel	Liaoning	45,561
2. Hebei Steel Group	Hebei	26,424
3. Panzhihua Steel	Sichuan	20,911
4. Benxi Steel	Liaoning	17,686
5. Taiyuan Steel	Shanxi	13,814
6. Baotou Steel	Inner Mongolia	13,384
7. Shougang Group	Hebei	10,809
8. Ma'an Shan Steel	Anhui	8,706
9. Hanxing Mining	Hebei	7,019
10. Wuhan Steel	Hubei	5,558
Total top ten major producers⁽¹⁾		169,872
Total China		1,071,550

Source: CISA and Hatch estimates

- (1) Major producers refer to those members of the CISA with the largest volumes of iron ore output. All of the major iron ore producers listed are state-owned.

The major iron concentrate producers in China in 2010 were as follows:

Major Iron Concentrate Producers in China (2010)

Company	Location	Iron concentrate output (kt)
1. Anshan Steel	Liaoning	15,607
2. Panzhihua Steel	Sichuan	7,496
3. Benxi Steel	Liaoning	6,513
4. Hebei Steel Group	Hebei	5,651
5. Taiyuan Steel	Shanxi	5,509
6. Baotou Steel	Inner Mongolia	4,940
7. Shougang Group	Hebei	4,602
8. Wuhan Steel	Hubei	3,855
9. Jiuquan Steel	Gansu	3,254
10. Hanxing Mining	Hebei	2,716
Total top ten major producers⁽¹⁾		60,143

Source: CISA and Hatch estimates

- (1) Major producers refer to those members of the CISA with the largest volumes of iron concentrate output. All of the major iron concentrate producers listed are state-owned.

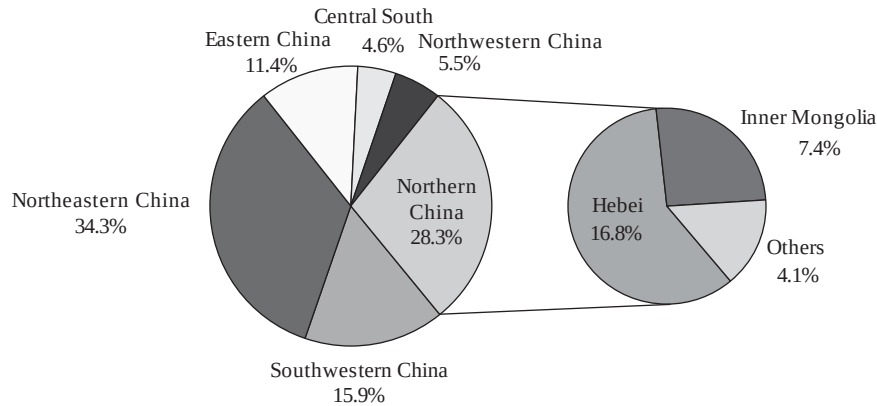
INDUSTRY OVERVIEW

Hebei Iron Ore Industry

Iron ore reserves

China's iron ore reserves are mainly found in Liaoning, Hebei and Sichuan Provinces. These three provinces collectively account for approximately 63.3% of China's iron ore reserves in 2009. According to the NBSC, Hebei Province had the second largest iron ore reserves in China at 3,570 Mt in 2009, representing approximately 16.8% of national reserves in the same year. The following chart sets forth the geographic distribution of iron ore reserves in China in 2009:

Geographic Distribution of China's Iron Ore Reserves (2009)

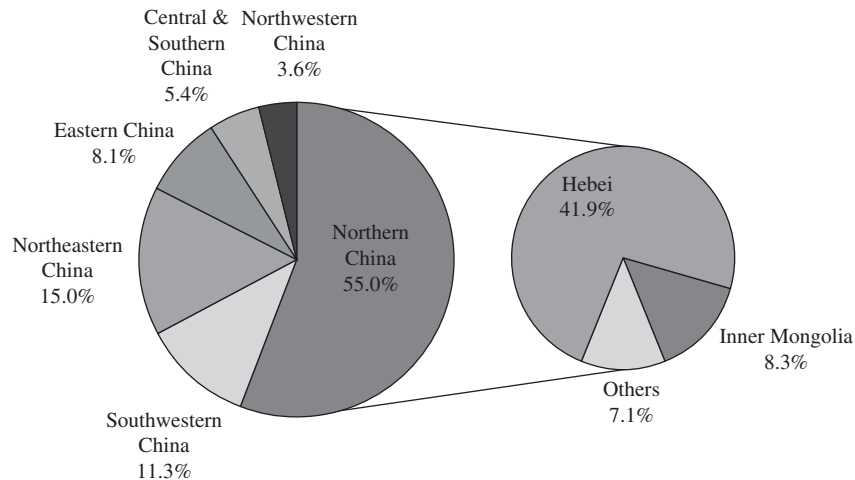


Source: NBSC

Iron ore production

According to the NBSC, the northern region of China contributed approximately 55.0% of China's total output of iron ore in 2010. According to the NBSC, Hebei Province was the largest producer of iron ore in terms of iron ore output in China in 2010, with an iron ore output of approximately 446 Mt, which represented approximately 41.9% of the total iron ore output in China and a CAGR of approximately 25.6% from 2001. The following chart sets forth the regional iron ore output in China in 2010:

China's Iron Ore Output by Region (2010)

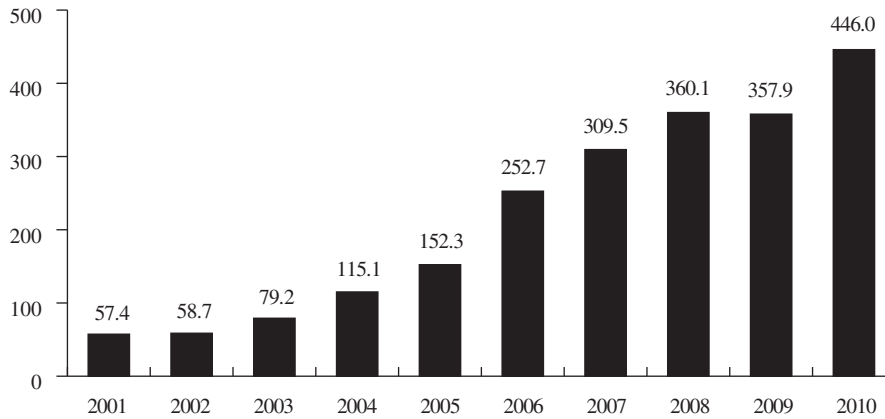


Source: NBSC

INDUSTRY OVERVIEW

The following chart sets forth Hebei's iron ore output from 2001 to 2010:

Hebei's Iron Ore Output 2001-2010 (in Mt)

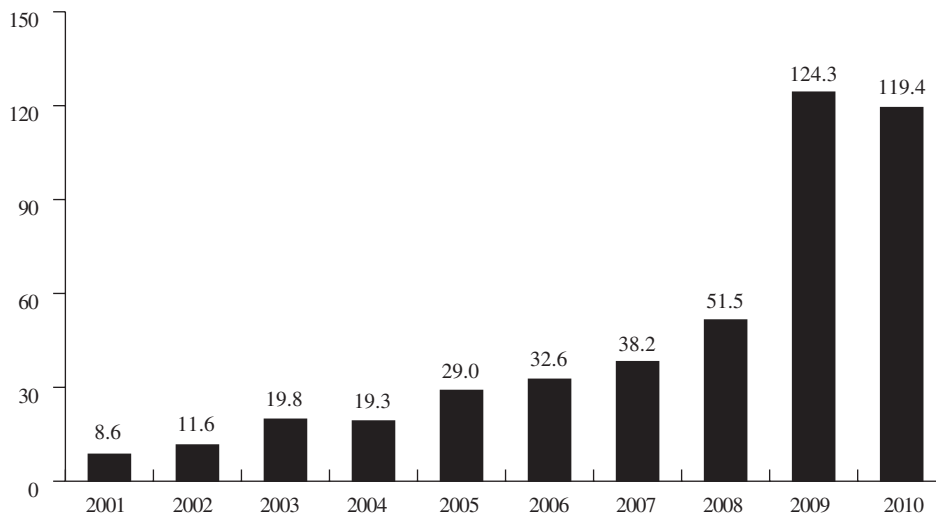


Source: NBSC

Iron ore demand

Local iron ore output in Hebei Province has been insufficient to meet local demand over the past several years. Despite being one of the top iron ore producing regions in China, Hebei Province remained the largest net importer of iron ore in China. Hebei Province imported 119.4 Mt of iron ore in 2010 compared to 8.6 Mt in 2001. This situation is unlikely to change in the near future due to the high cost in developing mines and the rapid increase in steel production in Hebei Province. The following chart sets forth Hebei's iron ore imports from 2001 to 2010:

Hebei's Iron Ore Imports 2001-2010 (in Mt)



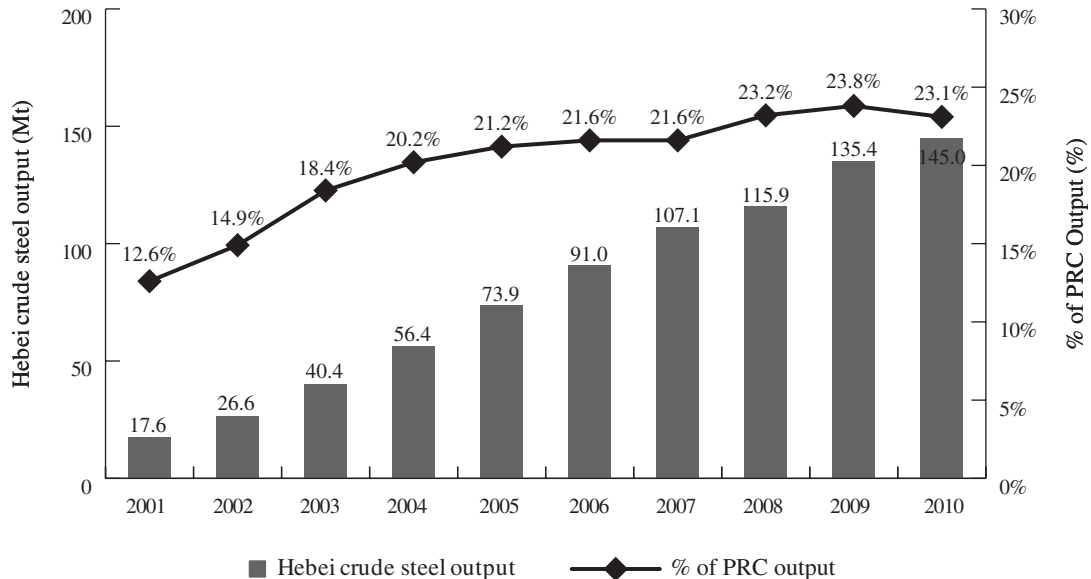
Source: China Customs

INDUSTRY OVERVIEW

Hebei crude steel production

The growth in steel production in Hebei Province averaged approximately 26.4% per annum between 2001 and 2010, reaching approximately 145 Mt in 2010. As the largest steel producing province in China, Hebei Province produced approximately 23.1% of China's raw steel in 2010. The following chart sets forth Hebei's steel output from 2001 to 2010:

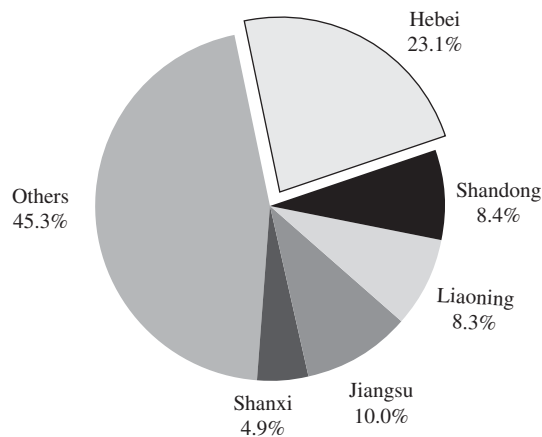
Hebei's Steel Output 2001-2010 (in Mt)



Source: NBSC

In 2010, China produced 590 Mt of pig iron. The top five regions in China in descending order of output were Hebei, Shandong, Liaoning, Jiangsu and Shanxi. The following chart sets forth Hebei's crude steel production as a percentage of total crude steel output in China:

Chinese Crude Steel Output by Province in 2010



Source: NBSC

INDUSTRY OVERVIEW

In 2009 and 2010, the top three steel producers in Hebei Province were as follows:

Raw Steel Production of the Top Three Producers in Hebei Province (in kt)

	2009		2010	
	Volume	% of Hebei	Volume	% of Hebei
1. Hebei Steel Group	40,239	29.7%	52,860	38.2%
2. Hebei New Wuan Steel Group	16,711	12.3%	18,595	13.4%
3. Beijing Jianlong Group	8,382	6.2%	8,825	6.4%

Source: NBSC

Hebei Steel Group, which is located in Hebei Province, is China's largest steel enterprise and the world's fifth largest steel producer. Hebei Steel Group had a total steel output of 52.9 Mt in 2010, accounting for approximately 38.2% of total steel production capacity in Hebei Province in the same year.

Competition

According to MMAC and Hatch, Hebei Province has the largest number of iron ore mines in China. There were approximately 2,700 small-scale iron ore mines in Hebei Province as of 31 December 2009. The iron ore output of Hebei Province was approximately 446 Mt in 2010.

According to the Hebei Metallurgical Mining Industry Association, large-scale iron ore mines in Hebei Province are generally owned by state-owned enterprises. Key iron ore producers in Hebei Province include Hebei Steel Group, Shougang Group and Hanxing Mining. Hebei Steel Group, Shougang Group and Hanxing Mining produced 26.4 Mt, 10.8 Mt and 7.0 Mt, respectively, of iron ore in 2010. Together, these three state-owned iron ore producers collectively accounted for approximately 9.9% of Hebei's total iron ore output in 2010. The table below provides information on the top ten iron ore mines in Hebei Province, based on estimated resources:

Top 10 Iron Ore Mines⁽¹⁾ in Hebei Province (as of 31 December 2009)

Ownership	Resources ⁽²⁾ (thousand tonnes)
1. State-owned	1,069,481
2. State-owned	931,148
3. State-owned	887,390
4. State-owned	421,327
5. State-owned	380,689
6. Privately-owned (the Yanjiazhuang Mine)	311,760⁽³⁾
7. State-owned	255,631
8. State-owned	221,982
9. Privately-owned	162,300
10. State-owned	119,703

Source: Hatch

(1) Other than the Yanjiazhuang Mine (the Company's mine), the iron ore mines listed in the table above are held by Independent Third Parties.

(2) Resources represent a concentration of naturally occurring solid, liquid, or gaseous material in or on the Earth's crust in such form and amount that economic extraction of a commodity from the concentration is currently or potentially feasible.

(3) The estimated resources of the Yanjiazhuang Mine of approximately 311.8 Mt converts into approximately 260.0 Mt of total proved and probable reserves, which are a subset of resources, as stated in the Independent Technical Report and was then compared with iron ore resource data of Hebei Metallurgical Mining Industry Association.

INDUSTRY OVERVIEW

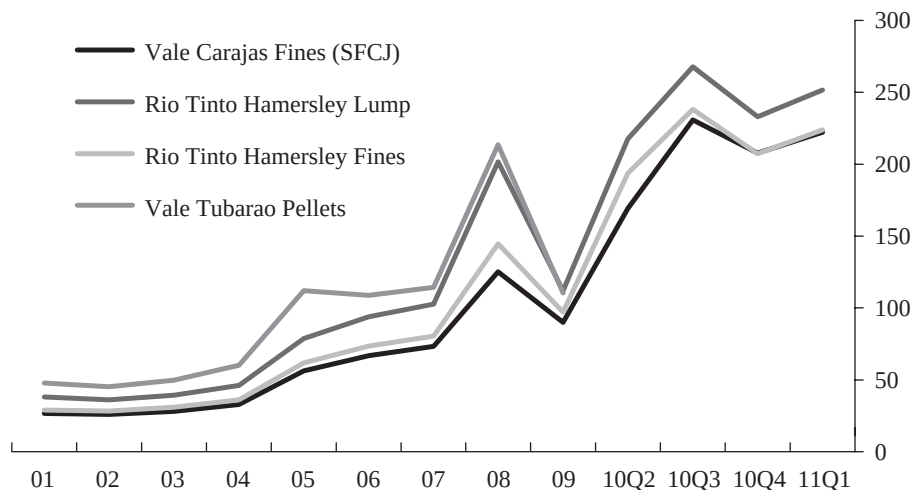
Iron Ore Prices

International iron ore prices

Iron ore prices are generally negotiated directly between buyers and sellers and have historically been set mostly on an annual basis. In the past, the benchmark level for price negotiations was usually the first major sinter fine contract signed and announced by one of Vale, BHPB or Rio Tinto with either a major European or Asian steelmaker. However, there has been a shift away from annual benchmark pricing by iron ore producers to more flexible pricing options since early 2009. In March 2010, Vale, BHPB and Rio Tinto all announced that they would favor quarterly or shorter-term pricing systems over annual benchmark pricing. A quarterly semi-negotiated price has been the norm since the second quarter of 2010.

Historically, the prices of iron fines and lumps shipped from Australia to Asia grew at a CAGR of approximately 25.8% between 2001 and 2008. In 2008, these prices reached a peak of US\$144.7/dmtu and US\$201.7/dmtu for iron fines (58% Fe) and lumps (65% Fe), respectively. As a result of the global economic downturn, prices retreated due to reduced demand in the second half of 2008 before stabilizing. The global economic downturn led to a decrease in iron ore demand and iron ore prices. The 2009 international iron ore benchmark prices declined by approximately 28% to 44%, depending on the ore source. However, with the strong recovery in demand led by China and shift of contract pricing mechanism, the iron ore benchmark prices reached a historical high in the third quarter of 2010.

International Iron Ore Contract Prices in Asia 2001-2011 (Unit: US cents/dmtu)



Source: Hatch

Notes:

1. FOB prices for Asia (excluding China in 2009 and 2010).
2. US cents/dry long tonne unit before 2003; US cents/dmtu for 2004 and thereafter.
3. Due to iron ore pricing having changed to a quarterly pricing model, pellet prices ceased to be disclosed by buyers or sellers after 2009. Further, the companies noted above changed their disclosure of iron ore contract prices from annual prices to quarterly prices during the second quarter of 2010 and, as such, no quarterly information is provided for 2010 Q1 in the chart above.
4. Vale Carajas Fines represents fines produced by Vale in Carajas. Rio Tinto Hamersley Lump represents lump produced by Rio Tinto in Hamersley. Rio Tinto Hamersley Fines represents fines produced by Rio Tinto in Hamersley. Vale Tubarao Pellets represents pellets produced by Vale in Tubarao.
5. Vale Carajas Fines, Rio Tinto Hamersley Lump, Rio Tinto Hamersley Fines and Vale Tubarao Pellets are major prices indicators for international iron ore contract prices.
6. Notwithstanding the March 2010 shift in pricing methodology from annual to quarterly benchmarking, for the purposes of this table, prices before such date may generally be compared to prices after such date.

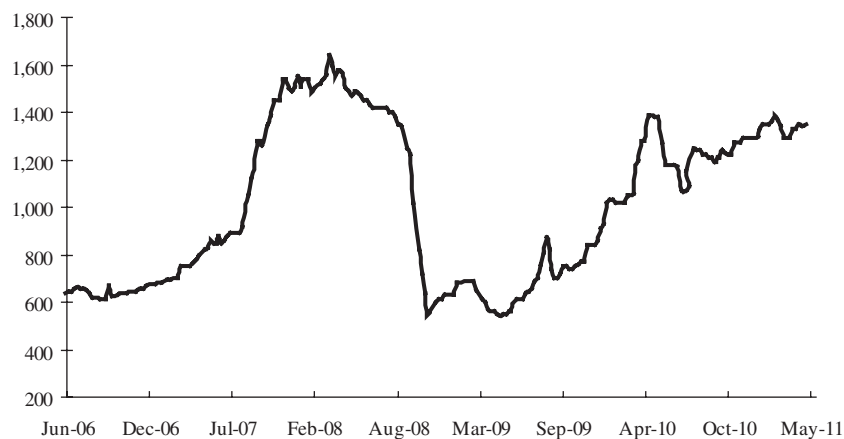
INDUSTRY OVERVIEW

Domestic PRC iron ore prices

There are three main methods of pricing iron ore in China. The first method involves pricing set by steel manufacturers that own mines. Each company has its own transfer pricing practice but iron ore is usually sold at a percentage discount to the then prevailing market prices. The second method involves mining companies and steel manufacturers entering into offtake agreements where both parties commit to a certain quantity. The transaction price is usually based on the market price, but can also be sold at a small discount or premium. The third and the most common pricing method in China is spot pricing.

Globally, most iron ore transactions are conducted using long-term contractual arrangements, which were historically priced on an annual basis, but are now increasingly priced at shorter time intervals. According to Hatch, the recent changes in the benchmark pricing system may increase the volatility of iron ore prices. However, as iron ore demand in China has historically exceeded domestic supply and this significant shortfall is expected to continue, according to Hatch, iron ore producers will continue to benefit from strong demand until a market shift occurs in the supply and demand fundamentals. In China, a large spot market exists and PRC steel producers procured approximately 36% of all their iron ore requirements on a spot basis in 2009. Currently, India is the third largest iron ore supplying country to China, after Australia and Brazil, and its iron ore products are sold to customers in China at spot prices. Iron ore imports from India accounted for approximately 21% of China's total iron ore imports in 2008, 17% of China's total iron ore imports in 2009 and 15.6% of China's total iron ore imports in 2010. According to Hatch, whether on a benchmark or spot basis, iron ore prices are likely to rise in line with demand; moreover, the continued rapid growth of China's steel industry will likely be accompanied by an equivalent increase in domestic iron ore prices. The chart below indicates the trend of CIF landed iron ore prices at the Qingdao port in China:

Iron Ore Fines CIF Prices at Qingdao Port 2006-2011 (Unit: RMB/tonne)



Source: Mysteel, Steelhome

Note: Brazil 65% Fe, wet base, CIF

Hebei iron ore prices

Since Hebei Province is the largest iron ore producing and consuming province in China, the prices for iron ore in Hebei Province are usually viewed as key references of the domestic spot market, and have usually been higher than those of Liaoning's and Sichuan's spot market prices given comparable Fe content.

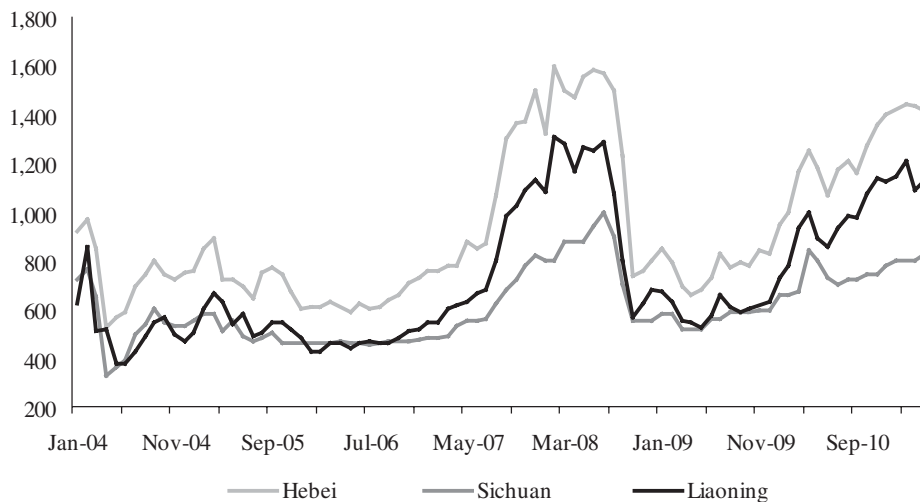
INDUSTRY OVERVIEW

Prices for iron concentrate in Hebei Province fluctuated between RMB600 to RMB800/tonne during 2004-2006. Since the second quarter of 2007, prices for iron concentrate began to increase and peaked at approximately RMB1,580/tonne in July 2008, driven by robust steel demand from the infrastructure and real estate industries, among others.

However, when the global financial crisis emerged, shrinking demand caused a sharp drop in prices in the third quarter of 2008 and reduced prices for iron concentrate back to the levels between 2004 and 2006. Since the second quarter of 2009, China's domestic iron ore prices have been improving and showed an upward trend through the first quarter of 2011, and retreated slightly in the second quarter of 2011.

The following chart sets forth the iron concentrate prices in the Chinese domestic market from January 2004 through January 2011:

Iron Concentrate Prices in Chinese Domestic Market 2004-2011 (Unit: RMB/tonne)



Source: Mysteel and Steelhome

- (1) Hebei Province (Tangshan): 66% Fe, dry base, ex-work price and inclusive of VAT.
- (2) Liaoning Province (Beipiao): 66% Fe, wet base, ex-work price and inclusive of VAT.
- (3) Sichuan Province: 59% Fe between January 2004 and December 2007, 60% Fe since January 2008, dry base, ex-work price and inclusive of VAT.
- (4) The VAT was 13% before 1 January 2009 and 17% for the periods thereafter.

Due to the global economic slowdown in the second half of 2008, there was a decrease in demand for iron ore products globally, including in China. However, despite a decrease in the second half of 2008, iron ore prices began to stabilize in June 2009 in Hebei Province, as well as in other regions in China as a result of the stimulus policy of the PRC Government and an increase in fixed asset investments in China. The PRC Government's reconstruction plans for the areas affected by the Sichuan earthquake in May 2008 have also boosted overall demand for iron ore and steel products. For additional information regarding policies and regulations that may influence and increase the overall demand for iron ore and steel products in China, including Hebei Province, see "— Policies and Regulations Supporting Growth in the PRC Mining and Steel Industries."

POLICIES AND REGULATIONS SUPPORTING GROWTH IN THE PRC MINING AND STEEL INDUSTRIES

Facing the rapid development of China steel and mining industries, the PRC Government has focused on establishing and implementing policies to regulate the development of these industries, their impact on the environment and international trade.

Policies for the Development of the PRC Iron and Steel Industry

Development policy for the PRC iron and steel industry

Since 2003, China has imposed adjustments and controls at a micro level over the steel industry. The State Council promulgated the “Interim Provisions for Promoting Adjustment on the Industrial Structure” (Guo Fa [2005] No. 40) (《促進產業結構調整暫行規定》(國發[2005]40號)) in 2005 and the “Notice of State Council on Accelerating and Pushing the Structural Adjustment of Industries with Excess Capacity” (Guo Fa [2006] No. 11) (《國務院關於加快推進產能過剩行業結構調整的通知》(國發[2006]11號)) in 2006 and the NDRC issued the “Development Policy for Iron and Steel Industry” (NDRC Decree No. 35) (《鋼鐵產業發展政策》(國家發改委第35號令)) in 2005 (the “Development Policy”).

The Development Policy provides that the state shall restrict the export of primary products which consume lots of energy and result in a large amount of pollution, such as coke, ferrous alloy, pig iron, scrap, steel billets and ingots. The Development Policy encourages iron and steel enterprises to manufacture high-strength steel and hot rolled ribbed bars of Grade III (400MPa) and above.

China’s State Council approved the “Steel Industry Support Plan” in principle on 14 January 2009 and promulgated the “Adjustment and Revitalization Plan for the Steel Industry” (《鋼鐵產業調整和振興規劃》) on 20 March 2009 to support the steel industry. The details of the plan include the following: (i) steel consumed in construction projects in China is expected to constitute approximately 50% of total steel consumed; (ii) emphasis on promoting corporate restructuring and promoting industry consolidation; and (iii) focus on the exploration of iron resources and ensuring production safety to improve domestic iron production.

Policies for the Development of Mine Exploration and Mining

Policy and regulation of mine exploration and mining

In addition to the development of the iron and steel industry, the Development Policy also gives directives related to raw materials. The Development Policy encourages large-scale steel enterprises to explore and develop iron ore resources, although a mining permit must be obtained for the mines. New mining projects with iron ore reserves of 50 Mt or more are subject to verification or approval by the NDRC.

In 1999, the Ministry of Finance and the MLR jointly issued the “Measures on Administration of the Use Fee and Payment for Exploration Rights and Exploitation Rights” (《探礦權採礦權使用費和價款管理辦法》), which provides that the exploration rights utilization fee must be calculated for the year of exploration and paid annually according to the block area at a price of RMB100 per km² each year starting from the first year of exploration through the third year of exploration. In addition, RMB100 per km² for every additional year starting from the fourth year of exploration must be paid, up to RMB500 per km² each year. The mining rights utilization fee must be paid annually according to a mine area of RMB1,000 per km².

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As early as September 2000, six ministries, including the MLR, jointly issued the “Several Opinions about Further Encouraging Foreign Investment in Exploitation and Mining of Non-oil-or-gas Mineral Resource” (《關於進一步鼓勵外商投資勘查開採非油氣礦產資源的若干意見》), which provides for the further development of the exploration and mining rights market of domestic non-oil-or-gas mineral resources and the encouragement of foreign investment in exploration and mining of non-oil-or-gas mineral resources, particularly in the western regions of China.

In December 2003, the Information Office of the State Council issued a policy, “China’s Policy on Mineral Resources” (《中國的礦產資源政策》) and mentioned that China will mainly rely on the development of domestic mineral resources to meet the demand of modern construction requirements. The PRC Government encourages the exploration and development of mineral resources demanded by the market, particularly mineral resources found in the western regions of China, in order to improve the availability of domestic mineral products.

In January 2004, the State Council officially issued the “Regulations on Production Safety Permits” (the State Council’s Decree No. 397) (安全生產許可證條例) (國務院令(第397號)), which stipulates that the State has adopted the requirement for production safety permits for certain enterprises. Mining enterprises are not permitted to engage in any production activities until production safety permits have been obtained.

The State Council issued in 2006 the “State Council’s Decision on Enhancing Geological Work” (Guo Fa [2006] No. 4) (《國務院關於加強地質工作的決定》) (國發[2006]4號), which further expresses that China will enhance the exploration and mining of mineral resources.

While continuously enhancing the exploration and mining of mineral resources, the State Council has also issued, from time to time, policies to regulate the development and utilization of mineral resources.

The MLR issued in December 2007 the “Notice on Adoption of Uniform Numbering of Exploration Rights across the Country” (《關於實行全國探礦權統一配號的通知》), which stipulates that as of 1 January 2008, the creation, modification, extension and continuance of exploration rights, as well as geological investigation, are subject to the registration and approval by the exploration rights registration authority after which an exploration permit number is electronically generated.

On 3 March 2008, the State Council published the “Regulation on Administration of Qualification for Geological Exploration” (中華人民共和國國務院令(第520號)《地質勘查資質管理條例》), which became effective on 1 July 2008 and stipulates that the geological exploration units are not permitted to conduct any geological exploration activities for their consignors until the relevant mineral resource exploration or mining permits have been duly obtained.

On 3 March 2008, the MLR issued the notice on “National Plan on Geological Exploration” (《全國地質勘查規劃》), containing the objectives planned for geological exploration in China by 2010 including major breakthroughs in mineral exploration, large increases in the availability of domestic mineral resources, establishment of backup areas in the western regions of China for the exploration and development of important resources and increases in newly-identified iron ore reserves by 5,000 Mt.

The MLR officially issued the “National Mineral Resources Plan (2008-2015)” (《全國礦產資源規劃》) on 31 December 2008 in an attempt to promote the substitutability of mineral resources. The “National Mineral Resources Plan (2008-2015)” stipulates that the national newly-added iron ore ensured reserve will amount to 3,000 Mt from 2008 to 2010 and further expanded to 6,000 Mt from 2011 to 2015. Meanwhile, iron ore production will be increased to 940 Mt in 2010 and to 1,100 Mt in 2015.

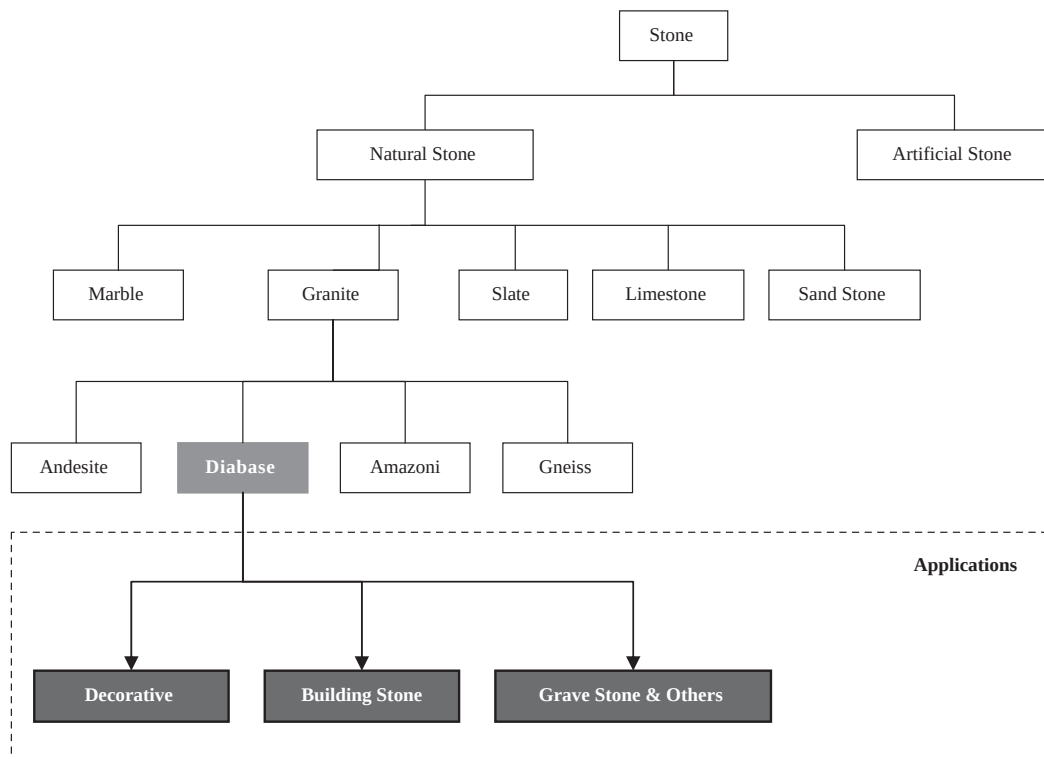
12th Five-Year Plan of Hebei Province (2011-2015)

The “12th Five-Year Plan” of Hebei Province (河北省國民經濟和社會發展第十二個五年規劃綱要) (the “Plan”) was passed on 21 March 2011. The Plan emphasizes the importance of efficient exploitation of mine resources. Under the Plan, Hebei Province’s government intends to further centralize the overall administration of mine resources, punish inefficient mining and increase recovery rates and extraction rates of mine resources. The Plan also emphasizes the importance of production safety and environmental protection in mining operations. Mining enterprises should, among other matters, implement comprehensive examinations for material hidden defects in tailings storage facilities and should also implement land reclamation plans.

INTRODUCTION TO DIABASE

Diabase, a type of granite, is a stone material used primarily in the construction industry and for decoration purposes due to its qualities of hardness and toughness. A mafic, holocrystalline, intrusive igneous rock equivalent to volcanic basalt or plutonic gabbro, the stone is generally deep blue and black in color. Facing slabs composed of finished diabase are typically named “China Black” after their origin and color. There are many types of diabase, one of which is gabbro-diabase.

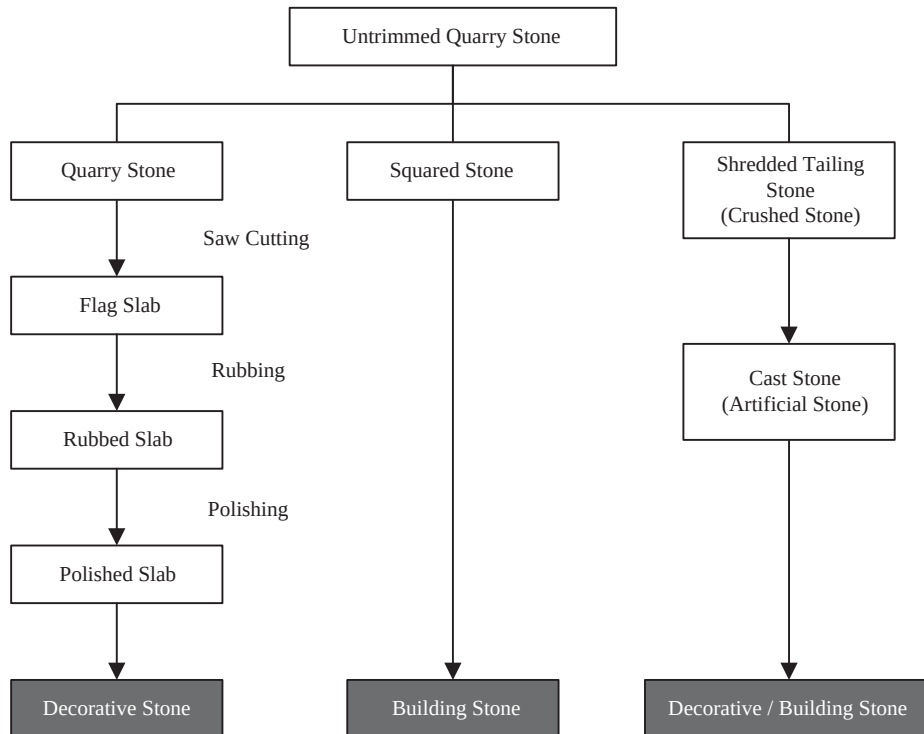
Diabase is commercially classified in the granite family of stone products. Granite is a common and frequently-occurring type of intrusive and felsic igneous rock, and is classified according to color, which ranges from pink to dark gray or even black, depending on its chemical composition and mineralogy. Because granite is massive (lacking internal structures), hard and tough, the stone is frequently used for construction purposes. The average density of granite is 2.75 g/cm³. The following chart sets forth the variety of stone, including diabase, and diabase’s applications:



Source: Hatch

INDUSTRY OVERVIEW

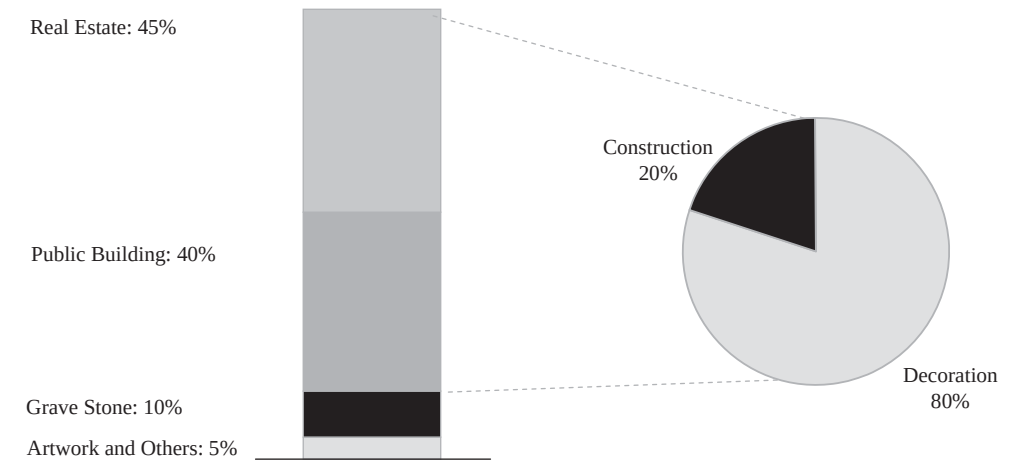
Diabase, along with gabbro-dabase, exhibits market characteristics similar to granite and each product can be generally substituted for each other. Diabase and other granite products are generally processed into stone slabs and used for decoration, construction, stone artwork and stone carvings and incorporated into other crust stone products directly. Stone such as diabase and granite is generally produced in the following manner:



Source: Hatch

INDUSTRY OVERVIEW

Diabase is a type of granite product and it is processed into smooth and rough products with decorative applications. It is inter-substitutable with other granite and stone products for many applications. Granite can be used in a wide variety of applications relating to interior and exterior decoration and construction. The following chart indicates the decorative applications of different stone products:



Source: CSMA and Hatch

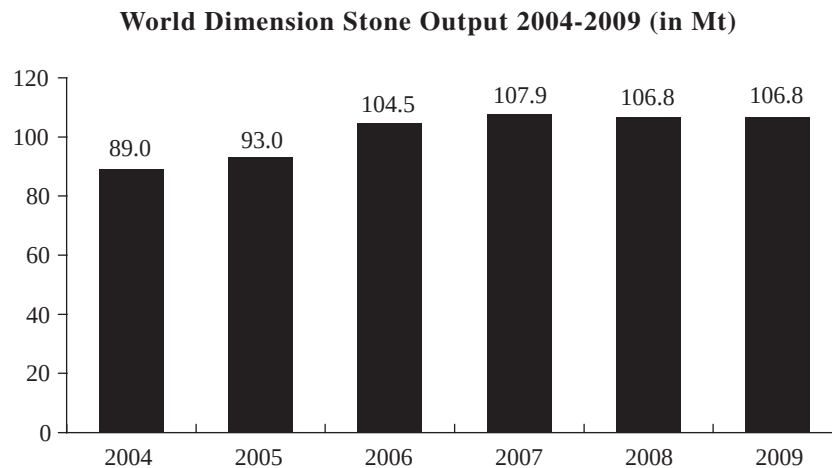
Global Stone Industry

Stone resources

According to USGS, global stone resources can sufficiently meet foreseeable global demand. China, along with India, Brazil, South Africa, Spain, France, Korea, Finland, Norway, the United States, Italy, Portugal and Germany are rich in granite resources.

Global stone production

According to Hatch, global dimension stone output grew steadily from 89.0 Mt in 2004 to 106.8 Mt in 2009. The following graph sets forth the world dimension stone output from 2004 to 2009:

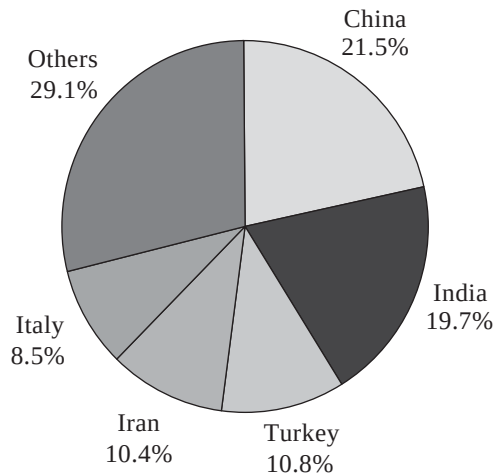


Source: USGS

Note: Data from 2008 and 2009 are from Interuazionale Marmi e Macchiue Carraon S.p.A. (IMM)

INDUSTRY OVERVIEW

China, India, Iran, Turkey and Italy are the top five stone producing countries in 2009. The accumulated stone production of these five countries accounted for 70% of the world total production. The following graph sets forth the top five quarry stone producing countries by output in 2009:



Source: Hatch

Global stone trade

Stone products are traded globally. Global granite import has increased to 23.7 Mt in 2009 from 14.0 Mt in 2004, representing a CAGR of 9.2%.

Korea, USA and China are the world's top three quarry granite importers. China, India, Brazil and Italy are key quarry granite exporters.

PRC Stone Industry

Stone resources

According to CSMA, preliminary estimates for the identified PRC national granite reserve exceeded 2.4 billion m³ in 2007. However, CSMA estimates that the total granite reserve in China is greater than 10 billion m³.

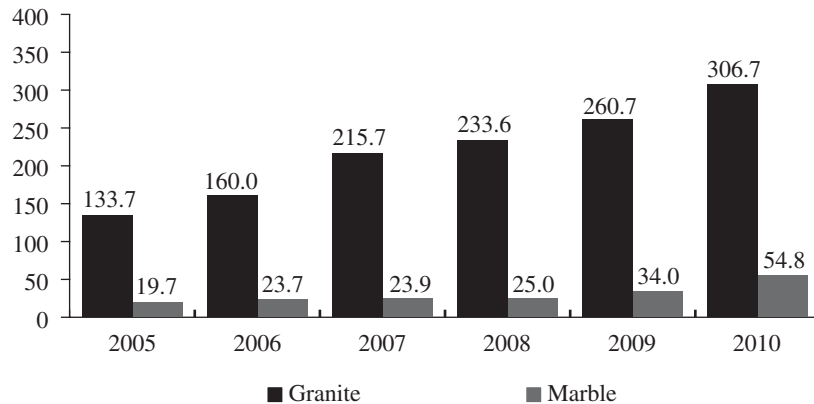
China is one of the world's largest stone product importers. China has also been the world's largest stone producer and largest stone exporter since 2005. Granite and marble products constitute a significant portion of the PRC national total stone output. The top three stone producing provinces in China are Fujian, Guangdong and Shandong.

INDUSTRY OVERVIEW

Stone production

Total production of granite and marble slab products from state-owned enterprises and non-state-owned enterprises in China with annual sales revenue exceeding RMB5 million reached 306.7 million m² and 54.8 million m², respectively, in 2010. The following chart sets forth granite and marble slab output in China from 2005 to 2010:

China Granite and Marble Slab Output 2005-2010 (in million m²)

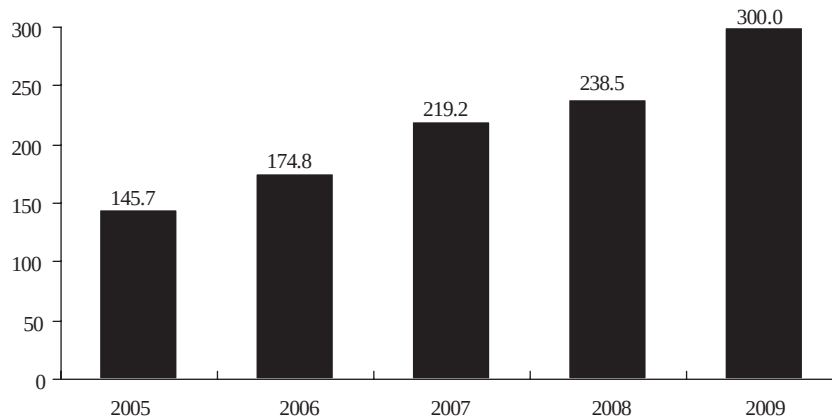


Source: CSMA

Stone consumption

In 2009, consumption of stone products such as granite and marble in China was 300.0 million m², an increase of 25.8% year-on-year and representing a CAGR of approximately 19.8% compared to consumption of 145.7 million m² in 2005. The following chart sets forth stone consumption in China from 2005 to 2009:

China Stone Consumption 2005-2009 (in million m²)



Source: CSMA, China Customs and Hatch

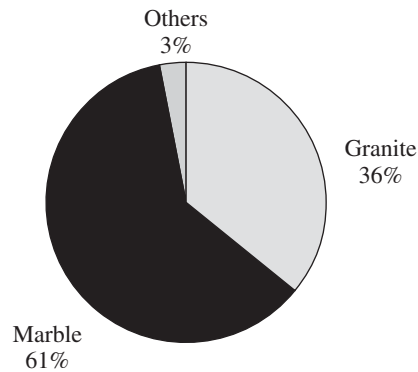
Note: Consumption of limestone, slate and sandstone is not included

INDUSTRY OVERVIEW

Stone trade

China leads the world in terms of stone product imports. China imported approximately 8.1 Mt and 12.3 Mt of stone products in 2009 and 2010, respectively. The largest stone product imported into China was marble, comprising over 60% of the stone import tonnage in China in 2009 and 2010. The following chart sets forth the China stone imports in 2010:

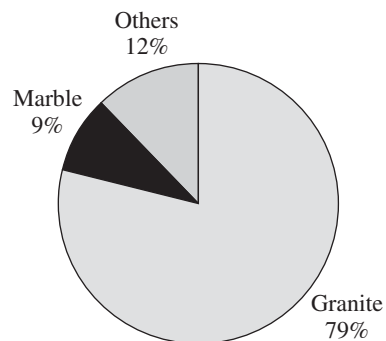
China Stone Imports in 2010



Source: China Customs

China is also the world's largest exporter of stone products. During the past five years, China exported more stone products than it consumed. The following chart sets forth the China stone exports in 2010:

China Stone Exports in 2010

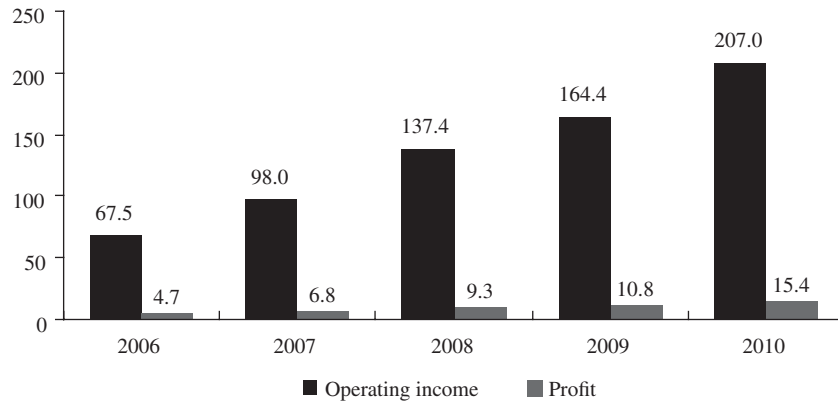


Source: China Customs

INDUSTRY OVERVIEW

In 2010, the operating income of Chinese stone industry reached RMB207 billion, an increase of 25.9% over the previous year. The following chart indicates the operating income and profit of the stone industry in China from 2006 to 2010:

Operating Income and Profit of China's Stone Industry 2006-2010 (in RMB billions)



Source: CSMA

Stone industry competition in China

The stone industry in China is fragmented. According to CSMA, there are over 50,000 stone mining and processing companies in China. The table below sets forth key Chinese stone producers in 2008 (the latest available data):

Key Chinese Stone Producers (2008)

Company Name	Province	Capacity (Thousand m ²)
Universal Marble & Granite Group ⁽¹⁾	Guangdong	3,000
Alpine Stone Inc ⁽¹⁾	Guangdong	3,000
Kangli Stone Group ⁽¹⁾	Guangdong	2,000
Dong Cheng Stone Products Company ⁽²⁾	Guangdong	1,000
Fujian Xishi Group ⁽¹⁾	Fujian	1,000
Fujian Quanzhou Nanxing Marble Co., Ltd ⁽¹⁾	Fujian	2,000
Fujian Dongsheng Stone Industrial Inc. ⁽¹⁾	Fujian	2,000
Shandong Guanlu Group ⁽²⁾	Shandong	1,000

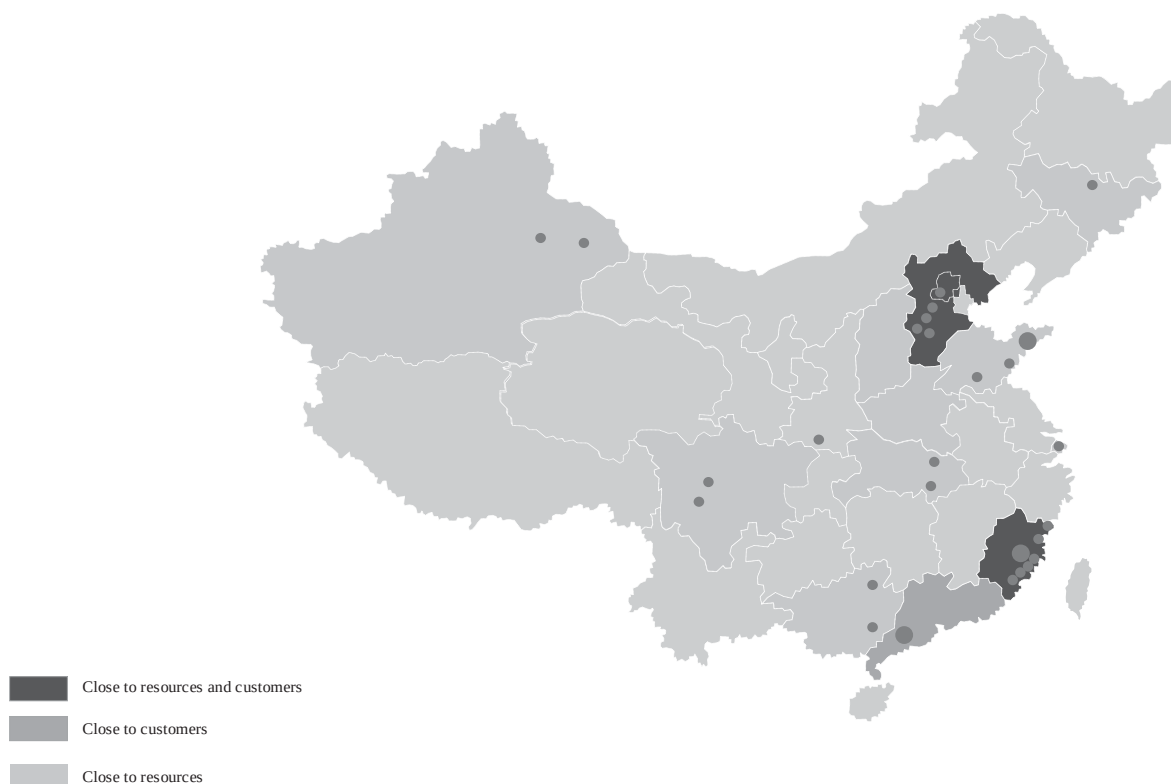
Source: CSMA

(1) Production value of company is over RMB1.0 billion.

(2) Production value of company is over RMB0.4 billion.

INDUSTRY OVERVIEW

Distribution of Chinese Stone Industry Clusters



Stone prices

According to interviews with stone process and trading companies in Shanxi and Beijing, the prices for standard China Black products (600mmx600mmx20mm) were relatively stable at RMB150 per m² during 2005-2009.

The price of the standard China Black products (600mmx600mmx20mm) increased by approximately RMB50 to RMB200 per m² in the three months ended 30 September 2010.

The market prices for “Hebei Black” diabase in 2009 are set forth below:

Products	Specification (mm)	Price (RMB/m ²)	Producer	Released Date
China Black				
Flame-Treated Slab ...	1800x600x20	150	Hebei Huaming Stone Co.	19 October 2009
	2400x700x20	300	Hebei Huaming Stone Co.	19 October 2009
China Black	600x600x20	150	Hebei Shuangwang Stone Co.	11 October 2009
China Black				
Rubbed Slab	1600x800x30	350	Hebei Shuangwang Stone Co.	1 October 2009
China Black	600x600x20	150/200	Shuntong Stone Co.	12 September 2009
China Black	700x700x20	200	Hebei Shuangwang Stone Co.	27 July 2009
China Black	1800x600x40	330	Hebei Shuangwang Stone Co.	12 June 2009

Source: Hatch

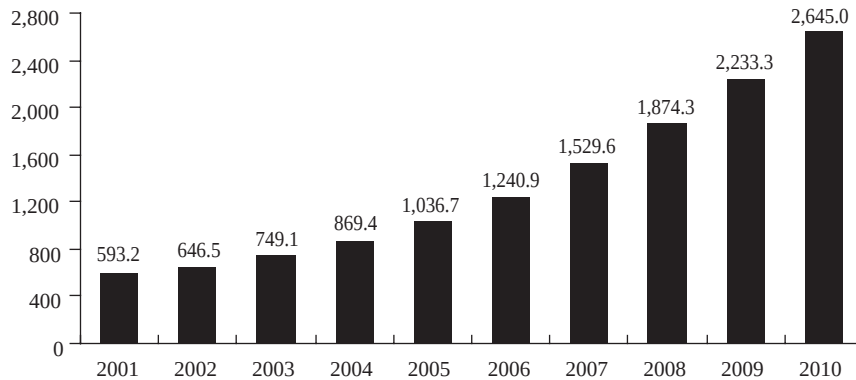
INDUSTRY OVERVIEW

Factors affecting the stone market

As stone products such as granite are often used in decorative applications relating to the construction and decoration of property, market trends in the construction and real estate development industries can influence the stone market.

In 2010, the Chinese value-added of construction industry was approximately RMB2,645 billion, an increase of 18.4% from 2009 according to the data published by NBSC, representing a 2001-2010 CAGR of approximately 18.1%. The following chart indicates the value-added of the construction industry in China from 2001 to 2010:

Chinese Value-added⁽¹⁾ of Construction Industry 2001-2010 (in RMB billions)

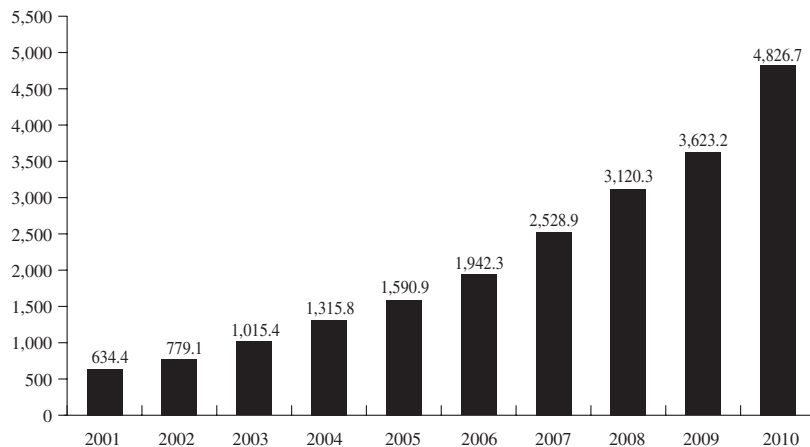


Source: NBSC and Hatch

(1) Value added of an industry represents gross industrial output less industrial intermediate input plus value added tax.

In 2010, the total amount of real estate development investment in China grew to RMB4,826.7 billion, an increase of 32.2% from 2009, representing a 2001-2010 CAGR of 25.3%. Of this total investment amount, the investment in commercial residential buildings in China was RMB3,403.8 billion, an increase of 32.7% from the previous year. The following chart indicates the amounts invested in real estate development in China from 2001 to 2010:

Investment in Real Estate Development 2001-2010 (in RMB billions)



Source: NBSC

INDUSTRY OVERVIEW

SOURCE OF INFORMATION

Hatch Report

Hatch, an experienced consultant in the metals and mining industry, has been engaged to provide the Hatch Report for use in whole or in part in this Prospectus.

The research and writing of the Hatch Report was a desktop exercise carried out by experienced Hatch professionals who have extensive knowledge of the iron ore and diabase sector. Hatch utilizes its in-house database, independent third-party reports and publicly available data from reputable industry organizations to prepare the Hatch Report. Where necessary, Hatch's researchers contact companies operating in the industry to gather and synthesize information about the market, prices and other relevant information.

In preparation of its Hatch Report, Hatch has assumed the completeness and accuracy of the information and data that it has relied on. Hatch has confirmed that it is not aware of anything which could possibly lead it to believe that this assumption is unfair, unreasonable or incomplete.

Hatch operates according to strict international standards of moral, legal and professional conduct. Hatch guards its reputation for independence and confidentiality with great care. Hatch has more than 15 years of project experience in the PRC and has successfully undertaken assignments on over 150 projects with a capital value in excess of US\$3.0 billion.

This Prospectus contains information extracted from the Hatch Report in sections such as "Summary", "Risk Factors", "Industry Overview", "Business" and "Financial Information." The sources cited in this "Industry Overview" section are in the form provided in the Hatch Report, unless otherwise noted.

We have paid Hatch a total of RMB495,000 in fees for the preparation of the Hatch Report during the Track Record Period. We believe these fees are reasonable for the preparation of an industry report by an independent third-party consultant.

Others

We have not engaged USGS, MMAC, MLR, NBSC, CISA, WSA, China Customs, CSMA, Steelhome and Mysteel, when preparing data quoted in this Prospectus. Data from these sources were not prepared on a commissioned basis by us.

INDUSTRY CATALOGUE AND FOREIGN INVESTMENT RESTRICTIONS

The principal regulation governing foreign ownership of mineral resources business, including the exploration, mining and processing of iron ore, in the PRC is the foreign investment catalogue, which has been amended from time to time by the PRC Government. On 31 October 2007, the NDRC and MOFCOM jointly promulgated an amended catalogue, the Catalogue for the Guidance of Foreign Investment Industries (amended in 2007) (《外商投資產業指導目錄(2007年修訂)》), (“the Catalogue”), which came into effect on 1 December 2007. The Catalogue lists those industries and economic activities in which foreign investment in the PRC is encouraged, restricted or prohibited. Under PRC laws and regulations, industries that do not fall within one of the three enumerated categories, but which conform to relevant PRC laws, regulations and policies, shall be classified as permitted.

Under the current Catalogue, the exploration, mining and processing of iron ore is classified as an encouraged foreign investment industry; previously it was classified as a permitted foreign investment industry.

One of the principal implications of an industry being classified as an encouraged or permitted foreign investment industry is that relatively higher total investment may be made without approval by central authorities in the PRC, while a relatively lower total investment requires approval by central authorities for an industry classified as a restricted foreign investment industry. According to the *Interim Provisions on Approving Foreign Investment Project* (《外商投資項目核准暫行管理辦法》) promulgated by the NDRC in October 2004, a restricted foreign investment project with a total investment of US\$50 million or more requires approval by the NDRC at the central level, while an encouraged or permitted foreign investment project with a total investment of US\$100 million or more requires approval by the NDRC at the central level. Other foreign investment projects with total investments below these amounts would require only approval at the local levels of the NDRC. According to the *Opinions on Improving the Utilization of Foreign Capital* (《關於進一步做好利用外資工作的若干意見》) promulgated by State Council on 6 April 2010, an encouraged or permitted foreign investment project with a total investment of US\$300 million or more would require approval by central authorities, while an encouraged or permitted foreign investment project with a total investment of less than US\$300 million would only require approval by local authorities. NDRC and MOFCOM have issued specific guidelines to implement the *Opinions on Improving the Utilization of Foreign Capital*. Under PRC laws and regulations, the criteria for obtaining approval for fixed-asset investments include the following:

- complying with the provisions of relevant state laws and regulations and the *Catalogue for the Guidance of Foreign Investment Industries* (《外商投資產業指導目錄》) and *Catalogues of Advantageous Industry for Foreign Investment in Midwest China* (《中西部地區外商投資優勢產業目錄》);
- complying with the requirements of medium and long term country economic and social development guidelines, industry guidelines and industry structure adjustment policy;
- complying with relevant public interest and anti-trust policies of the state;
- complying with requirements relating to the guidelines of land usage, the general guidelines of the municipality and environmental protection policies;
- complying with the required technical standards of the state; and
- complying with relevant provisions for management of the capital account and foreign debt of the state.

REGULATION

In July 2008, NDRC issued the *Notice on Further Reinforcing and Regulating the Administration of Foreign Investment Projects* (《關於進一步加強和規範外商投資項目管理的通知》), which requires that capital expansion and reinvestment projects of foreign-invested enterprises get approval from NDRC or its local counterparts.

As advised by our PRC legal advisor, King & Wood, we have complied with the relevant laws and regulations pertaining to the foreign investment industry catalogue.

PRC LAWS RELATING TO THE MINERAL INDUSTRY

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 on 1 October 1986 and amended on 29 August 1996, and its implementation rules promulgated on 26 March 1994 set forth the following provisions, among others:

- (a) mineral resources are owned by the State with the State Council exercising ownership over such resources on behalf of the State;
- (b) the department in charge of geology and mineral resources under the State Council is authorized by the State Council to supervise and administer the exploration and mining of mineral resources nationwide; departments in charge of geology and mineral resources, of each provinces, autonomous regions or municipalities are responsible for the supervision and administration of the exploration and mining of mineral resources within its respective administrative regions; and
- (c) an enterprise that intends to explore and mine mineral resources shall apply for each exploration right and mining right, respectively according to the relevant PRC laws, regulations and policies, and is required to undergo the registration process for each of the exploration right and mining right, unless the mining enterprise which intends to conduct exploration operations for its own production within the defined mining areas has previously obtained the mining right.

Pursuant to the *Provisions on the Administration of the Levy of Mineral Resources Compensation* (《礦產資源補償費徵收管理規定》) promulgated on 27 February 1994, effective on 1 April 1994 and amended on 3 July 1997, mineral resources compensation shall be paid by the holder of mining rights if the holder decides to mine mineral resources within PRC territory. Unless PRC laws or administrative regulations provide otherwise; the resources compensation levy shall be calculated in accordance with the following formula:

$$\text{Amount of the resources compensation levy payable} = \text{Sales revenue of mineral products} \times \text{Compensation levy rate} \times \text{Coefficient of mining recovery rate}$$

The *Administrative Measures 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 on 12 February 1998. Under 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 permit if there is any change in the scope of the mining area, the main exploited mineral categories, the mining mode, the name of the mining enterprise and/or the transfer of the mining right according to the relevant law. If continuation of mining is necessary after the expiration of the mining permit, the mining right holder shall apply for an extension with the registration authority within 30 days prior to the expiration of the term of the mining permit. If the mining right holder fails to apply for an extension prior to the expiration of the term, the mining permit shall terminate automatically. In addition, the mining right holder is required to pay a mining right use fee (採礦權使用費), which is RMB1,000 per km² per year. Furthermore, if an applicant applies for the mining right of a mine and the mine’s exploration is financed by the state, then the applicant shall pay mining fees (採礦權價款) to the Department of Land and Resources. The mining fees shall be appraised by an appraisal agency approved

REGULATION

by the relevant department of land and resources, and the appraisal result shall be confirmed by the relevant department of land and resources.

On 26 June 2010 the government of Hebei Province enacted the *Proposed Administration Measures for Payment of Mining Right Fees of Hebei Province* (《河北省礦業權價款繳納管理辦法(試行)》) (the “Measures”). Under the Measures, Mining Right Fees include exploration fees and mining fees, and the amount of mining fees payable is set equal to the amount of reserves multiplied by the payment criterion. According to the appendix to the Measures, the payment criterion for iron mine fees changes as the ore grade changes; the Measures set the payment criterion for an iron mine with ore grade lower than 20% at RMB2/tonne. Pursuant to the Measures, the payment criterion may be adjusted based on the extent of the prior exploration work and the depth of mining. If an applicant seeks to convert an exploration right into a mining right or if an applicant seeks to establish a new mining right, the Measures provide a formula to calculate the mining right fees for the application. If an applicant has not previously fully paid the required mining fees for a mining right established before the enactment of the Measures, the applicant will be required to pay mining fees in accordance with the Measures. If an applicant applies for an increased quota to mine reserves under an established mining right, then the applicant shall pay additional fees in accordance with the Measures.

Pursuant to the *Notice on Regulations regarding Registration of Exploration and Exploitation of Mineral Resources* (《關於礦產資源勘查登記、開採登記有關規定的通知》) issued by the Ministry of Land and Resources of PRC on 10 April 1998, in deciding on whether to issue an exploration permit, the registration authority shall, after receiving the enterprise’s application materials for an exploration permit and the investigation results of the low-level registration authority, but before issuing an exploration permit, determine:

- whether any other applicant has previously submitted an Application Letter with respect to the area covered by the application;
- whether the filing of the Application Registration Form is in line with the relevant filing requirements, whether the appendix is completed, whether the submitted application materials comply with relevant requirements;
- whether the area covered by the application is larger than the permitted maximum area for the application and is contiguous;
- whether any exploration right or mining right has been granted for the area covered by the application;
- with respect to an application for an area with respect to which the government paid for the exploration, and the exploration and mineral exploration rights have been approved, whether there is any evaluation of the exploration right price, whether the evaluation result has been confirmed by the mining administration authority at the state level, whether the settlement method of the exploration right price has been approved by a competent authority;
- whether the applicant has written off any exploration right with respect to the area covered by the application within 90 days prior to the application submission; and
- whether the PRC government had previously cancelled an exploration permit of the applicant within six months prior to the current application submission.

An enterprise that intends to apply for mining rights and permits must apply to the registration authority (that is the local Department of Land and Resources) for the approval of the range of the mining area first and begin construction of the mining project; then the registration authority shall, after receiving the enterprise’s application materials for a mining permit and the results of the investigation of the lower-level registration authority, examine the following aspects before issuing a mining permit:

- whether the applied range and area is consistent with the approved mining area by the registration authority;

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- whether the production quantity has changed and whether it complies with the planned utilization of mineral reserves;
- whether the designed mine life of the mines is reasonable;
- whether the integrated exploration, use and recycling of mining resources are reasonable;
- whether the applicant for mining right meets the prescribed qualifications; and
- other aspects required for inspection.

According to the *Administration Measures for the Registration of Exploration Area of Mineral Resources* (《礦資源勘查區塊登記管理辦法》) (promulgated and effective on 12 February 1998), an applicant who applies for the exploration right of a mine and the mine's exploration is financed by the state, the applicant shall pay exploration fees (探礦權價款) in addition to the exploration right use fee (探礦權使用費), which is no more than RMB500 per km² per year, to the relevant department of land and resources. The exploration fees shall be appraised by an appraisal agency approved by the relevant department of land and resources and the appraisal result shall be confirmed by the relevant department of land and resources.

As advised by our PRC legal advisor, King & Wood, our current exploration and mining operations are in compliance with the relevant laws and regulations pertaining to the Mineral Resources Law and its implementation regulations.

PRC LAWS RELATING TO PRODUCTION SAFETY

The *Production Safety Law of the PRC* (《中華人民共和國安全生產法》) promulgated on 29 June 2002, effective on 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》) promulgated on 7 November 1992 and amended on 27 August 2009, and its related implementation rules promulgated on 30 October 1996, set forth the following provisions, among others:

- (a) safety facilities in mine construction projects must be designed, constructed and put into operation at the same time as the commencement of the principal parts of the projects;
- (b) 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 government authorities;
- (c) such mines may start production or operations only after they have passed the safety inspection and approval process as required by the relevant PRC laws and administrative regulations.

The *Regulations on Production Safety Permits* (《安全生產許可證條例》) promulgated on 13 January 2004 set forth the following provisions, among others:

- (a) the production safety licensing system is applicable to any enterprise engaging in mining and such enterprise may not be engaged in any production activities without obtaining a production safety permit;
- (b) prior to producing any products, the mining enterprise shall apply for a production safety permit, which is valid for a period of three years;
- (c) if a production safety permit needs to be extended, the enterprise must apply for an extension with the competent government authority who issued the original permit three months prior to the expiration of the original permit.

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In addition, according to this regulation, we are required to have the following production safety qualifications in order to obtain the production safety permits:

- establishing and improving a production safety system consisting of chief responsible person, deputy responsible persons, management staff for production safety, functional departments and posts, post production safety responsibility system; establishment of system of safety review, occupational disease prevention, safety education and training, production safety accident management, monitoring major hazard sources and rectifying major hidden dangers, equipment safety management, production safety management, and rewards and penalties with regard to production safety; and establishment of rules and regulations of operation security tailored to different types of activities;
- compliance with production safety requirements concerning safety investment, fully withdrawing production safety fees and paying production safety risk deposits and depositing such deposits in fixed accounts pursuant to relevant laws and regulations;
- establishing a management organization for production safety, or maintaining full-time members from management dedicated to production safety;
- obtaining safety qualification certificates for the person primarily responsible for production safety, as well as members from management also responsible for production safety, after passing an examination with SAWS;
- for technical personnel, obtaining a technical operation qualification certificate after passing an examination with the relevant competent government department;
- for other operational personnel, receiving production safety education and training pursuant to rules and passing an examination.
- duly registering for employment injury insurance and paying any required insurance premium;
- formulating specific control measures against occupational hazards, and providing employees with safety equipment that complies with relevant national or industrial standards;
- all the building, rebuilding and expansion projects shall be legally assessed through safety evaluation and all the safety devices shall pass an examination and acceptance procedure with the Administration of Work Safety;
- dangerous equipment shall be periodically examined and checked according to relevant national regulations;
- formulating a contingency plan for accidents, setting up a group for emergency management and rescue, providing equipment for emergency management and rescue; establishing an organization for emergency management and rescue is not mandatory for smaller plants but a part-time emergency rescue commander must be in place to work together with the mine rescue team or other organization for emergency management and rescue; and
- complying with other conditions required by relevant national standards and industrial standards.

In addition, the *Implementation Measures on the Production Safety Permits of Non-coal Mining Enterprises* (《非煤礦礦山企業安全生產許可證實施辦法》) promulgated on 8 June 2009 sets forth the conditions and procedures for non-coal mining enterprises to apply for production safety permits.

According to the confirmation letter dated 3 May 2011 issued by the Lincheng County Supervision and Administration Bureau of Production Safety (“臨城縣安全生產監督管理局”), we have complied with the relevant laws and regulations pertaining to production safety. Our Directors have confirmed that we, during the period from the issuance date of the confirmation letter to the Latest Practicable Date, have

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dealt with production safety related matters pursuant to the same requirements and standards that we followed before we obtained the confirmation letter. Our PRC legal advisor, King & Wood, has confirmed that there has been no material change to the relevant laws and regulations pertaining to production safety since the issuance date of the confirmation letter.

PRC LAWS RELATING TO THE PRODUCTION OF METALLURGY MINERAL PRODUCTS

Pursuant to the Rules on the Supervision and Administration of Production and Trading of Metallurgy Mineral Products of Hebei Province (《河北省冶金礦產品生產經營監督管理條例》) promulgated on 29 September 2006 and effective on 1 November 2006, “metallurgy mineral products” (冶金礦產品) include, but are not limited to, iron and other metals. The “production of metallurgy mineral products” includes, but is not limited to, mining and processing, and the entity engaged in mining and processing of metallurgy mineral products shall, after the entity has obtained the relevant business license, mining permit and production safety permits, apply to the relevant government authority for production permits for metallurgy mineral products.

PRC LAWS RELATING TO PRODUCT QUALITY

The revised *Product Quality Law of the PRC* (《中華人民共和國產品質量法》) was promulgated on 8 July 2000 and amended on 27 August 2009. The product quality supervision authority under the State Council is in charge of the nationwide supervision of product quality, while local product quality supervision authorities at or above the county level are responsible for supervising product quality within their respective administrative regions. Manufacturers and sellers shall establish internal quality management systems, implement strict working quality specifications and corresponding quality evaluation procedures. The State encourages the enterprises to ensure that the quality of their products achieve and surpass industrial, national and international standards.

PRC LAWS RELATING TO ENVIRONMENTAL PROTECTION

The PRC Government has formulated a comprehensive set of environmental protection laws and regulations that cover areas such as land rehabilitation, sewage discharge and waste disposal.

The *Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》, the “Environmental Protection Law”), sets out the legal framework for environmental protection in the PRC. MEP is primarily responsible for the supervision and administration of environmental protection work nationwide and formulating the national waste discharge limits and standards. Local environmental protection bureaus are responsible for environmental protection in their jurisdictions.

Enterprises causing environmental contamination and other public hazards must incorporate environmental protection measures into their planning and establish environmental protection systems. Those enterprises should also adopt effective measures to prevent contamination and hazards to the environment, such as waste gas, waste water, solid waste, dust, pungent gases and radioactive material as well as noise, vibration and magnetic radiation. Enterprises discharging contaminants in excess of the discharge limits prescribed by the MEP must pay non-standard discharge fees for the excess in accordance with applicable regulations, and assume responsibility for the treatment of the excessive discharge.

In accordance with the Environmental Protection Law, enterprises that discharge contaminants must report to and register with the relevant local environmental protection authorities. In accordance with the *Law on Prevention of Water Pollution of the PRC* (《中華人民共和國水污染防治法》), or the Law on Prevention of Water Pollution, enterprises which discharge industrial waste water shall obtain waste discharge permits. Enterprises discharging contaminated waste directly or indirectly into water must also report and register their contaminated wastes discharge facilities and processing facilities and the types, amounts and concentrations of contaminated wastes discharged under normal operating conditions and

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provide technical information regarding the prevention and cure of water contamination to and with the local environmental protection departments. The department in charge will examine the volume of contaminants discharged by an enterprise based on the implementation plan to control the gross volume of contaminants and will then issue waste discharge permits to those whose discharge volume does not exceed the control index for the gross volume of discharge. Under the *Law on Prevention and Control of Atmosphere Pollution of the PRC* (《中華人民共和國大氣污染防治法》), (the “Law on Prevention and Control of Air Pollution”, enterprises and institutions obliged to control their total emission of air pollutants must only emit pollutants according to verified and approved standards for the total emission of major air pollutants and the conditions of emission provided by the waste discharge permits.

The *Administrative Regulations on Environmental Protection for Construction Projects* (《建設項目環境保護管理條例》) implement an environmental impact evaluation system for construction projects. An environmental impact assessment report, an environmental impact form or an environmental registration form must be submitted to the relevant environmental protection government authorities before an enterprise may commence construction of a project which may have an impact on the environment. After the completion of a construction project, an enterprise must pass an environmental acceptance inspection of the environmental protection facilities for the construction project by the relevant environmental protection government authority before the completed project can commence operations. Furthermore, the *Regulations on Administration concerning the Environmental Protection Acceptance Inspection on Construction Projects* (《建設項目竣工環境保護驗收管理辦法》) promulgated on 27 December 2001 and effective on 1 February 2002, set forth the specific procedures and requirements for environmental protection acceptance inspections. According to this regulation, the criteria for obtaining approval for inspection of the environmental protection facilities include the following:

- all environmental protection examination or approval procedures required in the early stage of the construction project have been completed; the technical information and environmental protection files and materials are complete;
- such environmental protection facilities or other measures as required by the approved environmental impact reports (forms) or environmental registration forms and design documents have been built or adopted; environmental protection facilities have passed the test on a actual-operation basis, the waste prevention capacity of which satisfies the need of the primary construction project;
- the installation quality of environmental protection facilities complies with examination and acceptance rules, procedures and examination evaluation standards for standardized projects promulgated by the state and the competent government authorities;
- conditions for the due operation of environmental protection facilities have been met, including qualified operators after training, sound post-practice procedures and the corresponding rules and systems, availability of raw material and power supply, satisfaction of other requirements for the due operation;
- waste discharges satisfy the standards set forth in environmental impact reports (forms) or environmental registration forms and design documents and the approved requirements for the overall volume of waste discharge control index therein;
- all ecological protection measures have been adopted pursuant to environmental impact reports (forms); measures have been taken for the restoration of the environment which has been damaged during the construction phase of the construction project;
- environmental supervision and test projects, locations, establishment of responsible organizations and dedicated manpower comply with the requirements of environmental impact reports (forms) and other relevant stipulations;

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- where environmental impact reports (forms) require that environmental impact verification be conducted on sensitive areas for environmental protection, the production must be examined in accordance with an index and the construction environmental supervision process should be undertaken for the implementation of environmental protection measures during the construction phase, all such requirements have been satisfied; and
- where environmental impact reports (forms) require that construction companies should adopt measures to reduce waste discharge of other facilities or local government authorities, in which such construction projects are located, adopt “regional reduction” measures for the purpose of satisfaction of overall volume of waste discharge control requirements, such measures have been taken.

Pursuant to the Law on Prevention of Water Pollution, the Law on Prevention and Control of Air Pollution and the *Administrative Regulations on Levy and Utilization of Sewage Discharge Fees* (《排污費徵收使用管理條例》), enterprises which discharge water or air contaminants must pay discharge fees according to the type, volume and concentration of discharged contaminants. The discharge fees are calculated by the local environmental protection authority which shall review and verify the type, volume and concentration of discharged contaminants. Once the discharge fees have been calculated, a notice on payment of discharge fees shall be issued to the relevant enterprise. In addition, enterprises which discharge sulfur dioxide at a level exceeding the prescribed standards are required to install “de-sulfurizing devices” or adopt other “de-sulfurizing” measures to control the emission of sulfur dioxide. In accordance with the *Law on Prevention of Environmental Pollution Caused by Solid Waste of the PRC* (《中華人民共和國固體廢物污染環境防治法》), entities and individuals collecting, storing, transporting, utilizing or disposing of solid waste shall take precautions against the spread, loss and leakage of such solid waste or adopt such other measures for preventing such solid waste from polluting the environment.

Pursuant to the Mineral Resources Law, the *Land Administration Law of the PRC* (《中華人民共和國土地管理法》) and the Rules on Land Rehabilitation (《土地複墾規定》), mining of mineral resources shall be conducted in compliance with the legal requirements on environmental protection so as to prevent environmental pollution. With respect to any damage caused to cultivated land, grassland or forest as a result of exploration or mining activities, mining enterprises shall restore the land to a state appropriate for use by reclamation, re-planting trees or grasses or such other measures as are appropriate to the local conditions. In the event that the mining enterprise is unable to rehabilitate or the rehabilitation does not comply with the relevant requirements, the mining enterprise shall pay a fee for land rehabilitation. Upon the closure of a mine, a report in relation to land rehabilitation and environmental protection shall be submitted for approval. Enterprises that fail to perform or satisfy the requirements on land rehabilitation will be penalized by the relevant land administration authority.

The penalties for breaches of the environmental protection laws vary from warnings and fines to administrative sanctions, depending on the degree of damage. Administrative sanctions, in addition to fines, include impositions of deadlines for remedying the contamination, orders to stop production or use, orders to re-install contamination prevention and treatment facilities which have been removed or left unused, administrative actions against relevant responsible persons or companies, or orders to close down those enterprises. Where the violation is serious, the persons or companies responsible for the violation may be required to pay damages to victims of the contamination. For serious breaches of the Environmental Protection Law resulting in significant damage to private or public property or personal injury or death, persons or enterprises directly responsible for such contamination may be held criminally liable.

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According to the confirmation letter dated 18 May 2011 issued by the Administration of Environmental Protection of Xingtai City (“邢台市環境保護局”), we have complied with the relevant laws and administrative regulations pertaining to environmental protection. Our Directors have confirmed that we, during the period from the issuance date of the confirmation letter to the Latest Practicable Date, have dealt with environment protection related matters pursuant to the same requirements and standards that we followed before we obtained the confirmation letter. Our PRC legal advisor, King & Wood, has confirmed that there has been no material change to the relevant laws and regulations pertaining to environment protection since the issuance date of the confirmation letter.

PRC LAWS RELATING TO LAND

The *Land Administration Law of the PRC* (《中華人民共和國土地管理法》) promulgated on 25 June 1986, effective on 1 January 1987 and amended on 28 August 2004, distinguishes between the ownership of land and the right to use land. All land in the PRC is either state-owned or collectively owned, depending on the location of the land. All land in the urban areas of a city or town is state-owned, and all land in the rural areas and all farm land is, unless otherwise specified by law, collectively owned. The State has the right to resume its ownership of land or the right to use land in accordance with law if required for the public interest.

Although all land in the PRC is owned by the State or by collectives, individuals and entities may obtain land use rights and hold such land-use rights for development purposes. Individuals and entities may acquire land use rights in different ways, the two most important being land grants from local land authorities and land transfers from land users who have already obtained land use rights. The ownership of land and land use rights registered according to relevant laws shall be protected by law.

Under the *Interim Regulations of the People’s Republic of China on Grant and Assignment of the Use Right of State-owned Urban Land* (《城鎮國有土地使用權出讓和轉讓暫行條例》) promulgated by the State Council in May 1990, China adopted a system to grant and assign the right to use state-owned land. A land user must pay a land premium to the state in consideration for the grant of the right to use a land site within a specified period of time, and the land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the relevant PRC laws and regulations, the land administration authority at the city or county level may enter into a land use rights grant contract with the land user to provide for the grant of land use rights. The land user must pay the land premium as provided by the land use rights grant contract. Under the *Regulation on Grant of State-owned Land Use Rights by Agreements* (《協議出讓國有土地使用權規定》) promulgated by the MLR on 11 June 2003, except for projects that must be granted through tender, auction and listing as required by relevant laws and regulations, land use rights may be granted through transfer by agreement and the land premium payable for the transfer by agreement of the state-owned land use rights shall not be lower than the benchmark land price.

Pursuant to the *Implementation Rules on the Mineral Resources Law of the PRC* (《中華人民共和國礦產資源法實施細則》) promulgated and effective on 26 March 1994, a mining right holder shall have the right to obtain the land use rights according to the relevant PRC laws for the purposes of production and construction.

PRC LAWS RELATING TO FOREIGN EXCHANGE

Pursuant to the *Regulations of the PRC on Administration of Foreign Exchange* (《中華人民共和國外匯管理條例》) promulgated on 29 January 1996, effective on 1 April 1996 and amended on 5 August 2008, current account transactions, such as sale or purchase of goods, are not subject to PRC governmental control or restrictions. Certain organizations in the PRC, including foreign-invested enterprises, may purchase, sell and/or remit foreign currencies at certain banks authorized to conduct foreign exchange business upon providing valid commercial documents to such banks. However, approval of the State Administration of Foreign Exchange, (“SAFE”), is required for capital account transactions.

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Pursuant to the *Circular of the SAFE on Relevant Issues concerning Foreign Exchange Administration of Financing and Return Investments Undertaken by Domestic Residents through Overseas Special Purpose Vehicles* (《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》, “SAFE Circular No. 75”), promulgated on 21 October 2005 and effective on 1 November 2005,

- (a) a PRC citizen or enterprises, or a PRC Resident, must register with the local SAFE branch before he, she or it establishes or controls an overseas special purpose vehicle, or SPV, for the purpose of obtaining overseas equity financing using the assets of or equity interests in a domestic enterprise;
- (b) when a PRC Resident contributes the assets of or its equity interests in a domestic enterprise to an overseas SPV, or engages in overseas financing after contributing assets or equity interests in a domestic enterprise to an overseas SPV, such PRC Resident must register his or her interest in the overseas SPV or any change to his or her interest in the overseas SPV with the local SAFE branch;
- (c) when the overseas SPV undergoes a material event outside the PRC, such as a change in share capital or merger and acquisition, the PRC Resident must, within 30 days after the occurrence of such event, register such change with the local SAFE branch.

Pursuant to SAFE Circular No. 75, failure to comply with these registration procedures may result in penalties, including the imposition of restrictions on a PRC subsidiary’s foreign exchange activities and its ability to distribute any dividends to the overseas SPV.

On 21 July 2005, the PBOC issued a *Public Announcement of the PBOC on Improving the Reform of the RMB Exchange Rate Regime* (《中國人民銀行關於完善人民幣匯率形成機制改革的公告》), which announced that the PRC would reform the exchange rate regime by using a managed floating exchange rate, which is pegged to a basket of currencies, instead of being pegged to the U.S. dollar.

PRC LAWS RELATING TO LABOR

The *PRC Labor Law* (《中華人民共和國勞動法》) promulgated on 5 July 1994 and effective on 1 January 1995 and the *PRC Labor Contract Law* (《中華人民共和國勞動合同法》) promulgated on 29 June 2007 and effective on 1 January 2008, govern the establishment of employment relationships between employers and employees, and the conclusion, performance, termination of, and amendment of employment contracts. To establish an employment relationship, a written employment contract must be signed. Other labor-related regulations and rules stipulate maximum number of working hours per day and per week. Furthermore, other labor-related regulations and rules also set forth minimum wages. Entities must establish and develop systems for occupational safety and sanitation, implement rules and standards for national occupational safety and sanitation, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

Pursuant 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 on 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 on 19 March 1999, basic pension insurance, medical insurance and unemployment insurance are collectively referred to as social insurance. PRC companies and their employees are each required to contribute to the social insurance plan.

Pursuant to the *Regulations on Occupational Injury Insurance* (《工傷保險條例》) promulgated on 27 April 2003 and effective on 1 January 2004 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 on 1 January 1995, PRC companies must pay occupational injury insurance premiums and maternity insurance premiums for their employees.

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Pursuant to the *Regulations on the Administration of Housing Fund* (《住房公積金管理條例》) promulgated and effective on 3 April 1999, as amended on 24 March 2002, PRC companies must register with the applicable housing fund management center and establish a special housing fund account in an entrusted bank. Each of the PRC companies 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.

According to the confirmation letter dated 3 May 2011 issued by the Human Resources and Social Security Bureau of Lincheng County (《臨城縣人力資源和社會保障局》), we have complied with the relevant laws and administrative regulations pertaining to labor. Our Directors have confirmed that we, during the period from the issuance date of the confirmation letter to the Latest Practicable Date, have dealt with labor related matters pursuant to the same requirements and standards that we followed before we obtained the confirmation letter. Our PRC legal advisor, King & Wood, has confirmed that there has been no material change to the relevant laws and regulations pertaining to labor since the issuance date of the confirmation letter.

PRC LAWS RELATING TO TAXATION

Enterprise Income Tax

The *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) (the "Income Tax Law"), became effective on 1 January 2008 and replaced the *Income Tax Law of the PRC on Enterprises with Foreign Investment and Foreign Enterprises* (《中華人民共和國外商投資企業和外國企業所得稅法》) and Provisional Regulations of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅暫行條例》). The Income Tax Law imposes a single uniform tax rate of 25% for most domestic and foreign-invested enterprises.

Resource Tax

Pursuant to the *Interim Regulations of the PRC on Resource Tax* (《中華人民共和國資源稅暫行條例》) and its implementation rules promulgated on 25 December 1993 and on 1 January 1994, any enterprise engaged in the mining of mineral products within the PRC is subject to pay a resource tax. Iron ore production from the Yanjiazhuang Mine will be subject to a resource tax of RMB7.20/tonne.

Pursuant to the *Circular of the Ministry of Finance, the State Administration of the Taxation, on Adjusting the Policy on Resource Tax of Molybdenum Ore and Other Resources* (《財政部、國家稅務總局關於調整鉬礦石等品目資源稅政策的通知》) promulgated on 12 December 2005 and effective on 1 January 2006, the resource tax rate on iron ore shall temporarily be adjusted to 60% of the standard rate.

Value-added Tax

Pursuant to the *Notice of Value-added Tax Rate in Metal and Non-metal Mineral Processing Products* (《關於金屬礦、非金屬礦採選產品增值稅稅率的通知》) promulgated on 19 December 2008 and effective on 1 January 2009, beginning from 1 January 2009 the value-added tax rate for metal and non-metal mineral processing products, including iron ore, is adjusted from 13% to 17%.

We are also subject to a city-maintenance and construction levy of 1% of the VAT and an education levy of 4% of the VAT.

REGULATION

According to the confirmation letters dated 3 May 2011 and 4 May 2011 issued by the Chengqu Branch of the Lincheng State Taxation Bureau and the Lincheng Local Taxation Bureau respectively, we have complied with the relevant laws and administrative regulations pertaining to taxation. Our Directors have confirmed that we, during the period from the issuance date of the confirmation letters to the Latest Practicable Date, have dealt with tax related matters pursuant to the same requirements and standards that we followed before we obtained the confirmation letter. Our PRC legal advisor, King & Wood, has confirmed that there has been no material change to the relevant laws and regulations pertaining to tax since the issuance date of the confirmation letter.

PRC LAWS RELATING TO DIVIDEND DECLARATION

Pursuant 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 shall be approved by the MOFCOM or its local counterparts. A Sino-foreign equity joint venture 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 will be decided by the board of directors of the sino-foreign equity joint venture.

We have not declared any dividend since the incorporation of Xingye Mining.

PRC LAWS RELATING TO MERGERS AND ACQUISITIONS

On 8 August 2006, six PRC regulatory agencies, including MOFCOM and CSRC, promulgated the Rules on Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》, “the M&A Rules”). The M&A Rules, which became effective on 8 September 2006 and were amended by MOFCOM on 22 June 2009, regulate mergers and acquisitions of domestic enterprises by foreign investors. The M&A Rules, among other things, require that an offshore special purpose vehicle formed for listing purposes and controlled directly or indirectly by PRC companies or individuals (“SPV”) using its shares to acquire an equity interest in a PRC company (i.e., through a share swap) shall obtain the approval of the CSRC prior to the listing and trading of such SPV’s securities on an overseas stock exchange. As advised by our PRC legal advisor, King & Wood, it is not necessary for the Company to obtain approval from the CSRC prior to the Listing and trading of the Company’s securities on the Stock Exchange because: (i) Venca was established in 2006, Precise Power was established in 2004, and as confirmed by the Company, the capital with respect to the establishment of Venca and Precise Power was acquired duly abroad by the actual controller; (ii) Xingye Mining, a foreign invested enterprise, was established on 10 May 2006; (iii) the Group acquired the equity interest in Xingye Mining from Independent Third Parties; (iv) the Group acquired the equity interest in Xingye Mining using cash; (v) the M&A Rules do not clearly provide that a SPV using cash to acquire an equity interest in a PRC company needs to obtain approval from the CSRC prior to the listing and trading of such SPV’s securities on an overseas stock exchange; and (vi) the M&A Rules do not clearly provide that an SPV, established before 8 September 2006 and having equity and interests in China, needs to obtain approval from the CSRC prior to the listing and trading of such SPV’s securities on an overseas stock exchange.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT PRIOR TO CHANGE IN CONTROLLING SHAREHOLDERS

Formation and capital contributions (2005 – 2010)

The Group traces its origins back to 2005 when Mr. Zhao and Mr. Zhao Yinhe, who were cousins and who were then engaged in the semi-coking coal mining business in Hebei Province through Xing Rong Coal Mine, started to explore the opportunity to expand their business to other mining operations. They also invited Mr. Chen and Mr. Liu to join them in investing in iron ore mining and processing. They made their investment through Xingye Mining.

In July 2005, Mr. Zhao Yinhe, one of the promoters of Xingye Mining, entered into a sale and purchase agreement with Mr. He Xingguo (何興國) (“Mr. He”), an Independent Third Party, Mr. Zhao, Mr. Chen, Mr. Liu, Mr. Yip and Mr. Sin, to acquire Mr. He’s production line at the Yanjiazhuang Mine, and all of Mr. He’s rights to an exploration license in relation to approximately 5.79 km² at the Yanjiazhuang Mine for consideration of RMB8 million. The acquisition was approved by the Department of Land and Resources of Hebei Province in December 2007. This production line was subsequently revamped into the No. 1 Processing Facility in Yanjiazhuang Mine.

Yanjiazhuang Mine has a mining area of approximately 5.22 km². At the time of the acquisition by Mr. Zhao Yinhe of Mr. He’s production line in Yanjiazhuang Mine, along with all of Mr. He’s rights to an exploration license in relation to Yanjiazhuang Mine, the relevant authorities had not yet approved Mr. He’s application for an exploration license for the Yanjiazhuang Mine, and thus development and exploration work in Yanjiazhuang Mine had not commenced.

On 29 August 2005, Mr. Zhao Yinhe entered into a sale and purchase agreement with Mr. Wang Lianqing (王連慶), an Independent Third Party, Mr. Zhao, Mr. Chen, Mr. Liu, Mr. Yip and Mr. Sin, pursuant to which Mr. Zhao Yinhe acquired a 99.0% equity interest in Guomu Nangou Mining Co. in consideration for RMB2.3 million. Mr. Zhao, Mr. Chen, Mr. Liu and Mr. Zhao Yinhe agreed that Mr. Zhao Yinhe would act as promoter of Xingye Mining and advance the RMB2.3 million from his personal funds (which were comprised mostly of earnings distributed and remuneration paid to him for his contributions to and investments in Xing Rong Coal Mine between 1998 and 2005) to fund the acquisition of the equity interest in Guomu Nangou Mining Co., pending the establishment of Xingye Mining. Upon its establishment, Xingye Mining acquired the equity interest of Guomu Nangou Mining Co. for consideration of RMB2.3 million, which was advanced by Mr. Zhao Yinhe on behalf of Xingye Mining. Pursuant to a commercial arrangement between Mr. Zhao and Mr. Zhao Yinhe, such outstanding amount and other outstanding amounts due from the Group to Mr. Zhao Yinhe were transferred to Mr. Zhao in consideration for Mr. Zhao transferring his beneficial interests in Xing Rong Coal Mine, which was owned by Mr. Zhao and Mr. Zhao Yinhe, to Mr. Zhao Yinhe in August 2009. Both Mr. Zhao and Mr. Zhao Yinhe considered such commercial arrangement to be fair and on arm’s length terms. In August 2009, the outstanding amount owed to Mr. Zhao Yinhe was transferred to Mr. Zhao. (Please refer to Note 16 to the Accountants’ Report as set out in Appendix I to this Prospectus for details.) When Mr. Zhao Yinhe acquired the 99.0% equity interest in Guomu Nangou Mining Co. on Xingye Mining’s behalf, Xingye Mining was yet to be established and, therefore, he did not proceed to arrange for a change in legal ownership from the vendor to himself or any other party. In February 2009, Xingye Mining became the legal owner of the equity interest when Guomu Nangou Mining Co. was transformed into Guomu Nangou Mining Ltd., and the remaining 1.0% equity interest was transferred from Mr. Wang Lianqing to Mr. Wang Jiangping (王江平), a member of the senior management of our Group.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Guomu Nangou Mine is an iron ore mine with a mining area of approximately 0.11 km² and has a license to mine 30,000 tonnes of iron ore each year using the underground mining method.

In early 2006, Mr. Zhao invited Mr. Sin and Mr. Yip to invest in Xingye Mining. Together with Mr. Zhao, Mr. Chen, Mr. Liu, Mr. Zhao Yinhe and Mr. Sin approached the People's Government of Lincheng County of Hebei Province to discuss the exploration rights to Yanjiazhuang Mine. Mr. Sin is principally engaged in the financial management and investment business in Hong Kong.

On 27 March 2006, pending the establishment of Xingye Mining, Precise Power, a company controlled by Mr. Zhao, signed a letter of investment intent with the People's Government of Lincheng County of Hebei Province in respect of the exploration rights for Yanjiazhuang Mine. Pursuant to this letter of investment intent, Precise Power would establish Xingye Mining and, upon its official establishment, Xingye Mining would be permitted to explore, exploit, produce and sell mineral resources in Yanjiazhuang Mine.

On 10 May 2006, Precise Power established Xingye Mining as a WFOE with a registered capital of US\$2 million to take up the 99.0% equity interest in Guomu Nangou Mining Co. and the exploration rights for, and the production line in, Yanjiazhuang Mine.

On 4 July 2006, Venca was established and was effectively held as to 51.0% by Mr. Zhao, 25.0% by Mr. Chen, 14.0% by Mr. Liu, 6.0% by Mr. Yip and 4.0% by Mr. Sin. As a gesture of goodwill to the government of Lincheng, in July 2006, Precise Power transferred 1.0% of its equity interest in Xingye Mining to Li Yuan and, in December 2006, transferred the remaining 99.0% of its equity interest in Xingye Mining to Venca thereby converting Xingye Mining into a joint venture enterprise. None of the registered capital of Xingye Mining was paid up at the time of the transfers, and these transfers were conducted for nil consideration. The then entire registered capital of Xingye Mining was subsequently paid in by installments amounting to US\$2 million prior to 10 December 2008.

Li Yuan was owned by Mr. Wang Jiangping, Mr. Zhao Jinxian (趙進縣) and Mr. Shi Jianchao (史建朝) in trust for Mr. Zhao Yinhe in July 2007. Both Mr. Zhao Jinxian and Mr. Shi Jianchao are Independent Third Parties. This trust arrangement allowed Mr. Zhao Yinhe to participate in the operation of Li Yuan while maintaining the three other parties' shareholdings in Li Yuan. Prior to, and in the early stage of the establishment of Xingye Mining, Li Yuan was the corporate entity used to handle various preliminary work for the development of Yanjiazhuang Mine and Guomu Nangou Mine in the PRC on behalf of Xingye Mining. After the establishment of Xingye Mining in 2006, Li Yuan began to transfer various preliminary works for the development of Yanjiazhuang Mine and Guomu Nangou Mine in the PRC to Xingye Mining. Towards the completion of such transfers, Li Yuan ceased to engage in any business activities other than holding the 1.0% equity interest in Xingye Mining. In August 2009, Mr. Wang Jiangping, Mr. Zhao Jinxian, Mr. Shi Jianchao and Mr. Zhao Yinhe terminated the trust arrangement through declarations made by Mr. Wang Jiangping, Mr. Zhao Jinxian and Mr. Shi Jianchao, respectively. From September 2009 onwards, Mr. Zhao Yinhe no longer held any equity interest in Li Yuan.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In August 2007, Faithful Boom was established, and on 10 December 2007, Mr. Zhao, Mr. Chen, Mr. Liu, Mr. Yip and Mr. Sin swapped their interests in Venca for interests in Faithful Boom. Faithful Boom became the new holding company of Venca, and was held as to 51.0% by Mr. Zhao, 25.0% by Mr. Chen, 14.0% by Mr. Liu, 6.0% by Standlink and 4.0% by Start Well.

In August 2009, Lincheng Bureau of Commerce in Xingtai City of Hebei Province (河北省邢臺市臨城縣商務局) approved an increase of the registered capital of Xingye Mining from US\$2 million to US\$12 million to fund the development of Yanjiazhuang Mine. An amount equivalent to US\$3,981,733 was contributed to Xingye Mining by Venca as of 31 December 2009. In January and February 2010, an amount equivalent to US\$8 million was contributed to Xingye Mining by Venca.

In February 2010, Lincheng Bureau of Commerce in Xingtai City of Hebei Province approved a further increase of the registered capital of Xingye Mining from US\$12 million to US\$20 million. As of July 2010, an aggregate amount of US\$20 million was contributed to Xingye Mining.

At the time of its establishment, the registered capital of Xingye Mining was US\$2 million, which was subsequently fully paid in by its shareholders in installments prior to 10 December 2008. In August 2009, the registered capital of Xingye Mining was increased from US\$2 million to US\$12 million to fund the development of the Yanjiazhuang Mine. An amount equivalent to US\$3,981,733 was contributed to Xingye Mining by Venca as of 31 December 2009. In January and February 2010, an amount equivalent to US\$8 million was contributed to Xingye Mining by Venca. As of February 2010, Li Yuan had made aggregate capital contributions of US\$120,000 to Xingye Mining. The aggregate capital contributions made in Xingye Mining by the previous shareholders (including Mr. Zhao, Mr. Chen, Mr. Yip, Mr. Liu, Mr. Sin and Li Yuan) as of July 2010 was US\$20 million.

In July 2010, the Lincheng Bureau of Commerce in Xingtai City of Hebei Province approved a further increase of the registered capital of Xingye Mining from US\$20 million to US\$30 million. The additional US\$10 million capital contribution was fully paid up on 7 January 2011. The current registered capital of Xingye Mining is US\$30 million.

Initial decision to apply for listing (May – December 2009)

In 2009, Mr. Zhao was examining funding options for the development of the Yanjiazhuang Mine with other shareholders of Venca, leading to Mr. Sin (a minority shareholder of Venca) approaching Rothschild in May 2009 to assist in a proposed fundraising exercise for Venca to fund working capital requirements for operations of Xingye Mining.

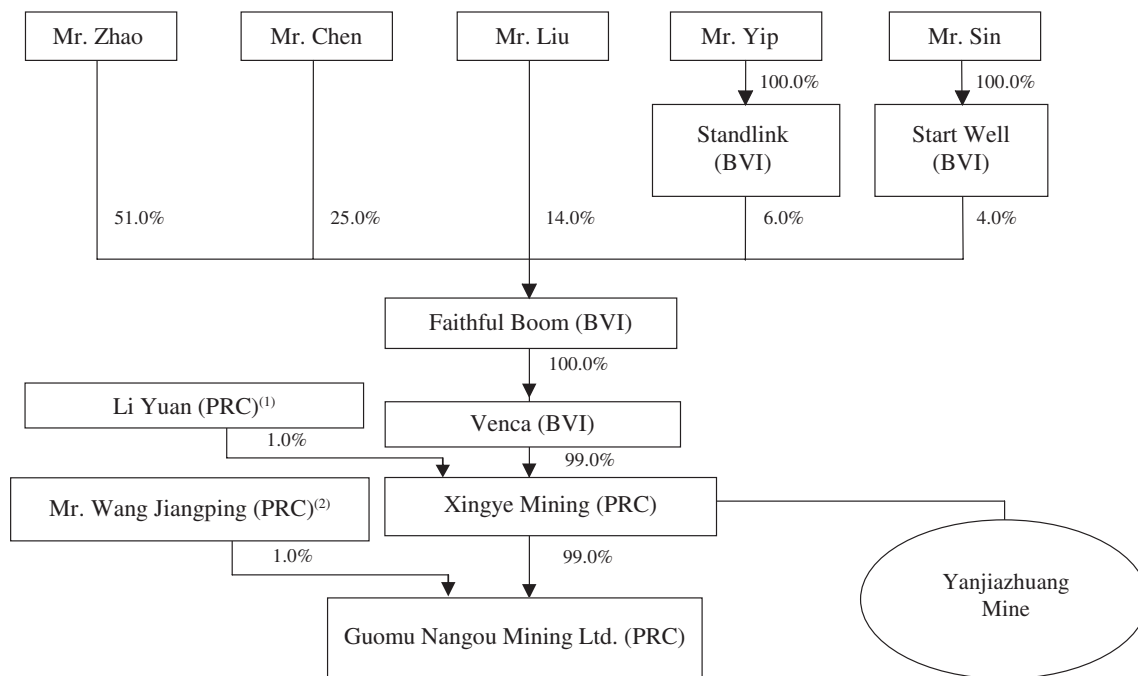
In July 2009, Rothschild first met with other shareholders of Venca, including Mr. Zhao and discussed, among other things, the feasibility of a listing of Venca's business on the Stock Exchange. After further discussions in September and October 2009, the Company (through Venca) confirmed the engagement of Citi and Rothschild (the "Prior Sponsors") and the other professional parties to assist in the application of a listing on the Stock Exchange.

In December 2009, the Prior Sponsors filed an application with the Stock Exchange relating to an initial public offering of the Shares and their listing on the Stock Exchange (the "Prior Offering")

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Reorganization

The below chart shows the corporate structure of the Group immediately prior to the Reorganization:



(1) Li Yuan was held as to 33.3% by Mr. Wang Jiangping, 33.3% by Mr. Zhao Jinxian and 33.3% by Mr. Shi Jianchao. Mr. Wang Jiangping is a member of the senior management of the Group and Mr. Zhao Jinxian and Mr. Shi Jianchao are Independent Third Parties.

(2) Mr. Wang Jiangping is a member of the senior management of the Group.

In preparing the Company for the Listing, the Group has undertaken the Reorganization. A summary of the Reorganization is set out below.

On 25 September 2009, the Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with an authorized share capital of HK\$350,000 divided into 3,500,000 Shares of HK\$0.1 each.

On 25 September 2009, one subscriber Share was allotted and issued to Start Well at par value and on 16 December 2009 the authorized share capital of the Company was increased to HK\$1,000,000,000 divided into 10,000,000,000 Shares of HK\$0.1 each.

On 9 November 2009, Xingye Mining entered into an agreement to transfer to Mr. Wang Zhixiong (王志雄) (an Independent Third Party resident in the PRC) all of its shares, which amounted to a 99.0% interest, in Guomu Nangou Mining Ltd. for a consideration of RMB1 and the assumption of all debts of Guomu Nangou Mining Ltd. amounting to RMB13,200,000 owed equally to (i) Mr. Zhao, (ii) Mr. Chen and (iii) Mr. Liu.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

An important consideration leading to our commercial decision to dispose of our interest in Guomu Nangou Mining Ltd. was the significant difference between its scale of production and that of Yanjiazhuang Mine. Yanjiazhuang Mine has an initial production capacity of approximately 1,000 ktpa, whereas Guomu Nangou Mine has an initial production capacity of approximately 30 ktpa. We believe that the disposal of Guomu Nangou Mine allows a better use of funds and resources available to the Company and is in the best interests of Shareholders upon Listing as any resources expended on Yanjiazhuang Mine are expected to generate higher revenues for the Company. The consideration for the disposal was determined commercially upon arms' length negotiations and based on the total outstanding obligations of Guomu Nangou Mining Ltd. as of 12 November 2009. It also took into account the Group's development strategy to focus resources on the development and exploration of Yanjiazhuang Mine and the opportunity to reduce leverage and reliance on then existing Shareholders. This decision to dispose of Guomu Nangou Mine was made despite the fact that we developed the mine in a satisfactory manner and were not aware of any material accidents involving personal injury or property damage during the period of our management.

On 14 November 2009, Standlink transferred a 2.0% interest in Faithful Boom to Start Well for a consideration of US\$220,540 (determined after negotiation at arms' length and based on the consolidated net asset value of the Group and the amounts due to shareholders as of 13 November 2009 and payable on demand). On 14 November 2009, Mr. Chen also transferred a 1.0% interest in Faithful Boom to Start Well for a consideration of US\$110,270 (determined after negotiation at arms' length and based on the consolidated net asset value of the Group and the amounts due to shareholders as of 13 November 2009 and payable on demand).

On 14 November 2009, Mr. Chen transferred an 11.0% interest in Faithful Boom to Mr. Liu for a consideration of US\$1,212,970 (determined after negotiation at arms' length and based on the consolidated net asset value of the Group and the amounts due to shareholders as of 13 November 2009 and payable on demand). Upon completion of the above transfers, Mr. Zhao, Mr. Chen, Mr. Liu, Standlink and Start Well owned 51.0%, 13.0%, 25.0%, 4.0% and 7.0%, respectively, of the issued share capital of Faithful Boom.

On 14 November 2009, Mr. Sin directed the transfer of the 7.0% equity interest in Faithful Boom held by Start Well to Aleman (a company incorporated on 21 October 2009 and acquired by Mr. Sin on 9 November 2009) for a consideration of US\$771,890 (determined after negotiations at arms' length and based on the consolidated net asset value of the Group and the amounts due to shareholders as of 13 November 2009 and payable on demand).

On 6 January 2010, Start Well transferred its one share in the Company to Mr. Zhao for US\$1. On 15 January 2010, Mr. Zhao transferred his one share in the Company to Faithful Boom for a nominal consideration of US\$1 satisfied by the issuance of one share in Faithful Boom to Mr. Zhao. On 15 January 2010, Faithful Boom transferred its 100.0% interests in Venca to the Company at a consideration of US\$11,027,000 (determined after negotiations at arm's length based on the consolidated net asset value of the Group and the amounts due to shareholders as of 13 November 2009) which was satisfied by the issuance of 1,000 shares by the Company to Faithful Boom. Upon completion, the Company became a wholly-owned subsidiary of Faithful Boom.

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On 8 March 2010, Mr. Zhao, Mr. Chen and Mr. Liu transferred their respective shares in Faithful Boom to Perfect Move for an aggregate consideration of US\$9,814,030 (determined after negotiations at arm's length based on the consolidated net asset value of the Group and the amounts due to shareholders as of 13 November 2009) which was satisfied by the issuance of 572, 146 and 281 shares by Perfect Move to Zhao SPV, Chen SPV and Liu SPV respectively. Upon completion of these transfers, Zhao SPV, Chen SPV and Liu SPV owned 57.3%, 14.6% and 28.1%, respectively, of the issued share capital in Perfect Move. Through Perfect Move, Mr. Zhao, Mr. Chen and Mr. Liu indirectly owned 51.0%, 13.0% and 25.0%, respectively, of the issued share capital of Faithful Boom while Mr. Yip (through Standlink) and Mr. Sin (through Aleman) indirectly own 4.0% and 7.0%, respectively, of the issued share capital of Faithful Boom.

In addition, on 8 March 2010, Venca acquired the entire interest in Jet Bright, a shelf company incorporated on 2 November 2009, and subsequently entered into an agreement to transfer its 99.0% equity interest in Xingye Mining to Jet Bright. On 30 June 2010, the relevant regulatory approvals and registrations on the transfer were received and Jet Bright became the holding company of Xingye Mining.

Issuance of Exchangeable Bonds by Faithful Boom (January – March 2010)

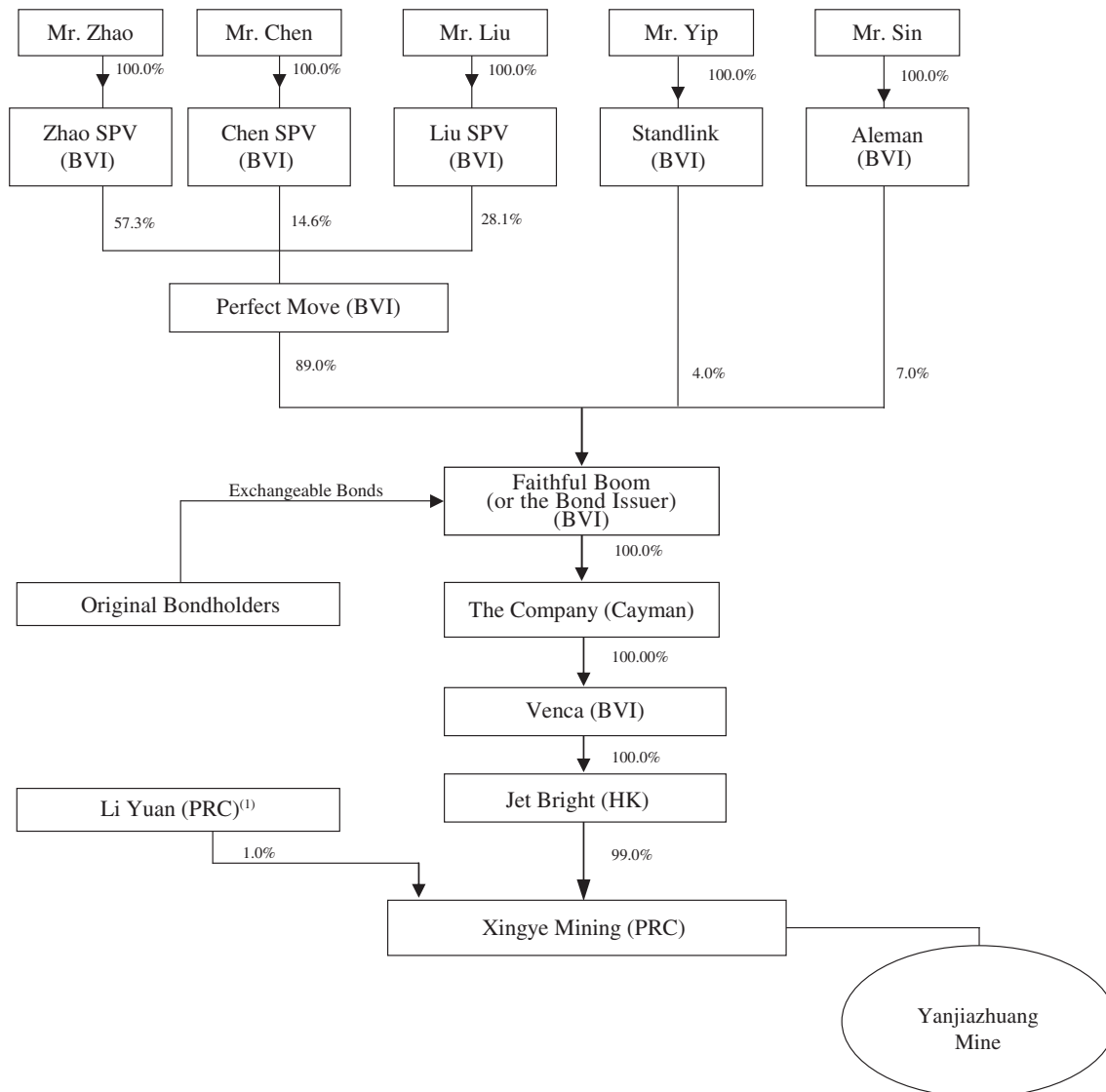
Working with the Prior Sponsors, the Company sought interim funding for the capital expenditures for the production ramp-up plan for the Yanjiazhuang Mine and working capital for the Company. As a result of that process, on 17 January 2010, Faithful Boom, the Original Bondholders, Mr. Zhao, Mr. Chen and Mr. Liu entered into a subscription agreement (the “Subscription Agreement”), pursuant to which the Original Bondholders agreed to purchase, and Faithful Boom, as the bond issuer (the “Bond Issuer”), agreed to issue, US\$60 million aggregate principal amount of exchangeable bonds due 2015. Pursuant to the Subscription Agreement, the Bond Issuer, the shareholders of the Bond Issuer, our Company and our subsidiaries provided certain security to the Bondholders in connection with the issuance of the Exchangeable Bonds. The bonds were secured by certain assets of Mr. Zhao, Mr. Chen, Mr. Liu, Faithful Boom, the Company and Venca. The bonds were issued in January and March of 2010.

US\$8 million of the net proceeds from the Exchangeable Bonds was used to fund the unpaid registered capital of Xingye Mining in January 2010 by way of capital injection. As a result of one or more events constituting events of default, in particular, failure to register certain charges in the PRC within the time specified, an EOD Redemption Amount became due and payable by the Bond Issuer to the Original Bondholders. See “– Change in Controlling Shareholders – Event of default triggering notice of the Exchangeable Bonds.”

We are not and will not be obliged to issue any new Shares in connection with the exchange of the Exchangeable Bonds. As a result, any exchange of the Exchangeable Bonds will not affect the number of Shares in issue and there will be no dilutive effect to our shareholders.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets forth the corporate structure of the Group immediately after establishing our corporate structure and issuance of the Exchangeable Bonds:



- (1) Li Yuan was held as to 33.3% by Mr. Wang Jiangping, 33.3% by Mr. Zhao Jinxian and 33.3% by Mr. Shi Jianchao. Mr. Wang Jiangping is a member of the senior management of the Group and Mr. Zhao Jinxian and Mr. Shi Jianchao are independent third parties of the Company.

CHANGE IN CONTROLLING SHAREHOLDERS

Anonymous Letter (May 2010)

On 6 May 2010, the Prior Sponsors became aware that the Anonymous Letter had been sent to the Stock Exchange alleging that a person or persons surnamed “Zhao” in senior management had been involved in a civil complaint filed in the United States federal court in the Eastern District of New York by the SEC against China Energy Savings Technology, Inc. (“China Energy”), a company unrelated to us, and other persons relating to trading in China Energy’s Stock (the “SEC Complaint”). In light of the Anonymous Letter, the Prior Sponsors considered a number of factors, including (1) that the Anonymous Letter had come to light only four days before the commencement of the Hong Kong portion of the Prior Offering on 10 May 2010, (2) the seriousness of the allegations in the SEC Complaint, (3) the fact that a

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

company named Precise Power Holdings Limited was involved in the matters alleged in the SEC Complaint and (4) that Mr. Zhao and Mr. Zhao Yinhe had not demonstrated to the satisfaction of the Prior Sponsors that they were not Mr. Jun Tang Zhao or Mr. Yan Hong Zhao, two of the parties named in the SEC Complaint. On the basis of these considerations and the then overall market conditions, the Prior Sponsors decided not to proceed with the Prior Offering. For a more detailed discussion of the SEC Complaint, see “History, Reorganization and Corporate Structure – SEC Complaint”.

Mr. Zhao’s decision to dispose of his equity interest in the Company (May 2010)

Following the decision not to proceed with the Prior Offering, Mr. Zhao expressed an interest in selling his 51% equity interest in the Company and requested the Prior Sponsors to assist in a search for potential buyers. Without the proceeds from the Prior Offering, the Group lacked the capital needed to develop the Yanjiazhuang Mine as planned. With the abandonment of the Prior Offering, it was also likely that Faithful Boom would be required to repay the Exchangeable Bonds in cash. Failure to timely repay the Exchangeable Bonds could trigger the enforcement of Mr. Zhao’s personal guarantee under the Exchangeable Bonds and the exercise of the share pledges under the Exchangeable Bonds, possibly resulting in the loss of the shares of Faithful Boom, a company majority-owned by Mr. Zhao, as well as other assets pledged as security to the Original Bondholders.

Introduction to NWS and VMS (May 2010)

Following Mr. Zhao’s request to seek potential buyers, Rothschild reached out to potential buyers including the New World Group. Since early 2006, NWS, a member of the New World Group, has been implementing a strategy for entering into the resources sector. New World Group also approached VMS to explore the investment opportunity together. VMS, with which the New World Group has co-invested in the past, has experience in the mining sector and investing in special situations. VMS is the holding company of an investment group, with businesses covering proprietary investments, asset management, securities brokerage and corporate financial advisory services. NWS, a subsidiary of the New World Group, was evaluating potential expansion into the mining sector at the time and was also brought in to explore the opportunity in light of its experience in more than 60 investment projects in sectors such as roads, water, energy, ports and logistics. For more information see “Relationship with our Controlling Shareholders and Connected Transactions – Relationship with our Controlling Shareholders”. Having contacted other potential buyers, on 17 May 2010, Mr. Zhao executed a conditional agreement with Bright Prosper, pursuant to which, among other terms and conditions, an exclusivity period was given to Bright Prosper to conduct due diligence on the Group, based on an offer for Mr. Zhao’s 51% equity interest in the Company and Mr. Zhao’s agreement to facilitate the acquisition of the Exchangeable Bonds from the Original Bondholders.

Independent due diligence undertaken by NWS and VMS (May – July 2010)

NWS and VMS engaged various professional advisors, including a financial advisor, legal advisors and other experts to assist in conducting financial, legal and technical due diligence, as well as conducted its own site visits, in order to determine whether to proceed with the acquisition of Mr. Zhao’s interest in the Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Event of default triggering notice of the Exchangeable Bonds (June 2010)

While NWS and VMS were conducting due diligence, on 1 June 2010, the Original Bondholders issued a notice to the Security Agent stating that one or more events of default, in particular, failure to register certain charges in the PRC within the time specified, had occurred under the Exchangeable Bonds. Pursuant to the terms of the Exchangeable Bonds, the EOD Redemption Amount in the sum of US\$96.0 million and all other amounts accrued or outstanding became immediately due and payable by Faithful Boom to the Original Bondholders. In addition, each Original Bondholder was entitled to require the Security Agent to exercise any of its powers, remedies, discretion and rights under the Exchangeable Bonds, including enforcing the share or asset charges or mortgages given by the Group and its then shareholders pursuant to the Exchangeable Bonds, and enforcing Mr. Zhao's guarantee on the Exchangeable Bonds.

The Original Bondholders also issued notices to Citicorp International Limited, acting as the security agent (the "Security Agent"), on 1 June 2010 which, among other things, directed the Security Agent to transfer funds from certain bank accounts of Faithful Boom to the cash collateral account and release such funds to the Original Bondholders. Approximately US\$39.8 million (being a part of the proceeds of the Exchangeable Bonds) was collected by the Security Agent, and paid to the Original Bondholders pursuant to the direction of the Original Bondholders, resulting in a residual EOD Redemption Amount of approximately US\$56.2 million owed by Faithful Boom immediately due and payable to the Original Bondholders. Save as to US\$39.8 million which was collected by the Security Agent and paid to the Original Bondholders, none of the other security provided was enforced prior to the termination of the Exchangeable Bonds.

The acquisition of Mr. Zhao's effective controlling equity interest in the Company by NWS and VMS (June 2010)

Based on results of their extensive business, financial, legal and technical due diligence as well as site visits, NWS and VMS decided to proceed with the acquisition of Mr. Zhao's 51% equity interest in the Company. In particular, NWS and VMS, in making their decision to purchase Mr. Zhao's interest, took into account that none of the Company or its subsidiaries was named in, or alleged to have participated in the actions complained of in the SEC Complaint, and as such there was not expected to be legal or financial liability stemming from the SEC Complaint that would cause a material adverse impact on the Company. The Controlling Shareholders conducted an independent due diligence to ensure (i) that there would be no adverse impact on the business or financial condition of the Company as a result of the SEC Complaint, (ii) that there are no undisclosed shareholder benefits or arrangements between current and former shareholders of the Company and (iii) that the former shareholders, in particular Mr. Zhao, have no longer any economic or other interest in the Company.

On 4 June 2010, following arm's length negotiations, Bright Prosper, Mr. Zhao and Zhao SPV entered into a sale and purchase agreement, whereby Mr. Zhao's 51% equity interest in the Company would be acquired by NWS and VMS for US\$140.0 million. The consideration was arrived at after arm's length negotiations between the parties with reference to (1) the potential value of the iron ore reserves of the Yanjiazhuang Mine, (2) NWS's and VMS's view of iron ore prices in Hebei Province, (3) the stage of development of the Yanjiazhuang Mine, (4) the additional time and investment that would be required for the Company to reach commercial production and (5) the financial position of the Company at the time and the relative bargaining power of the parties under the circumstances. At the time of the negotiations for the acquisition of Mr. Zhao's 51% equity interest in the Company, the Company required significant additional capital investment in order to fund the Company's then production ramp-up plan. As a result of the Prior Sponsors' decision not to proceed with the Prior Offering following the receipt of the Anonymous Letter and their consideration of the matters alleged therein in May 2010, it was highly unlikely that the Company's planned Prior Offering would have been able to proceed in the short term. The buyers of Mr. Zhao's equity interest, NWS and VMS, did not know what other financing options were available to the Company or to Mr. Zhao, nor did they know what other offers to acquire the 51% equity interest in the Company Mr. Zhao may have received at that time. However, it is certain that after the

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Event of Default was declared under the Exchangeable Bonds, Mr. Zhao faced additional imminent financial pressure for payment of the EOD Redemption Amount of US\$96.0 million and potential enforcement of various guarantees and security interests pursuant to the Exchangeable Bonds. Given that Mr. Zhao would need to fund the Company's capital requirements without the expected proceeds from the Prior Offering, and the additional imminent financial pressure from the Exchangeable Bonds, NWS and VMS have informed us that they believed they were in a strong bargaining position vis-a-vis Mr. Zhao. Since NWS and VMS were at that time Independent Third Parties engaging in arm's length negotiations, the ultimate purchase price reflected the relative bargaining positions of the parties. Completion of the acquisition was subject to the satisfaction of a number of conditions, including certain key licenses needed for commencement of commercial operations having been obtained and completion of the acquisition by NWS and VMS of the Exchangeable Bonds. The sale and purchase agreement provided that it would lapse if completion had not occurred by 30 June 2010.

Acquisition of the Exchangeable Bonds (June 2010)

In parallel with acquisition of Mr. Zhao's 51% equity interest in the Company, NWS and VMS also reviewed and conducted extensive analyses on the terms and conditions of the Exchangeable Bonds to understand the rights of the bondholders and their potential impact on the Company. On 9 June 2010, NWS and VMS agreed to purchase the Exchangeable Bonds from the Original Bondholders for approximately US\$44.2 million as a result of which the Original Bondholders were no longer in a position to seize the pledged shares of the Company. The consideration was arrived at after arm's length negotiations between the parties and represented a discount to the outstanding EOD Redemption Amount, being US\$56.2 million. NWS and VMS acquired all the outstanding Exchangeable Bonds on 18 June 2010.

Amendment of Sale and Purchase Agreement and Completion of Sale (July 2010)

Completion under the sale and purchase agreement dated 4 June 2010 for Mr. Zhao's 51% equity interest in the Company did not occur by 30 June 2010. Following the acquisition of the Exchangeable Bonds, NWS and VMS were also in a stronger bargaining position to negotiate on the acquisition of Mr. Zhao's 51% equity interest in the Company before completion of the sale and purchase agreement. Following further negotiations between the parties, on 12 July 2010, NWS (through Modern Global), VMS (through Fast Fortune) and Mr. Zhao entered into a revised sale and purchase agreement. Under the terms of the revised agreement, the purchase price for Mr Zhao's 51% equity interest in the Company was reduced to US\$139.0 million, with payment to be made to Mr. Zhao in installments upon certain conditions being achieved, including certain licenses being obtained. The negotiation of the amendment to the sale and purchase agreement was concluded on an arm's length basis. Completion of the transfer of Mr. Zhao's 51% equity interest in the Company also took place on 12 July 2010. Payment of the purchase price was made in installments on 12 July 2010, 22 September 2010 and 27 September 2010 in accordance with certain conditions being achieved. The total consideration of US\$139.0 million was fully paid by the Controlling Shareholders as of 27 September 2010.

Capital injection and recruitment of senior management by the Controlling Shareholders (since July 2010)

Following acquisition of Mr. Zhao's 51% equity interest in the Company and the Exchangeable Bonds, the Controlling Shareholders provided additional capital amounting to US\$84.2 million to the Group up to 30 April 2011 to fund working capital for the overall operations, assisted the Group in obtaining the relevant licenses, permits and approvals required to commence commercial production, enhanced the senior management team of the Company and restructured the board of Directors, examined and improved the mining plan and upgraded production and safety facilities at the Yanjiazhuang Mine. By taking these actions, the Controlling Shareholders were able to bring the Yanjiazhuang Mine to commercial production on 1 January 2011. In addition, the Controlling Shareholders simplified the shareholding structure and revived the plan to apply for Listing.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The Controlling Shareholders' acquisition of the effective minority equity interest in the Company and Li Yuan (January and February 2011)

As part of the Controlling Shareholders' intention to simplify and restructure the Group's ownership structure, in January and February 2011, the Controlling Shareholders, through their subsidiaries, acquired the remaining 49% minority interests in the Company for a total consideration of US\$138.7 million. The total investment cost of NWS's and VMS's acquisition of the 100% equity interest in the Company and the Exchangeable Bonds was approximately US\$321.9 million in aggregate. The consideration was arrived at after arm's length negotiations between the parties, with reference to the consideration for the acquisition of the effective controlling equity interest in the Company. The consideration was payable in several installments in accordance with certain conditions being achieved.

On 2 March 2011, Li Yuan, a limited liability company that completed preliminary work on the Yanjiazhuang Mine, transferred its 1% interest in Xingye Mining to Tianjin Chuangji for consideration of US\$300,000. The consideration was arrived at after arm's length negotiations between the parties, with reference to the registered capital of Xingye Mining contributed by Li Yuan. Tianjin Chuangji is a PRC company and an indirect, wholly-owned subsidiary of NWS.

As of the Latest Practicable Date, all shares of Perfect Move and Faithful Boom owned by the previous minority shareholders have been transferred to the Controlling Shareholders. As of the Latest Practicable Date, 75% of the payment for the minority equity interests has been paid by NWS and VMS. The remaining 25% will be paid by the Controlling Shareholders one day before the Listing.

The total investment cost of the Controlling Shareholders' acquisition of the 100% equity interest in the Company and the Exchangeable Bonds was approximately US\$321.9 million in aggregate. The previous shareholders of Xingye Mining had made capital contributions of approximately US\$20 million as of July 2010. Additional funding provided to the Company by the Controlling Shareholders outstanding as of the Indebtedness Date was in the form of shareholders' loans as set forth in "Financial Information — Indebtedness". Faithful Boom has undertaken to waive all unpaid shareholders' loans upon Listing, save as to an amount equivalent to 10% of the net proceeds of the Global Offering, or approximately HK\$145.0 million, assuming a mid-point Offer Price of HK\$2.05. As of 18 February 2011, all of the previous shareholders' equity interests in the Group had been transferred to the Controlling Shareholders. The board of Directors and the senior management team were restructured and experienced industry veterans were added. The shareholding structure was simplified and the Exchangeable Bonds were restructured as a result of which the Original Bondholders were no longer in a position to seize the pledged shares of the Company. The Company faced significant developmental challenges and operating uncertainties at the time the Controlling Shareholders made the investment, and the Directors believe that it is only as a result of the Controlling Shareholders' significant further investments in, and other contributions to, the Group that the Company was able to commence commercial production on 1 January 2011.

Due diligence undertaken by Joint Sponsors prior to filing for listing application and confirmation by the Directors and the Controlling Shareholders (since December 2010)

The Joint Sponsors have undertaken enhanced due diligence to seek to establish and ensure that (1) Mr. Zhao and Mr. Zhao Yinhe retain no economic or other interests in the Company and are independent both of the Company and of the Controlling Shareholders and (2) the historical involvement of Mr. Zhao or Mr. Zhao Yinhe would not adversely affect the financial condition of the Company. These steps included conducting site visits, making enhanced and in-depth due diligence enquiries, conducting public searches and engaging a third-party search firm to conduct background searches on all existing Directors and senior management of the Company to ensure that they are not connected to Mr. Zhao or Mr. Zhao Yinhe. Furthermore, the Joint Sponsors have also conducted due diligence interviews with all of the current members of the board of Directors and senior management, in which all of the current members of the board of Directors and senior management confirmed that they have no direct or indirect association with Mr. Zhao or Mr. Zhao Yinhe. In addition, the Joint Sponsors have made enhanced in-depth due diligence enquiries of the Independent Technical Advisor as well as of other third-party customers,

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suppliers and principal banks. As part of this enhanced due diligence, the Joint Sponsors requested the Independent Technical Advisor to conduct additional visits to the Yanjiazhuang Mine and engage in further in-depth discussions with senior management of the Company. The foregoing steps did not bring anything to the Joint Sponsors' attention which would indicate that (1) Mr. Zhao or Mr. Zhao Yinhe retain any economic or other interests in the Company or are not independent of both the Company and the Controlling Shareholders or (2) that the historical involvement of Mr. Zhao or Mr. Zhao Yinhe in the Company would adversely affect the financial condition of the Company.

Confirmation by the Directors, the Company and the Controlling Shareholders

The Directors, the Company and the Controlling Shareholders confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, each of the Controlling Shareholders and the Company is independent of Mr. Zhao, Mr. Zhao Yinhe and any individuals who, to the Directors', the Company's, and the Controlling Shareholders' best knowledge, are their respective associates; Mr. Zhao, Mr. Zhao Yinhe and any individuals who, to the Directors', the Company's, and the Controlling Shareholders' best knowledge, are their respective associates, retain no economic or other interests in the Company or in the proposed Listing. There is no relationship between any person or other party involved in the SEC Complaint and the Company or the Controlling Shareholders, and the SEC Complaint will not have any impact on the Company's business, operations or financial condition. The acquisition of the equity interest in the Company and the Exchangeable Bonds reflected a commercial decision concluded after due diligence and extensive arm's length negotiations. Prior to the acquisition, the Controlling Shareholders were not in any manner related to Mr. Zhao and Mr. Zhao Yinhe and did not otherwise know them or their respective associates. The Controlling Shareholders, the Directors and members of our senior management do not have any agreement (other than those already disclosed), arrangement or understanding with any of our former controlling shareholders or senior management who are no longer with the Group in relation to the Group's affairs going forward.

SEC COMPLAINT

On 6 May 2010, the Prior Sponsors became aware that the Anonymous Letter had been sent to the Stock Exchange alleging that a person or persons surnamed "Zhao" in senior management had been involved in a civil complaint filed in the United States federal court in the Eastern District of New York by the United States Securities and Exchange Commission (the "SEC") against China Energy Savings Technology, Inc. ("China Energy"), a company unrelated to us, and other persons relating to trading in China Energy's stock (the "SEC Complaint"). In the SEC Complaint, which was brought on 4 December 2006, the SEC alleged that China Energy, a Nevada corporation and Chiu Wing Chiu, the sole director of China Energy's majority shareholder, with the assistance of China Energy's corporate secretary, Lai Fun Sim, devised a wide-ranging stock manipulation scheme to fraudulently obtain a listing on the Nasdaq National Market System; to artificially inflate China Energy's stock price; and to sell millions of China Energy shares into the U.S. capital markets. According to the SEC Complaint, other participants in the scheme included China Energy's former purported chairman and chief executive officer, Sun Li, a former China Energy employee, Jun Tang Zhao and New Solomon Consultants, which was China Energy's majority stockholder. Amicorp Development Limited, Essence City Limited, Precise Power Holdings Limited, Yan Hong Zhao, Ai Qun Zhong and Tung Tsang were named as relief defendants in the SEC Complaint.

In the SEC Complaint, the SEC alleged, among other things, that Chiu Wing Chiu and Lai Fun Sim formed China Energy through transactions with a Nevada shell corporation called Rim Holdings, Inc. and a British Virgin Islands holding company called Starway Management Limited. According to the SEC Complaint, in furtherance of the scheme, the defendants caused China Energy to purchase the shares of Starway Management Limited at an excessive price to facilitate the issuance of large quantities of China Energy shares, which were used to pay the purchase price, to entities controlled by Chiu Wing Chiu; caused China Energy to obtain a Nasdaq National Market System listing by artificially creating a

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

stockholder base and falsely representing to Nasdaq that the company had met its minimum stockholder requirement; issued false press releases concerning China Energy's Nasdaq National Market System listing; created artificial demand for China Energy stock by engaging in manipulative trading and entering into secret deals to give free China Energy stock to stockholders willing to purchase China Energy stock in the open market; and concealed the fact that Chiu Wing Chiu controlled China Energy. In addition, according to the SEC Complaint, China Energy, Chiu Wing Chiu and others engaged in illegal unregistered sales by gifting stock to more than 400 persons as part of the Nasdaq listing scheme and by improperly issuing stock to promoters engaged in capital raising activities and consultants who performed no services.

The SEC alleged that the relief defendants, Precise Power Holdings Limited, Essence City Limited, Amicorp Development Limited and Yan Hong Zhao, realized millions of dollars in proceeds from the fraudulent scheme by receiving and selling thousands of shares of China Energy stock, with the relief defendants acting under the direction and control of Chiu Wing Chiu.

The SEC charged China Energy, Chiu Wing Chiu, Lai Fun Sim, Jun Tang Zhao, Sun Li, and New Solomon Consultants with violating the antifraud provisions of the U.S. federal securities laws. It also charged China Energy, Chiu Wing Chiu, Lai Fun Sim and Jun Tang Zhao with violating the registration provisions of the securities laws, with the relief defendants being unjustly enriched through the monies derived as proceeds of the fraud and the China Energy stock that they received from the defendants and for which they did not give adequate consideration.

In March 2008, the U.S. District Court for the Eastern District of New York entered a final judgment in the litigation that permanently enjoined China Energy, Chiu Wing Chiu, Lai Fun Sim, Jun Tang Zhao, and the other main defendants from violations of the antifraud and registration provisions of the U.S. securities laws. The judgment also ordered the payment of various penalties and approximately US\$33 million in disgorgement of profits, penalties and interest, and granted other ancillary relief. In July 2009, summary judgment was entered against the relief defendants in the litigation. The court found that Chiu Wing Chiu controlled and directed sales of China Energy shares in the relief defendants' accounts and that the relief defendants failed to show that the China Energy shares were received in exchange for adequate consideration. The court found, based on a Magistrate Judge's report, that Yan Hong Zhao and Precise Power opened accounts in the same brokerage firm and both listed as their mailing address the residential address of Chiu Wing Chiu in Hong Kong. The court noted that the China Energy shares deposited into these accounts were the only shares ever received in those accounts. In 2005 and 2006, both parties named the same person as their registered representative at the brokerage firm, who then sold all the China Energy Shares in both accounts. In December 2009, the court ordered the relief defendants to pay approximately US\$4 million in disgorgement of profits and interest.

The senior management of the Company at the time of the Anonymous Letter included two persons with the surname "Zhao": Mr. Zhao and Mr. Zhao Yinhe. Moreover, Precise Power Holdings Limited, a company incorporated in the BVI in 2004, was controlled by Mr. Zhao in 2006 (when the actions alleged in the SEC Complaint took place) and previously owned our subsidiary Xingye Mining. A company named Precise Power Holdings Limited, also organized under the laws of the BVI, is one of the relief defendants named in the SEC Complaint and against which a judgment was rendered in 2009.

In light of the Anonymous Letter, the Prior Sponsors considered a number of factors, including (1) that the Anonymous Letter had come to light only four days before the commencement of the Hong Kong portion of the Prior Offering on 10 May 2010, (2) the seriousness of the allegations in the SEC Complaint, (3) the fact that a company named Precise Power Holdings Limited was involved in the matters alleged in the SEC Complaint and (4) that Mr. Zhao and Mr. Zhao Yinhe had not demonstrated to the satisfaction of the Prior Sponsors that they were not Mr. Jun Tang Zhao or Mr. Yan Hong Zhao, two of the parties named in the SEC Complaint. On the basis of these considerations and the then overall market conditions, the Prior Sponsors decided not to proceed with the Prior Offering.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE AND HISTORY SUBSEQUENT TO THE ACQUISITION BY THE CONTROLLING SHAREHOLDERS

Completion of Reorganization

On 15 June 2011, VMS, NWS Mining, Modern Global, Fast Fortune, Perfect Move, Pioneer Vast, Star Valiant and Faithful Boom entered into a reorganization agreement pursuant to which:

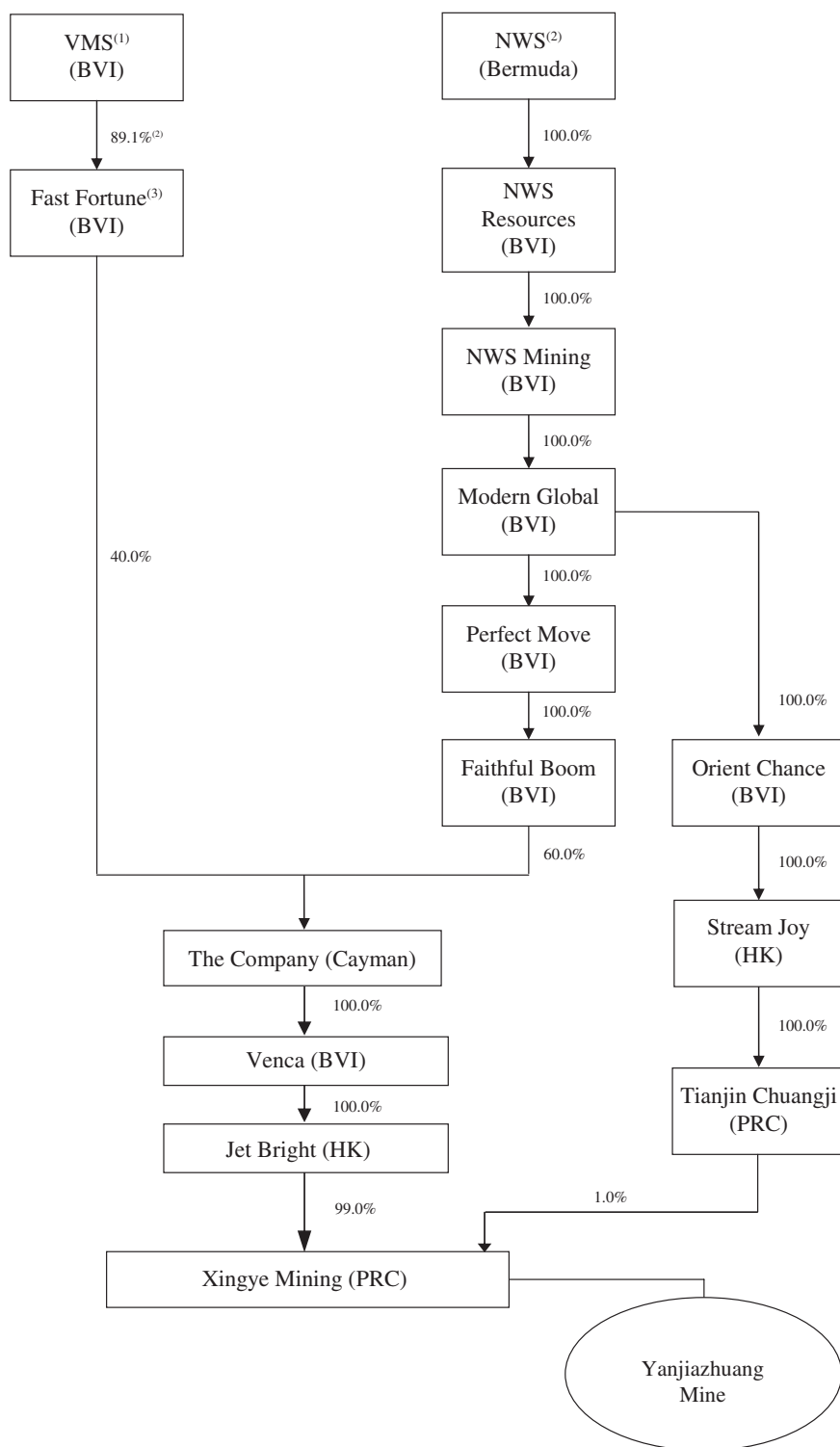
- (a) Fast Fortune agreed to transfer 40% of shares of Perfect Move to Modern Global. After completion of the transfer, Perfect Move is wholly-owned by Modern Global;
- (b) Modern Global agreed to transfer 6.6% of shares of Faithful Boom to Perfect Move and Fast Fortune agreed to transfer 4.4% of shares of Faithful Boom to Perfect Move. After completion of the transfer, Faithful Boom is wholly-owned by Perfect Move;
- (c) each of Pioneer Vast and Star Valiant and Faithful Boom agreed that upon completion of (a) and (b) above, all the rights and obligations of the parties under the Exchangeable Bonds and related documents shall terminate, including without limitation, the outstanding EOD Redemption Amount owing by Faithful Boom to Pioneer Vast and Star Valiant. It was also agreed that breaches (if any) under the Exchangeable Bonds were waived without any further obligations or liabilities on the part of Faithful Boom;
- (d) all loans provided to Faithful Boom by Fast Fortune were waived upon completion of (a) and (b) above;
- (e) Faithful Boom agreed to transfer 40% of the Shares to Fast Fortune upon completion of (a) and (b) above. After completion of the transfer, the Company is 40% owned by Fast Fortune and 60% owned by Faithful Boom; and
- (f) Faithful Boom undertook to waive, upon completion of (a) to (e) above and the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions thereof), and such obligations not being terminated in accordance with the terms of the Underwriting Agreements, all outstanding loans owing by our Company to Faithful Boom save and except for an amount that is equal to 10% of the net proceeds to be received by us from the Global Offering, which amount is expected to be used by our Company to repay the unwaived portion of the loans from Faithful Boom upon Listing.

As a result of completion of the transactions in the aforementioned reorganization agreement, NWS, through NWS Resources, NWS Mining, Modern Global, Perfect Move and Faithful Boom holds 60% of the Shares and VMS, through Fast Fortune, holds 40% of the Shares.

As all the above equity transfer transactions are conducted and completed outside the territory of China, according to our PRC legal advisor, King & Wood, we are not required to obtain any regulatory approval of PRC government authorities in respect of the aforesaid equity transfer transactions. Our Directors believe that the equity transfer transactions will not have an adverse impact on Xingye Mining's operations.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets forth the corporate structure of the Group after completion of the transactions noted above and the Reorganization and immediately before completion of the Global Offering:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (1) As of the Latest Practicable Date, Ms. Mak Siu Hang, Viola held 100% direct interest in VMS. VMS and Ms. Mak Siu Hang, Viola are independent from NWS, except their joint investment in the Company.

VMS focuses on enforcement of corporate governance standards in respect of its investees, and has also devoted considerable capital and human resources to the mining industry. For further details on VMS, please see the section headed “Relationship with our Controlling Shareholders and Connected Transactions – Background of VMS” in this Prospectus.

- (2) As of the Latest Practicable Date, NWS was directly owned as to approximately 59.79% by NWD. Chow Tai Fook Enterprises Limited, together with its subsidiaries, held approximately 40.42% in NWD and 2.65% in NWS. Chow Tai Fook Enterprises Limited was 100% owned by Centennial Success Limited which is held as to 51% by Cheng Yu Tung Family (Holdings) Limited. NWS is independent from VMS and Ms. Mak Siu Hang, Viola, except their joint investment in the Company.

NWS’s diversified business portfolio in the PRC includes more than 60 projects in the high growth sectors of roads, water, energy, ports and logistics. Two of these projects are located in Hebei Province. NWS has also explored investment opportunities in natural resources and mining projects with a view to developing these investment as part of its core business operations. The investment in the Company is part of that strategy. For more details on NWS, please see the section headed “Relationship with our Controlling Shareholders and Connected Transactions – Background of NWS” in this Prospectus.

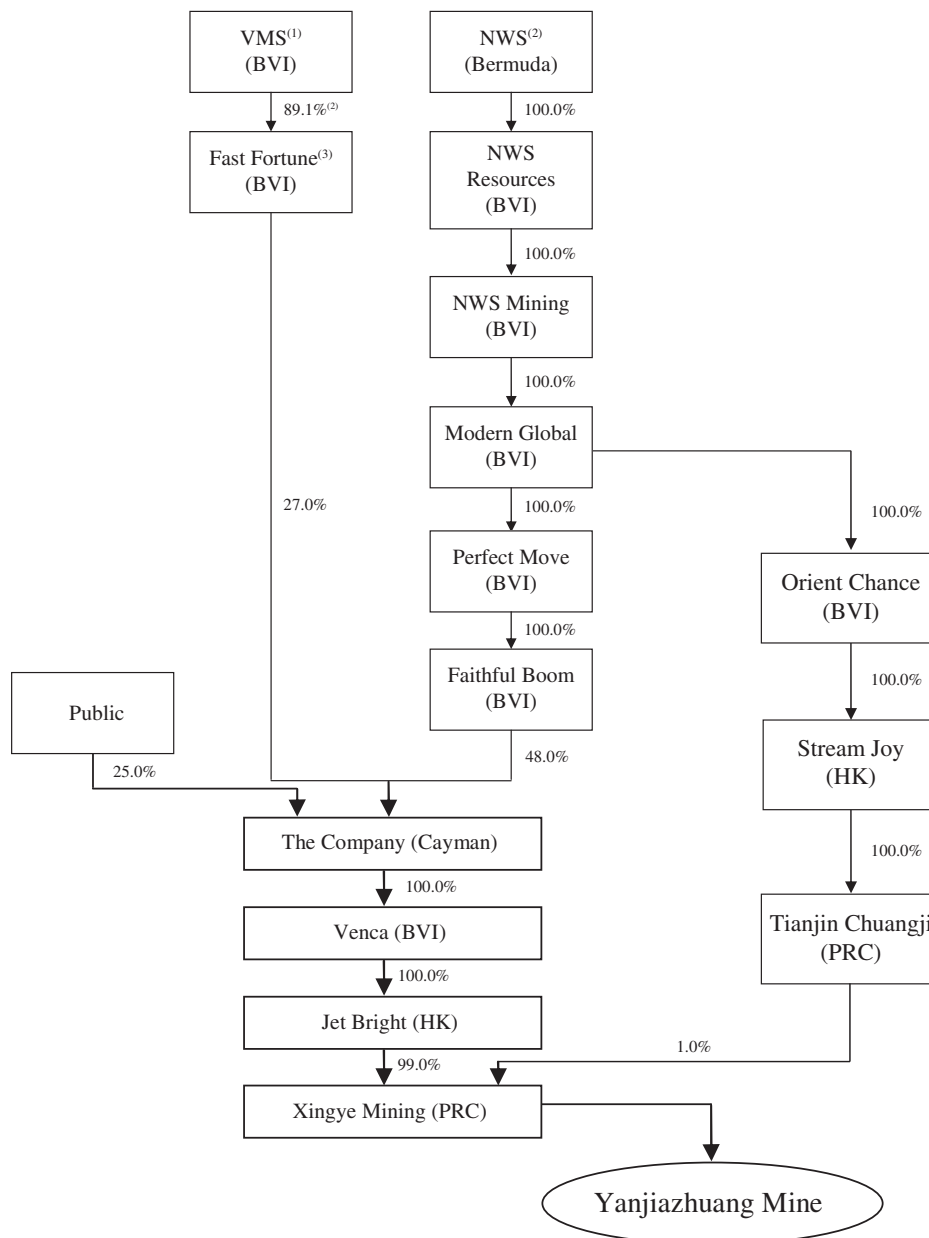
- (3) As of the Latest Practicable Date, VMS held the voting non-participating management share in Fast Fortune and therefore had all the voting control in Fast Fortune.

As of the Latest Practicable Date, VMS held approximately 89.1% of all the non-voting participating shares in Fast Fortune, Mr. Lam Yee Ming through Southern Pacific Limited held approximately 7.3% of all the non-voting participating shares in Fast Fortune and the remaining 3.6% of all the non-voting participating shares in Fast Fortune were held by Mr. Chan Ting Lai. Mr. Lam Yee Ming and Mr. Chan Ting Lai are Independent Third Parties.

Conditional on the share premium account being credited as a result of the Global Offering, our Directors will be authorized to capitalize the amount of HK\$319,999,899.9 from such account and apply such sum in paying up in full at par a total of 3,199,998,999 Shares for allotment and issue to our then shareholders.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets forth the corporate structure of the Group immediately after completion of the Reorganization, the Global Offering and the Capitalization Issue (but not taking into account of any Shares which may be issued upon the exercise of the options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme, nor any exercise of the Over-allotment Option):



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- (3) As of the Latest Practicable Date, VMS held the voting non-participating management share in Fast Fortune and therefore had all the voting control in Fast Fortune.

As of the Latest Practicable Date, VMS held approximately 89.1% of all the non-voting participating shares in Fast Fortune, Mr. Lam Yee Ming through Southern Pacific Limited held approximately 7.3% of all the non-voting participating shares in Fast Fortune and the remaining 3.6% of all the non-voting participating shares in Fast Fortune were held by Mr. Chan Ting Lai. Mr. Lam Yee Ming and Mr. Chan Ting Lai are Independent Third Parties.

SALE OF SHARES IN THE GLOBAL OFFERING

Fast Fortune intends to sell some of its Shares in the Global Offering. Please see the section headed “Substantial Shareholders and Selling Shareholder” in this Prospectus for further details. Upon completion of the Global Offering and the Capitalization Issue, the shareholding of Fast Fortune will be reduced to 27.0% (assuming the Over-allotment Option is not exercised) or 23.25% (assuming the Over-allotment Option is exercised in full), without taking into account the options which have been granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme.

The total investment cost of US\$321.9 million (being US\$44.2 million for the Exchangeable Bonds and US\$277.7 million for the equity interest) paid by NWS and VMS through their respective wholly-owned subsidiaries for their respective indirect interests in our Shares, represented a discount of approximately 61.7% to the value of their interests in the Company after the Global Offering and proceeds from the Sale Shares and any sale of Option Shares, assuming the mid-point Offer Price of HK\$2.05. The Controlling Shareholders acquired the Company more than nine months ago. Since then, as discussed above under “– Change in Controlling Shareholders,” the Controlling Shareholders have taken actions since their acquisition of us that have demonstrated their long-term commitment to us. They have injected significant capital to fund the ongoing development of our operations; assisted us in obtaining the relevant licenses, permits and approvals required to commence commercial production; enhanced our management team; and provided leadership and expertise in order to assist us in bringing the Yanjiazhuang Mine from a development stage mining asset into commercial production on 1 January 2011. Since their acquisition of us, iron ore prices in Hebei Province have increased significantly, and almost to previous peak levels in 2008. As a result of the significant capital investments and contributions by our Controlling Shareholders, including assisting the Company in negotiating and entering into the Shougang Agreement which secures 30% of our annual production of iron ore concentrate, the risks associated with the development of our projects have been substantially reduced over the past nine months. Furthermore, our Directors believe that our current Controlling Shareholders bring significant financial expertise and improved corporate governance practices to the Company. Our Controlling Shareholders have further demonstrated their long-term commitment by:

- (i) extending the lock-up period to a period commencing from the date hereof to 30 June 2012, which is effectively a lock-up period of approximately one year after the Listing Date; and

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (ii) undertaking not to offer, pledge, charge, mortgage, sell, contract to pledge, charge, mortgage, sell any option or purchase or contract to purchase any option, right or warrant to purchase or otherwise transfer or dispose of the securities of our Company held by them or engage in certain prohibited hedging transactions if, immediately following such action, disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would then cease to be controlling shareholders of the Company during the period from 1 July 2012 to 31 December 2012.

For more information, please see “Underwriting – Undertakings – Undertakings by our Controlling Shareholders pursuant to the Deeds of Lock-up”.

PROPOSED SPIN-OFF OF OUR COMPANY FROM NWD AND NWS

Pursuant to the Listing Rules and in accordance with the corporate structure and ownership of the Company (as set out in the section “History, Reorganization and Corporate Structure”), the listing of the Company would constitute a spin-off of each of NWD and NWS.

The board of directors of NWD and NWS are of the view that the Proposed Spin-off of the Company will be beneficial for NWD, NWS and the Company as it will:

- (1) provide capital for our operations and new investment opportunities, and free up capital which would otherwise be required from NWS and NWD for such new developments and opportunities;
- (2) increase the operational and financial transparency of the Company and provide investors and the public with greater clarity on our businesses, operations and financial performance;
- (3) allow the Company to establish our own profile as a separately listed entity with the ability to access the debt and equity capital markets to fund our operations, future development and investment opportunities; and
- (4) provide incentives to the Company’s management who are focused on the iron-ore mine operation business.

The Proposed Spin-off by NWD and NWS complies with the requirements of Practice Note 15 of the Listing Rules.

KEY DEVELOPMENT MILESTONES

During the Track Record Period, the Group focused its resources in developing Yanjiazhuang Mine. Important milestones achieved during this period in relation to Yanjiazhuang Mine are set out below.

2006

In May 2006, shortly after the establishment of Xingye Mining, the Group instructed the 11th Geological Brigade to conduct a geological study for Yanjiazhuang Mine.

2007

In May 2007, the 11th Geological Brigade completed their first phase geological study for Yanjiazhuang Mine.

Between June and August 2007, we constructed a connecting road network to link up the operating sites for the development of the initial two mining pits, the dry magnetic cobbing system, the No. 1 Processing Facility and the No. 2 Processing Facility which commenced construction. In September 2007, the Group completed the first test-run for the No. 1 Processing Facility.

At the same time, we paid the construction costs for the upgrade of the Yanjiazhuang Reservoir, a surface water reservoir with an existing water storage capacity of approximately 120,000 m³ which supported our 1,000 ktpa iron ore mining operation.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On 10 December 2007, Xingye Mining became the registered holder of the exploration license for the Yanjiazhuang Mine.

2008

On 27 March 2008, the exploration license was renewed for an extended period through 17 April 2010 and the exploration area was expanded to 3.24 km².

In March 2008, the first open-pit mining pit was excavated. In May, the revamp and upgrade of the No. 1 Processing Facility and the No. 2 Processing Facility were constructed.

In June 2008, the dry magnetic cobbing system was constructed. In the same month, the connecting pipelines directing water from the Yanjiazhuang Reservoir to the No. 1 Processing Facility and the No. 2 Processing Facility were also constructed.

In June and July 2008, the No.1 Processing Facility and the No.2 Processing Facility commenced a test run of their facilities and equipment which was estimated to operate at an average production capacity of up to 3,500 tonnes of iron ore per day, equivalent to approximately 1,000 ktpa of iron ore (based on 300 working days per year).

In July 2008, the second open-pit mining pit was excavated.

2009

On 20 May 2009, Xingye Mining obtained a mining license in respect of the iron ore for Yanjiazhuang Mine for a mining area of 5.22 km². With this mining license, Xingye Mining is permitted to use the open-pit mining method to mine up to 3,000 ktpa of iron ore for the period between 20 May 2009 and 20 July 2017.

In July and August 2009, the Group fine-tuned the operating efficiency of the equipment installed at the No. 1 Processing Facility and the No. 2 Processing Facility such that they could operate at an average processing capacity that could exceed 3,500 tonnes of iron ore per day, equivalent to approximately 1,000 ktpa of iron ore (based on 300 working days per year).

2010

The Company obtained all requisite permits, licenses and approvals necessary for commercial production. In connection with the Global Offering, Sinosteel conducted a pre-feasibility-level technical study.

2011

The Company commenced commercial production on 1 January 2011. Behre Dolbear issued the Independent Technical Report that set forth estimated total measured and indicated resources of approximately 312 Mt and total proved and probable reserves of approximately 260 Mt under the JORC Code. The Company expects to complete Phase One of its expansion plan in June 2011, attaining an ore processing capacity of 3,000 ktpa, and has started preparation for Phase Two of its expansion plan, which is expected to result in an ore processing capacity of 7,000 ktpa. The Company expects to complete Phase Two in the third quarter of 2011. The Company is in the process of applying for an expansion of the existing quota from 3,000 ktpa to 10,500 ktpa of iron ore.

This section of this Prospectus discusses information regarding our mine and operations, including reserves, processing capacities and production volumes. Unless otherwise indicated, all technical data in this section is based on the Independent Technical Report, which is included as Appendix V to this Prospectus. In addition, we commissioned Hatch as industry consultant to prepare an independent research report, the Hatch Report. Unless otherwise indicated, information and statistics relating to the global, the PRC and Hebei Province iron ore industry in this and other sections of this Prospectus have been derived from the Hatch Report. We believe that the Hatch Report is an appropriate source 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 or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Global Coordinator, Joint Bookrunners, Joint Lead Managers and Joint Sponsors, any of the Underwriters, any of their respective directors and advisors or any other persons or parties involved in the Global Offering and no representation is given as to its accuracy.

OVERVIEW

We own and operate the Yanjiazhuang Mine which is the largest privately-owned iron ore mine and the sixth largest iron ore mine in Hebei Province in terms of iron ore reserves, according to Hatch. With our significant JORC reserves and resources, estimated low production cost structure, strong growth potential through our rapid production capacity ramp-up, significant exploration opportunities and strategic location, we believe we are well-positioned to capture increasing market opportunities arising from the strong growth in Chinese steel production and significant shortfall in domestically-produced iron ore historically experienced in China, especially in Hebei Province. Our overall objective is to attain iron ore mining and processing capacities of 10,500 ktpa by the second quarter of 2012. Our vision is to become a leading iron ore operator in China and to implement NWS's strategic initiative of using the Company as a platform to acquire and operate mining assets within the steel supply chain.

China has become the world's largest iron ore importer due to its rapid urbanization and industrialization. Its total iron ore imports reached approximately 618.6 Mt in 2010. The largest steel-producer among China's provinces, Hebei Province produced approximately 23.1% of China's raw steel in 2010. Iron ore production in Hebei Province was not sufficient to meet the demand in the province and, as a result, Hebei's total iron ore imports reached 119.4 Mt in 2010, making it the largest iron ore importing province in China.

Our Iron Ore Mining Operations

We hold the mining rights to the Yanjiazhuang Mine, a large-scale open-pit iron ore mine. According to the Independent Technical Report, the Yanjiazhuang Mine had proved and probable reserves of approximately 260.0 Mt, which were converted from total measured and indicated iron ore resources of approximately 311.8 Mt as of 31 December 2010.

Based on the Independent Technical Report, the Hatch Report and the cost curve prepared by AME, we believe we will be a leading iron ore producer in China with low operating costs. According to AME, the Yanjiazhuang Mine is estimated to be in the lowest 5% of the estimated cost curve for Chinese iron ore producers on an iron equivalent basis. We use cost-efficient mining and processing methods to extract and process our iron ore. We use open-pit mining to extract our reserves. Open-pit mining is characterized by shorter timeframes for mine infrastructure construction, lower capital expenditure requirements and a relatively simple iron ore extraction process. Based on these facts and the estimated future operating costs set forth in the Independent Technical Report, we believe we will be able to maintain a low mining cost structure. We also expect to enjoy low iron ore processing costs because our iron ore is relatively easy to crush and mill due to its density and mineral composition and because the strong magnetic properties of our iron ore allow iron to be easily separated from non-magnetic tailings and waste rocks

through the use of magnetic pulleys. Moreover, our iron ore resources contain low levels of harmful elements, such as sulfur and phosphorus, which reduces the need to treat tailings. As a result, our overall iron ore processing costs are low and we believe we will be able to produce iron concentrate with an iron grade of 66% through a relatively simple iron ore processing phase.

Furthermore, our estimated future operating costs, as set forth in the Independent Technical Report, are significantly lower than the current iron concentrate prices in China. According to Hatch, the continued rapid growth of China's steel industry will likely be accompanied by increases in domestic iron ore prices. The combination of our estimated future operating costs being significantly lower than current iron ore prices highlights the potential profitability of our operations. For information on our estimated operating and production costs, see “– Our Existing Production Operations and Facilities – Operating Costs.”

Our geographical and geological conditions provide us with favorable mining conditions and enable us to carry out our operations throughout the year, thereby increasing our productivity. Our location provides us with convenient access to available infrastructure, such as major transportation networks and access to water and electricity, which are both key components in our processing operations. In addition, our location in Hebei Province, the largest steel-producer among China's provinces, places us in close proximity to potential steel-producing customers allowing us to enjoy relatively lower transportation costs. There are nine steel producers with a combined steel production capacity of approximately 31.2 Mtpa within approximately 90 km of our operations. Our close proximity to steel producers in Hebei Province enabled us to enter into an agreement regarding the sale of iron concentrate with Shougang Hong Kong (a wholly-owned subsidiary of Shougang Corporation) and memoranda of understanding regarding the sale of iron concentrate with Hebei New Wuan, Handan Iron & Steel, Wen'an Iron & Steel, Hebei Baoxin, Xingtai Weilai and Xingtai Longhai. Our agreement with Shougang Hong Kong also presents a platform for us to contemplate entering into further agreements with them regarding technical support and strategic cooperation in future investment opportunities. Pursuant to the technical assistance agreement, Shougang Hong Kong would provide technical support and expertise to the Company in areas including project exploration, evaluation, due diligence and operations (including at our existing Yanjiazhuang Mine). Additionally, pursuant to the strategic cooperation agreement, the Company could invite an individual from Shougang Hong Kong, in accordance with applicable law, the Listing Rules and Stock Exchange Requirements and the Articles of the Company, to serve as a non-executive director of the Company until the next annual general meeting of the Company, with subsequent re-appointment subject to shareholders' approval.

Based on our current reserves as confirmed by the Independent Technical Advisor, the Yanjiazhuang Mine has a mine life of approximately 26 years based on the assumption that our iron ore processing capacity will increase to 10,500 ktpa by the second quarter of 2012.

Commercial Production and Expansion Plan

We plan to increase our iron concentrate production capacity at the Yanjiazhuang Mine in three phases.

As part of our Phase One commissioning and production ramp-up schedule we commenced commercial production on 1 January 2011. During the course of January and February 2011 we produced and sold 33.0 kt of iron concentrate. We use independent third-party contractors to perform part of our mining, hauling and road building activities.

Following the commencement of commercial production we were impacted by severe droughts that were experienced in Northern China, including the Yanjiazhuang Mine area, which were the worst in 60 years. As a result, we experienced a shortage of water supply to our processing plants and accordingly our production levels were significantly reduced in March 2011. Instead of waiting for the droughts to end and to mitigate our exposure to future droughts, we devoted significant management time and resources to identifying additional water sources and constructing facilities to give us access to them. We identified

the Lincheng Reservoir as an adequate and reliable future water source and commenced construction of a 20 km long water pipeline to the Lincheng Reservoir. We estimate that the Lincheng Reservoir water project will be completed by August 2011. While operating at a significantly reduced level waiting for the Lincheng Reservoir water project to be completed, we decided to utilize this period of time to undertake efforts to enhance the efficiency and reliability of our processing facilities. We undertook plant construction and modifications, including the planned Phase One upgrade to our No. 2 Processing Facility and the replacement of a section of our ore crushing equipment with machines which are able to produce crushed ores of smaller and more uniform dimensions. The upgrades to the No. 2 Processing Facility and to the crushers are expected to produce iron concentrate with an average grade of 66% or above and enhance processing efficiency and reliability.

We expect to complete Phase One of our expansion plan with processing efficiency optimization in June 2011 and we intend to complete construction of the additional water pipeline to the Lincheng Reservoir by August 2011. While there will be limited production during this period, we expect to resume normal commercial production in September 2011 upon the completion of the water projects and to ramp up to our expected Phase One iron ore processing capacity of 3,000 ktpa and total iron concentrate production capacity of approximately 760 ktpa.

We commenced preparation for Phase Two of our expansion plan in September 2010. Phase Two is expected to increase our mining and ore processing capacities to 7,000 ktpa and achieve an iron concentrate production capacity of approximately 1,770 ktpa. During Phase Two, we plan to develop three additional open-pit mining pits, construct one additional dry magnetic cobbing system and build the No. 3 Processing Facility. We expect to complete Phase Two in the third quarter of 2011. We intend to further expand our mining and processing capacities to 10,500 ktpa and achieve an iron concentrate production capacity of approximately 2,655 ktpa in Phase Three of our expansion plan, which we expect to complete in the second quarter of 2012. We expect to reach this level of production in October 2012. We are in the process of applying for a permit for this ore processing capacity. We intend to supplement Phase One, Phase Two and Phase Three of our expansion plan with the development of a larger tailings storage facility and a new water reservoir, and the construction of a new electricity converting station with two voltage transformers and supporting roadways. Based on the Independent Technical Report, we believe that our plan to increase our mining and processing capacities to 10,500 ktpa and our iron concentrate production capacity to reach approximately 2,655 ktpa is reasonable and achievable in accordance with our three-phase expansion plan.

Gabbro-Diabase Business

In addition to significant iron ore reserves and resources, the Yanjiazhuang Mine also contains gabbro-d diabase resources, a valuable mineral resource that is a mining by-product that naturally occurs in the footwalls and hanging walls of our iron ore bodies. An igneous rock known for its hardness, abrasion resistant qualities and durability, gabbro-d diabase is commonly used to manufacture a wide variety of products, including high-quality, high-end countertops, interior decorative materials and indoor flooring. According to the Independent Technical Report, there are approximately 207 million m³ of indicated gabbro-d diabase resources at the Yanjiazhuang Mine. As the removal of gabbro-d diabase resources is already part of our normal mining operations to reach the underlying iron ore in our mining pits, our commercial production of gabbro-d diabase will benefit from production cost sharing with our iron concentrate production. Thus, we do not expect to expend substantial resources for the extraction of gabbro-d diabase, other than our initial capital expenditure of RMB303.2 million as disclosed under “Financial Information – Financing Of Our Mining Projects.” As a result, we believe that the development of our gabbro-d diabase business will enhance the cost-efficiency and profitability of our operations. We believe the commercialization of gabbro-d diabase increases the exploitable value of the Yanjiazhuang Mine. We plan to commence commercial production of gabbro-d diabase in July 2011 (following receipt of the required permits and approvals) in order to diversify our product portfolio and customer base, add to our revenue sources, and increase the cost-efficiency and profitability of our operations. According to Hatch, China’s stone industry and demand for gabbro-d diabase are expected to continue to grow over the next several years.

In February 2011, we entered into four memoranda of understanding, with well-known PRC property companies or their subsidiaries, to negotiate future specific purchase contracts for the sale of our gabbro-diabase products. According to Hatch, China's stone industry and gabbro-diabase demand are expected to continue to grow over the next several years. Our Directors believe that the willingness of developers to enter into long-term agreements with us for the sale of gabbro-diabase is further evidence of the likely future demand for our gabbro-diabase products. We may also enter into new contracts with other Independent Third Parties for the sale of our planned gabbro-diabase products.

Financial and Operating Data

We are in a period of rapid expansion and have taken extensive measures to ramp up our iron ore processing capacity. We estimate our total investment for Phase One of our expansion plan at approximately RMB240.1 million, of which we had already invested RMB207.1 million as of 31 December 2010. We estimate a total investment for Phase Two of our expansion plan of approximately RMB380.0 million, of which we had already invested RMB84.6 million as of 31 December 2010. We estimate a total investment for Phase Three of our expansion plan of approximately RMB277.2 million. We also expect to invest approximately RMB303.2 million to develop our gabbro-diabase business.

During the Track Record Period, our business activities were focused on exploration, mine planning, construction and infrastructure development to prepare for the production of iron concentrate and we did not generate revenue from our operations. As a result, our losses for the years ended 31 December 2008, 2009 and 2010 were approximately RMB371,000, RMB2.2 million and RMB2.9 million, respectively.

Potential to Expand through Exploration and Acquisitions

We are also well positioned to significantly increase our resources and reserves further in the future due to the significant exploration potential of the Yanjiazhuang Mine and other neighboring iron ore assets in Hebei Province. Hebei Province has the second largest iron ore reserves and the largest number of iron ore mines in China. We believe this provides us with significant opportunities to expand our operations through exploration activities and carefully selected acquisitions of local assets by leveraging our business scale, strong exploration track record and industry expertise of our management team and our expected strong future operational cash flow and ability to raise debt and equity financing. We also expect to be able to expand our reserves and resources organically through continued exploration inside and outside of our current permitted mining area. According to the Independent Technical Report, there are undrilled areas within the current permitted mining area to the west of the defined iron ore resources, the size of which is equivalent to 30% to 40% of the drilled areas of the Yanjiazhuang Mine ore deposit. The unexplored mineralized ore bodies in these undrilled areas are still open and have the potential to contain substantial iron ore resources according to the Independent Technical Report. Moreover, several of the mineralized ore bodies within the defined resources of the Yanjiazhuang Mine are expected to extend to depths greater than currently drilled. As such, we have the potential to increase our iron ore reserves and resources significantly as we continue to explore the area covered by our current mining permit, particularly because we have not yet reached the bottom of the ore bodies during any of our exploration or mining activities. Based on the findings by the Independent Technical Advisor, we believe that we also have significant potential for defining additional iron ore reserves and resources within mineralized ore bodies that remain open and extend beyond our current permitted mining area.

We have applied to the relevant government body for an exploration license for an adjacent 0.75 km² area. If we receive the exploration license and consider the area to be attractive to us after exploration, we will apply for the relevant permits to develop mining operations in the area. Furthermore, because the areas located to the west beyond the current permitted mining area also have exploration potential according to the Independent Technical Report, we may seek to obtain additional exploration or mining permits to explore and mine them. The development plan for the adjacent 0.75 km² area is not

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included in our three-phase expansion plan. We estimate the costs for the acquisition of mining and exploration rights for this adjacent area to be RMB30 million. We expect that any additional resources discovered at this area could be processed through the facilities we build pursuant to our three-phase expansion plan. The final development plan of this adjacent land is subject to government approval and the outcome of further exploration. We intend to continue expanding our production capacity as we engage in further exploration work and discover additional defined resources and reserves.

In addition, we obtained the direct support of the Lincheng County government authority to consolidate local iron ore assets in a letter dated 2 November 2009. As part of our plan for acquisitive growth and guided by our team of experienced professionals, we entered into an agreement in February 2010 to purchase the exploration rights for two iron ore mines in Hebei Province, namely, the Gangxi Mine and the Shangzhengxi Mine, which cover permitted exploration areas of 5.28 km² and 2.06 km², respectively. We have engaged the 11th Geological Brigade to provide an exploration report for each of the two mines. We expect to receive the exploration report for the Gangxi Mine by the end of 2012 and the exploration report for the Shangzhengxi Mine by the end of 2011. We will then pay RMB6 million plus RMB2/tonne of iron ore reserves to obtain the exploration rights for the Gangxi Mine and RMB3 million plus RMB2/tonne of iron ore reserves to obtain the exploration rights for the Shangzhengxi Mine. The transfer of the exploration rights for these two mines is subject to the approval of the relevant government authorities. Our PRC legal advisor, King & Wood, has confirmed that there are no foreseeable legal impediments for us to obtain the requisite licenses, permits and other regulatory approvals necessary for exploration and mining at these two mines. We expect to conduct further exploration activities at that time, at a cost of approximately RMB20 million. Based on the exploration reports and our exploration activities, we will then decide whether to commence commercial production. Assisted by our executive Directors, who have an average of approximately 29 years of experience in the mining industry, we plan to continue to carefully evaluate and identify selective exploration and acquisition opportunities with significant potential.

COMPETITIVE STRENGTHS

We believe we possess the following strengths:

We stand to benefit from the continuing iron ore supply shortfall in China and, in particular, Hebei Province.

As the largest steel producing nation in the world, China requires a significant amount of iron ore for its steel manufacturing operations. As a result of its substantial shortfall in the domestic iron ore supply, China imports a substantial amount of iron ore in order to meet domestic demand. China has one of the world's fastest growing demands for iron ore and has been the main driver behind the growth of the global iron ore sector, accounting for approximately 53.7% of the world's total iron ore demand in 2009. In 2010 China produced approximately 1,072 Mt of iron ore and imported approximately 618.6 Mt of iron ore. We expect this shortfall in China's iron ore supplies to increase following the recent signs of economic recovery. We believe that China will continue to experience nationwide urbanization and industrialization, driving the need for increased government spending on major infrastructure projects and, we believe, leading to an increased demand for steel and, ultimately, iron ore. As the owner and operator of the largest privately-owned iron ore mine and the sixth largest iron ore mine in Hebei Province in terms of iron ore reserves according to Hatch, we believe we are well-positioned to benefit from the increasing demand for iron ore.

The location of our iron ore mine in Hebei Province permits us to take advantage of the major regional imbalance between iron ore supply and demand. As the largest steel-producing province in China, Hebei's share in China's total annual steel output has increased from 12.6% in 2001 to 23.1% in 2010. Demand for iron ore by steel producers in Hebei Province has significantly exceeded the supply from Hebei iron ore producers each year since 2001 and, as such, Hebei Province was the largest net iron ore importing province in China in 2009. We enjoy steady demand from local steel producers for our iron concentrate products.

Our significant reserves and resources have the potential to yield high-quality iron concentrate and commercially viable gabbro-diabase in significant quantities.

Our Yanjiazhuang Mine has significant iron ore reserves and resources. According to the Independent Technical Report, the Yanjiazhuang Mine had proved and probable reserves of approximately 260.0 Mt, which were converted from total measured and indicated iron ore resources of approximately 311.8 Mt as of 31 December 2010. We believe the potential to yield high-quality iron concentrate is significant.

In addition, our Yanjiazhuang Mine contains gabbro-diabase, a valuable mineral resource that is a mining by-product and naturally occurs in the footwalls and hanging walls of our iron ore bodies. Based on the Independent Technical Report, there are approximately 207 million m³ of gabbro-diabase resources at the Yanjiazhuang Mine, classified as indicated resources. We plan to sell gabbro-diabase in five forms, namely, quarry stones, slabs, carving stones, powder and crushed stones. Gabbro-diabase is commonly used to manufacture a wide variety of building materials, including high-quality countertops, interior decorative materials and indoor flooring. We believe that our ability to exploit our gabbro-diabase resources will allow us to reduce our mining costs, expand our revenue sources and enhance our overall profitability.

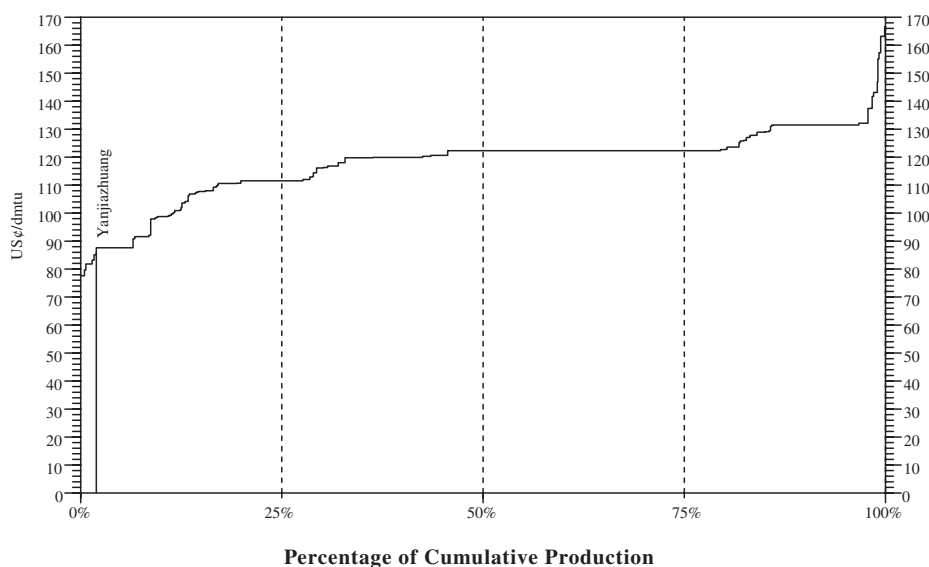
According to Hatch, China's stone industry and gabbro-diabase demand are expected to continue to grow over the next several years. Our Directors believe that the willingness of developers to enter into long-term agreements with us for the sale of gabbro-diabase is further evidence of the likely future demand for our gabbro-diabase products. We may also enter into new contracts with other Independent Third Parties for the sale of our planned gabbro-diabase production.

Our open-pit mining and simple processing methods position us to be a low-cost producer of iron concentrate in the markets we serve.

We have adopted mining and processing methods at the Yanjiazhuang Mine which we believe will contribute to our estimated low production cost structure. We utilize the open-pit mining method to extract our reserves. Open-pit mining is characterized by short time frames for mine infrastructure construction, lower capital expenditure requirements, a relatively simple and fast iron ore extraction process and significantly reduced production hazards. Based on these facts and the estimated future operating costs set forth in the Independent Technical Report, we believe we will be able to maintain relatively low mining costs. We also expect to enjoy low iron ore processing costs because our iron ore is relatively easy to crush and mill due to its density and mineral composition and because the strong magnetic properties of our iron ore allow iron to be easily separated from non-magnetic tailings and waste rocks through the use of magnetic pulleys. Moreover, our iron ore resources contain low levels of harmful elements, such as sulfur and phosphorus, reducing the need for the treatment of tailings. As a result, our overall iron ore processing costs are lower and we believe that we are able to produce iron concentrate of an iron grade of 66% through a relatively fast and simple iron ore processing phase.

The Yanjiazhuang Mine is considered by AME to be in the lowest 5% of the estimated cost curve for Chinese iron ore producers on an iron equivalent basis. The chart below represents the estimated cost curve for PRC iron ore producers, and the estimated position on the curve of the Yanjiazhuang Mine:

Estimated 2011 Iron Ore Costs – FOB Chinese Producers and Provinces



Source: AME

The mining cost for the Yanjiazhuang Mine, which commenced production in January 2011, is based on information provided by the Independent Technical Advisor. When using the cost curve, you should take into consideration the following factors:

- (1) The cost curve is based on Q1 2011 calibrated and benchmarked cash costs and subsequent updates.
- (2) All Chinese mines used in this data sample, including the Yanjiazhuang Mine, are based upon the cost to produce iron ore (including mining, processing, royalties and marketing costs), and incorporate freight cost estimates for delivery to an international sea port.
- (3) The concentrate produced by Yanjiazhuang Mine is estimated to be 66% iron concentrate, which is competitive to the international export trade.
- (4) All mines on the cost curve have been costed on an iron equivalent basis (US\$/dmu) as opposed to run-of-mine basis (US\$/tonne). This costing methodology takes into account the grade and consequently iron content of a product.
- (5) The Company reports that its mine gate cost (including taxes, royalties and government charges) is US\$47.56/tonne of iron ore concentrate (US\$75.06/dmu at 66% iron and 4% moisture). This is an estimate for 2011 based on production in January and February 2011.
- (6) The cost curve provided by AME in this Prospectus is based on information that was available to AME. Available data vary greatly between iron ore operations and projects. Much information may not be reliable due to language difficulties, the confidential nature of the information, the inability to estimate the reliability of AME's sources and a general lack of available information. Consequently, much information has to be estimated and the quality, accuracy and completeness of the resulting cost comparisons will reflect this. Furthermore, forecast costs embody a number of significant assumptions with respect to exchange rates and other technical variables. As a result of these factors, AME has noted that direct comparability between individual projects may be limited, and as such the production and cost estimates in the cost curve must be treated with caution and cannot be relied upon.

In addition, the removal of gabbro-dabase, a mining by-product occurring on the footwalls and hanging walls of our iron ore bodies at the Yanjiazhuang Mine that can be commercialized, is already part of the process of our normal mining operations. We consider the development of gabbro-dabase to be cost-efficient because we do not need to expend substantial resources for its extraction, other than our initial capital expenditures required as disclosed under "Financial Information – Financing Of Our Mining Projects." We expect the adoption of efficient mining and processing techniques will result in a decreased output of waste products and will minimize operating costs. In addition, as we complete our expansion plan and increase our production rates, we expect our operating costs on a per unit basis to decrease further.

We believe our convenient access to available resources and developed infrastructure provide us with stable and sustained supplies of water for our processing operations, including from surface drainages in the Yanjiazhuang Mine area, the Yanjiazhuang Reservoir, a surface water reservoir with an existing water storage capacity of approximately 120,000 m³, the Huangmi I Reservoir, a surface water reservoir with an existing water storage capacity of approximately 600,000 m³, and the Huangmi II Reservoir, a surface water reservoir with an existing water storage capacity of approximately 1,200,000 m³. We plan to invest approximately RMB40.3 million to secure additional water resources to support our processing facilities, including the completion of construction of the Longjiawan Reservoir, which is expected to have a water storage capacity of 300,000 m³ and which has already started to supply water, and a new water supply system from the Lincheng Reservoir, where we have received local authorities' approval to access a water supply of up to 10,000,000 m³ per year. Moreover, we have ready access to stable electricity supplies from a local power grid, further enhancing our cost-effective operating structure. We believe that, as we expand our production capacity, our simple and efficient mining and production methods will enable us to achieve better control over operating costs and production quality, and providing us with the ability to achieve economies of scale.

We believe we will be able to rapidly expand our operations through production ramp-up.

Our current production expansion plan to attain mining and processing capacities of 10,500 ktpa in the second quarter of 2012 is based on the amount of reserves defined in the Independent Technical Report as of 31 December 2010. We intend to grow our operations organically through the expansion of our existing iron ore reserves and resources and plan to ramp up our iron concentrate production capacity at the Yanjiazhuang Mine in three phases, increasing ore processing capacity to 3,000 ktpa, 7,000 ktpa and 10,500 ktpa. We commenced our expansion plan in the fourth quarter of 2009 and expect to complete the three phases in the second quarter of 2012. We believe we are able to meet this expansion schedule because we utilize the open-pit mining method, characterized by shorter time frames for mine infrastructure construction, lower capital expenditure requirements, a relatively simple and fast iron ore extraction process and significantly reduced safety hazards. We commenced Phase One of our expansion plan in the fourth quarter of 2009. We are currently conducting the Phase One upgrade to our No. 2 Processing Facility. Upon completion of Phase One, which is scheduled for the end of June 2011, we expect to have a total iron ore processing capacity of 3,000 ktpa and total iron concentrate production capacity of approximately 760 ktpa. Upon completion of Phase One, we will have a total of three open-pit mining pits, two dry magnetic cobbing systems and two upgraded processing facilities.

As part of Phase Two of our expansion plan, we plan to increase our mining and ore processing capacities to achieve total mining and ore processing capacities of 7,000 ktpa. Upon completion of Phase Two, we will have a total of six open-pit mining pits, three dry magnetic cobbing systems and three processing facilities. During Phase Three of our expansion plan, we plan to construct two additional mining pits, one dry magnetic cobbing system and a processing facility to increase our mining and ore processing capacities. Upon completion of Phase Three, which we expect will be in the second quarter of 2012, we will have a total of eight open-pit mining pits, four dry magnetic cobbing systems and four processing facilities, and we expect to achieve a total ore processing capacity of 10,500 ktpa, and we expect to reach this level of production in October 2012.

We expect to increase our iron concentrate production capacity to approximately 760 ktpa upon completion of Phase One, 1,770 ktpa upon completion of Phase Two, and 2,655 ktpa upon completion of Phase Three. Based on the Independent Technical Report, we believe our plan to increase our ore processing capacity to reach 10,500 ktpa and our iron concentrate production capacity to reach approximately 2,655 ktpa is reasonable and achievable in accordance with our three-phase expansion plan.

Our operating mine and processing facilities are strategically located near existing and potential customers as well as available resources and developed infrastructure.

Our processing facilities are strategically located within close proximity to our customers and developed transportation networks, enabling customers to access our products at the Yanjiazhuang Mine

in a timely and cost-efficient manner by a combination of roadways and railways. The Yanjiazhuang Mine is easily accessible by a 8 km highway from Haozhuang Town, which connects to a number of provincial highways. In addition, the Yanjiazhuang Mine is approximately 35 km from a major railway line, the Beijing-Guangzhou railroad, which connects to several major railway lines of Hebei Province, and from the Beijing-Hong Kong-Macau expressway. As a result, unlike iron ore importers whose products are shipped from overseas by means of costly transportation and delivery, our customers incur significantly lower transportation costs when purchasing our iron concentrate. As of the Latest Practicable Date, we have entered into memoranda of understanding with six steel producers located within 120 km of our operations. Our location also places us in close proximity to potential steel-producing customers. For example, there are nine steel producers with a combined steel production capacity of approximately 31.2 Mtpa within approximately 90 km of our operations. Because Hebei Province is China's largest steel producing province, has the highest number of steel mills in China and has experienced continuing shortfall in iron ore supplies, we are strategically located to provide iron concentrate to many potential steel producing customers in the surrounding region.

In addition, Hebei Province benefits from favorable geological, weather and mining conditions. As a result, we believe we will be able to operate our open-pit mining pits for practically the entire year, increasing our productivity and reducing our unit costs. We also have convenient access to available resources and developed infrastructure, providing, steady supply of water, a key component in our processing operations, and electricity from a local power grid meeting the needs of our current operational requirements and future expansion plans for the Yanjiazhuang Mine.

We are well-positioned to further expand our iron ore reserves and resources through exploration and acquisitions.

We have the capacity for continued organic growth within our current permitted mining area. To date, our exploration activities in the Yanjiazhuang Mine area have enabled us to successfully define significant iron ore resources in the upper eastern portion of the deposit. We believe there is additional exploration potential within the 5.22 km² area covered by our current mining permit for the Yanjiazhuang Mine. According to the Independent Technical Report, there are undrilled areas within the current permitted mining area to the west of the defined iron ore resources, the size of which is equivalent to 30% to 40% of the drilled areas of the Yanjiazhuang Mine ore deposit. The unexplored mineralized ore bodies in these undrilled areas are open and expected to contain additional iron ore resources. We believe we have the potential to increase our iron ore resources and reserves as we continue to explore the permitted mining area.

We believe that we also have significant potential for defining additional iron ore resources and reserves within mineralized ore bodies that remain open and extend beyond our current permitted mining area. According to the Independent Technical Report, our current mineralized bodies extend further north, outside of the area covered by our current mining permit. We have applied to the relevant government body for a license to explore the 0.75 km² area adjacent to the northern boundary of the permitted mining area of the Yanjiazhuang Mine for mineralized bodies. If we receive the exploration license and consider the area to be attractive after exploration, we will apply for the relevant mining permits to develop mining operations for the area. Furthermore, because the areas west beyond of the current permitted mining area also have exploration potential according to the Independent Technical Report, we may seek to obtain additional permits to explore or mine such areas. We expect to complete Phase Three of our expansion plan to increase our ore processing capacity to 10,500 ktpa in the second quarter of 2012, and we expect to reach this level of production in October 2012. We will continue to further increase our mining and processing capacities as we engage in further exploration work and discover additional defined reserves within the Yanjiazhuang Mine. We believe, under the guidance of a management team that possesses extensive industry expertise, we will be able to take full advantage of these untapped iron ore resources and secure ample exploration opportunities, yielding additional iron ore reserves.

In addition, we believe that we are in a strong position to expand our overall operations through acquisitions of iron ore assets in Hebei Province, the leading province in China in terms of iron ore output in 2009 with the second largest iron ore reserves in China and the largest number of iron ore mines. Our location in the iron-rich region of Hebei Province provides us with access to the rich natural resources of the surrounding region and a substantial amount of neighboring iron ore assets. We believe that, in addition to our business scale and solid funding resources, our team of experienced professionals will enable us to carefully evaluate and identify local assets with acquisition potential to grow our resources and reserves. In the 12th Five-Year Plan of Hebei Province (2011 – 2015), the government of Hebei Province again indicated its support for the development and growth of large-scale iron ore producers to increase efficiencies and create economies of scale. We believe these government policies are consistent with, and generally supportive of, our acquisition plans. In a letter dated 2 November 2009, we obtained the direct support of the Lincheng County government authority to consolidate local iron ore assets. With this support, in February 2010 we entered into a contract with the 11th Geological Brigade whereby we proposed to acquire the exploration rights to two iron ore mines located in Hebei Province, the Gangxi Mine and the Shangzhengxi Mine. Leveraging the strong exploration and mining track record of our executive Directors and their demonstrated ability to identify exploration opportunities with high potential, we believe such acquisition targets and other potential acquisition opportunities in Hebei Province will enable us to achieve considerable returns on our investment. The exploration permit for the Gangxi Mine, is located approximately 20 km from the Yanjiazhuang Mine, covers an area of 5.28 km². The exploration permit for the Shangzhengxi Mine, is located approximately 120 km from the Yanjiazhuang Mine, covers an area of 2.06 km². We will decide whether or not to develop commercial mining operations in these two mines upon completion of the exploration reports. We may also consider other potential acquisition opportunities in Hebei Province.

Our executive Directors and senior management team have extensive industry and management experience.

Our executive Directors and senior management comprise a team of experienced professionals with a strong exploration and mining track record, including qualified geologists and engineers, with extensive industry expertise in the areas of exploration, mining, mine construction, processing and mine and production safety and mine management. Our executive Directors are professionals with an average of 29 years of mining industry experience. We believe 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 increase and implement management and production schemes.

Our Controlling Shareholders, NWS and VMS, will bring extensive management and investment experience to our operations.

Our controlling shareholders include (i) NWS, a Hong Kong listed company and one of the leading Hong Kong-based conglomerates, with experience in making large-scale investments in the PRC and (ii) VMS, an investment group with a diversified investment portfolio. They are expected to hold approximately 48% and 27%, respectively, of the total number of Shares of the Company immediately upon completion of the Global Offering and the Capitalization Issue (assuming the Over-Allotment Option is not exercised).

NWS's diversified business portfolio in the PRC includes more than 60 projects in the high growth sectors of roads, water, energy, ports and logistics. Two of these projects are located in Hebei Province. NWS has also explored investment opportunities in natural resources and mining projects with a view to developing these investments as part of its core business operations. The investment in the Company is part of that strategy. VMS focuses on enforcement of corporate governance standards on its investees, and has devoted considerable capital and human resources to the mining industry.

We expect to benefit from NWS's strong commitment to the Company, and to leverage NWS's global perspective and corporate governance measures, together with its investment, local knowledge and relationship network to enhance our strategic business model.

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We believe the investment by NWS and VMS has enhanced and will maintain the corporate governance culture of the Company at internationally accepted standards, as well as provide guidance for mid- and long-term development of the Company, including potential merger and acquisition opportunities for the Company. The Controlling Shareholders have demonstrated their support for our business plan and management team through the provision of shareholder loans in the amount of approximately US\$84.2 million up to 30 April 2011.

BUSINESS STRATEGIES

Our vision is to become a leading iron ore operator in China and to implement NWS's strategic vision of using the Company as a platform to acquire and operate mining assets within the steel supply chain. We plan to accomplish this goal by pursuing the following strategies:

Develop and expand our mining and processing capacities to ramp up our iron concentrate production.

Our current production expansion plan is to increase our mining and processing capacities to 10,500 ktpa in the second quarter of 2012, and we expect to reach this level of production in October 2012. We will continue to increase our mining and processing capacity as we engage in further exploration work and discover additional defined reserves. Our current mining permit for the Yanjiazhuang Mine allows us to mine at a total capacity of 3,000 ktpa. As part of Phase One of our expansion plan, we intend to increase our iron ore mining and processing capacities at the Yanjiazhuang Mine to achieve 3,000 ktpa. During Phase One of our expansion plan we expect our total iron ore mining capacity to increase to 3,000 ktpa by developing three open-pit mining pits. As part of Phase One of our expansion plan, we have completed the upgrade of the existing No. 2 Processing Facility at the end of May 2011. As a result of these planned increases in mining and processing capacities, in June 2011, we expect to expand our ore processing capacity to 3,000 ktpa and production capacity for iron concentrate to approximately 760 ktpa.

We commenced preparation for Phase Two of our expansion plan in September 2010. Phase Two involves increasing both our mining and ore processing capacities by an additional 4,000 ktpa to reach 7,000 ktpa by the third quarter of 2011 and achieving an iron concentrate production capacity of approximately 1,770 ktpa. To that end, we have applied to the relevant government authorities for the necessary permits for the planned increases in our mining and processing capacities at the Yanjiazhuang Mine. During Phase Two of our expansion plan, we plan to develop three additional open-pit mining pits, construct one additional dry magnetic cobbing system and build the No. 3 Processing Facility, a large ore processing facility with a capacity of 4,000 ktpa.

We intend to further expand our ore processing capacity to 10,500 ktpa and achieve an iron concentrate production capacity of approximately 2,655 ktpa during Phase Three of our expansion plan, which we expect to complete in the second quarter of 2012. We expect to reach this level of production in October 2012. We believe that as the expected growth in demand for iron ore products in China and domestic supply shortfall continue, the expansion of our iron concentrate production capacity will enable us to capture growing market opportunities.

Expand our iron ore reserves and resources through exploration and acquisitions.

We plan to take further advantage of the exploration potential under our existing iron ore mining permit to grow our reserves and resources. As of the Latest Practicable Date, we have not yet explored and developed all of the mineralized bodies in the defined resources located within the 5.22 km² area covered by our current mining permit. As part of our plans for organic growth, we intend to explore the open mineralized ore bodies within our current permitted mining area that have yet to be drilled. Such ore bodies are expected to contain substantial iron ore resources. We believe the mineralized ore bodies within the defined resources extend to even greater depths than currently estimated. We plan to mine

deeper into these ore bodies with a view to increasing our iron ore resources because the iron content generally increases in relation to the depth of the iron ore source and, as such, these unexplored ore bodies may yield greater quantities of iron ore than we are currently able to estimate. We also plan to expand our operations by exploring mineralized ore bodies that remain open and extend outside of our current permitted mining area. As of the Latest Practicable Date, we have applied to the relevant government authorities to expand the northern boundary of the permitted mining area of the Yanjiazhuang Mine by an additional 0.75 km² to take advantage of neighboring iron ore deposits. This application is subject to relevant government approval. To further increase our access to resources and reserves, we may seek to obtain additional exploration or mining permits to explore or mine the areas located to the west beyond our permitted mining area, which also have exploration potential according to the Independent Technical Report.

In addition, we are actively and selectively seeking opportunities to acquire iron ore assets. We believe that the current policies of the government of Hebei Province, as expressed in the 12th Five-Year Plan of Hebei Province, continue to encourage the growth and development of large-scale iron ore producers to increase efficiencies and economies of scale. These conditions are favorable to our strategy to acquire other iron ore mining and production assets. Through a letter dated 2 November 2009, the Lincheng County government authority recognized our acquisition strategy and indicated its direct support of our activities, which are consistent with its efforts to consolidate the iron ore assets in the surrounding region to create efficient economies of scale. We believe the Lincheng County government's support of our iron ore asset consolidation strategy may include expedited review and approval of our potential merger or acquisition plans and the implementation of its efforts to consolidate iron ore assets. We have entered into a contract with the 11th Geological Brigade in February 2010 to acquire the exploration rights to two iron ore mines located in Hebei Province, the Gangxi Mine and the Shangzhengxi Mine. We will decide whether to develop these mines upon completion of the relevant exploration reports. As we continue to seek potential acquisition targets, we will focus on acquiring mines with exploration rights, leveraging the extensive exploration experience of our geological team, because exploration permits are lower in cost and can be converted into mining permits if reserves are discovered and successfully defined. For example, our average exploration expenditure for the Yanjiazhuang Mine, computed based on our exploration related expenditures accumulated up to 31 December 2010 of RMB19 million and our total proved and probable iron ore reserves of 260.0 mt, was RMB0.07 per tonne. We will also consider acquiring the mining rights of local iron ore assets that offer significant opportunities for the expansion of our iron ore reserves.

We believe the foregoing exploration, acquisition and development strategies will enable us to achieve rapid expansion of our operations and to accelerate our growth. In addition, we estimate that we will invest approximately RMB30 million with respect to our planned exploration activities at the Yanjiazhuang Mine, the Gangxi Mine and the Shangzhengxi Mine. In implementing our exploration, acquisition and development strategies, we will be guided by our executive Directors and senior management, whose extensive industry expertise will facilitate the careful evaluation and selection of potential exploration and acquisition targets to ensure that we exploit mining reserves efficiently, achieve optimal results and create value. Furthermore, we believe that our executive Directors, who have an average of approximately 29 years of mining industry experience, are able to identify selected mine areas with a significant potential of iron reserves and resources so that we may subsequently convert exploration permits into mining permits.

Strengthen our customer relationships and broaden our customer base.

Our close proximity to steel producers in Hebei Province and potentially large amounts of iron ore resources have allowed us to enter into potential long-term supplier relationships with six large steel producing customers: Hebei New Wuan, Handan Iron & Steel, Wen'an Iron & Steel, Hebei Baoxin, Xingtai Weilai and Xingtai Longhai. We intend to develop and strengthen these relationships to stabilize and grow our revenue. Although customer demand in Hebei Province generally tends to be greater than

what we expect to be able to supply, our executive Directors and senior management have substantial work experience in the steel and mining industries in Hebei Province, and as such are familiar with, and maintain good relationships with, the senior management teams of various steel producers there. These relationships may help us better anticipate the timing of their orders or specific requests so that we may more sufficiently meet the needs of our customers.

We also intend to minimize sales risks by growing our customer base. To that end, we will focus on increasing our geographical reach with a view to broadening our customer base. As we implement our expansion plan to fostering supplier arrangements with a larger but defined group of customers will enable us to reduce marketing costs relating to sales of additional iron ore supplies once we increase our production capacity. In addition, we seek to diversify our customer base as we extend our product coverage to include mining by-products such as gabbro-diabase, which we expect to commence commercial production in July 2011.

Continue to explore growth opportunities through strategic partnerships with major steel manufacturers in China.

We are seeking to develop strategic relationships with prominent steel manufacturers, with a view to complement to our growth strategy. We entered into an agreement with Shougang Hong Kong on 28 April 2011.

Under this agreement, we are obligated to sell, and Shougang Hong Kong is obligated to buy, 30% of our annual iron concentrate production (which we will endeavor to supply at a grade not lower than 66%), at a 3% discount to the market price at the time of supply, regardless of whether Shougang Hong Kong and the Company enter into a definitive supply agreement or specific purchase orders. Furthermore, Shougang Hong Kong has agreed to invest an amount of HK\$400 million in our Shares as a cornerstone investor in our Global Offering. See “Cornerstone Investor”.

Shougang Hong Kong and the Company also expect to enter into agreements to pursue resource-related opportunities in acquisitions in China and overseas and to cooperate in relation to operational matters following any such acquisitions. In addition, Shougang Hong Kong and the Company expect to enter into a separate technical support agreement, pursuant to which Shougang Hong Kong would provide technology support and expertise to the Company in areas including project exploration, evaluation, due diligence, and operations (including at our existing Yanjiazhuang mine). The Shougang Agreement contemplates that Shougang Hong Kong and the Company will negotiate and enter into a strategic cooperation agreement, under which the Company can invite an individual from Shougang Hong Kong, in accordance with applicable law, the Listing Rules and Stock Exchange requirements and the Articles of the Company, to serve as a non-executive director of the Company until the next annual general meeting of the Company and subsequent re-appointment shall be subject to shareholders’ approval.

Shougang Hong Kong, a wholly-owned subsidiary of Shougang Corporation, is a Hong Kong incorporated investment holding company. Through its subsidiaries and associated companies, Shougang Hong Kong is engaged in a variety of diversified businesses such as manufacturing and trading of steel and metallic products, shipping, mineral exploration and mining, property investment, and financial services. Shougang Hong Kong holds a significant number of interests in various companies listed on the Stock Exchange, representing a substantial market value as of the Latest Practicable Date. We are not aware of any reason that would render Shougang Hong Kong unable to honor its obligations under the Shougang Agreement.

As one of the largest Chinese steel companies, Shougang Corporation is a state-owned enterprise under the direct supervision of the State Council of the PRC. Shougang Corporation’s primary focus is on the steel industry, with other operational interests in the mining, electronics and machinery, construction and real estate, service and trading industries. It is a market leader in the areas of steel industry,

production specifications and technical expertise. Shougang Corporation's major iron production facilities are located in Hebei Province. Shougang Corporation has not guaranteed the obligations of Shougang Hong Kong under the Shougang Agreement.

Shougang Hong Kong represents an established party with whom the Company would work in the future to foster growth opportunities, develop new and existing projects and acquire increased technical expertise. In the future we will seek to enter into strategic cooperation with other major steel manufacturers in China.

Explore opportunities to develop our gabbro-diabase resources.

While maintaining our focus on the production of iron concentrate, we plan to explore the potential for the extraction of gabbro-diabase resources in the Yanjiazhuang Mine in conjunction with our iron ore mining. Gabbro-diabase, a valuable mineral resource, is commonly used to manufacture a wide variety of high-quality and high-end building products, including high-quality, high-end counter tops, interior decorative materials and indoor flooring. By developing gabbro-diabase for sale in conjunction with our existing iron ore mining, we anticipate adding a diversified revenue stream without significantly increasing our operating costs. According to the Independent Technical Report, there are approximately 207 million m³ of indicated gabbro-diabase resources at the Yanjiazhuang Mine. We plan to invest approximately RMB303.2 million to develop and commercialize these resources. We expect to commence commercial production of gabbro-diabase products in July 2011 ramping up to an annual gabbro-diabase mining capacity of 1 million m³. We expect approximately 20% of our mined gabbro-diabase resources, (200,000 m³), will be cut directly as quarry stones, and one-half of these (100,000 m³), will be sold directly to customers for their further customization. We expect to process the remaining 100,000 m³ of quarry stones into approximately 1.5 million m² of slabs. In addition, we plan to produce carving stones, powder and crushed stones from the remaining 800,000 m³ of our mined gabbro-diabase resources.

We believe that the ability to cost-effectively extract gabbro-diabase resources from our existing mine and thus expand our product offerings will open up new markets to us, improve the cost-efficiency of our operations and broaden our revenue sources as reflected by the memoranda of understanding for sale of gabbro-diabase we have entered into.

OUR PRODUCTS

Principal Product

We specialize in the production of iron concentrate that is mostly used in the manufacture of steel in China.

We commenced commercial production on 1 January 2011. We produced and sold 33.0 kt of iron concentrate in January and February 2011. We believe that the strong magnetic properties of our iron ore will enable us to yield iron concentrate of a grade of 66.0%. Based on the Independent Technical Report, we believe that our production plans, which include the production of iron concentrate of a grade of 66.0%, are reasonable and achievable and the production of iron concentrate at a grade of 66.0% meets the quality specifications of local iron concentrate customers.

Mining By-product to be Developed — Gabbro-diabase

In addition to the production of iron concentrate, we plan to develop our gabbro-diabase resources in four stages between January 2011 and the first quarter of 2013, and to commence commercial production of gabbro-diabase in July 2011. Gabbro-diabase is a valuable mineral resource naturally occurring in the footwalls and hanging walls of our iron ore bodies at the Yanjiazhuang Mine. According to the Independent Technical Report, there are approximately 207 million m³ of indicated gabbro-diabase resources at the Yanjiazhuang Mine, classified as such under the JORC Code. Gabbro-diabase is an igneous rock known for its hardness, abrasion resistant qualities and durability. Gabbro-diabase, along

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with diabase, exhibits market characteristics that are similar to granite and each such stone product is generally substitutable for the other. For additional information regarding the market characteristics of diabase and granite, see “Industry Overview – Introduction to Diabase.”

We consider the production of gabbro-diabase to be cost-efficient because we do not need to expend substantial resources for its production. Based on the Independent Technical Report, the commercial production of our gabbro-diabase resources is expected to benefit from production cost-sharing with our iron concentrate production process. The removal of gabbro-diabase is already part of our normal mining operations to reach the underlying iron ore. We believe the commercialization of gabbro-diabase increases the value of the Yanjiazhuang Mine. As a result of these factors, we are in the process of developing more efficient strategies to mine and commercialize this product.

OUR MINERAL RESOURCES

Overview

As of the Latest Practicable Date, we held a mining permit for the Yanjiazhuang Mine, located in southern Hebei Province, China. We commenced commercial production on 1 January 2011. We produced and sold 33.0 kt of iron concentrate in January and February 2011. We successfully completed test runs and limited trial production of our facilities and equipment. The following table sets forth detailed information for the Yanjiazhuang Mine.

	Yanjiazhuang Mine
Background data:	
Test runs of facilities and equipment	20 December through 31 December 2010
Fine-tuning of equipment	20 December through 31 December 2010
Detailed drilling and survey	January 2010
Nature of mine	Iron ore mine
Type of mining permitted	Magnetic open-pit mining
Mine life	26 years ⁽¹⁾
Permitted mining rights area (km ²)	5.22
Permitted exploration rights area (km ²)	5.79 (10 December 2007 – 17 April 2008) 3.24 (27 March 2008 – 20 May 2009) ⁽²⁾
Reserves and resources data (based on JORC Code):	
<i>Iron ore</i>	
Proved reserves (Mt as of 31 December 2010)	85.8 ⁽³⁾
Probable reserves (Mt as of 31 December 2010)	174.2 ⁽³⁾
Total proved and probable reserves (Mt as of 31 December 2010)	260.0 ⁽³⁾
Total measured and indicated resources (Mt as of 31 December 2010)	311.8
<i>Gabbro-diabase</i>	
Total indicated resources (million m ³ as of March 2010)	207

We acquired our mining right for the iron ore reserves in the current permitted mining area of the Yanjiazhuang Mine for consideration of RMB21.4 million (including exploration costs), which has been fully paid as of 31 December 2010.

Note: Our attributable share of the ore reserve and mineral resource is 99%. The reporting standard for ore reserve and mineral resource is the Australian JORC Code, which is in compliance with the requirements under Chapter 18 of the Listing Rules.

- (1) According to the Independent Technical Advisor, the estimated mine life of the Yanjiazhuang Mine is approximately 26 years based on its ore reserve estimates as of 31 December 2010 and assuming mining and ore processing capacities gradually increase to 10,500 ktpa in the second quarter of 2012 (we expect to reach this level of production in October 2012) and gradually decrease at the end of the Yanjiazhuang Mine's life.

- (2) Our exploration permit obtained in March 2008 expired upon its conversion to a mining permit in May 2009.
- (3) Proved reserves of 85.8 Mt and probable reserves of 174.2 Mt have been converted from total measured and indicated resources of 311.8 Mt.

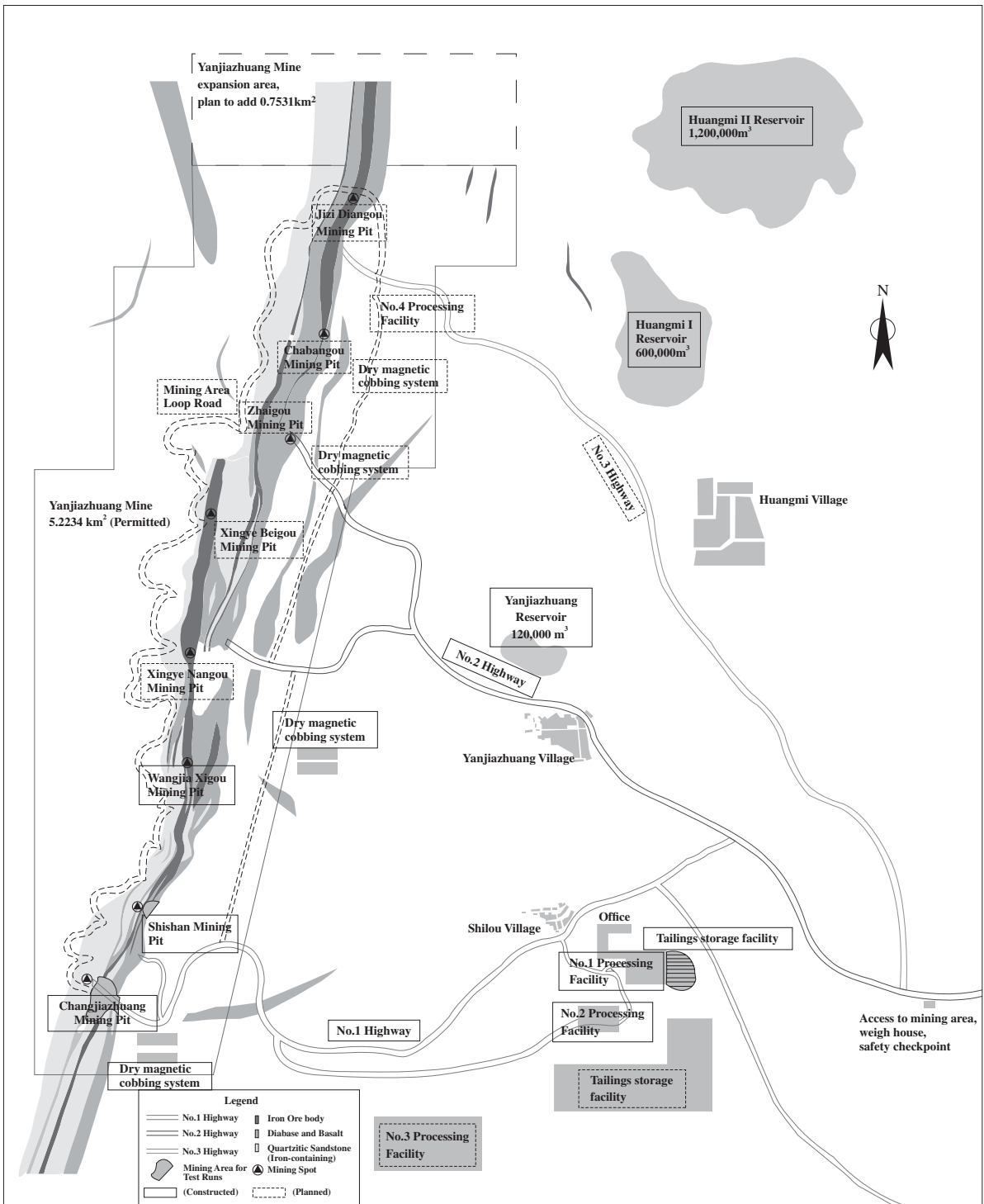
The following map illustrates the location of the Yanjiazhuang Mine:



Source: Independent Technical Report

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The following map sets forth details of our current operations and planned development of the Yanjiazhuang Mine:



We commenced commercial production on 1 January 2011. For additional information about our expansion plan, see “— Future Plans for Expanding Production Capacity for the Yanjiazhuang Mine” and “Financial Information — Financing of Our Mining Projects.”

Our location in Hebei Province provides us with a strategic mining environment. The favorable geological, weather and mining conditions of the region allow for the operation of our facilities for practically the entire year. We source our water, a key component in our iron mining and production processes, from surface drainages in the Yanjiazhuang Mine area, the Yanjiazhuang Reservoir (a surface water reservoir with an existing water storage capacity of approximately 120,000 m³) and the Huangmi I and Huangmi II Reservoirs (surface water reservoirs with an existing water storage capacity of approximately 600,000 m³ and 1,200,000 m³ respectively), all located close proximity to the Yanjiazhuang Mine. We plan to secure additional water resources to support our processing facilities, including completing construction of Longjiawan Reservoir, which is expected to have a water storage capacity of 300,000 m³ and which has already started to supply water, as well as a new water supply system from Lincheng Reservoir. We have received local authorities’ approval to access a water supply of up to 10,000,000 m³ per year from the Lincheng Reservoir. Our power supply is provided by the local Lincheng County power grid through the Haozhuang Town substation located approximately 7 km east of the Yanjiazhuang Mine. We plan to construct two new converting stations which will each have a capacity of 32,000 kVA. We expect to invest approximately RMB28.6 million in the construction of the two converting stations, of which one each is expected to be completed by the end of Phase Two and Phase Three.

Within the Yanjiazhuang Mine property, we have constructed access roads to the planned open pit. The Independent Technical Advisor has opined that these roads will be sufficient to support the planned Phase One production. We plan to extend these roads to additional portions of the planned open pit mining area to support Phase Two and Phase Three of our three-phase expansion plan.

Mine design

Our current mining permit for the Yanjiazhuang Mine is for open-pit mining. The four identified ore bodies in the Yanjiazhuang Mine generally protrude as outcrops on ridges and are ideal for exploitation using this method. Upon reaching a certain stage of our mining operations after our three-phase production ramp up, we may construct a conveyor system to haul the pre-concentrated ore to our processing facilities. In addition, we intend to improve our road transportation infrastructure within the Yanjiazhuang Mine area to complement our planned expansion by building and expanding roads between our mining pits, processing facilities and other supporting facilities.

Sinosteel conducted a pre-feasibility study, including pit optimization, pit design and estimation of future operating costs, and developed a mine plan, both of which were reviewed by Behre Dolbear. Behre Dolbear’s review indicates that Sinosteel’s pit optimization and final pit design for the Yanjiazhuang Mine have generally been performed correctly. The scope of work performed under the pre-feasibility study is greater than that under a scoping study required under the Listing Rules. We commenced commercial production on 1 January 2011. The Company currently operates under the mine plan, which has been reviewed by Behre Dolbear. Behre Dolbear has noted that a detailed mine plan is not critical to the operations and profitability of Yanjiazhuang Mine, especially at the early stage of the Company’s operations. While the existing mine plan is appropriate to support mining operations, the Company continues to refine and enhance the comprehensiveness of its mine plan with a view to further improving its production efficiency and profitability. The Company’s current mine plan is not considered to be a “detailed” mine plan as it did not use a detailed grade model, the pit slope was not based on a detailed geotechnical study and the mine production schedule was not based on detailed pit phase design. However, as the ore grade is relatively consistent, not using a detailed grade model is considered acceptable for a pre-feasibility study-level mine plan; mine production based on the current mine plan is operational and profitable. Behre Dolbear is of the opinion that the absence of a detailed mine plan would not materially adversely impact the Company’s mining operations in the earlier years and would not impact the Company’s ability to achieve commercial production. The Company is

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preparing more detailed two-year and 10-year mine plans, which are expected to be completed in September 2011. Furthermore, the Company has also begun preparing a detailed 26-year mine plan which is expected to be completed in December 2011. In the course of preparing the two-year detailed mine plan, the Company's findings are generally consistent with the assessment on the Yanjiazhuang Mine performed by Behre Dolbear. The findings from the preparation of the two-year detailed mine plan have not indicated anything that would materially adversely affect the Company's current mining operations. Based on the progress and the analyses so far, the Company expects that its two-year detailed mine plan would not have any material adverse deviations from the pre-feasibility study conducted by Sinosteel and reviewed by Behre Dolbear. The Company will make appropriate announcements in relation to each of these mine plans in accordance with the Listing Rules as and when appropriate.

We have not conducted a detailed geotechnical study to develop our mine plan. The purpose of a detailed geotechnical study is to fully optimize a pit for mining activities and Behre Dolbear has confirmed it is not essential to have completed additional geotechnical or grade studies in order to conduct profitable mining operations or to reach commercial production.

In China, mining companies will generally employ a relatively conservative (i.e. lower) slope angle in the absence of a detailed geotechnical study, resulting in a higher stripping ratio (i.e. assumption that more waste needs to be removed). As part of the Company's approach to developing a prudent mine plan, higher stripping ratios starting in year three (2013) which further increase in year seven (2017) have been adopted in the absence of detailed geotechnical study for the Yanjiazhuang Mine. Behre Dolbear's review indicates that the forecast operating costs for the Yanjiazhuang Mine are generally in line with similar operations in China, and therefore are considered reasonable and achievable. Behre Dolbear further concluded that the forecast operating costs, which employ a relatively conservative approach with respect to stripping ratios, as described on page V-37 of the Independent Technical Report, are significantly lower than the current and forecast iron concentrate prices in China, thus indicating that the Yanjiazhuang Mine should be a profitable mining operation. In light of the existing conditions at the Yanjiazhuang Mine and the current stage of the mine's development, the Company believes that the existing geotechnical studies and mine plan are appropriate. The Company will continue to evaluate the need for additional geotechnical studies and expects to continue to update its mine plan periodically as the mine develops. In the event that additional geotechnical work is undertaken, the Company believes that it may be possible to increase the pit slope angle, which could reduce the stripping ratio and enhance margins and profitability.

Mineral ore

According to the Independent Technical Report, at least four mineralized bodies containing magnetite, a type of iron ore, have been detected in the mining rights area of the Yanjiazhuang Mine. This iron ore contains low levels of harmful elements, such as sulfur and phosphorus.

The following table sets forth information regarding our iron ore reserves as of 31 December 2010:

JORC Ore Reserve Category	Tonnage	Grades		Contained Metals	
	Mt	TFe %	mFe %	TFe Mt	mFe Mt
Proved	85.80	21.39	18.48	18.35	15.85
Probable	174.21	19.97	17.30	34.79	30.13
Total	260.01	20.43	17.68	53.14	45.98

Source: Independent Technical Report

Note: Our attributable share of the ore reserves is 99%. The reporting standard for our iron ore reserves is the Australian JORC Code, which is in compliance with the requirements under Chapter 18 of the Listing Rules.

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The following table sets forth information regarding the iron ore resources, as classified under the JORC Code, in the four mineralized bodies of the Yanjiazhuang Mine as of 31 December 2010:

Mineralized Body Number	JORC Mineral Resource Category	Tonnage Mt	Grades		Contained Metals	
			TFe %	mFe %	TFe Mt	mFe Mt
I	Measured	40.32	23.36	21.00	9.42	8.47
	Indicated	20.24	20.60	17.96	4.17	3.64
	Subtotal	60.56	22.43	19.98	13.59	12.10
II	Measured	40.28	22.46	18.37	9.05	7.40
	Indicated	61.10	22.20	17.67	13.50	10.79
	Subtotal	101.38	22.24	17.94	22.55	18.19
III	Measured	19.20	20.92	18.52	4.02	3.56
	Indicated	129.81	20.60	18.53	26.74	24.05
	Subtotal	149.01	20.64	18.53	30.76	27.61
IV	Indicated	0.81	19.15	16.78	0.16	0.14
Total	Measured	99.80	22.53	19.46	22.48	19.42
	Indicated	211.96	21.03	18.22	44.57	38.62
	Total	311.76	21.51	18.62	67.05	58.04

Source: Independent Technical Report

Note: Our attributable share of the mineral resource is 99%. The reporting standard for mineral resource is the Australian JORC Code, which is in compliance with the requirements under Chapter 18 of the Listing Rules.

Mine life

According to the Independent Technical Advisor, the estimated mine life of the Yanjiazhuang Mine is approximately 26 years based on its ore reserve estimates as of 31 December 2010 and assuming mining and ore processing capacities gradually increase to 10,500 ktpa in the second quarter of 2012 (we expect to reach this level of production in October 2012) and gradually decrease at the end of the Yanjiazhuang Mine's life. However, an increase in resources due to additional exploration and development of the mines or the expansion of the Yanjiazhuang Mine permit area could extend the mine life. Conversely, if we increase our planned production rate or if the amount of reserves is less than we expect, the mine life of the Yanjiazhuang Mine could be shortened.

Expansion

As of the Latest Practicable Date, we have applied to the relevant government body for a license to explore a 0.75 km² area adjacent to the northern boundary of the permitted mining area of the Yanjiazhuang Mine for mineralized bodies. The development plan for this adjacent 0.75 km² area is not included in our three-phase expansion. We estimate the costs for the acquisition of mining and exploration rights for this adjacent area to be RMB30 million. We expect that any additional resources discovered at this area could be processed through the facilities we build in our three-phase expansion plan. The final development plan of this adjacent land is subject to government approval and the outcome of further exploration. If we receive the exploration license and consider the area to be attractive after exploration, we will apply for the relevant permits to develop mining operations for such area.

Technical Risk Assessment

Our Independent Technical Advisor, Behre Dolbear, has performed a risk assessment on the Yanjiazhuang Mine and our production facilities and has confirmed in its report that it does not consider any of the perceived technical risks associated with the Yanjiazhuang Mine as “high” risks. Our management team is aware of the operational risks and fully understands that the management of safety and production are important elements to reduce the operational risks involved. For further information, see “Appendix V — Independent Technical Report”.

No material changes have occurred in our iron ore reserves and resources since the effective date of the Independent Technical Report included in Appendix V to this prospectus.

OUR MINING RIGHTS

Under PRC laws, mining companies must obtain, at the minimum, a mining permit and the relevant production safety permits for a mining site prior to the commencement of commercial production. Mining companies in Hebei province must also obtain relevant metallurgical mineral production permits. The primary relevant PRC laws and regulations governing iron ore mining activities include the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法》), Implementing Rules on the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法實施細則》), Regulations on Production Safety Permits (《安全生產許可證條例》), Implementing Rules on the Production Safety Permits of Non-coal Mining Enterprises (《非煤礦礦山企業安全生產許可證實施辦法》) and Rules on the Supervision and Administration of Production and Trading of Metallurgical Mineral Products of Hebei Province (《冶金礦產品生產經營監督管理條例》). See “Regulation”.

Mining companies may also obtain an exploration permit prior to obtaining a mining permit in order to conduct exploration activities to determine if a potential mining area is commercially feasible. Upon deciding to continue with the development of a mining area, a mining company may then apply for mining and relevant production safety permits.

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We obtained an initial exploration permit for the Yanjiazhuang Mine in December 2007. We renewed the relevant portion of the exploration permit in March 2008, which was then converted into a mining permit in May 2009. The following table summarizes information related to our mining, exploration, production safety and metallurgical mineral production permits for the Yanjiazhuang Mine:

Permit type	Registered permit holder	Area (km ²)	Permit issuance date (month/year)	Permit expiry date (month/year)	Scope of Permit
Exploration permits ⁽¹⁾	Xingye Mining	5.79 3.24	December 2007 March 2008	Expired May 2009 ⁽²⁾	
Mining permit ⁽¹⁾	Xingye Mining	5.22	May 2009	July 2017	Type of mine: Iron ore mine Operation scale: 3,000 ktpa for open-pit mining
Production safety permits ...	Xingye Mining	N/A	April 2008 August 2010	April 2011 ⁽³⁾ August 2013	Tailings storage facility Open-pit mining
Metallurgical mineral production permits	Xingye Mining	N/A	September 2010 September 2010	September 2013 September 2013	Iron ore Iron concentrate

(1) As of 31 December 2010, we have paid RMB2.3 million in fees and expenditures for our mining and exploration permits.

(2) Our exploration permit obtained in March 2008 expired upon its conversion to a mining permit in May 2009.

(3) We currently do not have a valid production safety permit for our tailings storage facility as the permit has expired, and we are currently applying for a new permit. For more information, see “Risk Factors — Risks Relating to our Business — Our failure or inability to obtain, retain and renew required government approvals, permits and licenses for our exploration and mining activities could materially and adversely affect our business, financial condition and results of operations.”

Exploration Permits

We obtained exploration rights on 10 December 2007 for a land area of 5.79 km² and additional exploration rights on 27 March 2008 to explore the mining area of the Yanjiazhuang Mine. During the term of our exploration permit issued in December 2007, we obtained sufficient exploration results for an area of land measuring 2.55 km². As a result, we did not need to further explore that area when we renewed our exploration permit. We applied for and obtained a renewed exploration permit in March 2008 for the remaining 3.24 km² area of land.

As advised by our PRC legal advisor, King & Wood, under relevant PRC laws and regulations, a mining permit holder possesses the right to explore the area covered by the mining permit, and exploration permits are only necessary when a mining permit has not previously been obtained for the area under exploration. Our exploration permit issued in March 2008 was converted into a mining permit in May 2009. As the permitted mining area under our mining permit includes the 3.24 km² area of land covered under the exploration permit issued in March 2008, it is not necessary for us to maintain a current exploration permit for such area. Upon obtaining our current mining permit, the exploration permit covering the 3.24 km² of land expired. As of the Latest Practicable Date, we had not engaged in any exploration or mining activities without a valid exploration or mining permit.

Mining Permits

On 20 May 2009, we obtained one mining permit covering an area of approximately 5.22 km² with a mining quota of 3,000 ktpa of iron ore for the Yanjiazhuang Mine. This permit expires in 2017. We have applied to the relevant government body for a license to explore a 0.75 km² area adjacent to the northern boundary of the permitted mining area of the Yanjiazhuang Mine for mineralized bodies. If we receive the exploration license and consider the area to be attractive to us after exploration, we will apply for the relevant permits to develop mining operations for the area. We estimate the costs for the acquisition of mining and exploration rights of the 0.75 km² expansion area will be approximately RMB30 million.

Under the relevant PRC laws, if residual reserves remain after a mining permit expires, the mining permit holder may apply for renewal for an additional term. As advised by our PRC legal advisor, King & Wood, as long as the Yanjiazhuang Mine has residual proved and probable reserves upon expiration of the mining permit, we are permitted to apply for a renewal of our mining permit, and there are no foreseeable legal impediments for us to renew our mining permit. We plan to continue to renew our mining permit for the Yanjiazhuang Mine for the duration of its estimated mine life.

Production Safety Permits

Under PRC laws and regulations, mining companies are required to obtain the necessary production safety permits upon successful inspection of their facilities. During the inspection of the facilities, the establishment of production safety facilities and compliance with production safety standards are inspected and reviewed to determine their sufficiency. On 23 July 2009, the Xingtai Municipal Production Safety Administration and Supervision Bureau (邢臺市安全生產監督管理局) issued a notice permitting us to engage in the design and construction of our mining pits and facilities. A production safety permit for open-pit mining at the Yanjiazhuang Mine was issued to us in August 2010 for a term of three years, expiring in August 2013. A production safety permit for a tailings storage facility at the Yanjiazhuang Mine was issued in April 2008 for a term of three years and expired in April 2011, and we are currently applying for a new permit. For additional information, see “Risk Factors — Risks Relating to our Business — Our failure or inability to obtain, retain and renew required government approvals, permits and licenses for our exploration and mining activities could materially and adversely affect our business, financial condition and results of operations.”

As of the Latest Practicable Date, our PRC legal advisor, King & Wood, has advised that there are no foreseeable legal impediments for us to renew the production safety permits.

Metallurgical Mineral Production Permits

Under the local rules and regulations of Hebei Province, mining companies are required to obtain metallurgical mineral production permits after obtaining the relevant business license, mining permit and production safety permits but prior to commencing commercial production. We obtained all requisite permits, licenses and approvals in 2010 and commenced commercial production of iron concentrate as of 1 January 2011.

As of the Latest Practicable Date, our PRC legal advisor, King & Wood, has advised that there are no foreseeable legal impediments for us to renew the metallurgical mineral production permits.

OUR EXISTING PRODUCTION OPERATIONS AND FACILITIES

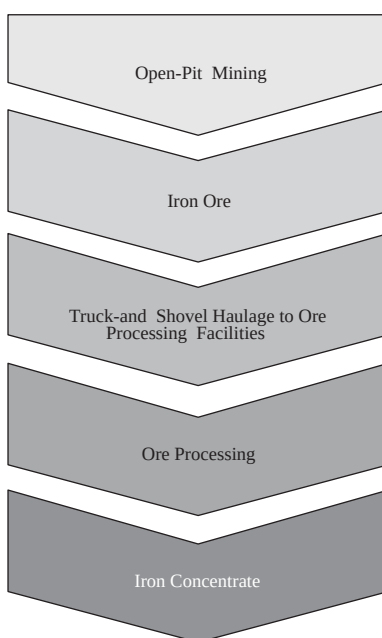
Overview

We are primarily engaged in the business of mining and processing iron ore to produce iron concentrate. We commenced commercial production on 1 January 2011. We produced and sold 33.0 kt of iron concentrate in January and February 2011.

During the Track Record Period, we focused on exploring and developing the Yanjiazhuang Mine. In less than four years since the signing of the letter of investment with the People's Government of Lincheng County of Hebei Province in March 2006 we completed initial exploration activities, and excavated and constructed a mining site comprising two open-pit mining pits, two ore processing facilities and one dry magnetic cobbing system. We have also developed access to supporting infrastructure including sourcing water supplies from surface drainages in the Yanjiazhuang Mine area, the Yanjiazhuang Reservoir, which has an existing water storage capacity of approximately 120,000 m³, the Huangmi I Reservoir, which has an existing water storage capacity of approximately 600,000 m³ and the Huangmi II Reservoir, which has an existing water storage capacity of approximately 1,200,000 m³, and obtaining water from the Longjiawan Reservoir and having received local authorities' approval to access a water supply of up to 10,000,000 m³ per year from the Lincheng Reservoir. We have also constructed roadways within the Yanjiazhuang Mine area to increase our hauling capacity between mining pits and processing facilities and increase access from our mine area to a local highway.

Production Process

The following diagram sets forth our production process of our iron concentrate as of the Latest Practicable Date:



Our iron concentrate production involves three main processes: mining, hauling and ore processing.

Mining

We follow standard mining procedures in accordance with the general practice in the iron ore industry. After completing initial exploration activities, we conduct drilling, sampling and analysis to identify and determine the location and characteristics of the underlying ore. Based on the initial analysis, we typically outline a plan setting forth the planned mining and production operations, including the technical aspects such as the planning and design of the pits, processing facilities, and operational safety as well as connecting roadways and other supporting infrastructural needs. We commission outside technical advisors to conduct feasibility studies on the mining plan layout. In accordance with the relevant PRC regulations, we engage a professional mine design company with the requisite qualification prescribed by the PRC Government to carry out the mine construction design based on an exploration report that we submit to the PRC Government.

We intend to mine the Yanjiazhuang Mine as an open pit operation for a significant portion of its life as long as mineralized bodies are exposed on the mine surface. We use the open-pit mining method to extract iron ore from the ore bodies exposed on the mine surface, as outcropping ridges. We have been able to uncover and mine the ore using the drill-and-blast, excavator-and-truck method. The main mining equipment that we use for our mining operations includes rotary drills, air compressing equipment, excavators, breaking hammers, down-hole drills and shovel dozers. We also engage third-party contractors to mine our iron resources and consolidate the extracted iron ore at the mine for hauling. See “— Third-Party Contractors”. According to the Independent Technical Report, the expected strip ratio for the initial three production years will increase from 2.41:1.00 to 3.00:1.00, and will then remain constant at 3.00:1.00 up to year seven of our planned production, after which the strip ratio is expected to increase to 3.40:1.00 for approximately 15 years. For additional information, see “Risk Factors — Risks Relating to Our Business — Our operations are primarily exposed to uncertainties in relation to one major project, the Yanjiazhuang Mine.” and Appendix V — Independent Technical Report — Risk Analysis — Open Pit Mining.

We also intend to utilize the open-pit mining method to extract our gabbro-diorite resources, which occur in the footwalls and hanging walls of our iron ore bodies at the Yanjiazhuang Mine. The removal of gabbro-diorite is already a part of our normal mining operations in order to reach the underlying iron ore in our mining pits. As a result, it is expected that the production of gabbro-diorite, including mining costs, will benefit from production cost sharing with the production of iron concentrate.

Hauling

We hire third-party contractors to perform our hauling activities. After we extract the iron ore, the third-party contractors load the ore onto 42-tonne dump trucks using 4 m³ shovels and haul the iron ore to our processing facilities employing the conventional truck-and-shovel hauling technique. We also hire a third-party contractor to provide hauling services for our waste rock. The third-party contractor hauls any waste rock resulting from our mining activities to waste rock dumps located east of the Yanjiazhuang Mine area.

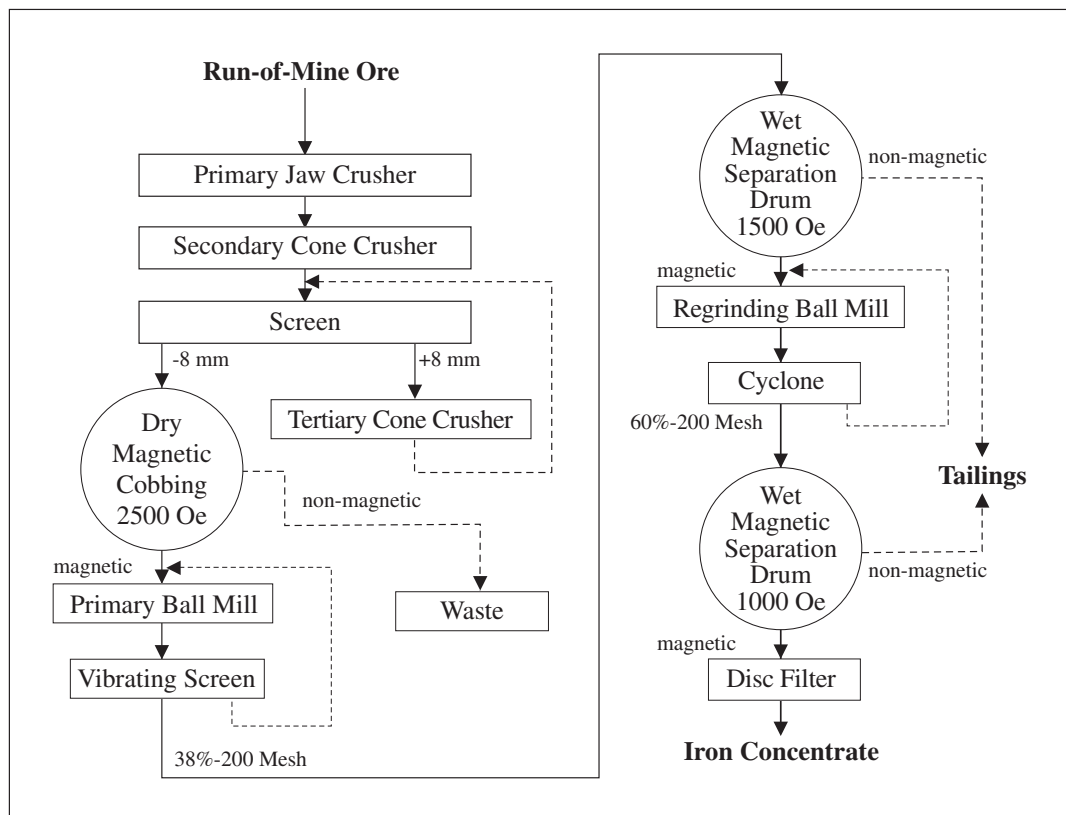
We have built roadways to facilitate the hauling of iron ore between our mining sites and processing facilities as well as between our two existing processing facilities. As of the Latest Practicable Date, these roadways were sufficient for the hauling of 3,000 ktpa of iron ore per year and we did not experience any shortage of hauling capacity during the Track Record Period. We also plan to increase the roadways within the Yanjiazhuang Mine area as part of our expansion plan. We intend to complete basic roadworks by the end of Phase Two. Our planned road infrastructure will be used solely to accommodate our planned increase in mining and ore processing capacities, including the construction and expansion of roadways to provide sufficient access for our customers to obtain iron concentrate from our processing facilities. We intend to share usage of the roadways that we construct as part of our expansion plan with the residents of the nearby Yanjiazhuang Village. We entered into an agreement with the Yanjiazhuang Village on 19 July 2006 for a term of thirty years with respect to the roadways in the Yanjiazhuang Mine area. According to the terms of the agreement, we obtained usage rights, but not ownership rights, to roads that we construct in the Yanjiazhuang Mine area, and the Yanjiazhuang Village possesses both usage and ownership rights to such roads. All of these roadways are public roads. As advised by our PRC legal advisor, King & Wood, we are not required to obtain approvals for such planned roadway infrastructure as we do not possess the ownership rights to such roads, and we are entitled to construct and expand such roads with the consent of the Yanjiazhuang Village. We obtained the consent of the Yanjiazhuang Village on 6 March 2010. Our Directors and our PRC legal advisor, King & Wood, are of the opinion that the likelihood of being challenged by the PRC government authorities regarding the construction of the planned roadways is remote; and the possibility that the Yanjiazhuang Village would withdraw its consent for us to construct additional planned roadways is low as the agreements that we have entered into with the Yanjiazhuang Village do not provide the Yanjiazhuang Village with the right to withdraw its consent.

For additional information about our planned increase in road infrastructure, see “— Future Plans for Expanding Production Capacity for the Yanjiazhuang Mine.” We believe our planned increase in roadway capacity is adequate for the hauling needs of our mining and processing operations as well as for customers to access our processing facilities to obtain iron concentrate in each phase of our expansion plan. We expect our hauling costs to increase in line with the increased activity in our business operations and the expected growth of our operations during Phase Two and Phase Three of our expansion plan.

In order to leverage the raised terrain of the Yanjiazhuang Mine, we may construct a conveyor system after our three-phase expansion plan is complete. The conveyor system, if constructed, would likely be used when the mining environment has turned to a normal open-pit mine from the current surface open-pit mine, of which truck transportation of iron ore is more suitable and cost efficient. We currently estimate that our mine site will become a normal open-pit mine from the current surface open-pit mine in the sixth year of commercial production (2016). The conveyor system would be used to transport the pre-concentrated ore, which is produced after the raw ore is processed by crushing and dry magnetic cobbing to reduce its volume by approximately 30%, to one of the four processing facilities. We expect the conveyor system would be a more efficient method of transporting the pre-concentrated ore to processing facilities than truck haulage. However, until a conveyor system is constructed, the pre-concentrated ore would be trucked to the processing facilities. Our decision whether to proceed with the construction of the conveyor system in the future, will be based on a number of factors such as economic viability and our strategy at that time. No capital commitment has been made in respect of a conveyor system and we expect that, should we construct a conveyor system, it will be funded through internally generated funds.

Ore Processing

As of the Latest Practicable Date, we operated crushers, two dry magnetic cobbing systems and two operational wet-magnetic separation ore processing facilities, namely, the No. 1 Processing Facility and the No. 2 Processing Facility, to process iron ore into iron concentrate. We produce iron concentrate through a relatively simple, low cost and environmentally safe process which includes three-stage crushing, dry magnetic cobbing, two-stage grinding; and wet magnetic separation and concentrate dewatering. The diagram below illustrates our ore processing process:



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The main phases of our processing operations are:

- *Crushing.* After excavation, iron ore is hauled to the crushers and crushed to a suitable fineness;
- *Dry magnetic cobbing.* After crushing, the ore is separated into magnetic pre-concentrate and non-magnetic waste through dry magnetic cobbing at a magnetic field intensity of 2,500 Oe. The non-magnetic tailings are hauled to a waste rock dumpsite for disposal;
- *Grinding.* The magnetic pre-concentrates are put through a grinding process using both ball mills and vibrating sieves/cyclones in two separate stages, once before each of the two phases of the wet magnetic separation process; and
- *Wet magnetic separation and concentrate dewatering.* After the initial grinding stage, a wet magnetic separation drum with a magnetic field intensity of 1,500 Oe is employed to concentrate the ore. This concentrate is fed through a second grinding process and then subsequently run through a second wet magnetic separation drum with a decreased magnetic field intensity of 1,000 Oe. Upon completion of the wet magnetic separation process, final iron concentrate are dried naturally or are processed in a disc filter. After the dewatering process, when the moisture content of the concentrates is reduced, the final iron concentrate can be transported, distributed and sold.

Our processing facilities generate tailings from the wet magnetic separation process. These tailings are drained by gravity into a tailings storage facility. Our tailings can be used in the production of cement and bricks. In addition, we strive to implement environmentally-responsible processes at our facilities, by recycling and reusing the water from the tailing ponds. We plan to construct a larger tailings storage facility in Phase Two of our expansion plan to process an increased amount of tailings resulting from our planned growth in ore processing capacities.

Processing Facilities

Our two existing processing facilities are located approximately 5 km from the Yanjiazhuang Mine, and approximately 600 m from each other. The No. 1 and No. 2 processing facilities adopt the same procedures for processing 1,300 ktpa and, after the completion of Phase One, 1,700 ktpa, respectively, of iron ore. The main equipment used for our processing operations includes jaw crushers, cone crushers, magnetic pulleys, ball mills and magnetic concentrators.

The following table sets forth the designed processing capacity of our two processing facilities as at the end of Phase One:

	Ore Processing Capacity ⁽¹⁾	Iron Concentrate Production Capacity ⁽²⁾
	(ktpa)	(ktpa)
No. 1 Processing Facility	1,300	330
No. 2 Processing Facility (currently off-line for upgrade until June 2011)	1,700	430
Total	3,000	760

(1) The ore processing capacity figures are approximate numbers and are calculated based on a number of factors including equipment capacity, equipment operating hours and the grade of the ore used.

(2) The iron concentrate production capacity figures are approximate numbers and are calculated based on a number of factors including equipment capacity, equipment operating hours and the grade of the ore used.

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During initial production at our facilities and equipment from 20 December 2010 to 27 January 2011, we processed a total of 167.7 kt of iron ore and produced a total of 40.9 kt of iron concentrate. The following table summarizes the initial production results from 20 December 2010 to 27 January 2011 at the Yanjiazhuang Mine. During the period from 20 December to 31 December 2010, we engaged in limited trial production. We commenced commercial production on 1 January 2011.

Item	Unit	Number
Raw ore feed		
tonnage	t	167,693
TFe grade	%	22.96
mFe grade	%	17.93
TFe content	t	38,502
mFe content	t	30,067
mFe/TFe Ratio		0.781
Grinding ore feed (after dry magnetic cobbing)		
tonnage	t	124,522
grinding ore/raw ore ratio		0.743
Concentrate produced (after wet magnetic separation)		
tonnage	t	40,863
TFe grade	%	64.24
TFe content	t	26,189
Raw ore/Concentrate ratio		4.104
Processing iron recovery		
raw ore to concentrate	%	68.18
Productivity		
number of working days	day	32
raw ore processing	tpd	5,240
grinding ore processing	tpd	3,902
concentrate production	tpd	1,277
Wet magnetic separation tailings grade		
TFe	%	3.41
mFe	%	0.87

Source: Independent Technical Report

During the test runs from 20 December 2010 to 27 January 2011, we achieved average daily processing rates of 5,240 tpd of raw ore and produced iron concentrate at an average daily rate of 1,277 tpd.

We commenced commercial production on 1 January 2011. We produced and sold 33.0 kt of iron concentrate in January and February 2011.

We plan to increase our ore processing capacity to 10,500 ktpa in the second quarter of 2012. We expect our ore processing capacity to increase to 3,000 ktpa upon completion of Phase One of our expansion plan in June 2011. Following the completion of Phase One, we expect to continue to increase our ore processing capacity to 7,000 ktpa by the end of Phase Two of our expansion plan in the third quarter of 2011. We plan to further increase our ore processing capacity to 10,500 ktpa by the end of Phase Three of our expansion plan, which we intend to complete in the second quarter of 2012. We expect to reach this level of production in October 2012. The table below sets forth details of our production and

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planned production upon commencement of commercial production on 1 January 2011, as indicated in the Independent Technical Report:

Item	2011	2012	2013	2014	2015	2016	2017-2031
Processed Iron Ore⁽¹⁾							
Tonnage (kt)	790	6,300	10,500	10,500	10,500	10,500	10,500
TFe Grade (%)	20.43	20.43	20.43	20.43	20.43	20.43	20.43
TFe Content (kt)	161	1,287	2,145	2,145	2,145	2,145	2,145
Processing Recovery							
Dry Magnetic Cobbing (%)	91.89	91.89	91.89	91.89	91.89	91.89	91.89
Wet Magnetic Separation (%) ..	88.90	88.90	88.90	88.90	88.90	88.90	88.90
Overall Recovery (%)	81.70	81.70	81.70	81.70	81.70	81.70	81.70
Final Product							
Iron Concentrate (kt)	200	1,590	2,655	2,655	2,655	2,655	2,655
TFe Grade (%)	66	66	66	66	66	66	66
TFe Content (kt)	132	1,052	1,752	1,752	1,752	1,752	1,752
Ore/Concentrate Ratio	3.954	3.954	3.954	3.954	3.954	3.954	3.954

Source: Independent Technical Report

Note: Our attributable share of the mineral resources is 99%

- (1) We may, from time to time, increase the utilization rate of our processing facilities, thereby increasing our actual processing capacities. Based on the Independent Technical Report, we expect to be able to operate our processing facilities for up to 330 working days per year, which is a common practice in the industry.

Operating costs

The Independent Technical Advisor has also provided an estimate of our operating and production costs based on our operating costs during initial production from 20 December 2010 to 27 January 2011. According to the Independent Technical Report, the estimated costs are significantly lower than the current and forecast iron concentrate prices in China, indicating the potential for profitability for the Yanjiazhuang Mine operations. The table below sets forth a summary of historical and estimated operating and production costs for the Yanjiazhuang Mine, as indicated in the Independent Technical Report:

Item	20 December 2010 – 27 January 2011	2011	2012	2013	2014	2015	2016	2017 to 2031
Open Pit Mining Cost								
Contract Ore Mining Cost (RMB/t of ore)	5.39	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Contract Ore Transportation (RMB/t of ore)	7.20	7.25	7.25	7.25	7.25	7.25	7.25	7.25
Contract Waste Mining Cost (RMB/t of waste)	3.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Contract Waste Transportation (RMB/t of waste)	2.66	2.00	2.00	2.00	2.00	2.00	2.00	2.50
Mining Management (RMB/t of ore)	0.59	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Strip Ratio (waste to ore)	1.00	2.41	2.51	3.00	3.00	3.00	3.00	3.40
Total Mining Cost (RMB/t of ore)	18.84	33.02	33.72	37.15	37.15	37.15	37.15	41.65
Total Mining Cost (US\$/t of ore)	2.88	5.04	5.15	5.67	5.67	5.67	5.67	6.36
Processing Cost								
Workforce Employment (RMB/t of ore)	2.92	1.23	1.23	1.23	1.23	1.23	1.23	1.23
Transportation of Workforce (RMB/t of ore)	–	–	–	–	–	–	–	–
Consumables (RMB/t of ore)	6.81	13.27	13.27	13.27	13.27	13.27	13.27	13.27
Fuel, Electricity and Water (RMB/t of ore)	16.87	12.21	12.21	12.21	12.21	12.21	12.21	12.21
Total Processing Cost (RMB/t of ore)	26.60	26.71	26.71	26.71	26.71	26.71	26.71	26.71
Total Processing Cost (US\$/t of ore)	4.06	4.08	4.08	4.08	4.08	4.08	4.08	4.08

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Item	20 December 2010 – 27 January 2011	2011	2012	2013	2014	2015	2016	2017 to 2031
Open Pit Mining Cost								
Total Mining and Processing Cost (RMB/t of ore)	45.44	59.73	60.43	63.86	63.86	63.86	63.86	68.36
Total Mining and Processing Cost (US\$/t of ore)	6.94	9.12	9.23	9.75	9.75	9.75	9.75	10.44
Total Mining and Processing Cost (RMB/t of concentrate)	186.49	236.17	238.94	252.50	252.50	252.50	252.50	270.30
Total Mining and Processing Cost (US\$/t of concentrate)	28.47	36.06	36.48	38.55	38.55	38.55	38.55	41.27
G&A and Other Cost								
On and Off-Site Management (RMB/t of ore)	1.04	1.22	2.80	3.15	3.15	3.15	3.15	3.15
Environmental Protection and Monitoring (RMB/t of ore)	0.24	0.67	0.80	1.10	1.10	1.10	1.10	1.10
Product Marketing and Transport (RMB/t of ore)	3.32	8.57	8.57	8.57	8.57	8.57	8.57	8.57
Non-Income Taxes, Royalties and Governmental Charges (RMB/t of ore)	7.24	7.25	7.65	7.60	7.60	7.60	7.60	7.60
Interest Expense (RMB/t of ore)	–	–	–	–	–	–	–	–
Contingency Allowances (RMB/t of ore)	–	1.35	1.66	0.54	0.54	0.54	0.54	0.54
Total G&A and Other Cost (RMB/t of ore)	11.84	19.06	21.48	20.96	20.96	20.96	20.96	20.96
Total G&A and Other Cost (US\$/t of ore)	1.81	2.91	3.28	3.20	3.20	3.20	3.20	3.20
Total Operating Cost (RMB/t of ore)	57.28	78.79	81.91	84.82	84.82	84.82	84.82	89.32
Total Operating Cost (US\$/t of ore)	8.75	12.03	12.51	12.95	12.95	12.95	12.95	13.64
Total Operating Cost (RMB/t of iron concentrate) ⁽¹⁾ . . .	235.08	311.54	323.87	335.38	335.38	335.38	335.38	353.17
Total Operating Cost (US\$/t of iron concentrate)	35.89	47.56	49.45	51.20	51.20	51.20	51.20	53.92
Depreciation and Amortization (RMB/t of ore)	5.34	3.50	1.70	1.60	1.60	1.60	1.60	1.00
Depreciation and Amortization (US\$/t of ore)	0.82	0.53	0.26	0.24	0.24	0.24	0.24	0.15
Total Production Cost (RMB/t of ore)	62.63	82.29	83.61	86.42	86.42	86.42	86.42	90.32
Total Production Cost (US\$/t of ore)	9.56	12.56	12.76	13.19	13.19	13.19	13.19	13.79
Total Production Cost (RMB/t of iron concentrate) ⁽¹⁾ . .	257.03	325.37	330.59	341.70	341.70	341.70	341.70	357.13
Total Production Cost (US\$/t of iron concentrate)	39.24	49.68	50.47	52.17	52.17	52.17	52.17	54.52

Source: Independent Technical Report

As noted in the Independent Technical Report, no inflation factors have been built into the above operating cost estimates and waste mining costs will increase every year after the initial several years as the pit deepens that cause an increase in the hauling distance. We can provide no assurance that our actual operating and production costs will not differ materially from the above estimated operating and production costs.

Third-Party Contractors

During the Track Record Period, we engaged independent third-party contractors to assist us in our mining, hauling, improvement and building activities. The following table summarizes key information about each of our third-party contractors:

Type of Contractor	Roles and Activities Performed	Number of Contractors ⁽¹⁾	Work Commencement Date
Independent Third-Party Mining Contractor	Extract our iron ore, consolidate the extracted iron ore at the mine for hauling.	13	October 2009 ⁽²⁾

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Type of Contractor	Roles and Activities Performed	Number of Contractors ⁽¹⁾	Work Commencement Date
Independent Third-Party Hauling Contractor	Haul the iron ore that we excavate from our mining pits to our processing facilities.	45	July 2009
Independent Third-Party Building Contractor	(i) Build certain roadways within the Yanjiazhuang Mine to facilitate access between the mining pits, processing facilities and other areas of the mining site.	2	September 2006
	(ii) Build foundations and plants of No. 1 and No. 2 Dry Magnetic Cobbing Systems and No. 3 Processing Facility and facilities of Lincheng Reservoir water project, the converting station and new tailings storage.	5	April 2010
	(iii) Enhance the existing No. 1 and No. 2 Processing Facilities.	2	April 2010

(1) As of 31 May 2011.

(2) Most contracts are for a one-year term, which we may renew as necessary.

We engage third-party contractors to extract our iron ore, consolidate the extracted iron ore at the mine for hauling and remove the waste rock from our mining activities to waste rock dumps located outside the Yanjiazhuang Mine. Our mining management personnel oversee the third-party mining contractors. We obtain quotes from third parties during the selection of our independent third-party contractors based on price, skill and experience. According to the terms of the contracting agreement, we pay the independent contractors in several stages, including a portion at the beginning of the contracted work and at agreed-upon intervals during the work progress. Upon the completion and satisfactory evaluation of the contracted work, we will make a payment to the contractors in an amount that would bring the cumulative payment to the contractors up to 95% of the total contracted work price. We pay the remaining 5% of the contracted work price at the end of one year after completion of the contracted work.

In addition, we currently engage several independent third-party hauling contractors to haul the iron ore that we excavate from our mining pits to our processing facilities. These hauling contractors are supervised by our transportation and technical teams. We obtained quotes from third parties during the selection of our independent third-party contractors based on price, skill and experience. We pay the independent third-party contractors on a monthly basis. Pursuant to the contracts, the independent third-party contractors are responsible for losses resulting from accidents that occur during the performance of the contracted work, including vehicle malfunctions and personal injury.

During the Track Record Period, we engaged third-party contractors to build certain roadways within the Yanjiazhuang Mine to facilitate access between the mining pits, processing facilities and other areas of the mining site.

In selecting third-party contractors, we require the third-party contractors to have the relevant production safety permits issued by SAWS and, in cases where we hire third-party contractors for mining activities, the relevant qualifications issued by the construction administrative authorities. Such third-party contractors are required to carry out their work in accordance with the design and schedule of the relevant assignments as well as with our quality, safety and environmental standards, which are typically defined in the contracts we sign. Our specialized technical management personnel typically supervises the work performed by our third-party contractors and regularly inspects safety management. Because we engage independent third-party contractors, we believe that maintaining a stable relationship with our contractors and the contractors' satisfactory performance are both critical to the success of our business operations. Under relevant PRC law, we are not required to purchase social insurance for the third-party contractors we engage because they are not considered our employees. During the Track Record Period, we did not have any disputes with the independent third-party contractors that would have resulted in a material adverse effect on our business, financial condition or results of operations. In addition, we have not experienced any suspensions or delays as a result of any improper act of the independent third-party contractors during the Track Record Period. See "Risk Factors — Risks Relating to Our Business — We engage third-party contractors for some of our mining operations."

FUTURE PLANS FOR EXPANDING PRODUCTION CAPACITY FOR THE YANJIAZHUANG MINE

Due to the significant demand for iron concentrate in the PRC and Hebei Province market, we intend to increase our iron concentrate production capacity. For additional information regarding the shortage of iron concentrate supplies in the local market, see "Industry Overview — Overview of the Iron Ore Industry — Hebei Iron Ore Industry — Iron ore demand." Through our three-phase expansion plan, we intend to increase our processing capacity to 10,500 ktpa in the second quarter of 2012, and we expect to reach this level of production in October 2012. We commenced Phase One in the fourth quarter of 2009.

As part of our Phase One commissioning and production ramp-up schedule, we commenced commercial production on 1 January 2011. During the course of January and February 2011, we produced and sold 33.0 kt of iron concentrate. We use independent third-party contractors to perform part of our mining, hauling and road building activities.

Following the commencement of commercial production, we were impacted by severe droughts in Northern China, including the Yanjiazhuang Mine area, which were the worst experienced in the last 60 years. As a result we experienced a shortage of water supply to our processing plants and accordingly, our production levels were significantly reduced in March 2011. Instead of waiting for the drought to end and to mitigate our exposure to future droughts, we devoted significant management time and resources to identifying additional water sources and constructing facilities to give us access to them. We identified the Lincheng Reservoir as an adequate and reliable future water source and commenced construction of a 20 km long water pipeline to the Lincheng Reservoir. We estimate the Lincheng Reservoir water project will be completed by August 2011. While operating at a significantly reduced level waiting for the Lincheng Reservoir water project to be completed, we decided to utilize this period of time to undertake efforts to enhance the efficiency and reliability of our processing facilities. We undertook plant construction and modifications, including the planned Phase One upgrade to our No. 2 Processing Facility and the replacement of a section of our ore crushing equipment with machines which are able to produce crushed ores of smaller and more uniform dimensions. The upgrades to the No. 2 Processing Facility and to the crushers are expected to produce iron concentrate with an average grade of 66% or above and allow us to enhance processing efficiency and reliability.

We expect to complete Phase One of our expansion plan with processing efficiency optimization in June 2011 and we intend to complete construction of the additional water pipeline to the Lincheng Reservoir by August 2011. While there will be limited production during this period, we expect to resume

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normal commercial production in September 2011 upon the completion of the water projects and to ramp up to our expected Phase One iron ore processing capacity of 3,000 ktpa and total iron concentrate production capacity of approximately 760 ktpa.

We commenced preparation for Phase Two of our expansion plan, and expect to complete Phase Two in the third quarter of 2011, increasing our mining and ore processing capacities to 7,000 ktpa. Phase Three is expected to be completed in the second quarter of 2012 and is expected to increase our processing capacity to 10,500 ktpa. We expect to reach this level of production in October 2012. We intend to fund our expansion plan with the revenue generated from our operations as well as the proceeds of the Global Offering. The timeline below highlights our key development and expansion milestones for our expansion plan.

					2009				2010				2011				2012				2013			
Development phase	Increase in iron ore mining and ore processing capacities ⁽¹⁾	Increase in iron concentrate production capacity	Increase in iron concentrate production volume	Capital expenditure ⁽²⁾ (RMB in millions)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Phase One	3,000 ktpa	approx 760 ktpa	approx 760 ktpa	240.1 ⁽⁴⁾																				
Phase Two	from 3,000 ktpa to 7,000 ktpa	from approx 760 ktpa to approx 1,770 ktpa	from approx 760 ktpa to approx 1,770 ktpa	380.0																				
Phase Three	from 7,000 ktpa to 10,500 ktpa	from approx 1,770 ktpa to approx 2,655 ktpa	from approx 1,770 ktpa to approx 2,655 ktpa	277.2																				
Gabbro-diabase ⁽³⁾				303.2																				
Total				1,200.5																				

Estimated schedule to achieve production capacity

- (1) Planned processing capacities for Phase One, Phase Two and Phase Three of our expansion plan are the designed capacities of our processing facilities based on 300 working days per year. We may, from time to time, increase the utilization rate of our processing facilities, thereby increasing our actual processing capacities. Based on the Independent Technical Report, we expect to be able to operate our processing facilities for up to 330 working days per year, which is a common practice in the industry.
- (2) Our Board approved our planned expenditures for Phase One, Phase Two and Phase Three of our expansion plan in June 2011 and approved our planned gabbro-diabase expenditures in June 2011.
- (3) We plan to commence commercial production of quarry stones and crushed stones in July 2011; slabs and powder in November 2011; and carving stones in the second quarter of 2013.
- (4) Capital expenditures for Phase One include expenditures of all processing facilities and equipment incurred since the beginning of the development of Yanjiazhuang Mine.

Phase One

We commenced Phase One in the fourth quarter of 2009, to develop three open-pit mining pits, construct two dry magnetic cobbing facilities and construct and upgrade two processing facilities. We expect to fully complete Phase One in June 2011 by replacing a section of our ore crushing equipment with machines which are able to produce crushed ore of smaller and more uniform dimensions and finishing the upgrade of No. 2 Processing Facility. Upon completion of Phase One, our total processing capacity is expected to be 3,000 ktpa and our iron concentrate production capacity is expected to be approximately 330 ktpa and approximately 430 ktpa at the No. 1 and No. 2 Processing Facilities, respectively, for a total of approximately 760 ktpa.

Our expansion plans to achieve the increase in mining and ore processing capacities during Phase One are set forth below.

Mine Development

We have a total of three mining pits and increasing access to potential iron ore resources.

Dry Magnetic Cobbing Systems

We expect to invest approximately RMB55.2 million to construct and upgrade the No.1 and No.2 dry magnetic cobbing systems, each with a capacity of 1,500 ktpa to complement our increased

potential to process iron ore resources and the expansion of our processing facilities. We currently have a total of two dry magnetic cobbing systems and we are replacing a section of the ore crushing equipment with machines which are able to produce crushed ores of smaller and more uniform dimensions.

Processing Facilities

Our two existing processing facilities, the No. 1 Processing Facility and No. 2 Processing Facility, originally had an ore processing capacity of 360 ktpa and 720 ktpa, respectively, and an iron concentrate production capacity of approximately 90 ktpa and approximately 180 ktpa, respectively. We have installed industry equipment such as ball mills and magnetic concentrators to enhance and upgrade our No. 1 Processing Facility. On the basis of our production experience in January and February 2011, we decided to accelerate the commencement of the planned Phase One upgrade to our No. 2 Processing Facility. Upon completion of the Phase One upgrade, which is scheduled for the end of June 2011, we expect our total ore processing capacity to be 3,000 ktpa and our total iron concentrate production capacity to be approximately 330 ktpa and approximately 430 ktpa at the No.1 and No.2 Processing Facilities, respectively, for a total of approximately 760 ktpa.

Supporting infrastructure and equipment

We built a total of 36 km of road infrastructure within the Yanjiazhuang Mine area to support the planned increase in mining and ore processing capacities in Phase One of our expansion plan, through an investment of approximately RMB73.2 million up to 31 December 2010. In addition, we invested a total of approximately RMB18.3 million on water supply facilities including the construction of nearby Huangmi Reservoirs I and II up to 31 December 2010. The expansion of the Huangmi Reservoirs were completed in October 2010. As part of our Huangmi Reservoirs I and II expansion plan, we engaged in activities such as land expropriation, dam construction, earth and rock engineering and water diversion to expand the reservoir's water storage capacity to 600,000 m³ and 1,200,000 m³, respectively. In addition, we invested approximately RMB3.1 million to acquire supporting equipment to complement our planned growth in mining and processing capacities up to 31 December 2010. We also plan to invest approximately RMB3.0 million in land rehabilitation in the Yanjiazhuang Mine area. Also, we will invest approximately RMB2.3 million to improve our existing tailings storage facility.

Phase Two

We commenced preparation for Phase Two of our expansion plan in September 2010, and expect to complete Phase Two in the third quarter of 2011. We are in the process of applying for the necessary approvals to commence construction of Phase Two. We plan to increase our mining and ore processing capacities by an additional 4,000 ktpa to attain total mining and ore processing capacities of 7,000 ktpa. During Phase Two, we intend to continue improving existing facilities and develop new infrastructure to support our planned expansion. We estimate a total investment to complete Phase Two of our expansion plans of approximately RMB380.0 million. Of this estimated amount, we have already invested approximately RMB84.6 million as of 31 December 2010. We estimate that we will make an additional investment of approximately RMB295.4 million to complete Phase Two.

As a result of Phase Two of our expansion plan, we expect to increase our iron concentrate production capacity by an additional approximately 1,000 ktpa to achieve a total iron concentrate production capacity of approximately 1,770 ktpa. Details of our expansion plans for Phase Two are set forth below.

Mine Development

We plan to invest approximately RMB15.0 million to add three additional open-pit mining pits and approximately RMB34.9 million for mining equipment at the Yanjiazhuang Mine during Phase Two. By the end of Phase Two, we expect to have a total of six mining pits at the Yanjiazhuang Mine.

Dry Magnetic Cobbing Systems

We plan to construct one additional dry magnetic cobbing system for which we expect to spend approximately RMB55.9 million, to complement the construction of a new processing facility, the No. 3 Processing Facility in Phase Two. Upon completion of Phase Two, we estimate we will have a total of three dry magnetic cobbing systems that will be able to process up to 7,000 ktpa of iron ore.

Processing Facilities

During Phase Two, we plan to construct a third processing facility, the No. 3 Processing Facility, with planned ore processing capacity of 4,000 ktpa and planned iron concentrate production capacity of approximately 1,000 ktpa. We intend to invest an additional approximately RMB85.4 million to construct the No. 3 Processing Facility.

Supporting infrastructure and equipment

In addition, we intend to develop our supporting infrastructure to complement our growth during Phase Two. We plan to build and expand a total of 29 km of road infrastructure within the Yanjiazhuang Mine area to support the planned increase in mining and ore processing capacities from 3,000 ktpa to 7,000 ktpa, spending approximately RMB83.7 million. We plan to invest approximately RMB40.3 million to secure more water resources to support our processing facilities, including the completion of construction of the Longjiawan Reservoir, which has already started to supply water, and a new water supply system from the Lincheng Reservoir. We have received local authorities' to access a water supply of up to 10,000,000 m³ per year from the Lincheng Reservoir. In response to the unusually severe drought affecting Northern China, we have accelerated the commencement of the construction of a water pipeline to the Lincheng Reservoir to ensure the availability of an adequate and reliable water supply. We expect to complete construction of these pipelines in August 2011. We are also constructing a retaining pool to hold water in our mine facilities. We also plan to build a converting station with two voltage transformers, investing approximately RMB13.6 million in the construction of the converting station and two voltage transformers. The construction of the converting station commenced after we obtained an approval from Xingtai City Electricity Supply Co. (邢台供电公司). The converting station is expected to be completed by the end of August 2011. In addition, we intend to invest approximately RMB17.0 million to purchase supporting equipment.

We intend to invest approximately RMB7.0 million for land rehabilitation and approximately RMB27.2 million to construct a new tailings storage facility. We also plan to construct more tailings storage facilities in the future, in order to achieve a total storage capacity of approximately 82 million m³, which could sustain our production for more than 20 years.

Phase Three

We intend to further expand our mining and ore processing as well as iron concentrate production capacities during Phase Three, which we expect to complete in the second quarter of 2012. During Phase Three, we plan to increase our mining and ore processing capacities by an additional 3,500 ktpa to achieve a total of 10,500 ktpa, and to increase our iron concentrate production capacity by an additional approximately 885 ktpa to achieve a total of approximately 2,655 ktpa. We expect to reach this level of production in October 2012. We expect to invest a total of approximately RMB277.2 million to complete Phase Three of our expansion plan. Details of our expansion plans for Phase Three are set forth below.

Mine Development

During Phase Three, we expect to invest approximately RMB10.0 million on developing two additional open-pit mining pits and approximately RMB40.0 million on purchasing additional mining equipment. By the end of Phase Three, we plan to have a total of eight mining pits at the Yanjiazhuang Mine.

Dry Magnetic Cobbing Systems

We estimate capital expenditures of approximately RMB56.0 million on the construction of one additional dry magnetic cobbing system in Phase Three of our expansion plan. Upon completion of Phase Three, we expect to have a total of four dry magnetic cobbing systems.

Processing Facilities

We intend to invest approximately RMB85.0 million to construct a fourth processing facility, namely, the No. 4 Processing Facility to achieve a total processing capacity of 10,500 ktpa in Phase Three of our expansion plan.

Supporting infrastructure and equipment

Our plans to develop our supporting infrastructure during Phase Three including expenditures on road infrastructure, supporting equipment, land rehabilitation, a new electrical converting station and a tailings storage facility. We intend to invest approximately RMB29.3 million to build and expand additional road infrastructure within the Yanjiazhuang Mine area to support the planned increase in mining and ore processing capacities from 7,000 ktpa to 10,500 ktpa in Phase Three of our expansion plan. Please see “— Our Existing Production Operations and Facilities – Hauling” for a discussion of our agreement relating to the construction of roads with Yanjiazhuang Village.

In addition, we expect to invest approximately RMB16.9 million in order to purchase additional supporting equipment, approximately RMB10.0 million on land rehabilitation fees, approximately RMB15.0 million for a 32,000 kVA converting station and approximately RMB15.0 million to construct a new tailings storage facility for No. 4 Processing Facility.

GABBRO-DIABASE

We plan to produce gabbro-diabase products in five forms: quarry stones, slabs, carving stones, powder and crushed stones. Quarry stones, which are cut with wire saws and disc saws directly from the footwalls and hanging walls of our iron ore bodies, can be sold to customers for further customization. The slabs can be used for a variety of products including high-quality and high-end countertops, interior decorative materials, indoor flooring, exterior wall decorative materials, outdoor paving and landscaping materials, and high-end tombstones, while carving stones can be customized by third parties into various shapes and sizes necessary for their own commercial needs. Gabbro-diabase powder is used in cement mixture to produce concrete and crushed stones are commonly used in paving material for roadways.

Development Plan

We plan to develop our gabbro-diabase resources in four stages between January 2011 and the first quarter of 2013. The first stage of the gabbro-diabase resources development commenced in January 2011, during which we have completed all of the related land expropriation works and hired Mr. Li Yuehui, the head of gabbro-diabase mining of the Group, to oversee our gabbro-diabase production. As of the Latest Practicable Date, we have begun preliminary open-pit cutting works in order to access suitable spots for gabbro-diabase mining, constructed road infrastructure and production facilities for quarry stones and crushed stones. We have commenced sourcing the equipment suppliers in order to prepare for the commercial production of quarry stones and crushed stones in July 2011. We plan to commence commercial production of quarry stones and crushed stones after obtaining all the requisite permits and approvals, including the approval for fixed-asset investment, environmental protection approval in respect of our facilities, waste discharge permits, mining permits, and/or exploration permit and production safety permit. We expect to spend approximately RMB42.6 million for the first stage of development. During the second stage, which we expect to initiate between July 2011 and October 2011, we will continue the construction work initiated in stage one and pay fees for requisite permits and

licenses. In addition, we will also begin construction of production facilities on the land granted to us by Lincheng County Industrial Park Administration Committee (“LCIPAC”) (as described below), for slabs and powder, both to be commercially produced in November 2011. We expect to spend approximately RMB84.8 million for the second stage of development. Upon the completion of the second stage, we expect to commence the third stage of developing our gabbro-diabase resources. Between November 2011 and March 2012, we plan to complete all construction initiated in the first and second stages. We expect to spend approximately RMB73.9 million for the third stage of development. During the fourth stage of our gabbro-diabase development plan, which we estimate will take place between April 2012 and March 2013, we will construct a production facility for carving stones. Starting from April 2013, we plan to commence our commercial production of carving stones, in addition to the other gabbro-diabase products which will have been commercially produced in earlier stages. We expect to spend approximately RMB100.2 million for the fourth stage of development.

In June 2010, we entered into a project investment agreement with LCIPAC. LCIPAC has agreed that it will grant us the right to use a parcel of land of 50mu (33,333 m²) by way of public transfer, to be granted by way of a separate agreement which has not been finalized. We intend to use this land to construct our gabbro-diabase production and processing facilities. As the rights to use the land have not been granted to us by LCIPAC, we have not accounted for these rights in our financial statements. We expect to spend approximately RMB180 million to construct our facilities on this land, including RMB120 million for fixed asset investments. Under this agreement, we are required to pay between RMB64,000 and RMB100,000 per mu, depending upon the total amount of fixed asset investment we make (with the higher payment amount being owed in the event we do not invest a certain percentage of our expected fixed asset investment cost). Under this agreement, we are required to complete and commence operation of the production and processing facilities by June 2011. If we fail to commence operation by that date and we are unable to continue construction, LCIPAC may take back our land use rights. If we do not pay the required fees, we may be required to pay damages to LCIPAC. As of the Latest Practicable Date, we have commenced construction of our gabbro-diabase production facilities.

Upon commercial production, we aim to ramp up to an annual gabbro-diabase mining capacity of 1 million m³. We expect approximately 20% of our mined gabbro-diabase resources, or 200,000 m³, will be cut directly as quarry stones. We plan to sell one-half of our mined quarry stones, or 100,000 m³, directly to customers for their further customization. We expect to process the remaining 100,000 m³ of quarry stones into approximately 1.5 million m² of slabs. In addition, we plan to produce carving stones, powder and crushed stones from the remaining 800,000 m³ of our mined gabbro-diabase resources.

We entered into memoranda of understanding in February 2011 with Hengda Real Estate Group Limited (a subsidiary of Evergrande Real Estate Group Limited), Sinolink Properties Limited (a subsidiary of Sinolink Worldwide Holdings Limited), Glorious Qiwei (Shanghai) Industries, Co., Ltd. (a subsidiary of Glorious Property Holdings Limited) and Champ Max Enterprise Limited (a subsidiary of C C Land Holdings Limited), all of which are PRC property companies or their subsidiaries, and are Independent Third Parties. In April 2011, we amended the memoranda of understanding with Hengda Real Estate Group Limited and Champ Max Enterprise Limited. Under the terms of these original and amended memoranda of understanding, the buyer and seller have agreed to negotiate the terms of future specific purchase contracts specifying the amount of gabbro-diabase, the price and other terms. If we cannot agree on such terms, then no such sale will occur. These memoranda of understanding are effective from 1 May 2011 to 31 December 2015 and contemplate possible sales up to an aggregate of 507,000 m², 897,000 m², 1,287,000 m², 1,287,000 m² and 1,287,000 m² in 2011, 2012, 2013, 2014 and 2015, respectively. Certain of these memoranda of understanding further specify that the current average market price of gabbro-diabase slabs is RMB150 per m², although there is no certainty we will make any sales at this price.

According to Hatch, China's stone industry and gabbro-diabase demand are expected to continue to grow over the next several years. Our Directors believe that the willingness of developers to enter into long-term agreements with us for the sale of gabbro-diabase is further evidence of the likely future demand for our gabbro-diabase products. We may also enter into new contracts with other Independent Third Parties for the sale of our planned gabbro-diabase products.

Our plans to develop and produce gabbro-diabase will require water and electricity supplies. We believe our current and future plans for water and electricity supplies will be sufficient for our gabbro-diabase development. For information regarding our water and electricity sources, see "– Utilities – Water" and "– Utilities – Electricity."

For information regarding the rights, licenses, permits and approvals we expect to obtain for the commercial production of our gabbro-diabase resources, see "– Compliance – Rights, Licenses, Permits and Approvals." For information regarding the risks in developing our gabbro-diabase resources, see "Risk Factors – Risks Relating to Our Business – We may not have sufficient managerial resources to bring our gabbro-diabase into production."

FUTURE PLANS FOR DEVELOPING OTHER MINES

In February 2010, we entered into a contract with the 11th Geological Brigade, an Independent Third Party, to acquire the exploration rights to two iron ore mines: (i) the Gangxi Mine, located in Lincheng County, Hebei Province, China; and (ii) the Shangzhengxi Mine, located near Shahe City, Hebei Province, China. The Gangxi and Shangzhengxi Mines are located approximately 20 km and 120 km, respectively, from the Yanjiazhuang Mine. The exploration permits for the Gangxi Mine and the Shangzhengxi Mine cover areas of 5.28 km² and 2.06 km², respectively.

According to the terms of the contract, the 11th Geological Brigade has agreed to complete the necessary transfer procedures within one year from the date of the contract, upon which we will pay RMB6 million for the exploration rights to the Gangxi Mine and RMB3 million for the exploration rights to the Shangzhengxi Mine. In addition, we have agreed to reimburse the 11th Geological Brigade for the total amount of exploration fees to be incurred by them as well as pay RMB2/tonne for the estimated reserves of the mines to be determined after the completion of exploration work for both mines. Under the terms of the agreement, we are not obligated to pay the exploration fees incurred by the 11th Geological Brigade if iron ore reserves are not discovered as a result of the exploration work. The contract transfer of the exploration rights for these two mines is subject to the approval of the relevant government authorities. Our PRC legal advisor, King & Wood, has confirmed that there are no foreseeable legal impediments to obtaining the requisite licenses, permits and other regulatory approvals necessary for exploration and mining at these two mines.

As of the Latest Practicable Date, the Gangxi Mine and the Shangzhengxi Mine were in the early stages of preliminary exploration work. As a result, information regarding the scope of exploration, mining method and technology to be used, iron ore quality, expected annual production volumes, and estimated resources and reserves were not yet available. Under the guidance of our executive Directors and senior management, who possess extensive mining and exploration experience, we expect to spend approximately RMB720.0 million for the acquisition and exploration of these two mines and other mines in Hebei Province not yet identified by us. We will decide whether or not to develop commercial mining operations in these two mines upon completion of the exploration reports. For additional information, see "Risk Factors – Risks Relating to Our Business – Our exploration and mining projects, acquisition activities and expansion plans require substantial capital investment and may not achieve the intended economic results." and "Financial Information – Financing of Our Mining Projects."

SALES AND MARKETING

We commenced commercial production on 1 January 2011. Our sales and marketing strategy is focused primarily on the PRC domestic market and in particular, the steel producing companies in our surrounding regions in Hebei Province.

Customers

We focus on our sales to direct customers who purchase our products for use in their steel manufacturing operations. Because our operations are strategically located in Hebei Province, the largest steel-producing province in China, we are in close proximity to potential customers for our iron concentrate.

We are seeking to develop strategic relationships with prominent steel manufacturers, with a view to complement to our growth strategy. We entered into an agreement with Shougang Hong Kong on 28 April 2011.

Under this agreement, we are obligated to sell, and Shougang Hong Kong is obligated to buy, 30% of our annual iron concentrate production (which we will endeavor to supply at a grade not lower than 66%), at a 3% discount to the market price at the time of supply, regardless of whether Shougang Hong Kong and the Company enter into a definitive supply agreement or specific purchase orders. Furthermore, Shougang Hong Kong has agreed to invest an amount of HK\$400 million in our shares as a cornerstone investor in our Global Offering. See “Cornerstone Investor”.

Shougang Hong Kong and the Company also expect to enter into agreements to pursue resource-related opportunities in acquisitions in China and overseas and to cooperate in relation to operational matters following any such acquisitions. In addition, Shougang Hong Kong and the Company expect to enter into a separate technical support agreement, pursuant to which Shougang Hong Kong would provide technology support and expertise to the Company in areas including project exploration, evaluation, due diligence, and operations (including at our existing Yanjiazhuang mine). The Shougang Agreement contemplates that Shougang Hong Kong and the Company will negotiate and enter into a strategic cooperation agreement, under which the Company can invite an individual from Shougang Hong Kong, in accordance with applicable law, the Listing Rules and Stock Exchange requirements and the Articles of the Company, to serve as a non-executive director of the Company until the next annual general meeting of the Company and subsequent re-appointment shall be subject to shareholders’ approval.

Shougang Hong Kong, a wholly-owned subsidiary of Shougang Corporation, is a Hong Kong incorporated investment holding company. Through its subsidiaries and associated companies, Shougang Hong Kong is engaged in a variety of diversified businesses such as manufacturing and trading of steel and metallic products, shipping, mineral exploration and mining, property investment, and financial services. Shougang Hong Kong holds a significant number of interests in various companies listed on the Stock Exchange, representing a substantial market value as of the Latest Practicable Date. We are not aware of any reason that would render Shougang Hong Kong unable to honor its obligations under the Shougang Agreement.

As one of the largest Chinese steel companies, Shougang Corporation is a state-owned enterprise under the direct supervision of the State Council of the PRC. Shougang Corporation’s primary focus is on the steel industry, with other operational interests in the mining, electronics and machinery, construction and real estate, service and trading industries. It is a market leader in the areas of steel industry, production specifications and technical expertise. Shougang Corporation’s major iron production facilities are located in the Hebei Province. Shougang Corporation has not guaranteed the obligations of Shougang Hong Kong under the Shougang Agreement.

Shougang Hong Kong represents an established party with whom the Company would work in the future to foster growth opportunities, develop new and existing projects and acquire increased technical expertise. In the future we will seek to enter into strategic cooperation with other major steel manufacturers in China.

BUSINESS

We have also entered into memoranda of understanding in 2009 with Hebei New Wuan, Handan Iron & Steel, Wen'an Iron & Steel, Hebei Baoxin, Xingtai Weilai and Xingtai Longhai, all of which are major steel producers in Hebei Province and are Independent Third Parties. Under the terms of these memoranda of understanding, we have agreed with each of these parties to negotiate the terms of future specific purchase contracts specifying the amount of iron concentrate, the price and other terms. If we cannot agree on such terms, then no such sale will occur. The Company expects that after the completion of Phase One and after further progress has been made on Phases Two and Phase Three of the expansion plan, the Company will seek to enter into long-term binding sales contracts with these parties and other potential long-term customers, which is expected to occur in the second half of 2011.

The Company believes that, barring unforeseen circumstances, it will be able to sell substantially all of its iron concentrate production for 2011 and 2012.

Our customers will arrange for transportation of the iron concentrate from our processing facilities to their sites. We estimate that transportation costs for customers located within a radius of approximately 100 km of our operations will be approximately RMB28/tonne, based on roadway transportation costs for similarly situated companies in our vicinity. We sold iron concentrate at an average price of approximately RMB1,140/tonne (including VAT) in January and February 2011.

We intend to develop and maintain these relationships in order to stabilize and grow our revenue. As of the Latest Practicable Date, none of our Directors or their associates or our shareholders who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in any of these six potential customers.

Delivery of products

We plan to sell our products ex-factory. We do not intend to arrange for the transportation of our iron concentrate products to our customers, which will be stated in the agreements entered into at the time of purchase. The six steel producers with whom we have entered into memoranda of understanding are located within 120 km of our operations. We estimate that transportation costs borne by these customers will be approximately RMB28/tonne, based on roadway transportation costs for similarly situated companies in our vicinity.

UTILITIES

Water

Water is a key component of our iron concentrate production process. We source our water supply from surface drainages in the Yanjiazhuang Mine area and the Yanjiazhuang Reservoir, a surface water reservoir with an existing water storage capacity of approximately 120,000 m³, located in a ravine upstream from our processing facilities. During the wet season (July to September), waterflows from the surface drainages are ordinarily sufficient to provide the fresh water needed for our existing and planned ore processing facilities. We supplement our fresh water sources for our ore processing facilities during the dry season with water from the Yanjiazhuang Reservoir and the Huangmi Reservoirs. In addition, we expect to recycle and reuse up to 80% of the water used in our ore processing and tailings storage facility for use in mineral processing or dust suppression.

We signed an agreement with the Lincheng Haozhuang Town Yanjiazhuang Village Committee (臨城郝莊鎮閆家莊村委會) in May 2006 to obtain water use rights to the Yanjiazhuang Reservoir during a ten-year period as a water source for our operations at the Yanjiazhuang Mine. Under the terms of the agreement, we have been granted access to the water from the reservoir and are responsible for investing in its maintenance and any expenses we incur in taking water from the reservoir. In addition to the agreement, our water rights to the Yanjiazhuang Reservoir are also based on an underground water supply harvesting permit that we obtained on 9 September 2009, which will expire on 9 September 2014, and a confirmation letter issued by the Lincheng County Water Bureau dated 13 November 2009.

We also source our water supplies from the Huangmi I Reservoir, for which we obtained water use rights based on a ten-year contract that we entered into with the Lincheng Haozhuang Town Huangmi Village Committee (臨城郝莊鎮皇迷村村委會) on 27 February 2010. We completed the expansion of the Huangmi I Reservoir to a water storage capacity of 600,000 m³ in February 2010. As part of our investment in the Huangmi I Reservoir, we engaged in land expropriation, dam construction, earth and rock engineering and water diversion activities to expand the reservoir's water storage capacity. According to the terms of the contract, we are not restricted in the amount of water we may draw from the Huangmi I Reservoir. The Lincheng Haozhuang Town Huangmi Village Committee also has the right to permit village residents to use water from the Huangmi I Reservoir for farming purposes.

In addition, to prepare for possible water shortages and to ensure that we have sufficient water supply for our future growth plans, we entered into a 20-year contract with the Lincheng Haozhuang Town Huangmi Village Committee on 27 February 2010 to obtain water use rights to the Huangmi II Reservoir, a new reservoir nearby which was completed in October 2010, with an existing water storage capacity of 1,200,000 m³. We have invested a total of RMB20.2 million on improving the water supply facilities up to 31 December 2010.

Furthermore, we plan to invest approximately RMB39.1 million to secure additional water resources to support our processing facilities, including completing construction of the Longjiawan Reservoir which is expected to have a water storage capacity of 300,000 m³ and has already started to supply water, and constructing a new water supply system from the Lincheng Reservoir. We have received local authorities approval to access a water supply of up to 10,000,000 m³ per year from the Lincheng Reservoir. In response to the unusually severe drought affecting Northern China, we have commenced construction of a water pipeline to the Lincheng Reservoir to ensure the availability of an adequate and reliable water supply. We expect to complete construction of this pipeline in August 2011. We are also constructing a retaining pool to hold water in our mine facilities. During the Track Record Period, we did not experience any shortages in water supply that caused a material adverse effect to our business, financial condition or results of operations.

Electricity

We have entered into a three-year contract starting from August 2009 to purchase electricity from a state-owned electricity supplier, Lincheng County Hebei Electricity Supply Co. (臨城縣供電公司). Under the electricity supply contract, we pay for our electricity supplies at rates approved by the price administration government department. As we did not commence commercial production before 1 January 2011, we did not consume a significant amount of electricity during the Track Record Period. During the Track Record Period, we did not experience any interruption arising from sudden shortages or suspensions of electricity supplies that caused any material adverse effect to our business, financial condition or results of operations.

To ensure a sufficient supply of electricity for our planned increase in mining and ore processing capacities to 10,500 ktpa, we plan to construct two new converting stations which will each have a capacity of 32,000 kVA. We expect to invest approximately RMB28.6 million in total in the construction of the two converting stations, which are expected to be completed by the end of Phase Two and Phase Three respectively. The electrical equipment will be required to connect to the planned processing facilities and the open-pit mining and transportation system to the main substation in Lincheng County through a new electricity transmission line, which the local state-owned electricity supplier is expected to construct. Our Directors believe that we should not have substantial difficulties in obtaining electricity supplies as our electricity supplier is the primary state-owned electricity supplier in Hebei Province.

For additional information regarding our utilities, see “Risk Factors — Risks Relating to Our Business — Our operations depend on an adequate and timely supply of water, electricity and other critical supplies and equipment.”

RAW MATERIALS, AUXILIARY MATERIALS, MACHINERY AND EQUIPMENT

Raw Materials and Auxiliary Materials

The iron ore extracted from our mine is our principal raw material. We do not purchase iron ore from third parties. The auxiliary materials used in our production process include forged steel grinding balls, chemical products, lubricants and fuel.

Our purchases during the Track Record Period consisted of processing materials, such as chromium alloy, kerosene, gasoline, lubricants and metal tools. For the years ended 31 December 2009 and 2010, purchases from our five largest suppliers together accounted for approximately 91% and 52% of our total supply purchases, respectively while the largest supplier accounted for approximately 42% and 19% of our total supply purchases. Going forward, we expect our raw materials purchases to be a lower percentage of our total supply purchases as more of our expenses will be directly related to production. 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 Hebei Province. We have not signed any fixed or long-term contract with any of our suppliers. We maintain a good relationship with our suppliers and did not enter into disputes with any of them during the Track Record Period.

Machinery and Equipment

Our exploration, mining and production activities require the purchase of many types of machinery and equipment, including but not limited to, drilling machines, air compressors and ore crushers. All our machinery and equipment for exploration, mining and production are sourced from local third-party suppliers in the PRC.

See also “Risk Factors — Risks Relating to Our Business — Our operations depend on an adequate and timely supply of water, electricity and other critical supplies and equipment.”

COMPETITION

China’s domestic iron ore market is characterized by competition among a large number of iron ore suppliers, with no individually dominant nationwide supplier. Approximately 80.0% of total PRC iron output in 2009 originated from small- and medium-sized mines, while the remaining 20.0% was produced by large mines in China. Upon commercial production, our Yanjiazhuang Mine would also be considered a large-scale iron ore mine, as defined by the NBSC. For additional information regarding the definition of small-scale, medium-scale and large-scale iron ore mines, see “Industry Overview — Overview of the Iron Ore Industry — PRC Iron Ore Industry — PRC Iron Ore Production Capacity.”

Within Hebei Province, we believe our Yanjiazhuang Mine is the largest privately-owned iron ore mine in terms of iron ore reserves. Key state-owned iron ore producers in Hebei Province include Hebei Steel Group, Shougang Group and Hanxing Mining, who produced 26.4 Mt, 10.8 Mt and 7.0 Mt, respectively, of iron ore in China in 2010, according to Hatch. As our iron ore resources are greater than 300 Mt, we believe, based on the Hatch Report, that we are the largest-privately-owned iron ore operator in Hebei Province, in terms of iron ore reserves.

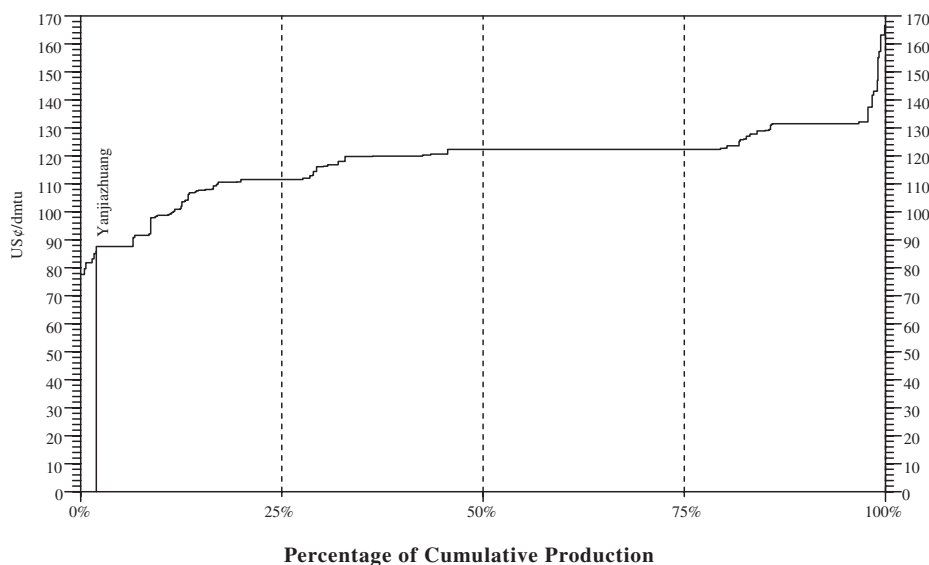
While China ranked third globally in terms of iron ore reserves according to USGS, it has historically experienced significant shortfalls in domestically-produced iron ore. In particular, although Hebei Province has the largest number of iron ore mines in China, its iron ore output is unable to sufficiently meet demand from local steel manufacturers. Despite being one of the top iron ore producing regions in China, Hebei remained the largest net importer of iron ore in China. As such, local steel producers purchase iron ore from any number of local suppliers, in addition to importing from

international iron ore producers, as necessary. The four largest sources of iron ore imports into China have historically been Australia, Brazil, India and South Africa, which all together accounted for approximately 84.5% of total iron imports into China in 2010. As a result, although China's iron ore market is segmented principally by location, given the significant costs associated with iron ore transport, domestic prices of iron ore across provinces in China are also influenced by imported iron ore prices, especially those of iron ore imported on a spot basis. However, because the demand for iron concentrate by China's steel producers has historically substantially exceeded domestic supply and this significant shortfall is expected to continue until a market shift occurs in the supply and demand for iron ore, we do not believe competition from other iron ore producers currently presents a substantial challenge to the market demand for our products. To the extent we may compete with other iron ore producers, we expect to focus on potential customers primarily in the local Hebei Province market.

Although we believe most iron concentrate producers in Hebei Province are in a position to benefit from the anticipated increase in demand and significant shortfall of iron concentrate supplies in the region, to the extent that we compete with other local iron concentrate producers, we believe we are competitive due to the cost-efficiency with which we mine and process iron ore and our proximity to local steel manufacturers. We believe that we are able to easily produce iron concentrate at a high grade of 66% in a cost-efficient manner. This is supported by the estimated position of the Yanjiazhuang Mine by AME to be in the lowest 5% of the estimated cost curve for Chinese iron ore producers on an iron equivalent basis.

The chart below represents the estimated cost curve for PRC iron ore producers, and the estimated position on the curve of the Yanjiazhuang Mine:

Estimated 2011 Iron Ore Costs – FOB Chinese Producers and Provinces



Source: AME

The mining cost for the Yanjiazhuang Mine, which commenced production in January 2011, is based on information provided by the Independent Technical Advisor. When using the cost curve, you should take into consideration the following factors:

- (1) The cost curve is based on Q1 2011 calibrated and benchmarked cash costs and subsequent updates.
- (2) All Chinese mines used in this data sample, including the Yanjiazhuang Mine, are based upon the cost to produce iron ore (including mining, processing, royalties and marketing costs), and incorporate freight cost estimates for delivery to an international sea port.
- (3) The concentrate produced by Yanjiazhuang Mine is estimated to be 66% iron concentrate, which is competitive to the international export trade.
- (4) All mines on the cost curve have been costed on an iron equivalent basis (US\$/dmu) as opposed to run-of-mine basis (US\$/tonne). This costing methodology takes into account the grade and consequently iron content of a product.

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- (5) The Company reports that its mine gate cost (including taxes, royalties and government charges) is US\$47.56/tonne of iron ore concentrate (US\$75.06/dmtu at 66% iron and 4% moisture). This is an estimate for 2011 based on production in January and February 2011.
- (6) The cost curve provided by AME in this Prospectus is based on information that was available to AME. Available data vary greatly between iron ore operations and projects. Much information may not be reliable due to language difficulties, the confidential nature of the information, the inability to estimate the reliability of AME's sources and a general lack of available information. Consequently, much information has to be estimated and the quality, accuracy and completeness of the resulting cost comparisons will reflect this. Furthermore, forecast costs embody a number of significant assumptions with respect to exchange rates and other technical variables. As a result of these factors, AME has noted that direct comparability between individual projects may be limited, and as such the production and cost estimates in the cost curve must be treated with caution and cannot be relied upon.

Moreover, as we are located within Hebei Province, the largest steel producer among China's provinces, we are within close proximity to many of our existing and potential customers. For example, there are approximately nine steel producers with a combined steel production capacity of approximately 31.2 Mtpa within approximately 90 km of our mining operations. In addition, we have signed memoranda of understanding with six customers in Hebei Province that are all located within 120 km of the Yanjiazhuang Mine. Due to our location in Hebei Province, we believe their transportation costs to transport iron concentrate from our processing facilities to their sites would be lower than their estimated costs in transporting iron ore imports from various ports, such as Qingdao port in Shandong Province, which is located approximately 500 km from the Yanjiazhuang Mine. See "— Sales and Marketing — Delivery of products." As a result, we believe our proximity to existing and potential customers reduces their transportation costs in obtaining iron concentrate, thereby enhancing our competitiveness in the iron concentrate market.

For additional information regarding Hebei iron ore market and industry, see "Industry Overview — Overview of the Iron Ore Industry — Hebei Iron Ore Industry — Competition."

INVENTORY AND QUALITY CONTROL

Our inventory includes iron ore extracted from the mining pits, crushed pre-concentrate produced in the dry magnetic cobbing system, and the final iron concentrate stored at the ore processing facilities before they are loaded onto the trucks of our customers for transportation. We take measurements of our lump ore and iron concentrate products at three points during the production process, including at the dry magnetic cobbing system, at the processing facilities and upon the sale of our iron concentrate to a customer. We have also put procedures into place to keep daily inventory records of the iron concentrate processed, stored, and sold at our two ore processing facilities.

Most of our products are required to meet strict product specifications and environmental protection standards. We are in the process of implementing a quality management system, compiling a quality control manual and implementing a comprehensive quality control system in an effort to maintain quality controls. We monitor our products through on-site inspections of our mining site as well as regular sample checking of our products. Our quality testing laboratory is fully equipped to carry out quality checks on our iron concentrate. We have established a quality control department to ensure all of our products meet the relevant quality control standards.

COMPLIANCE

Rights, Licenses, Permits and Approvals

We have applied for and obtained all permits and approvals necessary to conduct exploration and mining activities at the Yanjiazhuang Mine under relevant PRC laws and regulations, including the two exploration permits we obtained in December 2007 and March 2008 and our mining permit obtained in May 2009. We have not experienced any difficulties in or rejections of our applications for exploration and mining permits or other rights, licenses or approvals that we have applied for in the past. We seek to

comply with local and national laws, other than as set forth below. Where there are differences between local and national laws, we seek to comply first with the local government requirements.

In addition to the permits and approvals necessary to commence commercial production of iron concentrate, we will apply for any licenses, permits and approvals, as appropriate, that may be required to execute our expansion plan to ultimately attain mining and ore processing capacities of 10,500 ktpa with respect to our iron ore resources. For example, we expect to obtain a new mining permit for a larger operating scale with respect to the mining of our iron ore resources, obtain the approval for fixed-asset investment, obtain or renew certain production safety permits and the waste discharge permit and pass the inspection of the environmental protection facilities in connection with our planned increases in mining and processing capacities. Our current permit allows for mining and ore processing of up to 3,000 ktpa. We are in the process of applying for a permit to attain ore processing capacity of up to 10,500 ktpa. Upon receipt of this permit, we will be required to pay resources fees to the Department of Land and Resources. These resource fees include mining fees and exploration fees. According to the *Administration Measures for the Registration of Mining of Mineral Resources* (《礦產資源開採登記管理辦法》), if an applicant applies for mining or exploration rights for a mine and the mine's exploration is financed by the state, then the applicant shall pay fees to the Department of Land and Resources. As the exploration for the Yanjiazhuang Mine was financed by the state, we will be required to pay these resource fees. Both the mining fees and the exploration fees shall be appraised by an appraisal agency approved by the Department of Land and Resources, and the appraisal result shall also be confirmed by the Department of Land and Resources. No calculation formula of the amount of mining and exploration fee is provided in this regulation and we are therefore uncertain of the exact amount of the mining and exploration fee that we will have to pay upon receipt of this permit. Based on preliminary discussions with the relevant government department, however, we expect the amount of these fees to be approximately RMB300 million. However, as the exact amount of the resource fee can only be ascertained when the Department of Land and Resources confirms the appraisal result and notifies us of the result, this amount is only an estimate and is subject to change. Based on the advice of our PRC legal advisor, King & Wood, we believe that there are no foreseeable legal impediments for us to obtain such requisite permits, licenses and approvals in a timely manner, including the mining rights to an increased amount of iron ore resources and reserves.

Under relevant PRC rules and regulations, we are also required to obtain certain permits and approvals for the development and commercial production of our gabbro-diabase resources. These permits and approvals include the approval for fixed-asset investment, approval for inspection of the environmental protection facilities, waste discharge permit, mining permit and/or exploration permit and production safety permits. As confirmed by our PRC legal advisor, King & Wood, there are no foreseeable legal impediments for us to obtain such permits and approvals. We expect to obtain the requisite permits and approvals in the second quarter of 2011, prior to commencing the commercial production of our gabbro-diabase resources. For further information about such permits and approvals, see "Regulation." Based on the advice of our PRC legal advisor, King & Wood, we believe that there are no foreseeable legal impediments for us to obtain the requisite permits, licenses and approvals for the commercial production of our gabbro-diabase resources.

Incidents of Non-Compliance

Employee social benefits insurance

We maintain the required PRC employee social benefits insurance in accordance with various implementation policies issued by local government authorities, which may be less stringent than the requirements under PRC labor laws and regulations. We have taken measures to maintain social benefits insurance for all of our PRC employees pursuant to PRC labor laws and regulations in the future.

We may be ordered by the labor and social security department of the local government to rectify the non-compliance, and the employer that is found to be responsible for the non-compliance may be

sanctioned with a fine in the amount of between RMB1,000 and RMB10,000. However, as we have complied with the implementation policies issued by the relevant local government authorities, which have also been confirmed by local government authorities, the possibility of being sanctioned is remote. In addition, we have reserved adequate and sufficient capital for our future needs with respect to employee social benefits insurance. As a result, we do not believe our operations will be materially affected by our non-compliance with regard to maintaining employee social benefits insurance. Our PRC legal advisor, King & Wood, agrees with our understanding. As of the Latest Practicable Date, there were no outstanding fines or penalties payable to the relevant local government authorities regarding such non-compliance.

Temporary structures

We did not obtain the relevant planning permits, construction permits and building ownership certificates for the temporary structures erected on the two parcels of land for which we possess state-owned land use right certificates. As a result, we may be subject to penalties for such non-compliance. The majority of these temporary buildings were used for our operations related to the Guomu Nangou Mine. However, as we disposed of our interest in Guomu Nangou Mining Ltd. in November 2009, we no longer use or own any of those temporary structures related to the Guomu Nangou Mine. We believe the potential for being penalized for the temporary structures related to the Guomu Nangou Mine is low. Even if we were subject to penalties, the maximum fine for such non-compliance would be the investment cost of the temporary structures. Our PRC legal advisor, King & Wood, is of the same opinion. Prior to disposing of our interest in Guomu Nangou Mining Ltd., we invested RMB900,000 in the temporary structures for the Guomu Nangou Mine and consider the cost of the remaining temporary structures we now use to be insignificant. As of the Latest Practicable Date, there were no outstanding fines or penalties payable to the relevant local government authorities with respect to the temporary structures.

We do not plan to apply for the relevant permits and certificates for these temporary structures because we intend to demolish these temporary structures once we receive the other necessary permits to construct permanent buildings. We do not intend to construct new temporary structures on our parcels of land in the future. Our Directors believe that our operations will not be adversely affected by our non-compliance regarding the temporary structures. In addition, we believe the maximum potential fine will have an insignificant impact on our operations.

As a result of these incidents of non-compliance regarding employee social benefits insurance and temporary structures, we have instituted internal control measures to prevent such instances of non-compliance in the future. See “– Compliance – Internal Controls.”

Internal Controls

Our Directors are responsible for monitoring our internal control system and for reviewing its effectiveness. In accordance with applicable PRC and Hong Kong laws and regulations, we have implemented internal procedures with a view to establish and maintain our internal control system, including monitoring of material mining, production and operational processes, the establishment of risk management policies and procedures and compliance with local laws and regulations in both domestic and international markets, if applicable. In particular, we have implemented the following internal control procedures to strengthen our corporate governance structure:

- *PRC legal advisor:* We have retained a PRC legal advisor, King & Wood, to provide advice to the Board and our designated compliance officer on an ongoing basis in respect of all relevant PRC laws and regulations, including changes to such laws and regulations, which may affect our business operations in China.
- *Internal compliance guidelines:* We have implemented several new internal compliance guidelines, with the assistance of a third party professional advisor, to enhance our internal

compliance system and monitor the application and maintenance of the requisite licenses, permits and approvals for our operations. We will continue to engage the third party professional advisor and work with our internal audit team to conduct regular review to ensure that all licenses and approvals are valid and that renewals of such licenses are made in a timely manner.

- *Compliance with Hong Kong securities laws and regulations:* We will appoint Guotai Junan Capital Limited as our compliance advisor with effect from the date of Listing to advise on ongoing compliance with Listing Rules issues and other applicable securities laws and regulations in Hong Kong.

During the Track Record Period, our Directors did not identify any material internal control weaknesses or failures.

ENVIRONMENTAL PROTECTION AND LAND REHABILITATION

Environmental Protection

Our operations are subject to a variety of PRC environmental laws and regulations, as well as local environmental regulations promulgated by local authorities on environmental protection. These laws and regulations govern a broad range of environmental matters, such as mining control, land rehabilitation, air emissions, noise control, discharge of wastewater and pollutants, waste disposal and radioactive element disposal control. The PRC Government has taken an increasingly stringent stance on the adoption and enforcement of rigorous environmental laws and regulations, which could have a material adverse effect on our financial condition and results of operations. See “Risk Factors — Risks Relating to Our Industry — Changes to the PRC regulatory regime for the mining industry may have an adverse impact on our results of operations.” in this Prospectus.

Under relevant PRC laws, where the volume of contaminants discharged by an enterprise exceeds discharge limits or the control index for the gross volume of discharge set forth in relevant laws and regulations, or the enterprise does not satisfy other requirements related to environmental protection provided in relevant laws and regulations, the enterprise may be ordered to improve its environmental protection systems within a prescribed time limit (限期治理). During the prescribed time limit, the responsible environmental protection authority could issue to the enterprise a temporary pollution discharge permit, which would be valid for up to one year, rather than a formal pollution discharge permit, which would be valid for up to three years.

The pollution discharge permit issued to us is a temporary pollution discharge permit, which will expire on 15 July 2011. We are in the process of applying for the formal pollution discharge permit from the relevant local environmental authority, which we expect will be obtained before the expiry of our temporary pollution discharge permit. Our PRC legal counsel, King & Wood, advised that after we have completed the required application procedures for the formal pollution discharge permit, there is no foreseeable legal impediment for us in obtaining the permit from the relevant environmental authority.

Pursuant to the relevant environmental laws and regulations, an enterprise may be subject to the payment of an over-standard pollution disposal fee, or a fine or a maximum penalty of being required to suspend its production if the responsible environmental protection authority determines that the enterprise has not satisfied obligations to improve its environmental protection systems or it determines that the volume of contaminants discharged by the enterprise exceeds the volume of discharge specified in the temporary pollution discharge permit. We received confirmation from the Administration of Environmental Protection of Xingtai City (“邢台市環境保護局”) on 18 May 2011 that we have, in the past, operated in strict compliance with the relevant environmental laws and regulations and pollution discharge control standards with respect to the Yanjiazhuang Mine. As we expect that we will obtain the formal pollution discharge permit before the expiration of our temporary pollution discharge permit, and there is no foreseeable impediment for us in obtaining the formal pollution discharge permit, we consider

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the risk of being sanctioned in accordance with the relevant environmental laws and regulations to be remote. See “Regulation – PRC Laws Relating to Environmental Production”.

Our operations generate, among other things, wastewater, waste rock, dust and noise pollution. Our mining and processing activities may also result in land disturbance and land contamination caused by surface stripping waste rock and tailings. As of the Latest Practicable Date, we were not subject to any environmental claims, lawsuits, penalties or administrative sanctions. We believe that we have complied with all relevant PRC laws and regulations regarding environmental protection during the Track Record Period. Our Directors have confirmed that we, during the period from the issuance date of the confirmation letter to the Latest Practicable Date, have dealt with environment protection related matters pursuant to the same requirements and standards that we followed before we obtained the confirmation letter. Our PRC legal advisor, King & Wood, has confirmed that there has been no material change to the relevant laws and regulations pertaining to environment protection since the issuance date of the confirmation letter.

We are committed to following environmentally responsible practices and have adopted measures to minimize the impact and risk of our operations on the environment. For example, we have installed water recycling systems at our tailings facility and the water we recycle accounts for up to 80% of the total water used during our production process. We also use water trucks and wet drilling procedures to reduce the amount of dust generated by our mining and drilling activities. During the Track Record Period, we incurred nominal environmental protection costs as we had not yet commenced commercial production.

We also incorporate internationally-accepted management practices on environmental and social issues into our business operations. According to the Independent Technical Report, we develop and operate our facilities, and conduct our operations, materially in accordance with international standards including applicable environmental and social standards set forth by the World Bank Group.

Our expenditures with regard to environmental protection, health and safety matters amounted to approximately RMB5.1 million for the year ended 31 December 2010, and approximately RMB3 million in 2011.

Land Rehabilitation

We are required by the relevant PRC laws and regulations to rehabilitate and restore mining sites to their prior condition after completion of our mining operations. Land rehabilitation typically involves the removal of buildings, equipment, machinery and other physical remnants of mining, the restoration of land features in mined areas and dumping sites, and contouring, covering and revegetation of waste rock piles and other disturbed areas. In accordance with the relevant PRC laws and regulations, we have developed a rehabilitation and re-planting program for the mined and disturbed areas of the Yanjiazhuang Mine, pursuant to which we will rehabilitate our tailings storage facilities and waste rock dumps upon mine closure and plant fruit orchards to provide an economic resource for the post-mine community. Such program is in line with PRC legislative requirements and incorporates recognized international industry practices. Upon the commencement of commercial production at the Yanjiazhuang Mine in January 2011, we plan to set aside provisions for land rehabilitation costs in the amount of RMB1/tonne of iron ore processed. Based on the forecasted 2011 production volume as set forth in the Independent Technical Report, the total forecast land rehabilitation provision to be made in 2011 is RMB0.79 million.

OCCUPATIONAL HEALTH AND SAFETY

With respect to matters relating to occupational health and safety, we are subject to, among other PRC laws and regulations, the PRC Production Safety Law (《中華人民共和國安全生產法》), the PRC Labor Law, the PRC Labor Contract Law and the PRC Law on the Prevention and Treatment of Occupational Diseases (《職業病防治法》).

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Under the PRC Production Safety Law, we are required to maintain safe working conditions as provided in the PRC Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. We are also required to provide production safety training to our employees. The design, manufacture, installation, use, inspection and maintenance of our equipment are required to conform with the applicable national or industrial standards.

Under the PRC Labor Law and the PRC Labor Contract Law, we are required to establish a system for labor safety and sanitation, to abide by applicable rules and standards and to provide training to our employees on relevant rules and standards. We are also required to provide our employees with a work environment that complies with labor safety and sanitation standards set forth in relevant regulations and to provide regular health examinations for our employees engaged in hazardous activities.

Pursuant to the PRC Law on the Prevention and Treatment of Occupational Disease (《職業病防治法》), we are required to (i) establish and perfect 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 laborers 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 labor contract with employees.

We have developed and implemented a system to monitor and record employee occupation health and safety statistics.

As of the Latest Practicable Date, no material accidents involving any personal injury or property damage had been reported to our management during the Track Record Period 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 that have had a material adverse effect on our business, financial condition or results of operation. We believe that we have complied with all relevant PRC laws and regulations regarding occupational health and safety during the Track Record Period. Based on a confirmation letter issued in May 2011 by the Lincheng County Bureau of Health (“臨城縣衛生局”) our PRC legal advisor, King & Wood, is of the opinion that we have complied with the relevant laws and regulations pertaining to occupational health and safety. Our Directors have confirmed that we, during the period from the issuance date of the confirmation letter to the Latest Practicable Date, have dealt with occupational health and safety related matters pursuant to the same requirements and standards that we followed before we obtained the confirmation letter. Our PRC legal advisor, King & Wood, has confirmed that there has been no material change to the relevant laws and regulations pertaining to occupational health and safety since the issuance date of the confirmation letter.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we have applied for registration of the trademark “ 新確資源” with the Trade Marks Registry of the Intellectual Property Department in Hong Kong. See “Statutory and General Information — B. Further Information About the Business — 2. Intellectual Property Rights — (a) Trade Marks” in Appendix VIII to this Prospectus. We also possess unregistered trade secrets, technologies, know-how, processes and other intellectual property rights.

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.

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PROPERTIES

Land

As of the Latest Practicable Date, we occupied two parcels of land in Hebei Province, China, with a total site area of approximately 92,700 m². We signed the state-owned land use rights grant contracts for these two parcels of land in February 2010. Pursuant to these contracts, we agreed to pay a total land premium amount of RMB8.9 million by August 2010 in installments, with the first payment due in April 2010. Upon receiving a letter issued by the Land Resource Bureau of Lincheng County dated 19 April 2010, we paid a first installment in the net amount of RMB1.3 million, which was paid in full on 19 April 2010. Pursuant to a further letter issued to us by the Land Resource Bureau of Lincheng County dated 14 December 2010, we were instructed to pay an amount of RMB2.88 million in final settlement of the land premium, such amount being agreed by the Land Resource Bureau of Lincheng County as the full amount required. We made this payment in the amount of RMB2.88 million in full on 16 December 2010. As such, all the land premium has been duly settled in accordance with decisions and instructions of the Land Resource Bureau of Lincheng County, which is the government authority responsible for management and supervision of land related issues in Lincheng County. Our PRC legal advisor, King & Wood, has confirmed that we have proper legal title to these two parcels of land.

We have obtained the state-owned land use rights certificates for the land parcels on which our mining pits and our No. 1 Processing Facility and our No. 2 Processing Facility are located in the Yanjiazhuang Mine. Other than the parcels of land listed in the table below, we do not hold long-term state-owned land use rights to other land parcels covered by our mining right for the Yanjiazhuang Mine. We identify sites for setting up our mining pits and production facilities when mapping out our mining plan. Obtaining the required land use rights as we map out each of our mining sites and production facilities instead of obtaining the land use rights for the entire mine area at one time can enhance cost efficiency, allow greater flexibility for our operations and reduce our overhead capital expenditures.

The table below summarizes the use, date of issue, location, type of land use rights, size area and expiration date of the parcels of land for which the Group occupies as of the Latest Practicable Date:

Registered Owner	Use	Date of Issue	Location	Type of Land Use Rights	Current Primary Use	Area (m ²)	Expiration Date
Xingye Mining	Industrial	25 September 2009	Shilou Village West, Haozhuang Town, Lincheng County	Granted	Mining pit at the Yanjiazhuang Mine	6,301	25 September 2049
Xingye Mining	Industrial	25 September 2009	Shiwopu Village Southwest, Haozhuang Town, Lincheng County	Granted	No. 1 Processing Facility and No. 2 Processing Facility and site for constructing No. 3 Processing Facility	86,399	25 September 2049

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Facilities

We have erected various facilities, including temporary structures, on our two parcels of land. The majority of the temporary structures were used for our operations related to the Guomu Nangou Mine. We did not obtain the relevant planning permits, construction permits and building ownership certificates for these temporary structures, and, as a result, may be subject to penalties for such non-compliance. However, as we disposed of our interest in the Guomu Nangou Mining Ltd. in November 2009, we no longer use or own any of those temporary structures related to the Guomu Nangou Mine. Our Directors believe that our operations will not be adversely affected by our non-compliance regarding the temporary structures. For additional information regarding the temporary structures, see “– Compliance – Incidents of Non-Compliance – Temporary structures.”

Details of the property valuation together with the summary of valuation and valuation certificates from our property valuer are set out in Appendix IV to this Prospectus.

EMPLOYEES

As of 31 May 2011, we had 635 employees. The following table sets forth the number of employees by position:

	<u>Number of employees</u>	<u>% of total</u>
Production		
Iron ore mining ⁽¹⁾	142	22
Iron ore processing ⁽²⁾	201	32
Ancillary mining activities ⁽³⁾	163	26
Management, finance and administrative ⁽⁴⁾	72	11
Others ⁽⁵⁾	57	9
Total	635	100

(1) Excludes independent third-party contractors who perform mining and hauling work.

(2) Includes employees at the No. 1 Processing Facility, No. 2 Processing Facility and the two dry magnetic cobbing systems.

(3) Includes engineers, electricians and personnel in the quality control and equipment repair departments.

(4) Includes managers for processing, mining, supply and safety, as well as personnel within the accounting and booking departments.

(5) Includes transportation team personnel, weigh house personnel and cook staff.

The salaries of our employees largely depend on their performance and length of service with us. Employees receive social welfare benefits and other benefits. Except for the above annual contributions, we are not responsible for other employee benefits.

During the Track Record Period, we have not experienced any labor disputes with our employees. For additional information about certain of our employees, see “Directors, Senior Management and Employees” in this Prospectus.

INSURANCE

We are in compliance with applicable PRC laws and regulations with respect to required insurance for our employees. We also maintain the required PRC employee social benefits insurance in accordance with various implementation policies issued by local government authorities, which may be less stringent than the requirements under PRC labor laws and regulations. As a result, we may be subject to a fine of up to RMB10,000. However, based on the advice of our PRC legal advisor, King & Wood, we believe the possibility of being sanctioned is remote because the local government authorities have confirmed our compliance with the implementation policies issued by them. We intend to register for social benefits insurance for all employees in accordance with PRC labor laws and regulations in the future. Moreover,

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as we have reserved adequate and sufficient capital for the future costs of social benefits insurance for all employees, we believe the non-compliance will not adversely affect our business operations. See also “— Compliance — Incidents of Non-Compliance — Employee social benefits insurance.” In addition to insurance for our employees, we obtained property insurance for our hauling vehicles for losses due to fire, earthquakes, floods and a wide range of other disasters. During the Track Record Period, we did not make any claims under our insurance policies that had a material adverse effect on our business, financial condition or results of operations.

We maintain property and liability insurance with respect to our properties, equipment and inventories. We also take out insurance for the construction and erection works. We do not have business interruption insurance for our first year of commercial production and we plan to arrange this type of insurance in subsequent years.

Since the open-pit mining method has a lower level of technical and safety risk than underground mining, we face comparatively lower levels of operational risk. During the Track Record Period, we did not experience any business interruptions or losses or damages to our facilities that had a material adverse effect on our business, financial condition or results of operations. In addition, the majority of our temporary structures, ancillary structures and production facilities are of low commercial value. During the Track Record Period, we did not experience any losses or damages to our temporary structures, ancillary structures and production facilities as a result of any material accidents. After taking into account the costs of insurance and the risks involved, we believe that our current insurance coverage is generally sufficient to protect our interests.

Save as disclosed, in 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 consider the insurance coverage on our assets to be adequate as of the Latest Practicable Date. 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 China.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we were not a party to any material legal or administrative proceedings. In addition, our Directors are not aware of any claims or proceedings in relation to exploration rights contemplated by government authorities or third parties which would materially and adversely affect our business.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Our Board consists of twelve Directors, including six executive Directors, three non-executive Directors and three independent non-executive Directors.

The principal functions of our Board generally include:

- managing our mining business overall, particularly in the areas of exploration, mining, ore processing, production, safety and trading;
- conducting geological and environmental studies and reviews on our mine;
- identifying and exploring mine acquisition opportunities and other market opportunities;
- formulating our business plans and strategies;
- assessing and managing risks; and
- exercising other powers, functions and duties conferred by our shareholders.

As noted in the section headed “Business — Competitive Strengths” in this Prospectus, our executive Directors and senior management team consist professionals with extensive mining industry experience. Our executive Directors have an average of 29 years of mining industry experience. Our executive Directors have specialized industry expertise in the areas of exploration, mining and processing. In particular, each of Mr. Yao Zanzun, Mr. Li Yuelin, Mr. Lin Zeshun and Mr. Liu Yongxin, who are also our chief executive officer, chief operating officer, chief manager of mining and chief manager of ore processing, respectively, and Ms. Yu Shuxian has more than 28 years of experience in the mining industry. Mr. Jing Zhiqing, our chief of mine construction, has approximately 11 years of experience in mine construction and approximately 11 years of experience in civil engineering and construction. We believe it is of utmost importance that our chief executive officer, chief operating officer, chief of mine construction, head of mining and head of ore processing possess extensive and specialized expertise and in-depth knowledge to manage the operations of our mines.

The following table contains information about our current Directors and members of our senior management:

Name	Age	Title within the Group	Date of Appointment	Responsibilities within the Group	Date joining the Group	No. of years of experience in the exploration and mining industry	No. of years of experience in the iron ore mining industry
<i>Executive Directors</i>							
Yao Zanzun (姚贊勳)	56	executive Director, vice-chairman and chief executive officer	13 December 2010 (as to executive Director and chief executive officer) and 20 May 2011 (as to vice-chairman)	overall strategic planning, construction and investment management	18 October 2010	28	23
Yu Shuxian (于淑賢)	63	executive Director	1 March 2011	business strategies formulation, oversight of finance and operations	13 December 2010	31	31
Li Yuelin (李躍林)	54	executive Director and chief operating officer	9 April 2010	overall operations management	4 February 2010	28	28
Jing Zhiqing (景志慶)	49	executive Director and chief of mine construction	13 December 2010	overall construction of iron ore mine	6 October 2010	11	11
Lin Zeshun (林澤順)	65	executive Director and chief manager of mining	9 April 2010	mining production management	1 November 2009	40	40
Liu Yongxin (劉永信)	56	executive Director and chief manager of ore processing	9 April 2010	ore processing management	8 October 2009	34	34

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Title within the Group	Date of Appointment	Responsibilities within the Group	Date joining the Group	No. of years of experience in the exploration and mining industry	No. of years of experience in the iron ore mining industry
<i>Non-Executive Directors</i>							
Tsang Yam Pui (曾蔭培)	64	non-executive Director and chairman	20 May 2011	overseeing overall strategy and major management decisions	20 May 2011	–	–
Lam Wai Hon, Patrick (林煒瀚)	48	non-executive Director, vice-chairman and alternate director to Tsang Yam Pui	20 May 2011	overseeing overall strategy and major management decisions	20 May 2011	–	–
Cheng Chi Ming, Brian (鄭志明)	28	non-executive Director	20 May 2011	overseeing overall strategy and major management decisions	20 May 2011	–	–
<i>Independent Non-Executive Directors</i>							
Tsui King Fai (徐景輝)	61	independent non-executive Director and chairman of audit committee	15 December 2010	oversee management independently	15 December 2010	–	–
Lee Kwan Hung (李均雄)	45	independent non-executive Director and chairman of remuneration and nomination committees	15 December 2010	oversee management independently	15 December 2010	–	–
Wu Wai Leung, Danny (胡偉亮)	50	independent non-executive Director	25 January 2011	oversee management independently	25 January 2011	–	–
Name	Age	Title within the Group	Date of Appointment	Responsibilities within the Group	Date joining the Group	No. of years of experience in the exploration and mining industry	No. of years of experience in the iron ore mining industry
<i>Senior Management</i>							
Jiao Ying (焦瑩)	49	chief financial officer	13 December 2010	overall finance operation and financial reporting management	13 December 2010	–	–
Ho Siu Mei (何筱微)	45	company secretary and general manager of the finance and administration department	13 December 2010 (as to company secretary) and 1 December 2010 (as to general manager)	company secretarial, finance and administration	1 December 2010	–	–
Wang Jiangping (王江平)	47	head of safety department	3 May 2010	production safety management	30 August 2005	12	5
Ren Jianzhu (任建柱)	40	head of mechanical and electrical engineering	1 June 2010	power systems and plant equipment management	11 June 2006	4	4
Wang Xiaoxing (王曉興)	57	head of geological exploration	20 July 2010	geological exploration management	9 April 2010	31	22
Zhang Mingliang (張明亮)	41	deputy general manager	28 July 2010	overall sales and administration	28 July 2010	–	–
Li Yuehui (李悅輝)	40	head of gabbro-diabase mining	24 January 2011	overall management of gabbro-diabase development plan, mining, operation, quality control and production	24 January 2011	19	3

As a result of the change of our Controlling Shareholders, certain executive directors and senior management resigned and their roles and responsibilities have been taken up by our current Directors and senior management, some of whom were appointed to ensure a smooth transition of, and further strengthen our operation and enhance our business support functions.

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EXECUTIVE DIRECTORS

YAO Zanzun (姚贊勳), aged 56, is an executive Director and the vice-chairman and chief executive officer of the Group. He is responsible for the overall strategic planning, construction and investment management of the Group. Mr. Yao graduated from Wuhan Institute of Iron and Steel (武漢鋼鐵學院) (now known as Wuhan University of Science and Technology (武漢科技大學)) in 1982 and obtained a bachelor of engineering degree with major in mining engineering. He also obtained a master's degree in geo-rock mechanics from Northeast University of Technology (東北工學院) (now known as Northeastern University (東北大學)) in 1988. He is a professorate senior engineer (教授級高級工程師), and has over 28 years of experience in the mining industry.

Between 1982 and 1993, Mr. Yao served as mining engineer, assistant engineer, engineer and senior engineer with Wuhan Iron and Steel (Group) Corp. Mining Co., Ltd. Design and Research Institute (武漢鋼鐵集團礦業有限責任公司設計研究所) (now known as Wuhan Iron and Steel (Group) Corp. Kaisheng Science & Technology Co., Ltd. (武漢鋼鐵集團開聖科技有限責任公司)), a state-owned enterprise with annual steel production of 40 Mt ranked fourth within the global steel industry and 428th on the Fortune Global 500 list in 2010. Mr. Yao has managed a series of projects involving research, design infrastructure and production management of mines, including projects related to geology, mining, ore dressing and pelletization in Daye Iron Ore Mine, Jinshandian Iron Ore Mine, Chengchao Iron Ore Mine, Ningxiang Iron Ore Mine, Wulongquan Limestone Mine and Jiaozuo Clay Mine of Wuhan Iron and Steel (Group) Corp.

Between 1989 and 1992, he oversaw an iron ore mine operation in Paraburdoo, a town in Pilbara of Western Australia, which was a joint venture project with Hamersley Iron Pty. Limited, (a subsidiary of the Rio Tinto Group. Rio Tinto is listed on the London Stock Exchange, New York Stock Exchange and Australian Securities Exchange). During this period, he worked as mining engineer, with experience in blasting, grade control, planning and mining. He also worked with the Hamersley Iron's joint venture mining operations at Channar, also in Western Australia.

From 1994 to 2005, he worked at China Iron & Steel Industry and Trade Group Corporation (中國鋼鐵工貿集團公司) (now known as Sinosteel Corporation (中國中鋼集團公司)), a state-owned metallurgical mineral resources processing company with core businesses revenue of RMB164 billion in 2009 and ranked 352nd on the Fortune Global 500 list in 2010, where he held various positions, including deputy division chief, division chief, deputy director and professorate senior engineer, and was responsible for the development and investment of overseas mining projects, import and export of metallurgical minerals, and management of Sinosteel Corporation's local and overseas enterprises. In 1994, while a senior engineer with the Ministry of Metallurgical Industry of the PRC (中國冶金工業部) and China Metallurgical Import and Export Corporation (中國冶金進出口總公司) (now known as Sinosteel Raw Materials Co., Ltd. (中鋼爐料有限公司), a subsidiary of Sinosteel Corporation), he visited Brazil and Australia to conduct studies and exploration for potential iron ore mine joint venture opportunities on behalf of the Metallurgical Industry and Sinosteel Corporation. In 2001, he was responsible for the production planning, technology and setting up of a Shanxi coal joint venture project. In 2005, he was appointed as a director of China Sino Steel Indonesia Company.

In 2006, he was a senior project manager in the mining resources sector of CITIC Pacific Limited (中信泰富有限公司) (Stock Code: 267), a company listed on the Main Board of the Stock Exchange, which possesses mining rights for 2 billion tonnes of magnetite iron ore reserves to produce maximum 27.6 Mtpa of concentrate and/or pellets. He was responsible for the planning, technical demonstration and management of Sino Iron Project, a large magnetite project in Australia.

From 2006 to 2010, Mr. Yao was a chief technical officer in SINOM Holdings Co., Ltd. (崑崙控股有限公司) and a director and chief technical officer of Asia Iron Holdings Limited (亞洲鋼鐵控股有限公司), a subsidiary of Chongqing Iron & Steel (Group) Co., Ltd (重慶鋼鐵(集團)有限責任公司). He was responsible for the mining implementation and mining management of the mining projects. Asia Iron Holdings Limited owns iron ore mines and coal mines in Western Australia.

On 13 December 2010, Mr. Yao was appointed as an executive Director.

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YU Shuxian (于淑賢), aged 63, is an executive Director. She is responsible for the formulation of business strategies, and oversight of finance and operations of the Group. Ms. Yu graduated from Changchun Construction Technical Institute (長春建築專科學校) where she majored in industrial and civil construction in 1968 and from Beijing Economics Correspondence University (北京經濟函授大學) (now known as Beijing Economics & Management Correspondence Institute (北京經濟管理函授學院)) with a major in economic administration in 1989. Ms. Yu is a professorate senior engineer (教授級高級工程師) and state-recognized first grade constructor (國家一級建造師). She has more than 31 years of experience in the metallurgical industry.

Ms. Yu held various positions, such as technician, advisor and engineer of the metallurgical command section of Capital Construction Engineer Corps (基建工程兵冶金指揮部) from 1969 to 1982. From 1983 to 2010, she held various positions in China Metallurgical Group Corporation (中國冶金科工集團有限公司) (formerly known as Metallurgical Construction Group Corporation (中國冶金建設集團公司) and China Metallurgical Construction Corporation (中國冶金建設公司)). From 1983 to 1990, Ms. Yu was assigned to different departments in China Metallurgical Group Corporation and was responsible for corporate administrative work, finance management, planning for domestic and international market expansion and project tendering work. From 1991 to 1994, Ms. Yu was the managing director of the Singapore branch of China Metallurgical Group Corporation.

From 1996 to 1999, Ms. Yu was the executive director and vice president of China Metallurgical Group Corporation and the managing director of its Hong Kong branch. From 2000 to 2007, she worked in the PRC headquarter of China Metallurgical Group Corporation during which she held various positions including vice-president and chief engineer.

From 2007 until she joined our Group, Ms. Yu was appointed as a senior advisor to China Metallurgical Group Corporation. Ms. Yu has extensive experience and knowledge in metallurgical industry, in particular metallurgical engineering and construction contracting.

On 13 December 2010, Ms. Yu was appointed as a non-executive Director. On 1 March 2011, she was redesignated as an executive Director.

LI Yuelin (李躍林), aged 54, is an executive Director and the chief operating officer of the Group. Mr. Li graduated from Northeast University of Technology (東北工學院) (now known as Northeastern University (東北大學)) and obtained a bachelor's degree of mining in January 1982. Mr. Li was qualified as a senior mining engineer accredited by The Title Reform Leading Group Office of the Metallurgical Industry Bureau (冶金工業部職稱改革工業領導小組) in November 1994. He led the completion of three technological research projects and he obtained the Technology Advancement Award from Hebei Metallurgical Enterprise Group (河北冶金企業集團公司) and Hebei Scientific and Technology Commission (河北省科學技術委員會). He obtained the Hebei Province Youth Science and Technology Award (河北省青年科技獎) in 1991. He has 28 years of experience in iron ore mining, beneficiation and safety management.

Mr. Li began his mining career in Zhijiazhuang Iron Ore Factory of Laiyuan Steel Factory of Hebei Province (河北涞源鋼鐵廠支家莊鐵礦) in 1982 where he held various positions, including mining engineer and head of mining, which helped him accumulate extensive experience in iron ore production management and technology management. At the Zhijiazhuang Iron Ore Factory, Mr. Li applied his mining blasting skills to deal with unblasted and tight bottom treatment by shallow hole blasting, drilling and blasting using the 7655 drilling machine, and tackling misfires through the use of gunpowder blasting technique. He was responsible for the management of mining technique. He managed to establish a flat and wide mining platform within three months and standardized the technical management of the mine's drilling and blasting operations. His research improved both the quality and quantity of mining, drilling and blasting of the iron ore mine. He also applied long pit distance diagonal blasting techniques. Mr. Li organized experiments to study the tilted deep-pit stage powder blasting technique (傾斜深孔階段裝藥爆

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破技術) and also studied the extra deep blasting technique. These efforts improved the quality of mine blasting, cleared all base roots, reduced the number of huge rocks and avoided misfires so that production efficiency can be enhanced. Further, during his time as the head of mining, he guided studies to improve iron ore mining blasting technique management and substantially reduced the detonator consumption and drilling cost.

Mr. Li commenced working for Laiyuan Steel Factory (涇源鋼鐵廠) in 1989. Laiyuan Steel Factory is a medium size integrated enterprise engaged in iron ore mining, beneficiation, sintering and iron abstraction. He was the manager of production and infrastructure and chief of extension projects in the iron ore department, where he gained extensive experience in mine construction and corporate production management. During his time, Mr. Li led and completed the technological enhancement of Laiyuan Steel Factory's iron ore mine and stabilized its iron ore mine production capacity. He also improved its use of railway transportation, reformed its beneficiation plant, increased the selection of fine rock, increased gas filtration to reduce the furnace temperature and improved the quantity of iron produced.

In April 1992, Mr. Li commenced working for Hebei Metallurgical Mining Company (河北省冶金礦山公司) as the manager of Luanshigou iron ore mine's (亂石溝鐵礦) construction department. He supervised mine site selection, mine construction and managed iron ore mine infrastructure.

In October 1993, Mr. Li commenced working for Handan Iron & Steel Group Company Limited as deputy head of mining and chief of iron ore mine construction projects. During his time with Handan Iron & Steel Group Company Limited, he was responsible for the coordination of mine base stations. He was mainly responsible for feasibility studies, initial design of iron ore mines, and exploration of geological work in the mines.

In March 2003, Mr. Li became the general manager of Lingqiu County Daling Iron Ore Mine (靈丘縣大靈鐵礦), and was responsible for the coordination of construction and production management of Daling Iron Ore Mine (大靈鐵礦).

In September 2005, Mr. Li worked as general manager and chief engineer of Hunyuan County Juhuo Mining Company Limited (渾源縣炬火礦業有限責任公司). Hunyuan County Juhuo Mining Company Limited is a private enterprise engaged in underground mining of iron ore. During his time as general manager and chief engineer, Mr. Li solved problems relating to hazard temperatures and sandstorms during the construction of pits in the quicksand layer. He also initiated a technical project to build pits by successfully applying the freezing method.

Mr. Li commenced working for Hebei Province Guokong Mining Developing Investment Company Limited (河北省國控礦業開發投資有限公司) in August 2006 as the general manager of its subsidiary Hebei Jindi Mining Consulting Company Limited (河北金地礦業諮詢有限公司). He completed the examination work of mineral reserves of iron, copper, lead, zinc, molybdenum, gold, silver in 427 mining sites in Hebei province, upon the instruction of the Land Resources Department of Hebei Province (河北省國土資源廳). During the process, Mr. Li visited eight cities and 24 counties to collect mine data and examine mineral reserves.

Mr. Li became the general manager of Handan County Jinyuan Mining Company Limited (邯鄲縣金源礦業有限公司) in September 2008. He was responsible for the overall operation of Nanlizhuang Iron Ore Mine (南李莊鐵礦). He prepared a 1:500 scale landscape map and other initial designs necessary for mine construction.

Mr. Li joined Xingye Mining as chief of construction of Yanjiazhuang Mine in February 2010. He is responsible for the overall operations management of the Group.

On 9 April 2010, Mr. Li was appointed as an executive Director.

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JING Zhiqing (景志慶), aged 49, is an executive Director and the chief of mine construction of the Group. Mr. Jing is responsible for the supervision of the iron ore mining construction management of the Group. He obtained a bachelor's degree in engineering majoring in mine construction in 1984 and a master's degree in mining engineering in 1988 from Northeast University of Technology (東北工學院) (now known as Northeastern University (東北大學)). He was granted a Senior Engineer's Certificate (高級工程師) from the Ministry Metallurgical Industry (冶金工業部) of the PRC in 1995, a Consultant Engineer's Certificate (監理工程師) from the Ministry of Construction (建設部) of the PRC in 1998, a First-Graded Constructor's Certificate (一級建造師) from the Ministry of Construction of the PRC in 2006, an Investment Construction Project Manager's Certificate (投資建設項目管理師) from the Investment Association of China (中國投資協會) in 2008 and a Certificate of Registered Investment Construction Project Manager (投資建設項目管理師) from the Investment Association of China in 2009. He has approximately 11 years of experience in mine construction and approximately 11 years of experience in civil engineering and development.

From January 1988 to June 1999, Mr. Jing worked for the PRC Ministry of Metallurgical Industry Qinghuangdao Ferrous Metallurgical, Mining Design and Research Institute (中華人民共和國冶金工業部秦皇島黑色冶金礦山設計研究院) (now known as Qinhuangdao Metallurgical Design and Research Institute Co., Ltd. (秦皇島冶金設計研究總院有限公司)), which was principally engaged in metallurgical mine design (i.e. steel industry). He held various positions, including engineer, senior engineer, chief designer and chairman of the waterworks design research institute, and was involved in the design and management of various mines projects. He worked on the mining design in a mining design room as well as the design of ground construction and waterworks in the related design departments. During this period, he participated in a number of projects, including: (i) Dashihe Iron Ore Extension Project (大石河鐵礦擴建工程) of Shougang Mining Company (首鋼礦業公司), (ii) Extension Project of Water Factory Iron Ore (水廠鐵礦擴建工程) of Shougang Mining Company, (iii) Douzigou Iron Ore Project (豆子溝鐵礦工程) in Chengde, Hebei Province, (iv) Jinbeizhuang Iron Ore Project (近北莊鐵礦工程) of Xuanhua Iron & Steel Corporation (宣化鋼鐵公司) and Longyan Mining Company (龍煙礦山公司) in Hebei Province, (v) Marble Mine Project (大理岩礦山工程) and Mining & Narrow Gauge Railway Project (礦山及窄軌鐵路工程) of Haolianghe Cement Factory (浩良河水泥廠) in Heilongjiang Province, (vi) the Iron Ore Project in Damaoqi, Inner Mongolia Autonomous Region, (vii) Miaogou Iron Ore Project (廟溝鐵礦工程) of Tangshan Iron and Steel Company (唐山鋼鐵公司) and (viii) Heishan Iron Ore Project (黑山鐵礦工程) of Chengde Iron and Steel Company (承德鋼鐵公司).

From July 1999 to April 2001, Mr. Jing worked as a senior engineer for the Construction and Planning Design Research Institute in the Ministry of Construction (建設部建設規劃設計研究所) (now known as China Construction Planning & Design Research Institute Limited (北京中華建規劃設計研究院有限公司)). He was in charge of the on-site design service for an indoor beach construction project (single gross floor area of 100,000 square meters), for Holland Village in Shenyang (瀋陽荷蘭村), and the general planning and design management for the whole community.

From May 2001 to December 2002, Mr. Jing worked for Beijing Zhongyu and Engineering Construction Consulting Company (北京中宇工程建設諮詢公司) as the chief superintending engineer and was responsible for supervising the construction of Jiada Jiayuan (交大嘉園) and a dormitory for university students. The project included a 50,000 m² dormitory and a 180,000 m² middle to high end apartment complex, all of which were built by shear wall structure made with poured-in-place reinforced concrete.

From January 2003 to October 2004, Mr. Jing was the chief engineer and chief superintending engineer of China International Engineering Design & Consulting Co., Ltd. (中外建工程設計與顧問有限公司). He was responsible for the construction and supervision of Yansha Shengshi Building (燕莎盛世大廈) and the Rainbow City (彩虹城) project of Beijing.

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From November 2004 to June 2006, Mr. Jing worked for Zhong Yu–Paul Y. Project Management Company Limited (北京中宇保華工程項目管理有限公司), and was the deputy project manager and supervisor assistant of the Jiangsu Yangkou Port Project. He was responsible for the construction management of the projects. His management scope was sub-divided into design, construction, supervision of tender and on-site construction management, among others.

Starting from 2007, he acted as the deputy project manager and project co-ordination manager for Champion Forest Source Holdings Company Limited (盛冠銘森源控股有限公司). At the same time, Mr. Jing was seconded to Inner Mongolia Champion Crystal Spring Technology Development Ltd. (內蒙古盛冠銘清泉高技術開發有限公司) in Inner Mongolia, where he also acted as the project manager for Champion Environmental Services and Technology Holdings Ltd. (盛冠銘環境服務及科技控股有限公司), the holding company of Champion Forest Source Holdings Company Limited.

Based on his 11 years experience in mining design and 11 years in civil engineering and construction, Mr. Jing has substantial knowledge about the technologies used in project construction and the market conditions of mining and civil engineering. He has extensive experience in project management, mining design and construction, especially in iron ore and civil engineering construction management due to his involvement in the initial declaration procedures of various construction projects and in organizing various design bids, supervision bids and construction bids.

Mr. Jing joined the Group on 6 October 2010 and was appointed as an executive Director on 13 December 2010.

LIN Zeshun (林澤順), aged 65, is an executive Director and the chief manager of mining of the Company. Mr. Lin graduated from Tangshan Academy of Mining and Metallurgy (唐山礦冶學院) (now known as Hebei United University (河北聯合大學)) with a bachelor's degree in mining in 1970. He has 40 years of experience in the mining industry.

Mr. Lin began his mining career in August 1970 when he started working as a mining technical officer in the Xingtai Qi Cun Iron Mine (邢臺綦村鐵礦), which is located in Xingtai City, Hebei Province. While working as a mining technical officer, Mr. Lin specialized in mining technique selection. With proper selection of mining techniques, Mr. Lin enhanced the mine's open-pit mining strip ratio and underground mining advance ratio (地下採礦的掘進比例), which in turn optimized the recovery and depletion rates of the mine.

Between November 1974 and May 1986, Mr. Lin served first as the production planning officer, and later as the production planning manager of Xingtai Qi Cun Iron Mine. As the production planning manager, Mr. Lin was responsible for setting appropriate daily, monthly and annual targets for the mine production teams with an aim to optimize mining and processing (採、選平衡). In doing so, Mr. Lin managed the team's efforts in calculating the mine's open-pit mining strip ratio (露天採礦的剝採比例) and underground mining advance ratio (地下採礦的掘進比例), studying different mining techniques and ore processing workflow, formulating appropriate production policies and techniques to be adopted and determining the expected mining output to be achieved.

Between June 1986 and January 1998, Mr. Lin was the deputy mines manager, during which he managed the production of five mining areas, and the procurement, production and sales functions of selected production plants. Mr. Lin also significantly contributed to the sales of 200,000 tonnes of iron concentrate amid a recession of the iron and steel industry in the PRC. Between 1998 and 2001, the late production phase of Xingtai Qi Cun Iron Mine, Mr. Lin was reassigned as production technical consultant, during which period he was responsible for monitoring production processes and improving mining techniques. The reserves of Xingtai Qi Cun Iron Mine were exhausted and the mine was closed in 2001.

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Between January 2002 and October 2009, Mr. Lin was employed by Xingtai Wei Lai Smelting Company Limited (邢臺未來冶煉鑄造有限公司), a company located in Xingtai City, Hebei Province, as mining technical consultant, during which he was responsible for identifying, studying and making recommendations to the company in relation to the iron mines in nearby provinces, for the purpose of developing the company's iron ore resources and reserves.

In November 2009, Mr. Lin joined Xingye Mining as a supervisor for production and technology, where he was responsible for mining and processing technologies and making plans.

Having worked in various operational positions in iron mining, throughout the past 40 years, Mr. Lin possesses extensive knowledge and experience in iron mining production and management, which will greatly assist the Group with its iron mining and ore processing business.

On 9 April 2010, Mr. Lin was appointed as executive Director. Mr. Lin is our chief mining manager, and is responsible for the planning, design, and management of our mines, mining techniques and production processes of the Group.

LIU Yongxin (劉永信), aged 56, is an executive Director and the chief manager of ore processing for the Group. Mr. Liu obtained a diploma in mining from Baoding Metallurgy Professional Exploration College (保定冶金職工勘察學院) in June 1982. He qualified as mining engineer accredited by The Title Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in September 1993 and has 34 years in the exploration and mining industry.

Mr. Liu began his mining career in May 1976 as a geological surveyor at Xingtai Qi Cun Iron Mine of Xingtai Steel and Iron Limited Company (邢臺鋼鐵有限責任公司邢臺綦村鐵礦), and was responsible for geological surveying and recording, during which time he was responsible for ground surface control surveying, topographical surveying of the mining areas, and underground surveying of the whole Xingtai Qi Cun Iron Mine.

Between June 1982 and August 1990, Mr. Liu held various supervisory positions, including production dispatcher, at Xingtai Qi Cun Iron Mine, during which time he provided technical supervision to the iron mining production team and managed mine transportation and production processes. He assisted the then head of production of Xingtai Qi Cun Iron Mine in resolving major production issues and ensuring mine production safety by managing and coordinating between various mining areas and transportation fleets in the mine. In addition, he also successfully completed various infrastructure designs for the mine including the mine shaft cross-road design, lump ore recovery design, tunnel digging design, and trough-mouth pouring design, all of which significantly improved mine safety and utilization rates of production.

In August 1990, Mr. Liu joined the management office of Xingtai Qi Cun Iron Mine and subsequently became the head of production in January 1991. As the head of production, Mr. Liu was responsible for formulating and implementing effective production management policies and shift management protocols for the mine.

Between November 1994 and December 1997, Mr. Liu was the tailing plant manager of Xingtai Qi Cun Iron Mine, during which time he designed the tailing backfill system to return tailings to fill the open mining pit, and oversaw the successful completion of a 1,000,000 m² tailing dam for the Xingtai Qi Cun Iron Mine. These developments, together with other designs, including the tailing separation design and the scientific recycling design completed under his leadership, significantly reduced the operational footprint of the mine and hence its operating expenses.

Between December 1997 and November 1999, Mr. Liu was the deputy chief of logistics of Xingtai Qi Cun Iron Mine, during which he was responsible for managing mine safety and equipment installation. During that period, Mr. Liu effectively enhanced mine safety at Xingtai Qi Cun Iron Mine such that there were no material recorded accidents at the mine for three consecutive productive years.

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From November 1999 until joining the Group in October 2009, Mr. Liu was the materials processing engineer in the smelting sub-plant of Xingtai Steel and Iron Limited Company (邢臺鋼鐵有限責任公司燒結分廠), during which he was responsible for overseeing and managing the ore processing operations, including the screening of lump ore and concentrates, as well as grade and iron content control of iron concentrate.

Having worked in various operational positions in iron mining, throughout the past 34 years, Mr. Liu possesses extensive knowledge and experience in managing mining and ore processing operations, which will greatly assist the Group's mining business, especially with its ore processing operations.

On 9 April 2010, Mr. Liu was appointed as an executive Director. Mr. Liu is our chief manager of ore processing and is responsible for overseeing the ore processing management of the Group.

NON-EXECUTIVE DIRECTORS

TSANG Yam Pui (曾蔭培) *GBS, OBE, QPM, CPM*, aged 64, was appointed as a non-executive Director and the chairman of the Company on 20 May 2011. Mr. Tsang was educated in Hong Kong and graduated from the Sir Robert Black College of Education in 1968. During his long government service, Mr. Tsang attended a number of development training courses, including a one-year course at the Royal College of Defence Studies in London in 1990 and an executive program operated by the Harvard Business School in 1995.

Mr. Tsang is an executive director of NWS, which is one of our Controlling Shareholders. He is also a director and the vice chairman of the boards of New World First Bus Services Limited and Citybus Limited, New World First Bus Services (China) Limited, New World First Ferry Services Limited, and New World First Ferry Services (Macau) Limited. In addition, Mr. Tsang is the vice chairman of China United International Rail Containers Co., Limited, a joint venture with a subsidiary of the Ministry of Railways in mainland China. He is a non-executive director of Mapletree Investments Pte Ltd in Singapore. He is also the chairman and a non-executive director of Mapletree Commercial Trust Management Ltd. (as manager of Mapletree Commercial Trust which is listed on the Singapore Stock Exchange).

Mr. Tsang also serves as a member of the Hong Kong Sanatorium & Hospital's Clinical Governance Committee. Prior to joining NWS, Mr. Tsang had served with the Hong Kong Police Force for 38 years and retired from the Force as its Commissioner in December 2003. He has extensive experience in corporate leadership and public administration. Mr. Tsang was awarded the Gold Bauhinia Star, the OBE, the Queen's Police Medal, the Colonial Police Medal for Meritorious Service, the Commissioner's Commendation, and the HKSAR Police Long Service Medal.

On 13 March 2008, the Takeovers Executive of the Securities and Futures Commission issued a notice criticizing NWS Financial Management Services Limited ("NWSFM", an indirect wholly-owned subsidiary of NWS) and two of its directors for breaching Rule 31.3 of the Takeovers Code arising from NWSFM's acquisition of shares in Taifook Securities Group Limited (now known as Haitong International Securities Group Limited). The breach was caused by an inadvertent miscalculation of the prescribed period under Rule 31.3 of the Takeovers Code. Mr. Tsang has been a director of NWSFM since 9 October 2007 but he was not a party subject to the aforesaid criticism.

LAM Wai Hon, Patrick (林煒瀚), aged 48, was appointed as a non-executive Director and the vice-chairman of the Company and an alternate Director to Mr. Tsang Yam Pui on 20 May 2011 and to act for and on Mr. Tsang's behalf as chairman of the Company in his absence. Mr. Lam is a Chartered Accountant by training and holds a Master of Business Administration Degree from The University of Edinburgh and a Bachelor Degree from The University of Essex, the United Kingdom. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accounts in England and Wales, and a member of the Institute of Chartered Accounts of Ontario, Canada.

Mr. Lam is presently the Assistant General Manager of New World Development and an executive director of NWS. New World Development is the controlling shareholder of NWS, which is one of our

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Controlling Shareholders. He is mainly responsible for overseeing the services business of NWS Group and managing the financial and human resources aspects of NWS. His area of responsibilities in New World Group includes property investment and development as well as service business.

Mr. Lam is also a non-executive director of Wai Kee Holdings Limited (stock code: 610) and Road King Infrastructure Limited (stock code: 1098). Moreover, he was a non-executive director of Build King Holdings Limited (stock code: 240) and Taifook Securities Group Limited (now known as Haitong International Securities Group Limited, stock code: 665) up to his resignation on 24 October 2008 and 13 January 2010 respectively and was also a director of Guangdong Baolihua New Energy Stock Co., Ltd., a listed company in the PRC, up to his resignation on 1 April 2011.

On 13 March 2008, the Takeovers Executive of the Securities and Futures Commission issued a notice criticizing NWSFM and two of its directors for breaching Rule 31.3 of the Takeovers Code arising from NWSFM's acquisition of shares in Taifook Securities Group Limited (now known as Haitong International Securities Group Limited). The breach was caused by an inadvertent miscalculation of the prescribed period under Rule 31.3 of the Takeovers Code. Mr. Lam is one of the directors who was under the aforesaid criticism.

CHENG Chi Ming, Brian (鄭志明), aged 28, was appointed as a non-executive Director of the Company on 20 May 2011. Mr. Cheng is an executive director of NWS, which is one of our Controlling Shareholders. He has been with NWS since January 2008 and is mainly responsible for overseeing the infrastructure business and the merger and acquisition affairs of NWS Group. Moreover, he is a non-executive director of Haitong International Securities Group Limited (stock code: 665), Fook Woo Group Holdings Limited (stock code: 923) and Freeman Financial Corporation Limited (stock code: 279). Mr. Cheng is also a director of Sino-French Holdings (Hong Kong) Limited, Sino-French Energy Development Company Limited, The Macao Water Supply Company Limited and a director of a number of companies in mainland China.

Before joining NWS, Mr. Cheng had been working as a research analyst in the infrastructure and conglomerates sector for CLSA Asia Pacific Markets.

Mr. Cheng is the son of Dr. Cheng Kar Shun, Henry (the chairman and an executive director of NWS), the nephew of Mr. Doo Wai Hoi, William (the deputy chairman and a non-executive director of NWS) and the cousin of Mr. William Junior Guilherme Doo (an executive director of NWS).

INDEPENDENT NON-EXECUTIVE DIRECTORS

TSUI King Fai (徐景輝), aged 61, was appointed as an independent non-executive Director of the Company on 15 December 2010. Mr. Tsui is also the chairman of the audit committee of the Company. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in Australia and a member of the American Institute of Certified Public Accountants. He has extensive experience in accounting, finance and investment management, particularly in investments in China. Mr. Tsui is a director and senior consultant of WAG Worldsec Corporate Finance Limited, a registered financial services company in Hong Kong. He has worked for two of the "Big Four" audit firms in Hong Kong and the United States of America.

Mr. Tsui is currently an independent non-executive director of the following companies, the shares of which are listed on the Stock Exchange:

	Name of the listed company	Stock Code	Date of Appointment
1.	Lippo Limited	226	30 September 2004
2.	Lippo China Resources Limited	156	30 September 2004
3.	Hongkong Chinese Limited	655	30 September 2004
4.	China Aoyuan Property Group Limited	3883	13 September 2007
5.	Vinda International Holdings Limited	3331	19 June 2007

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

He graduated from the University of Houston with a Master of Science in Accountancy degree and a Bachelor of Business Administration degree with first class honors awarded in December 1974 and December 1973, respectively.

LEE Kwan Hung (李均雄), aged 45, was appointed as an independent non-executive Director of the Company on 15 December 2010. Mr. Lee received his Bachelor of Laws (Honours) degree and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989 respectively. He was admitted as a solicitor in Hong Kong in 1991 and the United Kingdom in 1997 and is a practising lawyer. Between 1993 and 1994, Mr. Lee was a senior manager in the Listing Division of The Stock Exchange of Hong Kong Limited.

Mr. Lee is currently an independent non-executive director of the following companies, the shares of which are listed on the Stock Exchange:

	Name of the listed companies	Stock Code	Date of Appointment
1.	GZI REIT Asset Management Limited	405	11 November 2005
2.	Embry Holdings Limited	1388	25 November 2006
3.	NetDragon Websoft Inc.	777	15 October 2007
4.	Asia Cassava Resources Holdings Limited	841	22 January 2009
5.	Futong Technology Development Holdings Limited	465	5 November 2009
6.	New Universe International Group Limited	8068	15 June 2010
7.	Walker Group Holdings Limited	1386	1 February 2011

In the three years preceding the Latest Practicable Date, Mr. Lee had been a non-executive director of Mirabell International Holdings Limited and GST Holdings Limited prior to the privatization of both companies. Save as disclosed, in the three years preceding 31 May 2011, Mr. Lee did not hold any directorship in other listed companies.

WU Wai Leung, Danny (胡偉亮), aged 50, was appointed as an independent non-executive Director on 25 January 2011. Mr. Wu has over 20 years of experience in investing and business operations in Asia.

In 1985, Mr. Wu was a manager of the Hong Kong Trade Development Council taking charge of promoting trade and investment of Hong Kong. In 1988, he joined Quanta Industries Ltd. and was appointed as the general manager of Quanta's Hong Kong office to lead its operations in China.

In 1992, Mr. Wu joined Sino-Wood Partners, Limited, and was engaged to develop business and was responsible for wood chip business, quality management, shipping and logistics management and sales management. Sino-Wood Partners, Limited's holding company, Sino-Forest Corporation, was listed on the Toronto Stock Exchange in 1994.

Mr. Wu had been a director of Sino Automotive Parts Limited, a holding company for auto parts manufacturing and distribution in China. Through its joint ventures with Hella KGaA Hueck & Co. of Germany, the joint ventures supplied auto parts to Volkswagen, Audi and First Auto Works (FAW) in Changchun, China. Sino Automotive Parts Limited's stakes in these joint ventures were sold back to Hella KGaA Hueck & Co. in 2005.

In 2003, Mr. Wu was appointed as a director of First U.S. Capital Limited which engages in early stage investment, and investment advisory services to small and medium enterprises in Asia, with a focus in transportation, resource, manufacturing, technology and telecommunication companies.

In 2003-2006, Mr. Wu was appointed as the Economic Advisor of Weifang Municipal Overseas Investment Promotion Bureau, Shandong Province, the PRC.

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Mr. Wu graduated from the University of Hong Kong with a bachelor's degree in social sciences in 1985.

The Joint Sponsors are of the view that the independent non-executive Directors will have sufficient time to discharge their duties.

Save 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 of our Shareholders.

SENIOR MANAGEMENT

JIAO Ying (焦瑩), aged 49, is the chief financial officer of the Company. He is responsible for the overall finance operation and financial reporting management of the Group. Mr. Jiao graduated with a Bachelor of Arts in English in 1984 and a Bachelor of Arts in International Journalism in 1986 from Shanghai Foreign Studies University and obtained a Master of Education from Nottingham University in Great Britain in 1990 and a Master of Business Administration from the University of International Business and Economics in 1997. Mr. Jiao is a member of Institute of Management Accountants (IMA).

From 1992 to 2001, Mr. Jiao held several positions, including financial controller and secretary to the board of directors, with China World Trade Center Company Ltd., a company listed on Shanghai Stock Exchange (Stock Code: 600007). He oversaw accounting and financial functions, financial reports and corporate governance of the Company. From 2001 to 2004, he was the chief financial officer of Zoom Networks (Shenzhen) Co., Ltd. (中太數據通信(深圳)公司) where he oversaw financial and accounting functions and participated in the execution of corporate strategies and mergers and acquisitions. From 2005, he worked as an assistant to the chief executive officer of Tianjin Tianshi Biological Development Co., Ltd., a subsidiary of Tiens Biotech Group USA Inc., a PRC company where he assisted the chief executive officer with the operation, reporting and compliance functions of the group. From 2007 to 2008, he was a vice president and chief financial officer of China Shenzhou Mining & Resources, Inc. (symbol: SHZ), a PRC non-ferrous metal company listed on the American Stock Exchange (now known as NYSE Amex Equities), where he oversaw financial management, reporting and compliance function of the group. From 2008 to 2009, Mr. Jiao worked as the director and chief financial officer of Golden Cattle Livestock Breeding Technology Holdings Limited, where he was responsible for coordinating financial and tax due diligence, auditing work and implementing financial reporting and control systems. From 2009 to 2010, Mr. Jiao worked as executive vice-president and general manager of the financial management department of Anton Oilfield Services Group, a company listed on the Main Board of the Stock Exchange (Stock Code: 3337), where he was responsible for financial management and reporting, and he also assisted the chief executive officer in capital markets and investor relations management.

On 13 December 2010, Mr. Jiao was appointed as the chief financial officer of the Company.

HO Siu Mei (何筱微), aged 45, is the company secretary and general manager of the finance and administration department of the Company. Ms. Ho graduated from Curtin University of Technology with a Bachelor of Commerce Accounting in 1997 and obtained a Master of Professional Accounting from The Hong Kong Polytechnic University in 2000. She is a fellow member of Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants.

Ms. Ho has over 20 years of accounting, treasury, corporate finance and financial management experience. Prior to joining the Group, she held various finance and management positions in New World Development. Prior to July 1996, she worked at KPMG, an international accounting firm. She has more than seven years of auditing experience.

On 13 December 2010, Ms. Ho was appointed as the company secretary of the Company.

WANG Jiangping (王江平), aged 47, is the head of the safety department of the Group. Mr. Wang obtained a diploma in political education (政治教育) from Hebei Normal University (河北師範大學) (cadres correspondence) in June 1994 and qualified as a responsible officer of non-coal mines under the

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Hebei Administrative and Supervising Bureau of Safety Works (河北省安全生產監督管理局) in August 2008. He has 12 years of experience in the exploration and mining industry.

Between 1998 and 2005, he joined Xing Rong Coal Mine as deputy mines manager, during which he was involved in designing various pit development systems and was responsible for mining and mine safety management. He led the formulation and implementation of various mine safety protocols. In addition, he organized regular safety training for different levels of staff. Under the supervision of Mr. Wang, no material accidents were recorded at Xing Rong Coal Mine for more than seven consecutive years.

Between 2005 and 2009, Mr. Wang held various positions at Guomu Nangou Mine, including deputy mines manager and general manager, and was in charge of geological exploration, mining production, iron ore processing, mine safety management and environmental protection. He oversaw the installation, development, and testing of iron ore processing facilities and equipment.

At the same time, Mr. Wang was involved in the iron mining and business license applications for Yanjiazhuang Mine. He was involved in determining mining area, conducting feasibility studies and consultations and was responsible for managing the compilation of documents for submission to the relevant governmental authorities and liaising with the same for processing the respective applications.

In December 2006, Mr. Wang was appointed as the mine safety manager for Xingye Mining. He was in charge of mine safety management at the Yanjiazhuang Mine and Guomu Nangou Mine. Since his appointment, Mr. Wang has established a complete set of mine safety protocols for the mines, including Xingye Mining's "Safety Management Proposal (《安全管理方案》)", "Safety Management Protocols (《安全管理制度》)", "Mine Safety Management Accountabilities Protocols (《安全生產崗位責任制》)" (which specified the accountability of fifteen key responsible positions in respect of mine safety management), "Mine Safety Enhancement Protocols (《安全教育培訓制》)", and "Mine Safety Training Schedule (《安全教育培訓內容和課時》)." In August 2007, Mr. Wang became the legal representative of Li Yuan.

Mr. Wang was appointed as the deputy managing director of Xingye Mining in July 2009 and was involved in the management of the exploration and mining rights, commercial negotiation and government liaison as well as being in charge of the daily administration and mine safety protocols for Yanjiazhuang Mine and Guomu Nangou Mine.

In August 2005, Mr. Wang joined the Group as the deputy mines manager of Guomu Nangou Mine. In May 2010, Mr. Wang was reassigned as the head of the safety department of the Group. He has been responsible for the production safety management of the Group.

REN Jianzhu (任建柱), aged 40, is the head of mechanical and electrical engineering of the Group. Mr. Ren graduated from Hebei Institute of Technology (河北工學院) (now known as Hebei University of Technology (河北工業大學)) with a diploma in electrical engineering (電氣工程) in July 1993. Mr. Ren qualified as an electrical engineer under the Appraisal Committee of Senior Professional Rank on Coal Engineering of Hebei Province (河北煤炭工程技術高級專業技術職務評審委員會) in December 2000. He has four years of experience in the exploration and mining industry.

Between April 1998 and May 2006, Mr. Ren held various positions, including deputy technology manager and technology manager, at State Xingtai Energy Development Company Limited (國投邢臺能源開發有限公司), the company that operated the Xingdong Thermal Power Plant in Xingtai City, Hebei Province. During this period, he was responsible for the installation of equipment (including transformers and electric boilers) at the plant. He also managed various electrical engineering projects for the plant.

In June 2006, Mr. Ren joined the Group and has since held various positions including electrical engineer and mechanical and electrical manager at Xingye Mining. He has been involved in exploration, ore-processing and production technology of the mine and was responsible for the procurement of

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electricity and the formulation, design and installation of electricity supply systems and contingent back-up supply systems for both the mining areas and the processing facilities at the Group's mines. In July 2007, he successfully organized a technological advancement of the electricity supply system for the No. 1 Processing Facility. In early 2008, he organized the installation of the electricity supply system for the No. 2 Processing Facility. In June 2008, he also completed the design, installation and testing of the power supply system for the No. 1 Processing Facility and the No. 2 Processing Facility at the Yanjiazhuang Mine. Currently, Mr. Ren is responsible for the design of the power supply system of the No.3 Processing Facility.

In 2006, Mr. Ren joined the Group as the head of mechanical and electrical engineering. He has been responsible for the power systems and plant equipment management of the Group.

WANG Xiaoxing (王曉興), aged 57, is the head of geological exploration of the Group. Mr. Wang graduated from Central South Institute of Mines (中南礦冶學院) (now known as Central South University (中南大學)) with a diploma in regional geological survey and mineral resources survey (區域地質調查及礦產普查) in August 1978. He qualified as senior engineer under the Ministry of Metallurgical Industry of the PRC (中國冶金工業部) in September 1995 and has 31 years of experience in the exploration and mining industry.

Since 1978, Mr. Wang has held various positions in the China Metallurgical Geology Bureau (中國冶金地質總局), including technician, engineer and senior engineer in the fields of geological mineral research and exploration. Between February 1982 and December 1984, Mr. Wang participated in the exploration of gold mines in Hebei Yongnian County Hongshan District (河北永年縣洪山測區). Between January 1985 and late 1988, he was involved in the exploration of gold mines in north Mount Taihang (太行山北部).

Between early 1989 and June 1994, he served in Brigade No. 520 as the deputy head of geology and was responsible for technical management. In particular, he was in charge of the revision of the "Regulations for Geological Construction in Rural Areas (野外地質工程編錄細則)" and the "Consolidated Diagram (統一示圖)."

Between 1994 and 1999, Mr. Wang was responsible for the prospecting of stone and gold mines in Hebei Lingshou County (河北省靈壽縣). Between January 2000 and August 2002, Mr. Wang was appointed manager of Zhongye Xingtai Laboratory (中冶邢臺化驗室). Between 2003 and 2008, Mr. Wang participated in various projects including the prospecting of polymetallic ore in Hebei Lincheng County Liangjiazhuang (河北省臨城縣梁家莊), the prospecting of gold mines in Hebei Fuping County (河北省阜平縣), the prospecting of polymetallic ore in Hebei Neiqiu County (河北省內丘縣) and the prospecting of polymetallic ore in Inner Mongolia.

Mr. Wang was our independent non-executive Director from 9 April 2010 to 12 July 2010. He was re-designated as the head of geological exploration of the Group on 20 July 2010.

ZHANG Mingliang (張明亮), aged 41, is the deputy general manager of the Group. Mr. Zhang graduated in 1994 from Tianjin Foreign Studies College (天津外國語學院) (now known as Tianjin Foreign Studies University (天津外國語大學)), where he majored in English language and culture. He has 10 years of experience in administration and six years of experience in business development.

Mr. Zhang has extensive experience and knowledge in marketing, sales and business administration, which will assist our Group in developing these areas. Between July 1994 and October 2002, Mr. Zhang was a manager of Kerry EAS Logistics Limited Tianjin Branch (嘉里大通物流有限公司天津分公司). During the period, he was responsible for administration, marketing and sales, and he gained solid experience and knowledge in marketing, logistics, distribution, business administration and public relations. He was in charge of designing and establishing Dell (China) Company Limited's logistics distribution system in the PRC.

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Between October 2002 and July 2004, Mr. Zhang was the head of the management and import departments at SR-UTOC International Transportation Logistics (Tianjin) Inc. (鐵宇國際運輸(天津)有限公司). He was responsible for drafting and implementing financial and human resource management policies. During the period, Mr. Zhang was successful in carrying out distribution for the production line of Toyota.

In July 2004, Mr. Zhang joined NWS as the business development manager in Hebei Province. He has been responsible for managing and implementing business development plans, especially in the areas of water treatment, ports and highways. In July 2010, Mr. Zhang was appointed as the deputy general manager of Xingye Mining, where he is responsible for merchandising as well as sales and marketing.

LI Yuehui (李悅輝), aged 40, joined the Group on 24 January 2011 as the head of gabbro-diorite mining of the Group. Mr. Li graduated from the School of Geosciences of the China University of Geosciences in 1992, and holds a bachelor degree in Geosciences. Since his graduation, he has accumulated extensive experience and expertise in the mining, processing and market development of gabbro-diorite and non-metal mineral resources such as granite and marble as well as geological surveys and mining exploration. Mr. Li has 10 years of experience in gabbro-diorite mining.

From July 1992 to December 1997, Mr. Li worked as a technician in the third geological survey team at the Bureau of Geo-exploration and Mineral Development, Xinyang City, Henan Province, during which he was responsible for the geological and mineral exploration and participated in the 1:50,000 geological and mineral exploration project in Xinyang City, the PRC and the geological exploration of peripheral area at the Laowan Gold Mine in Tongbai County.

From January 1998 to December 2007, Mr. Li worked with Wuhan Yongsong Mining Development Co., Ltd. Hunyuan Yongyuan Granite Mine (武漢永松礦業開發有限公司渾源永源花崗石礦) in Datong City, Shanxi Province, the PRC. Wuhan Yongsong Mining Development Co., Ltd. Hunyuan Yongyuan Granite Mine (武漢永松礦業開發有限公司渾源永源花崗石礦) wholly owns the Yongyuan granite mine (永源花崗岩礦), which is a large black granite (gabbro-diorite) mines producing high quality black granite in the PRC. Mr. Li had held various major positions including construction staff, quality controller, vice production officer and head of mining, and is mainly responsible for the construction, quality management of granite mine, development of new mineral resources and mine development and utilization. From January 1997 to April 2004, Mr. Li worked as a construction staff and quality controller. His work ranged from planning to implementation of new mineral resources development and new mining plans. His responsibilities included mine production deployment, installation of machineries, inspection of product quality and safety supervision management. From April 2004 till the end of 2006, he became the deputy production officer and was responsible for the formulation of mining plans and supervision of the implementation thereof, focusing on safety, efficiency and low energy consumption. From early 2007 to December 2007, he was appointed as head of mining, in charge of mine planning, including mining surface design, machine deployment and economic output. He has been involved in the supervision and implementation of various duties such as financial and external coordination.

From January 2008 and December 2010, Mr. Li was an engineer of the third geological survey team of Xinyang City in the PRC and was responsible for geological and mineral survey. He participated in numerous mineral exploration and research projects including integrated mining exploitation (polymetallic resources) in Wujiadian and Xuanhuadian area, Xin County, Hubei Province, the 1:50,000 geological mineral reserve in Linchangfu and Hongxingfu, Tangnan, Yichun City, Heilongjiang Province, the integrated mining exploration (polymetallic resources) in Sunitzuoqi Honggeer area, Inner Mongolia, and the compilation of research reports. In addition, he was also involved in various projects such as the pre-inspection work for copper and gold metals in mines located in Saertuohai Village, A'ertai Qinghe County, Xinjiang Province, the research work for the 1:50,000 geological mineral reserves in Dulan County, Qinghai Province, the verification work of the reserves in the Qiadong Copper Mine and aluminium and zinc polymetallic resources in Xiabuleng (夏卜楞) in Tongren County, Qinghai Province, the PRC. He was also responsible for the production, management and technical consultation works at various granite, marble stone mining and processing factories.

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Mr. Li has been responsible for formulating the gabbro-diabase development plan of the Group and will continue to engage in works which involve gabbro-diabase geology, mining, operation, quality control and production management.

COMPANY SECRETARY

Ho Siu Mei is our company secretary. Please refer to the paragraph headed “Senior Management” in this section for her biographical background.

WAIVER FROM RULE 8.12 OF THE LISTING RULES

We have applied to the Stock Exchange for, and the Stock Exchange has granted, 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 — Management Presence in Hong Kong” in this Prospectus.

COMPLIANCE ADVISOR

We will appoint Guotai Junan Capital Limited as our compliance advisor 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 advisor will advise the Company on the following circumstances:

- (a) before the publication of any regulatory announcements, circulars or financial reports;
- (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 Listing in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecasts, estimates, 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 C.3 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The audit committee consists of three independent non-executive Directors, namely: Tsui King Fai, Lee Kwan Hung, Wu Wai Leung, Danny, with Tsui King Fai, who has the appropriate professional qualification, 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 B.1 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of three independent non-executive Directors, namely: Lee Kwan Hung, Tsui King Fai and Wu Wai Leung, Danny, and two non-executive Directors, namely Tsang Yam Pui and Lam Wai Hon, Patrick, with Lee Kwan Hung being the chairman of the committee.

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The primary duties of the remuneration committee are to develop remuneration policies of our Directors, evaluate their 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. The nomination committee consists of three independent non-executive Directors, namely: Lee Kwan Hung, Tsui King Fai and Wu Wai Leung, Danny, and two non-executive Directors, namely Tsang Yam Pui and Lam Wai Hon, Patrick, with Lee Kwan Hung 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.

CORPORATE GOVERNANCE

As part of the Listing process, our Directors have received training in a wide spectrum of areas from Directors' fiduciary duties to corporate governance, including but not limited to their obligations to inform investors timely of any material changes and developments to the Group.

As our Company is in an early stage of operations, our Directors are committed to informing investors, on a timely basis, of any material changes and developments to the Group's business plan, progress of development and use of proceeds after Listing.

In particular, our Directors will adopt the following measures in the case that we propose to use the proceeds of Listing in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecasts, estimates, or other information in this Prospectus:

- (a) To seek advice from Guotai Junan Capital Limited, whom we will appoint as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules;
- (b) To make public disclosures in the form of announcements to be posted on the website of the Stock Exchange and the website of the Company;
- (c) To report on the completion of any major developments in annual/interim reports; and
- (d) To comply with all disclosure requirements as set out in the Listing Rules and adopt any other prevailing practices of a listed company in respect of its investor relations and public communications.

To maintain high standards of corporate governance, we intend to comply with the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules.

DIRECTORS' REMUNERATION

Prior to the incorporation of the Company on 25 September 2009, our operations were mainly conducted through Xingye Mining. The remuneration information set out below for our Directors and the five highest paid individuals, insofar as it relates to periods prior to our incorporation, is stated at historical amounts as if our current structure had been in existence throughout the relevant periods.

Five highest paid individuals

The aggregate amount of remuneration, including salaries, allowances and benefits in kind, paid by the Group to the five highest paid individuals (including directors) for each of the three years ended 31 December 2010 was approximately RMB104,000, RMB160,000 and RMB1.7 million, respectively.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

For each of the three years ended 31 December 2010:

- (i) the emoluments paid to each of the highest paid non-director individuals did not exceed HK\$1,000,000; and
- (ii) no emoluments were paid by the Group to any of the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

For each of the two years ended 31 December 2009, none of the five highest paid individuals of the Group was a Director. For the year ended 31 December 2010, two of the five highest paid individuals of the Group were Directors.

For each of the three years ended 31 December 2010 there were no discretionary bonuses paid to our five highest paid individuals.

Directors' emoluments

For each of the two years ended 31 December 2009:

- (i) no emoluments in any form including fees, salaries, and allowances, benefits in-kind and contribution to the pension scheme was paid to the Directors;
- (ii) none of the Directors waived any emoluments; and
- (iii) no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

For the year ended 31 December 2010:

- (i) aggregate remuneration in the sum of RMB1,021,000 was paid to the Directors;
- (ii) none of the Directors waived any emoluments; and
- (iii) no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

For each of the three years ended 31 December 2010 there were no discretionary bonuses paid to our Directors. The Directors' fee and other emoluments are expected to be determined and reviewed by the remuneration committee of the Company from time to time.

For each of the three years ended 31 December 2010, there were no emoluments payable to the then non-executive Director and independent non-executive Directors.

Save as disclosed in the section headed "Relationship with our Controlling Shareholders and Connected Transactions" 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.

SUBSTANTIAL SHAREHOLDERS AND SELLING SHAREHOLDER

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware and assuming an Offer Price of HK\$2.05 that is at the mid-point of the indicative Offer Price range, the following persons (other than our Directors) will, immediately following the completion of the Global Offering and the Capitalization Issue and taking no account of any Shares which may be sold pursuant to the exercise of the Over-allotment Option and any Shares which may be allotted and issued pursuant to the exercise of the options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme, have interests or short positions in any Shares or underlying shares of the Company which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest in the Company immediately upon completion of the Global Offering and the Capitalization Issue (assuming the Over-Allotment Option is not exercised)
Cheng Yu Tung Family (Holdings) Limited ⁽¹⁾	Interest in controlled corporation	1,920,000,000	48%
Centennial Success Limited ⁽²⁾ ..	Interest in controlled corporation	1,920,000,000	48%
Chow Tai Fook Enterprises Limited ⁽³⁾	Interest in controlled corporation	1,920,000,000	48%
NWD ⁽⁴⁾	Interest in controlled corporation	1,920,000,000	48%
NWS ⁽⁵⁾	Interest in controlled corporation	1,920,000,000	48%
Faithful Boom ⁽⁵⁾	Beneficial interest	1,920,000,000	48%
Mak Siu Hang, Viola ⁽⁶⁾	Interest in controlled corporation	1,080,000,000	27%
VMS ⁽⁶⁾	Interest in controlled corporation	1,080,000,000	27%
Fast Fortune ⁽⁶⁾	Beneficial interest	1,080,000,000	27%

Notes:

- (1) Cheng Yu Tung Family (Holdings) Limited holds 51% direct interest in Centennial Success Limited (“CSL”) and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CSL.
- (2) CSL holds 100% direct interest in Chow Tai Fook Enterprises Limited (“CTF Enterprises”) and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF Enterprises.
- (3) CTF Enterprises, together with its subsidiaries, hold more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD.
- (4) NWD holds approximately 59.79% direct interest in NWS and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWS.
- (5) NWS holds a 100% direct interest in NWS Resources, which holds a 100% direct interest in NWS Mining. NWS Mining holds a 100% interest in Modern Global, which holds a 100% direct interest in Perfect Move. Faithful Boom is a wholly-owned subsidiary of Perfect Move. Therefore NWS, NWS Resources, NWS Mining, Modern Global and Perfect Move are deemed to be interested in all the Shares held by or deemed to be interested by Faithful Boom.
- (6) Fast Fortune is a subsidiary of VMS. Ms. Mak Siu Hang, Viola holds a 100% direct interest in VMS. Therefore Ms. Mak Siu Hang, Viola and VMS are deemed to be interested in all the Shares held by or deemed to be interested by Fast Fortune.

Save as disclosed herein, assuming an Offer Price of HK\$2.05 that is at the mid-point of the indicative Offer Price range, our Directors are not aware of any person (other than our Directors) who will, immediately following the completion of the Global Offering and the Capitalization Issue and not taking into account any Shares which may be taken up under the Global Offering or which may be sold pursuant to the exercise of the Over-allotment Option and any Shares which may be allotted and issued pursuant to the exercise of the options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme, have interests or short positions in any Shares

SUBSTANTIAL SHAREHOLDERS AND SELLING SHAREHOLDER

or underlying shares of the Company which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of the Company.

SELLING SHAREHOLDER

Pursuant to the International Underwriting Agreement, the Selling Shareholder is expected to sell an aggregate of 200,000,000 Shares in the International Placing, representing 5% of the total issued share capital of our Company immediately following completion of the International Placing, assuming the Over-allotment Option and options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme are not exercised. In addition, pursuant to the Over-allotment Option, the Selling Shareholder has granted an option to the Sole Global Coordinator. Pursuant to this option, the Selling Shareholder may be required by the Sole Global Coordinator to sell up to an aggregate of 150,000,000 Shares, representing 3.75% of the total issued share capital of our Company assuming the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme are not exercised.

Immediately after completion of the Global Offering and the Capitalization Issue and assuming that the options which have been granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Share Option Scheme are not exercised, VMS, through Fast Fortune, will hold 27% (assuming that the Over-allotment Option is not exercised) or 23.25% (assuming that the Over-allotment Option is exercised in full) of the then issued share capital of our Company.

The following table sets forth the details of the Selling Shareholder and number of Shares offered for sale by the Selling Shareholder under the International Placing and pursuant to the Over-allotment Option.

Name:	Fast Fortune
Place of Incorporation:	British Virgin Islands
Date of Incorporation:	2 June 2010
Registered Office:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Number of Shares offered for sale by the Selling Shareholder under the International Placing:	200,000,000
Number of Shares offered for sale by the Selling Shareholder pursuant to the exercise of the Over-allotment Option in full:	150,000,000
Number of Shares held by the Selling Shareholder immediately after completion of the Global Offering, the Capitalization Issue and the exercise of the Over-allotment Option in full:	930,000,000

SHARE CAPITAL

The authorized and issued share capital of the Company are as follows:

(HK\$)

Number of Shares comprised in the authorized share capital:

<u>10,000,000,000</u>	Shares	<u>1,000,000,000</u>

The share capital of the Company immediately following the Global Offering will be as follows:

(HK\$)

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering:

1,001	Existing issued Shares as of the date of this Prospectus	100.10
3,199,998,999	Shares to be issued pursuant to the Capitalization Issue	319,999,899.90
<u>800,000,000</u>	Shares to be issued in the Global Offering	<u>80,000,000</u>
<u>4,000,000,000</u>	Shares in total	<u>400,000,000</u>

ASSUMPTIONS

The above tables assume that the Global Offering becomes unconditional and does not take into account any exercise of any options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme as described below. They take no account of Shares which may be allotted and issued or repurchased by the Company pursuant to the Issue Mandate and Repurchase Mandate as described below.

RANKING

The Offer Shares will rank pari passu in all respects with all other Shares in issue as mentioned in this Prospectus, and in particular, will rank in full for all dividends and other distributions declared, paid or made on the Shares after the date of this Prospectus.

PRE-IPO SHARE OPTION SCHEME

The Company has adopted the Pre-IPO Share Option Scheme in which certain eligible participants had been granted options to acquire Shares before the Listing. A summary of the principal terms of the Pre-IPO Share Option Scheme is set out in the section headed “Statutory and General Information — D. Pre-IPO Share Option Scheme” in Appendix VIII to this Prospectus.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme, the principal terms of which are set out in the section headed “Statutory and General Information — E. Share Option Scheme” in Appendix VIII to this Prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Conditional on conditions as stated in the section headed “Structure of the Global Offering — Conditions of the Global Offering” in this Prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal or par value not exceeding the sum of:

- (i) 20% of the aggregate nominal or par value of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding exercise of any options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme); and
- (ii) the aggregate nominal amount of the share capital of the Company repurchased by the Company (if any) pursuant to the Repurchase Mandate.

Our Directors may, in addition to the Shares which they are authorized to issue under the mandate, allot, issue and deal in the Shares pursuant to (a) a rights issue; (b) the exercise of rights of subscription, exchange or conversion under the terms of any warrants or convertible securities issued by the Company or any securities which are exchangeable into Shares; (c) the exercise of the subscription rights under options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme or any other similar arrangement of the Company from time to time adopted for the grant or issue to officers and/or employees and/or consultants and/or advisors of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares; or (d) any scrip dividend or similar arrangement providing for allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles.

The Issue Mandate will expire at:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law of the Cayman Islands to be held; or
- (iii) the revocation or variation by an ordinary resolution of the members in a general meeting, whichever is the earliest.

For further details of the Issue Mandate, see the section headed “Statutory and General Information — A. Further Information about Our Company — 3. Written resolutions of the Shareholders passed on 9 April 2010, 25 January 2011, 8 June 2011 and 10 June 2011” in Appendix VIII to this Prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on conditions as stated in the section headed “Structure of the Global Offering — Conditions of the Global Offering” in this Prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with an aggregate nominal or par value of not more than 10% of the total nominal or par value of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding exercise of any options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme). The Repurchase Mandate relates only to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information — A. Further information about the Company — 7. Repurchase by the Company of its own securities” in Appendix VIII to this Prospectus.

SHARE CAPITAL

The Repurchase Mandate will expire:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law of the Cayman Islands to be held; or
- (iii) the revocation or variation by an ordinary resolution of the members in a general meeting, whichever is the earliest.

For further information about the Repurchase Mandate, please refer to the section headed “Statutory and General Information — A. Further Information about Our Company — 3. Written resolutions of the Shareholders passed on 9 April 2010, 25 January 2011, 8 June 2011 and 10 June 2011” in Appendix VIII to this Prospectus.

CORNERSTONE INVESTOR

We have entered into one agreement with a cornerstone investor (the “**Cornerstone Investor**”), Shougang Hong Kong. The Cornerstone Investor is an independent third party not connected with us and will not be a substantial shareholder of our Company upon Listing and during the twelve-month lock-up period as described below.

The agreement with Shougang Hong Kong forms part of the International Placing. Shougang Hong Kong will not subscribe for any Offer Shares under the Global Offering other than pursuant to the cornerstone investor agreement. The Offer Shares to be subscribed for by Shougang Hong Kong will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company. Shougang Hong Kong has no representative on our Board. The Offer Shares to be subscribed for by Shougang Hong Kong will not be affected by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in “Structure of the Global Offering—The Hong Kong Public Offering”.

Shougang Hong Kong

Shougang Hong Kong has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with an amount of approximately HK\$400 million at the Offer Price which shall not be more than the maximum Offer Price of HK\$2.35. Assuming a maximum Offer Price of HK\$2.35, Shougang Hong Kong will subscribe for 170,212,000 Shares, which would represent approximately 4.26% of the Shares issued and outstanding upon completion of the Global Offering, and approximately 17.02% of the total number of Offer Shares; assuming an Offer Price of HK\$2.05, the mid-point of the indicative Offer Price range, Shougang Hong Kong will subscribe for 195,120,000 Shares, which would represent approximately 4.88% of the Shares issued and outstanding upon completion of the Global Offering and approximately 19.51% of the total number of Offer Shares; and assuming a minimum Offer Price of HK\$1.75, Shougang Hong Kong will subscribe for 228,570,000 Shares, which would represent approximately 5.71% of the Shares issued and outstanding upon completion of the Global Offering and approximately 22.86% of the total number of Offer Shares.⁽¹⁾ The Shares will be delivered to Shougang Hong Kong’s wholly-owned subsidiary, Plus All. In the announcement of allotment results, the Company will disclose the number of Shares for which Shougang Hong Kong will subscribe.

Shougang Hong Kong, a subsidiary of Shougang Corporation, is a Hong Kong incorporated investment holding company. Through its subsidiaries and associated companies, Shougang Hong Kong is engaged in a variety of diversified businesses such as manufacturing and trading of steel and metallic products, shipping, mineral exploration and mining, property investment, and financial services. As one of the largest Chinese steel companies, Shougang Corporation is a state-owned enterprise under the direct supervision of the State Council of the PRC. Shougang Corporation’s primary focus is on the steel industry, with other operational interests in the mining, electronics and machinery, construction and real estate, service and trading industries. It is a market leader in the areas of steel industry, production specifications and technical expertise. Shougang Corporation’s major iron production facilities are located in the Hebei Province and it endeavours to search for more upstream mining opportunities to modernise its vertically integrated model from mining to processing.

The parties’ respective obligations under the cornerstone investor agreement of 16 June 2011 are conditional upon each of the following having been satisfied at or prior to closing: (i) the Underwriting Agreements having been entered into, becoming effective and having become unconditional (or waived) by no later than the time and date as specified in them; (ii) none of the Underwriting Agreements having

(1) These calculations divide the cornerstone investment by the assumed Offer price and then round down to the nearest whole board lot of 2,000 Shares (excluding brokerage fees and levies, in each case, of the total Offer Price that the Cornerstone Investor will pay). The calculations further assume that the Over-allotment Option and options granted pursuant to the Pre-IPO Share Option Scheme or to be granted pursuant to the Share Option Scheme are not exercised.

CORNERSTONE INVESTOR

been terminated; (iii) no laws having been enacted or promulgated by any governmental authority which prohibit the consummation of the closing and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of the closing; and (iv) the respective representations, warranties and confirmations of the investor and the Company in the CIA remaining accurate and true and not misleading and there being no material breach of the CIA by the investor or the Company.

Shougang Hong Kong has agreed that, without the prior written consent of the Company and the Joint Bookrunners, it will not, whether directly or indirectly, at any time during the period of twelve months from the Listing Date, dispose of any Shares subscribed for pursuant to the respective cornerstone investor agreement or any Shares or other securities of the Company deriving from such Shares pursuant to any rights issue, capitalization issue or other form of capital reorganisation. Shougang Hong Kong may transfer the Shares so subscribed for in certain limited circumstances, such as transfer to a wholly owned subsidiary and any such transfer can only be made when the transferee agrees to be subject to the restrictions on disposal imposed on Shougang Hong Kong. The Joint Bookrunners confirm that, unless in exceptional circumstances, they will not exercise their discretion to release Shougang Hong Kong from the above lock-up arrangements.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

NWS and VMS became our Controlling Shareholders as a result of their acquiring interests in Perfect Move and Faithful Boom and the Reorganization.

As at the Latest Practicable Date, NWS, through its indirect wholly-owned subsidiaries, held all the interest in Faithful Boom, which holds 60% of our Shares. VMS holds all the voting rights as well as approximately 89.1% of the non-voting participating shares in Fast Fortune, which holds 40% of our Shares.

VMS is expected to sell an aggregate of 200,000,000 Shares in the Global Offering, representing 5% of the total issued share capital of our Company following completion of the Global Offering and the Capitalization Issue, assuming the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme are not exercised. Immediately after completion of the Global Offering and the Capitalization Issue and assuming that the options which have been granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Share Option Scheme are not exercised, NWS through Faithful Boom will hold 48% of the then issued share capital of our Company and VMS through Fast Fortune will hold 27% (assuming that the Over-allotment Option is not exercised) or 23.25% (assuming that the Over-allotment Option is exercised in full) of the then issued share capital of our Company.

BACKGROUND OF NWS

NWS is a Hong Kong listed company. It is the infrastructure and service flagship of New World Development, which is one of the leading Hong Kong-based conglomerates and also one of the first batch of Hong Kong enterprises to make large-scale investments in the PRC.

NWS has been listed on the Stock Exchange since 1997 and has a market capitalization of approximately HK\$35 billion as of the Latest Practicable Date. In addition to being a major service provider in Hong Kong in areas such as construction, public transport, duty free retailing and management of the Hong Kong Convention and Exhibition Centre, NWS is committed to infrastructure development in the PRC. Its diversified business portfolio in the PRC includes more than 60 projects in the high growth sectors of roads, water, energy, ports and logistics. Two of these projects are located in Hebei Province with some 10 years' standing.

NWS will hold its interest in the Company as a long-term investment and intends to develop the resources sector as one of NWS's core businesses in the future.

BACKGROUND OF VMS

VMS was incorporated in June 2006 as the holding company of an investment group with businesses now covering proprietary investments, asset management, securities brokerage and corporate finance advisory services and which is licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined in the SFO. VMS makes and/or advises on investments in private equity, pre-IPO investments, private investments in public equity (PIPEs), special situation investments including distressed assets, acquisitions of controlling equities, collateralized loans, bonds, risk arbitrage and stocks. Ms. Mak Siu Hang, Viola is the founder of VMS. Ms. Mak Siu Hang, Viola has more than 30 years of experience in various industry sectors which include securities trading and investment, real estate, garment manufacturing and retail business in Hong Kong and China. She founded VMS in June 2006 with an original aim to manage the assets of her family. As of the Latest Practicable Date, Ms. Mak Siu Hang, Viola held a 100% direct interest in VMS and was the sole director of VMS. VMS has a diversified portfolio of investments in listed and unlisted entities in metals, oil, renewable energies, real estate properties, chemicals, media and logistics. As of the Latest Practicable Date, VMS had more than 10 investment projects under management with assets under active management and advisory exceeding US\$1 billion, including

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

proprietary investments and third party assets under management. The management team of VMS has extensive investment and management experience, and includes mining experts, private equity managers, corporate governance specialists and senior equity analysts. As of 31 May 2011, VMS employed more than 20 staff under its group of companies, including qualified accountants, chartered financial analysts and SFC license holders with more than 10 years of professional experience.

Fast Fortune is a special purpose vehicle held by VMS for its proprietary investments in the Company. VMS holds all the voting rights as well as approximately 89.1% of the non-voting participating shares in Fast Fortune. Mr. Lam Yee Ming through Southern Pacific Limited, holds approximately 7.3% of the non-voting participating shares in Fast Fortune and the remaining 3.6% of the non-voting participating shares in Fast Fortune are held by Mr. Chan Ting Lai. Both Mr. Lam Yee Ming and Mr. Chan Ting Lai are Independent Third Parties. Mr. Chan Ting Lai is the owner and director of a number of companies engaging in property investment and trading of interior decorative products and construction materials. He has over 10 years of experience in securities investment. Mr. Lam Yee Ming is the owner and director of a number of companies engaging in property investments. He has over 20 years of experience in investment in property and securities in Hong Kong.

While VMS intends to remain as a substantial shareholder of our Company in the foreseeable future, the gross proceeds to be received by Fast Fortune from selling the Sale Shares in the Global Offering of approximately HK\$410 million (assuming an Offer Price of HK\$2.05 per Share, being the mid-point of the indicative Offer Price range) and additional gross proceeds received as a result of the exercise of the Over-allotment Option of up to approximately HK\$307.5 million (assuming an Offer Price of HK\$2.05 per Share, being the mid-point of the indicative Offer Price range) will be used to meet Fast Fortune's internal funding needs and to reduce the financial burden incurred in financing the acquisition of interest in Faithful Boom from Aleman and Standlink and interest in Perfect Move from Chen SPV and Liu SPV, details of which are described in the section headed "History, Reorganization and Corporate Structure" in this Prospectus. VMS believes that selling a portion of Fast Fortune's interest in the Company to provide liquidity to Fast Fortune for loan repayment and to provide a return on its investment is reasonable in light of the terms of sale available to it in the Global Offering. In March 2011, Fast Fortune (as borrower) and VMS (as guarantor) entered into a loan arrangement with Independent Third Parties. In connection with this loan arrangement, the purpose of which was to provide financing for VMS, share certificates in respect of not less than 55.02% of the issued share capital of Fast Fortune have been placed in escrow. Under the terms of the loan arrangement, the lenders do not have any specified right to seize or dispose of the shares of Fast Fortune. The Fast Fortune shares in escrow are held for safe keeping only and do not create any security or other rights over Fast Fortune's or the Company's shares. The agreement provides for the release of the escrow arrangement when no sum is outstanding under the loan agreement, among other circumstances. After completion of the Global Offering, VMS through Fast Fortune will be subject to the Controlling Shareholders' lock-ups. See "Underwriting — Undertakings — Undertakings to the Stock Exchange pursuant to the Listing Rules".

INTERESTS IN MINING COMPANIES RETAINED BY OUR CONTROLLING SHAREHOLDERS

NWS

As of the Latest Practicable Date, NWS held an approximately 35% of attributable interest in a coal distribution company (the "Fuel Company") located in the Nansha Economic Development Zone of Guangzhou, China. The Fuel Company commenced operation in January 2008 and is principally engaged in the wholesaling, assembling and storage of coal with an annual capacity of seven million tonnes.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

VMS

As of the Latest Practicable Date, VMS held less than 5% of the issued share capital of several mining companies listed on the Main Board and Growth Enterprise Market of the Stock Exchange. To the best of VMS's knowledge and information, these mining companies are principally engaged in the mining operation of coal, gold, marble stone and/or copper. Other than the interest in those mining companies held through VMS, Ms. Mak Siu Hang, Viola does not have any direct or indirect interest in any other mining companies.

Since the aforesaid companies are not primarily engaged in the exploration or extraction of iron ore, there is currently no competition between these companies and our Group. Our Controlling Shareholders do not intend to inject part or all of their interests in the companies into the Group in the future.

INDEPENDENCE OF MANAGEMENT, FINANCING AND OPERATION

Having considered the following factors, our Directors are satisfied that the Group will be able to be operationally and financially independent of our Controlling Shareholders and their associates:

Non-competition — None of our Controlling Shareholders or our Directors has any interest in a business which competes or is likely to compete, either directly or indirectly, with the Group's business.

Management independence — Our Board is comprised of six executive Directors, three non-executive Directors and three independent non-executive Directors.

The following table sets forth details of the directorships of our Company and NWS:

	Our Company	NWS
Executive Directors	Mr. Yao Zanzun (<i>vice-chairman</i>) Ms. Yu Shuxian Mr. Li Yuelin Mr. Jing Zhiqing Mr. Lin Zeshun Mr. Liu Yongxin	Dr. Cheng Kar Shun, Henry (<i>chairman</i>) Mr. Tsang Yam Pui Mr. Lam Wai Hon, Patrick Mr. Cheung Chin Cheung Mr. William Junior Guilherme Doo Mr. Cheng Chi Ming, Brian
Non-executive Directors	Mr. Tsang Yam Pui (<i>chairman</i>) Mr. Lam Wai Hon, Patrick (<i>vice-chairman</i> and alternate Director to Mr. Tsang Yam Pui) Mr. Cheng Chi Ming, Brian	Mr. Doo Wai Hoi, William (<i>deputy chairman</i>) Mr. Wilfried Ernst Kaffenberger (alternate director to Mr. Wilfried Ernst Kaffenberger: Mr. Yeung Kun Wah, David) Mr. To Hin Tsun, Gerald Mr. Dominic Lai
Independent Non-executive Directors..	Mr. Tsui King Fai Mr. Lee Kwan Hung Mr. Wu Wai Leung, Danny	Mr. Kwong Che Keung, Gordon Dr. Cheng Wai Chee, Christopher The Honourable Shek Lai Him, Abraham

Our Company will have three common directors with NWS: Mr. Tsang Yam Pui, Mr. Lam Wai Hon, Patrick and Mr. Cheng Chi Ming, Brian. Despite the common directorship described above, our Company believes that independence between our Company and NWS will be maintained as Mr. Tsang Yam Pui, Mr. Lam Wai Hon, Patrick and Mr. Cheng Chi Ming, Brian only act as non-executive Directors and will be mainly responsible for overseeing the overall strategy and major management decisions of the Group. Each Director is aware of his/her fiduciary duties as a director of the Company which requires, among

other things, that he/she acts for the benefit and in the best interests of the Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Company and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of the Company in respect of such transactions. Our Company believes that our three common directors with NWS will commit and devote sufficient time to our Group and provide leadership to the overall development of the Group.

Financial independence — Our Group has an independent financial system and makes financial decisions according to its own business needs. As of 31 December 2010, approximately RMB336.0 million was owed by the Group to Faithful Boom. We are capable of obtaining financing from third parties or from our internally generated funds without reliance on our Controlling Shareholders. For example, in February 2011, we entered into two loan agreements, as set forth under “Financial Information – Indebtedness – Bank and Other Borrowings”. Although these loan agreements currently provide for a guarantee by NWS, that guarantee in one case terminates upon our successful Listing and in the other case can be replaced with a letter of comfort from NWS. We drew down fully on these loans in March and April of 2011 and used the proceeds to repay a portion of the then outstanding shareholders’ loans. As a result of these repayments, as of the Indebtedness Date, the amount due to Faithful Boom was reduced to RMB266.2 million (equivalent to US\$41.0 million).

On 17 June 2011, we received an offer letter from Chong Hing Bank for an additional banking facility of HK\$150 million. The final terms and conditions of the additional banking facility are subject to the bank’s approval and agreement by the parties. We intend to draw down this banking facility in full prior to the Listing Date and to use the proceeds of this banking facility, equivalent to RMB124.5 million, to make further repayment on the outstanding shareholders’ loans.

Approximately 10.0% of the net proceeds to be received by the Company from the Global Offering or HK\$145.0 million (assuming an Offer Price of HK\$2.05 per share, being the mid-point of the indicative Offer Price range) will be used to repay a portion of the remaining outstanding amount of the aforesaid indebtedness due to Faithful Boom, as set forth in the section headed “Future Plans and Use of Proceeds” in this Prospectus. The remaining unpaid amounts due to Faithful Boom, if any, will be waived in full by Faithful Boom upon Listing. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Global Offering.

Operational independence — Our Group has an independent work force to carry out the mining business and has not shared its operation team with any of the Controlling Shareholders. Although there have been certain transactions between us and our related parties during the Track Record Period, details of which are set out in Note 24 of the Accountants’ Report, our Directors have confirmed that these related party transactions were conducted in the ordinary course of business and are fair and reasonable and on normal commercial terms. Details of the connected transactions that will continue after Listing are set out in the section headed “Relationship with our Controlling Shareholders and Connected Transactions – Connected Transactions” in this Prospectus.

CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders have confirmed that they fully comprehend their obligations to act in the best interests of our Company and our shareholders as a whole. To avoid potential conflicts of interest, we have adopted a system of corporate governance with the following principal components:

- as part of our preparation for the Global Offering, we have amended our memorandum and articles of association to comply with the Listing Rules. In particular, our Articles provide that, except in certain limited circumstances (such circumstances are set out in the sub-paragraph headed “Summary of the constitution of the Company and Cayman Islands Companies law – 2. Articles of Association – (a) Directors – (vi) Disclosure of interests in

contracts with the Company or any of its subsidiaries” in Appendix VII to this Prospectus), a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting. As such, our Controlling Shareholders shall not vote or be counted in the quorum in respect of any proposals involving the Controlling Shareholders or any of their affiliates;

- we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors. We believe our independent non-executive Directors are of sufficient caliber, free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and able to provide an impartial, external opinion to protect the interests of our public shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors, Senior Management and Employees” in this Prospectus;
- we will appoint Guotai Junan Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls; and
- we will observe that any proposed transaction between us and connected persons will comply with Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting and independent shareholders’ approval requirements of those rules.

CONNECTED TRANSACTIONS

Upon completion of the Global Offering and the Listing, certain transactions between us and our connected person (as defined under the Listing Rules) will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules, details of which are set out below.

Continuing Connected Transactions

Tenancy Agreement

On 18 December 2009 and 10 January 2011, we, as tenant, entered into tenancy agreements (the “Tenancy Agreements”) with New World Tower Company Limited, as landlord, to lease office premises located in Rooms 1502-5, 15th Floor, New World Tower, 16-18 Queen’s Road Central, Hong Kong (the “Property”) with a gross floor area of approximately 3,938 square feet for a period of commencing from 28 October 2009 to 31 December 2013 as our principal place of business in Hong Kong. The rent payable by the Company under the Tenancy Agreements were determined by reference to the market rent for similar premises in the area. We intend to continue to lease the office premises from New World Tower Company Limited following Listing.

Connected Persons

New World Tower Company Limited is one of our connected persons by virtue of it being a wholly-owned subsidiary of New World Development, which held approximately 59.79% of the equity interest in NWS, one of our Controlling Shareholders, as of the Latest Practicable Date. Accordingly, transactions between New World Tower Company Limited and us which will continue after Listing will constitute continuing connected transactions for the purposes of the Listing Rules.

Reasons for such transactions

The Property is principally used as an office for the Group in Hong Kong. It is of a higher quality in terms of its prime location, facilities and supporting services than other available alternatives.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

Historical figures

For the three years ended 31 December 2010, the annual rentals and related expenses payable by our Group for leasing the Property were as follows:

2007	2008	2009	2010
–	–	HK\$246,000	HK\$2,245,000

Annual caps

The proposed annual caps for the rental payable by the Group for leasing the Property for the three years ending 31 December 2013 are set out as follows:

	2011	2012	2013
Rentals and related expenses	HK\$2,350,000	HK\$2,600,000	HK\$3,500,000

Save as disclosed above, we have not entered into any transactions with our connected persons which will continue following the Listing and which will constitute continuing connected transactions within the meaning of the Listing Rules. We will comply with the requirements of the Listing Rules should we conduct any connected transactions with our connected persons in future. All related party loans due to the related parties as disclosed in Note 24 of the Accountants' Report will be settled prior to the Listing.

Implications under the Listing Rules

The transactions under the Tenancy Agreements described above will constitute continuing connected transactions under the Listing Rules once our Shares are listed on the Stock Exchange. Pursuant to the Listing Rules, the relevant percentage ratio for the above continuing connected transactions is less than 5% but more than 0.1% on an annual basis. Accordingly, the above continuing connected transactions are exempted from independent Shareholders' approval but are still subject to announcement and reporting requirements under the Listing Rules. The Directors, including the independent non-executive Directors, believe that it is in the interests of the Company and the Shareholders as a whole to continue with the transactions after the Listing.

Jones Lang Lasalle Sallmanns Limited, an independent property valuer, has confirmed that the rent payable under the Tenancy Agreement is fair and reasonable and consistent with prevailing market rent for similar premises in similar locations. In addition, the Directors, including the independent non-executive Directors confirm that such continuing connected transactions have been and will be entered into in the ordinary and usual course of the Company's business, on normal commercial terms that are fair and reasonable and in the interests of the Shareholders as a whole, and that the proposed annual caps described above are fair and reasonable and in the interests of the Shareholders as a whole.

Waiver

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver in accordance with Rule 14A.42(3) of the Listing Rules in relation to the continuing connected transactions under the Tenancy Agreements referred to above from strict compliance with the announcement requirement of the Listing Rules pursuant to Rule 14A.47.

As required under Rule 14A.42(3) of the Listing Rules, we have agreed that we will comply with the relevant requirements specified under Chapter 14A of the Listing Rules, including Rules 14A.36 to 14A.40.

Confirmation from the Joint Sponsors

The Joint Sponsors confirm that the Company's continuing connected transactions described in this "Continuing Connected Transactions" sub-section above have been and will be entered into in the ordinary and usual course of the Company's business, on normal commercial terms that are fair and reasonable and in the interests of the Shareholders as a whole, and that the proposed annual caps referred to above are fair and reasonable and in the interests of the Shareholders as a whole.

FINANCIAL INFORMATION

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated statements of financial position and our consolidated statements of comprehensive income and consolidated statements of cash flows and the related notes set out in the Accountants' Report included as Appendix I to this Prospectus (the "Consolidated Financial Information"). Our consolidated financial statements have been prepared in accordance with IFRS which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this Prospectus.

SUMMARY OF HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The selected financial information from our consolidated statements of financial position as of 31 December 2008, 2009 and 2010, consolidated statements of comprehensive income and consolidated statements of cash flows for the years ended 31 December 2008, 2009 and 2010 set forth below are derived from our Accountants' Report included in Appendix I to this Prospectus, and should be read in conjunction with the Accountants' Report and with "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations" included herein.

Summary Consolidated Statements of Comprehensive Income Data

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Continuing operations			
Revenue ⁽¹⁾	—	—	—
Cost of sales	—	—	—
Gross Profit	—	—	—
Administrative expenses	(227)	(2,136)	(7,747)
Other expense	—	—	(95)
Finance (costs)/income	—	(27)	4,894
Gain on disposal of a subsidiary	—	15	—
Loss before tax from continuing operations	(227)	(2,148)	(2,948)
Income tax expense	—	—	—
Loss for the year from continuing operations	(227)	(2,148)	(2,948)
Discontinued operation			
Loss for the year from a discontinued operation	(144)	(85)	—
Total comprehensive loss	(371)	(2,233)	(2,948)
Attributable to:			
Owners of the parent	(367)	(2,204)	(2,921)
Non-controlling interests	(4)	(29)	(27)
	(371)	(2,233)	(2,948)

(1) During the Track Record Period, our business activities were focused on infrastructure development in preparation for the production of iron concentrate and we did not generate revenue from our operations during this period.

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Summary Consolidated Statements of Financial Position Data

	As of 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Non-current assets	67,846	67,766	357,811
Current assets	492	18,296	116,931
Total assets	68,338	86,062	474,742
Current liabilities	53,025	48,087	438,490
Net current liabilities	(52,533)	(29,791)	(321,559)
Total assets less current liabilities	15,313	37,975	36,252
Non-current liabilities	1,180	1,180	1,180
Net assets	14,133	36,795	35,072
Total equity	14,133	36,795	35,072

Summary Consolidated Statements of Cash Flows Data

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents at beginning of year	784	340	4,043
Net cash (used in)/flows from operating activities	(86)	(11,913)	13,570
Net cash flows used in investing activities	(5,513)	(10,374)	(233,334)
Net cash flows from financing activities	5,155	26,017	273,120
Net (decrease)/increase in cash and cash equivalents ...	(444)	3,730	53,356
Effect of foreign exchange rate changes	—	(27)	(1,465)
Cash and cash equivalents at end of year	340	4,043	55,934

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with the consolidated financial information included in our Accountants' Report and the notes thereto included in Appendix I to this Prospectus and the operating data included elsewhere in this Prospectus. The financial information has been prepared in accordance with IFRS.

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 analysis 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 the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. See "Risk Factors" and "Forward-looking Statements."

Our Iron Ore Mining Operations

We hold the mining rights to the Yanjiazhuang Mine, a large-scale open-pit iron ore mine occupying a mining area of approximately 5.22 km². According to the Independent Technical Report, the Yanjiazhuang Mine had proved and probable reserves of approximately 260.0 Mt, which were converted from total measured and indicated iron ore resources of approximately 311.8 Mt as of 31 December 2010.

Based on the Independent Technical Report, the Hatch Report and the cost curve prepared by AME, we believe we will be a leading iron ore producer in China with low operating costs. According to AME, the Yanjiazhuang Mine is estimated to be in the lowest 5% of the estimated cost curve for Chinese iron ore producers on an iron equivalent basis. We use cost-efficient mining and processing methods to extract and process our iron ore. We use open-pit mining to extract our reserves. Open-pit mining is characterized by shorter time frames for mine infrastructure construction, lower capital expenditure requirements and a relatively simple iron ore extraction process. Based on these facts and the estimated future operating costs set forth in the Independent Technical Report, we believe we will be able to maintain a low mining cost structure. We also expect to enjoy low iron ore processing costs because our iron ore is relatively easy to crush and mill due to its density and mineral composition and because the strong magnetic properties of our iron ore allow iron to be easily separated from non-magnetic tailings and waste rocks through the use of magnetic pulleys. Moreover, our iron ore resources contain low levels of harmful elements, such as sulfur and phosphorus, which reduces the need to treat tailings. As a result, our overall iron ore processing costs are low and we believe we will be able to produce iron concentrate with an iron grade of 66% through a relatively simple iron ore processing phase. We also have relatively low transportation costs as we are located in close proximity to many of our existing and potential customers.

Furthermore, our estimated future operating costs, as set forth in the Independent Technical Report, are significantly lower than the current iron concentrate prices in China. According to Hatch, the continued rapid growth of China's steel industry will likely be accompanied by increases in domestic iron ore prices. The combination of our estimated future operating costs being significantly lower than current iron ore prices highlights the potential profitability of our operations. For information on our estimated operating and production costs, see "Business – Our Existing Production Operations and Facilities – Operating Costs."

Based on our current reserves as confirmed by the Independent Technical Advisor, the Yanjiazhuang Mine has a mine life of approximately 26 years based on the assumption that our iron ore processing capacity will increase to 10,500 ktpa in the second quarter of 2012.

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Commercial Production and Expansion Plan

We plan to increase our iron concentrate production capacity at the Yanjiazhuang Mine in three phases.

As part of our Phase One commissioning and production ramp-up schedule we commenced commercial production on 1 January 2011. During the course of January and February 2011 we produced and sold 33.0 kt of iron concentrate. We use independent third-party contractors to perform part of our mining, hauling and road-building activities.

Following the commencement of commercial production we were impacted by severe droughts that were experienced in Northern China, including the Yanjiazhuang Mine area, which were the worst in 60 years. As a result, we experienced a shortage of water supply to our processing plants and accordingly our production levels were significantly reduced in March 2011. Instead of waiting for the drought to end and to mitigate our exposure to future droughts, we devoted significant management time and resources to identifying additional water sources and constructing facilities to give us access to them. We identified the Lincheng Reservoir as an adequate and reliable future water source and commenced construction of a 20 km long water pipeline to the Lincheng Reservoir. We estimate that the Lincheng Reservoir water project will be completed by August 2011.

We expect to complete Phase One of our expansion plan with processing efficiency optimization in June 2011 and we intend to complete construction of the additional water pipeline to the Lincheng Reservoir by August 2011. While there will be limited production during this period, we expect to resume normal commercial production in September 2011 upon the completion of the water projects and to ramp up to our expected Phase One iron ore processing capacity of 3,000 ktpa and total iron concentrate production capacity of approximately 760 ktpa.

We commenced preparation for Phase Two of our expansion plan in September 2010. Phase Two is expected to increase our mining and ore processing capacities to 7,000 ktpa and achieve an iron concentrate production capacity of approximately 1,770 ktpa. We expect to complete this phase in the third quarter of 2011. We expect to complete Phase Three of our expansion plan, which is expected to involve increasing our ore processing capacity to 10,500 ktpa, in the second quarter of 2012, and we expect to reach this level of production in October 2012.

During the Track Record Period, our business activities were focused on exploration, mine planning, construction and infrastructure development to prepare for the production of iron concentrate and we have not yet generated revenue from our operations. As a result, our total comprehensive losses for the years ended 31 December 2008, 2009 and 2010 were approximately RMB371,000, RMB2.2 million and RMB2.9 million, respectively. In addition, because we believe it is in our best interest to focus on the development and further exploration of the Yanjiazhuang Mine, we disposed of our interest in Guomu Nangou Mining Ltd. in November 2009. We completed initial production at the Yanjiazhuang Mine from 20 December 2010 through 27 January 2011 with respect to the No. 1 Processing Facility and No. 2 Processing Facility.

Iron Concentrate Customer Agreements

We entered into an agreement with Shougang Hong Kong on 28 April 2011. Under this agreement, we are obligated to sell, and Shougang Hong Kong is obligated to buy, 30% of our annual iron concentrate production (which we will endeavor to supply at a grade not lower than 66%), at a 3% discount to the market price at the time of supply, regardless of whether Shougang Hong Kong and the Company enter into a definitive supply agreement or specific purchase orders. The Shougang Agreement also contemplates that the parties will negotiate and enter into definitive agreements for strategic cooperation and the provision of technical support in future investment opportunities.

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Shougang Hong Kong, a wholly-owned subsidiary of Shougang Corporation, is a Hong Kong incorporated investment holding company. Through its subsidiaries and associated companies, Shougang Hong Kong is engaged in a variety of diversified businesses such as manufacturing and trading of steel and metallic products, shipping, mineral exploration and mining, property investment, and financial services. Shougang Hong Kong holds a significant number of interests in various companies listed on the Stock Exchange, representing a substantial market value as of the Latest Practicable Date. We are not aware of any reason that would render Shougang Hong Kong unable to honor its obligations under the Shougang Agreement.

As one of the largest Chinese steel companies, Shougang Corporation is a state-owned enterprise under the direct supervision of the State Council of the PRC. Shougang Corporation's primary focus is on the steel industry, with other operational interests in the mining, electronics and machinery, construction and real estate, service and trading industries. It is a market leader in the areas of steel industry, production specifications and technical expertise. Shougang Corporation's major iron production facilities are located in the Hebei Province. Shougang Corporation has not guaranteed the obligations of Shougang Hong Kong under the Shougang Agreement.

We have also entered into memoranda of understanding in 2009 with Hebei New Wuan, Handan Iron & Steel, Wen'an Iron & Steel, Hebei Baoxin, Xingtai Weilai and Xingtai Longhai, all of which are major steel producers and are Independent Third Parties. Under the terms of these memoranda of understanding, we have agreed with each of these parties to negotiate the terms of future specific purchase contracts specifying the amount of iron concentrate, the price and other terms. If we cannot agree on such terms, then no such sale will occur. The Company expects that after the completion of Phase One and after further progress has been made on Phases Two and Three of the expansion plan, the Company will seek to enter into long-term binding sales contracts with these parties and other potential long-term customers, which is expected to occur in the second half of 2011.

The Company believes that, barring unforeseen circumstances, it will be able to sell substantially all of its iron concentrate production for 2011 and 2012.

Our customers will arrange for transportation of the iron concentrate from our processing facilities to their sites. We estimate that transportation costs for customers located within a radius of approximately 100 km of our operations will be approximately RMB28/tonne, based on roadway transportation costs for similarly situated companies in our vicinity. We sold iron concentrate at an average price of approximately RMB1,140/tonne (including VAT) in January and February 2011.

Gabbro-Diabase Business

We entered into memoranda of understanding in February 2011 with Hengda Real Estate Group Limited (a subsidiary of Evergrande Real Estate Group Limited), Sinolink Properties Limited (a subsidiary of Sinolink Worldwide Holdings Limited), Glorious Qiwei (Shanghai) Industries, Co., Ltd. (a subsidiary of Glorious Property Holdings Limited) and Champ Max Enterprise Limited (a subsidiary of C C Land Holdings Limited), all of which are PRC property companies or their subsidiaries, and are Independent Third Parties. In April 2011, we amended the memoranda of understanding with Hengda Real Estate Group Limited and Champ Max Enterprise Limited. Under the terms of these original and amended memoranda of understanding, the buyer and seller have agreed to negotiate the terms of future specific purchase contracts specifying the amount of gabbro-diabase, the price and other terms. If we cannot agree on such terms, then no such sale will occur. These memoranda of understanding are effective from 1 May 2011 to 31 December 2015 and contemplate sales up to an aggregate of 507,000 m², 897,000 m², 1,287,000 m², 1,287,000 m² and 1,287,000 m² in 2011, 2012, 2013, 2014 and 2015, respectively. Certain of these memoranda of understanding further specify that the current average market price of gabbro-diabase slabs is RMB150 per m², although there is no certainty we will make any sales at this price.

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According to Hatch, China's stone industry and gabbro-dabase demand are expected to continue to grow over the next several years. Our Directors believe that the willingness of developers to enter into long-term agreements with us for the sale of gabbro-dabase is further evidence of the likely future demand for our gabbro-dabase products. We may also enter into new contracts with other Independent Third Parties for the sale of our planned gabbro-dabase products.

Basis of Presentation

The Reorganization involved business combinations of entities under common control and the Group is regarded and accounted for as a continuing group. Accordingly, for the purpose of this report, the financial information has been prepared on a combined basis by applying the principles of merger accounting prior to the foundation of the Company.

The financial information has been prepared as if our current structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or registration, where there is a shorter period. Our consolidated statements of financial position as of 31 December 2008, 2009 and 2010 have been prepared to present our assets and liabilities as of the respective dates as if the current group had been in existence at those dates.

For subsidiaries acquired by us during the Track Record Period, their financial statements are combined from their respective dates of acquisition. All income, expenses and unrealized gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

As of 31 December 2008, 2009 and 2010, our current liabilities exceeded current assets by approximately RMB52.5 million, RMB29.8 million and RMB321.6 million, respectively.

Notwithstanding the net current liabilities position, the Financial Information has been prepared on a going concern basis as the Controlling Shareholders of the Company have undertaken in writing to provide continuing financial support to the Group, by way of additional shareholder loans, if necessary, up to the time of the Listing, and not to demand repayment of any amounts due to them up to the time of the Listing.

The net current liabilities position of the Group is expected to be eliminated immediately upon use of the proceeds of the Global Offering, by using a portion of the net proceeds of the Global Offering to repay shareholder loans, and by waiving the remainder of such loans that are outstanding on the Listing Date and are not repaid out of such proceeds. See "Future Plans and Use of Proceeds – Use of Proceeds."

Factors Affecting Our Results of Operations and Financial Condition

Our financial condition, results of operations and the period-to-period comparability of our financial results are principally affected, or are expected to be principally affected now that we have started commercial production, by the following factors:

Prices of products

The main factors affecting the sales prices of our iron concentrate products are the content and quality of the iron ore and fluctuations in the market price of iron concentrate. Although we believe that through our test runs of our facilities and equipment, we are able to produce iron concentrate at a high iron grade of 66%, there is no guarantee that we can maintain such grade for our concentrate, which may negatively affect the unit prices of our products.

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In addition, fluctuations in the price of iron ore due to factors such as demand in the global, PRC and local Hebei Province iron ore markets and other macro-economic factors such as interest rates, expectations regarding inflation, currency exchange rates as well as general global economic conditions can also influence the unit price of our products. Most of our potential customers are located in Hebei Province, which has historically experienced a significant gap reflecting high demand for iron concentrate from steel producers and insufficient supply by local iron ore operators. The high demand for iron ore products in Hebei Province has led in the past to substantial price increases in iron concentrate. In addition, the emphasis on major infrastructure projects by the PRC Government and China's rapid urbanization and industrialization have also increased the demand for steel, which in turn has boosted the demand for iron ore products. Please refer to the section headed "Risk Factors – Risks Relating to Our Business – Fluctuations in the market price for iron concentrate or steel and foreign currency exchange rates could materially and adversely affect our business, financial condition and results of operations." in this Prospectus.

Sales volume

The sales volume of our products varies with a number of factors, primarily the demand for our products, our iron ore reserves and our production capacity expansion plan. As we transition to commercial production after completing Phase One of our expansion plan, we expect increases in sales volumes from the potential growth of our business to be the main driver of revenue growth in the future.

The potential for the growth of our business depends on how successfully we also expect to be able to expand our mineral reserves and production capacity. Our plans to grow our mineral reserves are based on a two-pronged approach: (1) organic growth through the expansion of the area covered by our current mining permits; and (2) acquisitive growth through the integration of other iron ore assets located in the surrounding region. We intend to increase our production capacity by developing additional open-pitmining pits, upgrading existing processing facilities and infrastructure and constructing new dry magnetic cobbing systems and processing facilities.

Costs of production

Major components of our costs of production are directly related to production volume. Variations in production volume and the costs of mining ore, hauling ore to the processing facilities and processing ore into concentrates are key factors that affect our costs of production, which mainly include depreciation, employee costs, fuel costs, utilities fees, contracting costs and production overheads.

For information on our operating and production costs, see "Business – Our Existing Production Operations and Facilities – Operating costs."

Development, construction and mining operations

Our plans for expanding our business and operations are largely dependent on our ability to meet production, timing and cost estimates for our current mine development projects. Factors such as obtaining regulatory approval from the appropriate authorities and financing could affect the outlook of our current and future mine projects. Our capital expenditures for the Yanjiazhuang Mine were RMB3.3 million, RMB12.5 million and RMB286.7 million for the years ended 31 December 2008, 2009 and 2010, respectively.

PRC Government control and policies

The PRC local, provincial and central authorities exercise a substantial degree of control over the iron ore industry in China. Our operations are subject to extensive PRC laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, development, production, taxation, labor standards, occupational health and safety, waste treatment and environmental

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protection and operation management. The PRC Government has full authority to grant, renew and terminate exploration, mining permits, production safety permits and metallurgical mineral production permits pursuant to relevant laws and regulations. While we expect to be able to renew our mining permit, production safety permits, metallurgical mineral production permits and convert any exploration permit into a mining permit, as necessary, at our mines, if for any reason we are unable to do so, our results of operations would be materially and adversely affected. In China, foreign companies are 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 and has encouraged foreign investment in mining projects and this process is expected to continue. We expect that the extent to which participation in the mining sector by foreign companies is allowed will affect our business going forward.

Critical Accounting Policies

Our principal accounting policies are set forth in Note 3 of Section II of the “Accountants’ Report”, attached as Appendix I to this Prospectus. IFRS requires that we adopt accounting policies and make estimates that our Directors believe are most appropriate under the circumstances for the purposes of giving a true and fair view of our results and financial position. Critical accounting policies are those that require management to exercise judgment and make estimates which yield materially different results if management were to apply different assumptions or make different estimates. We believe the most complex and sensitive judgments, because of their significance to our financial information, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Actual results in these areas may differ from our estimates. We have identified below the accounting policies that we believe are the most critical to our financial information and that involve the most significant estimates and judgments.

Depreciation and amortization

The amount of depreciation and amortization expenses to be recorded on an asset is affected by a number of estimates made by our management, such as estimated useful lives, proved and probable reserves and residual values. If different judgments are used, material differences may result in the amount and timing of the depreciation or amortization charges related to the asset. We have identified below the accounting policies that we believe are critical to our financial information in connection with depreciation and amortization.

Property, plant and equipment

Depending on the nature of the item of property, plant and equipment, depreciation is calculated either (i) on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life or (ii) using the unit-of-production method to write off the cost of the assets in proportion to the proved and probable mineral reserves. Our management estimates the useful lives, proved and probable reserves, residual values and related depreciation charges for property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of each item of property, plant and equipment of a similar nature and function. They could change significantly as a result of technical innovations and actions of our competitors. The assumptions used in the determination of useful lives of property, plant and equipment are reviewed periodically. Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

Stripping costs

Stripping costs incurred in the development of a mine before production commences are capitalized in property, plant and equipment as part of the cost of constructing the mine, and subsequently amortized over the life of the mine using the units of production (“UOP”) method.

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Stripping costs incurred during the production phase are variable production costs that are included in the costs of inventory produced during the period that the stripping costs are incurred, unless the stripping activity can be shown to give rise to future benefits from the mineral property, in which case the stripping costs would be capitalized into property, plant and equipment. Future benefits arise when stripping activity increases the future output of the mine by providing access to a new ore body.

Mining rights

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

According to the Independent Technical Advisor, the estimated mine life of the Yanjiazhuang Mine is approximately 26 years based on its ore reserve estimates as of 31 December 2010 and assuming mining and ore processing capacities gradually increase to 10,500 ktpa in the second quarter of 2012 (we expect to reach this level of production in October 2012) and gradually decrease at the end of the Yanjiazhuang Mine's life.

Exploration rights and assets

Exploration rights are amortized over the term of the rights. Equipment used in exploration is depreciated over its useful life or, if dedicated to a particular exploration project, over the life of the project, whichever is shorter. Amortization and depreciation are included, in the first instance, in exploration rights and assets and are transferred to mining rights when it can be reasonably ascertained whether an exploration property is capable of commercial production.

Exploration and evaluation costs include expenditures incurred to secure further mineralization in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to accruing legal rights to explore an area is written off as incurred.

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs are capitalized and transferred to mining infrastructure and amortized using the unit-of-production method based on the proved and probable mineral reserves. Exploration and evaluation assets are written off the consolidated statements of comprehensive income if the exploration property is abandoned.

Useful lives of property, plant and equipment

We estimate useful lives and related depreciation charges for our 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. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record reserve for technically obsolete assets that have been abandoned.

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Impairment of property, plant and equipment, including mining infrastructure

We assess each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The carrying value of the property, plant and equipment, including mining infrastructure, is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. Estimating the value in use requires us to estimate future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment as of 31 December 2008, 2009 and 2010 were approximately RMB63.2 million, RMB65.5 million and RMB351.7 million, respectively.

Mine reserves

Engineering estimates of our mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as “proved” and “probable.” Proved and probable mine reserve estimates are updated on regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in both depreciation and amortization rates calculated on a unit-of-production basis and the time period for discounting the rehabilitation provision. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

Description of Components of Results of Operations

Revenue

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns and various types of government surcharges, where applicable. During the Track Record Period, our business activities were focused on infrastructure development in preparation for the production of iron concentrate and we have not yet generated revenue from our operations.

Cost of sales

We did not incur any cost of sales during the Track Record Period as our commercial operations had not yet commenced.

Administrative expenses

Administrative expenses mainly represent costs related to employee benefits, depreciation costs and other expense, including professional consulting fees and office administrative fees. We incurred administrative expenses of approximately RMB227,000, RMB2.1 million and RMB7.7 million for the years ended 31 December 2008, 2009 and 2010, respectively.

Other expense

Other expense mainly represents donations to schools. We incurred other expense of RMB95,000 during the year ended 31 December 2010 (during the two years ended 31 December 2008 and 2009: nil).

Finance (costs)/income

Our finance (costs)/income during the Track Record Period mainly represent foreign exchange losses and gains. We incurred finance costs of approximately nil, RMB27,000 and finance income of RMB4.9 million for the years ended 31 December 2008, 2009 and 2010, respectively.

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Gain on disposal of a subsidiary

Gain on disposal of a subsidiary represents our gain on the disposal of our 99% interest in Guomu Nangou Mining Ltd., which was completed on 12 November 2009. We recorded a gain on disposal of a subsidiary for the year ended 31 December 2009 of RMB15,000. We did not record gains on disposal of a subsidiary during other periods under consideration.

Income tax expense

Income tax expense represents current and deferred tax. Income tax expense is recognized in the consolidated statements of comprehensive income, or in equity if it relates to items that are recognized in the same or a different period directly in equity.

Under the rules and regulations of the Cayman Islands and BVI, we are not subject to any income tax in the Cayman Islands or BVI. We have not made any provisions for Hong Kong profits tax as we had no assessable profits derived from or earned in Hong Kong during the Track Record Period.

On 16 March 2007, the PRC Government promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Enterprise Income Tax Law") and, on 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Enterprise Income Tax Law. Under the New Enterprise Income Tax Law and the Implementation Regulations, 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 subsidiaries are subject to PRC income tax at a tax rate of 25% for the years ended 31 December 2008 and 2009. We did not incur any income tax expenses for periods under consideration.

Loss for the year from a discontinued operation

Loss for the year from a discontinued operation represents the results of Guomu Nangou Mining Ltd. during the Track Record Period and prior to its disposal on 12 November 2009. We incurred losses for the year from a discontinued operation of RMB144,000, RMB85,000 and nil, for the years ended 31 December 2008, 2009 and 2010, respectively.

Results of Operations

Year ended 31 December 2010 compared with year ended 31 December 2009

Revenue

During the years ended 31 December 2009 and 2010, our business activities were focused on exploration and infrastructure development in preparation for the production of iron concentrate and we did not generate revenue from our operations.

Cost of sales

During the years ended 31 December 2009 and 2010, we did not incur any cost of sales as our commercial operations had not yet commenced.

Administrative expenses

Our administrative expenses increased by 262.7%, from RMB2.1 million for the year 2009 to RMB7.7 million for 2010. The increase was primarily due to the increase in: (i) employee salary and benefit costs from RMB446,000 for the year ended 31 December 2009 to RMB3.3 million for the year ended 31 December 2010 as a result of a significant increase in our employee headcount as we developed our mine; and (ii) rent from RMB217,000 for the year ended 31 December 2009 to RMB2.2 million for the year ended 31 December 2010 as we only started renting the office premises beginning October 2009.

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Other expense

Other expense increased from nil for the year ended 31 December 2009 to approximately RMB95,000 for the year ended 31 December 2010 due to our donations to schools.

Finance (costs)/income

During the year ended 31 December 2010, we earned a net finance income of RMB4.9 million mainly due to foreign exchange gains of approximately RMB5.0 million. We incurred finance costs of approximately RMB27,000 for the year ended 31 December 2009. Our foreign exchange gains were due to the strengthening of the RMB against the U.S. dollar.

Gain on disposal of a subsidiary

We did not record any such gain for the year ended 31 December 2010 but recorded a gain of RMB15,000 on disposal of a subsidiary in the year ended 31 December 2009.

Loss before tax from continuing operations

As a result of the foregoing factors, our loss before income tax from continuing operations increased by 37.2%, from RMB2.1 million for the year ended 31 December 2009 to RMB2.9 million for the year ended 31 December 2010.

Income tax expenses

We did not incur any income tax expenses for the years ended 31 December 2009 and 2010 as we had not commenced commercial operations during those years.

Loss for the year from continuing operations

As a result of the foregoing factors, our loss for the year from continuing operations increased by 37.2%, from RMB2.1 million for the year ended 31 December 2009 to RMB2.9 million for the year ended 31 December 2010.

Loss for the year from a discontinued operation

Our loss for the year from a discontinued operation was RMB85,000 for the year ended 31 December 2009, as compared to nil for the year ended 31 December 2010 as Guomu Nangou Mining Ltd. was disposed of in November 2009.

Total comprehensive income

As a result of the foregoing factors, our loss for the year increased by 32.0%, from RMB2.2 million for the year ended 31 December 2009 to RMB2.9 million for the year ended 31 December 2010.

Year ended 31 December 2009 compared with year ended 31 December 2008

Revenue

During the years ended 31 December 2008 and 2009, our business activities were focused on exploration and infrastructure development in preparation for the production of iron concentrate and we did not generate revenue from our operations.

Cost of sales

During the years ended 31 December 2008 and 2009, we did not incur any cost of sales as our commercial operations had not yet commenced.

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Administrative expenses

Our administrative expenses increased by 841.0% from RMB227,000 for the year ended 31 December 2008 to RMB2.1 million for the year ended 31 December 2009. The increase was primarily due to the increase in: (i) employee benefit costs from nil for the year ended 31 December 2008 to RMB446,000 for the year ended 31 December 2009 as a result of a significant increase in our employee headcount as we ramped up our operations; (ii) depreciation costs from RMB227,000 for the year ended 31 December 2008 to RMB383,000 for the year ended 31 December 2009 attributable to the purchase of new engineering vehicles during the second half of 2008; and (iii) other expense from nil for the year ended 31 December 2008 to RMB1.3 million for the year ended 31 December 2009 attributable to the increase in operating expenses, such as electricity costs and travel expenses associated with the development of our operations, as well as professional consulting fees.

Finance costs

During the year ended 31 December 2009, we incurred finance costs of RMB27,000 due to net foreign exchange losses of RMB27,000. We did not incur any such costs for the year ended 31 December 2008 as we did not have any foreign currency transactions.

Gain on disposal of a subsidiary

During the year ended 31 December 2009, we recorded a gain of RMB15,000 for the disposal of a subsidiary, Guomu Nangou Mining Ltd. We did not record any such gain for the year ended 31 December 2008.

Loss before tax from continuing operations

As a result of the foregoing factors, our loss before income tax from continuing operations increased by 846.3%, from RMB227,000 for the year ended 31 December 2008 to RMB2.1 million for the year ended 31 December 2009.

Income tax expenses

We did not incur any income tax expenses for the years ended 31 December 2008 and 2009 as we had not commenced commercial operations during those years.

Loss for the year from continuing operations

As a result of the foregoing factors, our loss for the year from continuing operations increased by 846.3%, from RMB227,000 for the year ended 31 December 2008 to RMB2.1 million for the year ended 31 December 2009.

Loss for the year from a discontinued operation

Our loss for the year from a discontinued operation decreased by 41.0%, from RMB144,000 for the year ended 31 December 2008 to RMB85,000 for the year ended 31 December 2009 due to the termination of construction and development activity for the Guomu Nangou Mine.

Total comprehensive income

As a result of the foregoing factors, our loss for the year increased by 501.9%, or RMB1.9 million from RMB371,000 for the year ended 31 December 2008 to RMB2.2 million for the year ended 31 December 2009.

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FINANCING OF OUR MINING PROJECTS

During the Track Record Period, we financed the development of the Yanjiazhuang Mine with funds obtained through capital injections from shareholders. For details of each phase of our expansion plan, see “Business – Future Plans for Expanding Production Capacity for the Yanjiazhuang Mine.” The timing and actual amount of our capital expenditures are subject to change as the mine develops. We had invested approximately RMB207.1 million as of 31 December 2010 for the completion of Phase One of our expansion plan, upon the completion of which we expect to attain mining and ore processing capacities of 3,000 ktpa.

We commenced Phase One in the fourth quarter of 2009. We expect to fully complete Phase One in June 2011 by undertaking plant construction and modifications, including the planned Phase One upgrade to our No. 2 Processing Facility and the replacement of a section of our ore crushing equipment with machines which are able to produce crushed ores of smaller and more uniform dimensions. Upon completion of Phase One, our total processing capacity will be 3,000 ktpa. We estimate our total investment for Phase One of our expansion plan to be approximately RMB240.1 million, of which we have already invested approximately RMB207.1 million as of 31 December 2010. The following table sets forth our expected capital expenditures for Phase One of our expansion plan:

Estimated Phase One	Capital Expenditures (RMB in millions)
One open-pit mining pit and upgrade of existing two mining pits and mining pit equipment . .	34.7
No. 1 and No. 2 dry magnetic cobbing systems	55.2
Upgrade No.1 and No.2 Processing Facility	43.2
Road infrastructure (36 km)	79.3
Water supply (including Huangmi I and II Reservoir)	19.0
Supporting equipment	3.4
Land rehabilitation	3.0
Tailing Storage Facility	2.3
Total capital expenditures	240.1

We commenced preparation for Phase Two in September 2010. During Phase Two, we expect to increase our total mining and ore processing capacities by an additional 4,000 ktpa to 7,000 ktpa in the third quarter of 2011. We estimate a total investment for the completion of Phase Two of our expansion plan of approximately RMB380.0 million, of which we have already invested approximately RMB84.6 million up to 31 December 2010. The following table sets forth our expected capital expenditures for Phase Two of our expansion plan:

Estimated Phase Two	Capital Expenditures (RMB in millions)
Three open-pit mining pits and mining pit equipment	49.9
No. 3 dry magnetic cobbing system	55.9
No. 3 Processing Facility	85.4
Road infrastructure (29 km)	83.7
Water supply	40.3
Electrical converting station	13.6
Supporting equipment	17.0
Land rehabilitation	7.0
Tailing Storage Facility	27.2
Total capital expenditures	380.0

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We expect to complete Phase Three, which is expected to increase our processing capacity to 10,500 ktpa, in the second quarter of 2012. We expect to reach this level of production in October 2012. We expect to invest approximately RMB277.2 million to complete Phase Three of our expansion plan. The following table sets forth expected capital expenditures for Phase Three of our expansion plan:

Estimated Phase Three	Capital Expenditures (RMB in millions)
Two open-pit mining pits and mining pit equipment	50.0
No. 4 dry magnetic cobbing system	56.0
No. 4 Processing Facility	85.0
Road infrastructure	29.3
Electrical converting station	15.0
Supporting equipment	16.9
Land rehabilitation	10.0
Tailing Storage Facility	15.0
Total capital expenditures	277.2

In addition to our expansion plan to increase our mining and ore processing capacities, we also intend to develop our gabbro-diabase resources. We expect to spend approximately RMB303.2 million to bring our gabbro-diabase resources to commercial production, of which we have already invested approximately RMB1.7 million as of 31 December 2010. We plan to commence commercial production of quarry stones and crushed stones in July 2011; slabs and powder in November 2011; and commercially produce all our gabbro-diabase products (including carving stones) by the second quarter of 2013. The following table sets forth our expected capital expenditures for developing our gabbro-diabase resources:

Gabbro-Diabase	Capital Expenditures (RMB in millions)
Infrastructure construction	90.0
Processing equipment	150.0
Other	63.2
Total capital expenditures	303.2

For additional information regarding Phase One, Phase Two and Phase Three of our expansion plan to increase iron concentrate production capacity and the development of our gabbro-diabase resources, see “Business — Future Plans for Expanding Production Capacity for the Yanjiazhuang Mine.”

For the years ending 31 December 2011 and 2012, we estimate our capital expenditures for the Yanjiazhuang Mine will be approximately RMB577.5 million and RMB297.9 million, respectively. We intend to make capital expenditures on our iron concentrate production expansion plans, resources fees of RMB310 million payable to the Department of Land and Resources for the amount of iron ore resources as estimated upon completion of the detailed drilling and survey work in January 2010 and the development of our gabbro-diabase resources at the Yanjiazhuang Mine. During the year ending 31 December 2011, we also expect to spend RMB10 million on capital expenditures on additional exploration work at the Yanjiazhuang Mine in an effort to further expand our resources.

In addition, we expect to spend approximately RMB720.0 million in the years ending 31 December 2012 and 2013 on costs related to the acquisition of exploration rights for the Gangxi Mine and the Shangzhengxi Mine in Hebei Province and other mines yet to be identified by us in Hebei Province. Under a contract signed with the 11th Geological Brigade in February 2010 and further extended for one year in February 2011, we agreed to pay RMB9 million for the exploration rights to both of the mines. We also agreed to reimburse the 11th Geological Brigade for the total amount of exploration fees to be

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incurred by them as well as pay RMB2/tonne of iron ore reserves to be determined after the completion of exploration work for both mines. We estimate the exploration fees and the amount to be paid for the estimated reserves will be approximately RMB20 million and RMB691 million, respectively. For additional information regarding the Gangxi Mine and the Shangzhengxi Mine, see “Business – Future Plans for Developing Other Mines.”

Following the Global Offering, we intend to use funds from the revenue generated from our operations and the estimated proceeds of the Global Offering to finance our estimated capital expenditures for 2011.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of liquidity are to invest in the development of our iron ore mines, service our indebtedness and fund working capital and normal recurring expenses. Prior to 31 December 2010, we had financed our cash requirements through a combination of internal resources, proceeds from the issuance of the Exchangeable Bonds and shareholders’ loans. Going forward, we expect to fund our working capital needs with a combination of cash generated from operating activities, the estimated proceeds from the Global Offering and other debt and equity financing.

Summary Consolidated Statements of Cash Flows

	Year ended 31 December		
	2008	2009	2010
	RMB’000	RMB’000	RMB’000
Cash and cash equivalents at beginning of year	784	340	4,043
Net cash (used in)/flows from operating activities	(86)	(11,913)	13,570
Net cash used in investing activities	(5,513)	(10,374)	(233,334)
Net cash flows from financing activities	5,155	26,017	273,120
Net (decrease)/increase in cash and cash equivalents	(444)	3,730	53,356
Effect of foreign exchange rate changes	–	(27)	(1,465)
Cash and cash equivalents at end of year	340	4,043	55,934

Operating activities

Net cash generated from operating activities in the year ended 31 December 2010 was approximately RMB13.6 million, primarily as a result of a loss for the year in the amount of RMB2.9 million and adjusted for: (i) an increase in other payables and accruals of RMB6.9 million; (ii) advances from customers of RMB23.7 million for pre-sales of our iron concentrate; (iii) a depreciation charge of RMB145,000 due to the depreciation of our equipment and an amortization charge of RMB287,000 due to the amortization of our land use right; and (iv) a decrease in inventories of RMB1.9 million due to consumption of spare parts and sales of the iron concentrate from trial production; and partly offset by (i) net prepaid land lease payment of RMB4.2 million during 2010 and (ii) an increase in prepayments, deposits and other receivables of RMB6.6 million primarily due to prepayments deposits and deferred listing fees of RMB4.8 million for legal services, accounting services and valuation services.

Net cash used in operating activities in the year ended 31 December 2009 was RMB11.9 million, primarily as a result of a loss for the period in the amount of RMB2.2 million and adjusted for: (i) an increase in prepayments and other receivables of RMB10.7 million primarily due to prepayments related to a lease for an office building in Hong Kong of RMB520,000, deferred listing fees of RMB9.4 million for legal services, accounting services and valuation services; and (ii) an increase in inventories of RMB3.4 million due to the accumulation of spare parts including production materials such as grinding

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materials during our preparations for commercial production; and partly offset by: (i) an increase in other payables and accruals of RMB3.7 million mainly due to advances from customers for pre-sales of our iron concentrate; (ii) a depreciation charge of RMB462,000 due to the depreciation of our equipment; and (iii) an increase in trade payables of RMB270,000 due to the purchase of production materials.

Net cash used in operating activities in the year ended 31 December 2008 was RMB86,000, primarily as a result of a loss for the year in the amount of RMB371,000 and adjusted for: (i) an increase in inventories of RMB150,000 due to purchases of spare parts used in the production of iron concentrate; and partly offset by (i) a depreciation charge of RMB333,000 due to depreciation of our equipment and (ii) an increase in trade payables of RMB102,000 due to the purchase of production materials.

Investing activities

Net cash used in investing activities in the year ended 31 December 2010 was approximately RMB233.3 million, all of which was used for the construction of our processing facilities.

Net cash used in investing activities in the year ended 31 December 2009 was RMB10.4 million due predominantly to the construction of our processing facilities and also the disposal of Guomu Nangou Mining Ltd.

Net cash used in investing activities in the year ended 31 December 2008 was RMB5.5 million due primarily to purchases of property, plant and equipment amounting to RMB1.6 million, RMB1.3 million for the development of our No. 2 Processing Facility, RMB9,000 for our dry magnetic cobbing system and RMB2.6 million for the construction and improvement of mining infrastructure.

Financing activities

Net cash generated from financing activities was approximately RMB273.1 million in the year ended 31 December 2010. We received net advances from related parties and immediate holding company of RMB299.2 million to provide funding for our capital expenditures.

Net cash generated from financing activities was RMB26.0 million in the year ended 31 December 2009. Our cash inflow from financing activities primarily consisted of proceeds from a capital injection into Venca in the amount of RMB24.9 million, proceeds from a capital injection into Guomu Nangou Mining Ltd. from a minority shareholder in the amount of RMB18,000 and net advances from related parties in the amount of RMB1.1 million.

Net cash generated from financing activities was RMB5.2 million in the year ended 31 December 2008. Our cash inflow from financing activities primarily consisted of advances from related parties in the amount of RMB5.0 million and capital injection into Xingye Mining from minority shareholder in the amount of RMB160,000.

CASH FLOW FORECAST REQUIRED UNDER LISTING RULE 18.03(4)

The following cash flow forecast is provided as a requirement under Listing Rule 18.03(4). In preparing the cash flow forecast, several bases and assumptions were made, including that:

- (a) there will be no material changes in existing laws and regulations, government policies or political, legal (including changes in legislation or rules), fiscal or economic conditions in China and the places where the Group carries on its business;
- (b) there will be no material changes in the bases or rates of taxation or duties in China;

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- (c) there will be no changes in legislation, regulations or rules in China which may have a material adverse effect on our business;
- (d) there will be no material unforeseen capital expenditures or bad debts; and
- (e) there will be no material changes in the existing and expected receipt and payment pattern of sales, purchases, land use rights and construction costs and expenses.

	Estimated for the year ending 31 December 2011 ⁽¹⁾
	RMB'000
Cash and cash equivalents at beginning of year	55,934
Net cash flows generated from operating activities	133,353
Net cash flows used in investing activities	(692,143)
Net cash flows generated from financing activities	1,165,194
Net increase in cash and cash equivalents	606,404
Cash and cash equivalents at end of year	662,338

- (1) Estimated figures above are prepared by our Directors and are unaudited. The estimated cash flows assume the application of the estimated net proceeds from the Global Offering calculated at an Offer Price of HK\$1.75 per Offer Share. Actual results may vary from the estimates provided.

WORKING CAPITAL

Taking into account the financial resources available to us, including revenue generated from our operations and the estimated proceeds from the Global Offering, and in the absence of unforeseen circumstances, our Directors are of the opinion that we have sufficient working capital to meet 125% of our present requirements, that is, at least the next 12 months from the date of this Prospectus.

ANALYSIS OF VARIOUS ITEMS FROM THE STATEMENTS OF FINANCIAL POSITION

The following tables set forth various items from our statements of financial position at the end of 2008, 2009 and 2010.

Intangible Assets

	Mining rights ⁽¹⁾	Exploration rights ⁽²⁾	Total
	RMB'000	RMB'000	RMB'000
Net Book Value:			
At 1 January 2008	2,300	2,301	4,601
At 31 December 2008	2,300	2,301	4,601
At 31 December 2009	2,301	—	2,301
At 31 December 2010	2,301	—	2,301

- (1) Mining rights represent rights for the mining of iron ore reserves in the Yanjiazhuang Mine and Guomu Nangou Mine, which are both located in Lincheng County, Hebei Province, China.
- (2) Exploration rights represent the exploration rights of Yanjiazhuang Mine acquired by Xingye Mining in the year ended 31 December 2006. The exploration rights were reclassified as mining rights in May 2009 when we obtained the mining permit for Yanjiazhuang Mine from the local government.

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In May 2009, we obtained a mining permit for the Yanjiazhuang Mine for a term of eight years, which will expire in July 2017. As a result, we reclassified the exploration rights of Yanjiazhuang Mine to mining rights on our consolidated statements of financial information. The estimated useful life of the mining rights is based on the unexpired period of the mining rights. During the Track Record Period, we did not accrue amortization as the Yanjiazhuang Mine had not yet commenced commercial production.

On 29 August 2005, we purchased the mining rights to Guomu Nangou Mine for a cash consideration of RMB2.3 million. On 12 November 2009, we completed the disposal of our interest in Guomu Nangou Mining Ltd., which included the mining rights to Guomu Nangou Mine.

Inventories

Our inventories consisted of spare parts and others as we had not yet commenced production. The following table sets forth the details of our inventories as of each of the dates indicated:

	As of 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
<i>At cost:</i>			
Spare costs and consumables	150	1,301	1,378
Iron ore	—	341	—
Iron concentrate	—	1,921	239
	<u>150</u>	<u>3,563</u>	<u>1,617</u>

Prepayments, deposits and other receivables

Our prepayments and other receivables mainly represent deposits to third parties and advances to employees. The following table sets forth the details of our prepayments and other receivables as of each of the dates indicated:

	As of 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Deferred initial public offering expenses ⁽¹⁾	—	9,350	48,042
Deposits	—	520	1,643
Advance to employees	—	772	382
Advances to suppliers	—	—	3,263
VAT receivables	—	—	5,388
Prepaid land lease payment	—	—	103
Others	—	33	559
	<u>—</u>	<u>10,675</u>	<u>59,380</u>

- (1) Deferred listing fees represents legal and other professional fees relating to our proposed Listing, that were deferred on the assumption that the Listing will be solely made up of new shares, and will be deducted from equity when we complete the Listing.

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The table below sets forth the ageing analysis of prepayments, deposits and other receivables as of each of the dates indicated:

	As of 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within one year	–	10,675	50,030
In the second year	–	–	9,350
	–	10,675	59,380

Other payables and accruals

Other payables and accruals mainly consist of the amounts due to suppliers or contractors and advances from customers. The following table sets forth the details of other payables and accruals as of each of the statements of financial position dates:

	As of 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Property, plant and equipment suppliers or contractors .	144	1,235	38,660
Payables for initial public offering expenses	–	–	11,402
Other payables	168	506	5,877
Payroll and welfare payable	390	791	3,502
Compensation to farmers ⁽¹⁾	340	300	18,282
Other taxes payable	92	954	764
Advance from customers	–	–	23,671
	1,134	3,786	102,158

- (1) Compensation to farmers represents cash compensation to local farmers or local village committees in connection with the construction and exploration of the Yanjiazhuang Mine.

Current Assets and Current Liabilities

The table below sets forth the breakdown of our current assets and current liabilities as of the dates indicated:

	As of 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Current assets			
Cash and cash equivalents	340	4,043	55,934
Prepayments, deposits and other receivables	–	10,675	59,380
Due from related parties	2	15	–
Inventories	150	3,563	1,617
Account receivables	–	–	–
	492	18,296	116,931

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	As of 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Current liabilities			
Trade payables	102	891	358
Other payables and accruals	1,134	3,786	102,158
Due to immediate holding company	—	—	335,974
Due to related parties	51,789	43,410	—
	<u>53,025</u>	<u>48,087</u>	<u>438,490</u>
Net current liabilities	<u>(52,533)</u>	<u>(29,791)</u>	<u>(321,559)</u>

Net current liabilities

Our net current liabilities were approximately RMB52.5 million, RMB29.8 million and RMB321.6 million as of 31 December 2008, 2009 and 2010, respectively. Our net current liabilities were primarily due to the Group requiring financing from its related parties or shareholders to fund its mine development and construction during the Track Record Periods. Net current liabilities decreased from approximately RMB52.5 million as of 31 December 2008 to approximately RMB29.8 million as of 31 December 2009 primarily due to a capital injection by the shareholders. Net current liabilities increased to approximately RMB321.6 million as of 31 December 2010 primarily as a result of significant development and construction work performed during the period that was funded by advances from related parties.

For further information on “Prepayments, deposits and other receivables”, “Other payables and accruals” and “Balances with related parties”, please refer to such sections in this “Financial Information”.

As of 30 April 2011, our unaudited net current liabilities were RMB399.0 million, which mainly consisted of cash and cash equivalents of RMB123.6 million, amounts due to Faithful Boom, the immediate holding company, of RMB266.2 million and bank loans of RMB280.2 million. Please see “Relationship with out Controlling Shareholders and Connected transactions — Independence of Management, Financing & Operation.”

RELATED PARTY TRANSACTIONS

During the Track Record Period, we engaged in certain transactions with our subsidiaries or Directors. The related party transactions during the Track Record Period are also set out in Note 24 of the Accountants’ Report attached as Appendix I to this Prospectus. The amounts due to Faithful Boom, the immediate holding company, will be repaid or waived in full upon Listing.

Payments made by the related parties on our behalf mainly represent shareholders’ loans used to fund our operations, as set out in greater detail in “Relationship with our Controlling Shareholders and Connected Transactions — Independence of Management, Financing & Operation”.

Balances with related parties

The following table sets forth balances with related parties as of the dates indicated:

	As of 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Due from a related party			
Wang Jiangping	<u>2</u>	<u>15</u>	<u>—</u>

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	As of 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Due to immediate holding company:			
Faithful Boom.....	—	—	335,974
Due to related parties⁽¹⁾:			
Zhao Haofu ⁽²⁾	—	23,773	—
Liu Hui	13,625	9,595	—
Chen Zhiqing	13,642	10,042	—
Zhao Yinhe ⁽²⁾	24,522	—	—
	51,789	43,410	—

(1) Balances with related parties were all unsecured, non-interest bearing and had no fixed repayment terms.

(2) On 26 August 2009, Zhao Yinhe and Zhao Haofu entered into an agreement, whereby Zhao Yinhe transferred his interest in the amount due to him by the Group prior to 30 July 2009, in an aggregate amount of RMB24.6 million, to Zhao Haofu.

CONTRACTUAL OBLIGATIONS, CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Operating Lease Arrangements

As of 31 December 2010, we had contractual obligations consisting of non-cancellable operating leases for our properties, including leases for our offices in Hong Kong. The table below sets forth details of our lease payments as of the dates indicated:

	As of 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within one year	—	1,739	1,681
In the second to fifth years, inclusive	—	3,189	1,401
	—	4,928	3,082

Capital Commitments

The table below sets forth details of our capital commitments as of the dates indicated:

	As of 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Contracted for, but not provided for:			
In respect of plant and machinery	—	23,430	202,667
Authorized, but not contracted for:			
In respect of plant and machinery	—	456,570	51,111
Total	—	480,000	253,778

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The significant increase in our capital commitments during the Track Record Period was due to the new equipment and machinery contracts that we entered into in 2009 and 2010 and the proposed capital expenditures of RMB480.0 million for our expansion plan approved by our Board during 2009. As of 31 December 2009 and 2010, the estimated total contract value for plant and machinery related capital commitments were RMB23.4 million and RMB202.7 million, respectively. In addition, our Board approved our planned expenditures for Phase One, Phase Two and Phase Three of our expansion plan for RMB240.1 million, RMB380.0 million and RMB277.2 million, respectively. For additional information regarding our expansion plan, see “Business – Future Plans for Expanding Production Capacity for the Yanjiazhuang Mine.”

Contingent Liabilities

We have certain contingent liabilities as a result of the transfer of Venca’s 99% equity interest in Xingye Mining to Jet Bright that was completed in July 2010. According to PRC tax rules, unless the equity transfer qualifies for special tax treatment, we may be required to pay tax on the capital gain. In December 2010, the Group submitted an application to the relevant tax bureaus for confirmation that the above-mentioned transfers qualifies for special tax treatment. We are in the process of confirming with the relevant tax bureaus that the equity transfer qualifies for special tax treatment. As we believe that the transfer qualifies for special tax treatment and there shall be no PRC income tax arising from the transfer, we have not made a tax provision for these contingent liabilities.

Other Liabilities

Except as disclosed above and other than intra-group liabilities, which have been disregarded for these purposes, we did not have any outstanding loan capital, bank overdrafts, liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities outstanding as of 31 December 2010.

CAPITAL EXPENDITURES

We incurred capital expenditures for the construction, development, technology upgrade of the Yanjiazhuang Mine and our production facilities during the Track Record Period. The table below sets forth details of our capital expenditures for the periods indicated:

	Year ended 31 December		
	2008	2009	2010
	RMB’000	RMB’000	RMB’000
Property, plant and equipment	3,298	12,526	286,672

The following table sets forth details of our actual capital expenditures up to 31 December 2010 and budgeted capital expenditure for each year from 2011 through 2013 per phase and for gabbro-diabase, mine acquisition and resource fees.

	31 December 2010	2011	2012	2013	Total by phase
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Phase One	207,100	26,900	6,100	0	240,100
Phase Two	84,600	272,800	22,400	200	380,000
Phase Three	3,200	107,900	152,800	13,300	277,200
Gabbro-diabase	1,700	169,900	116,600	15,000	303,200
Acquisition of Mines	0	40,000	3,000	717,000	760,000
Resource Fee/mining right	2,300	75,000	100,000	135,000	312,300
Yearly Total	298,900	692,500	400,900	880,500	2,272,800

FINANCIAL INFORMATION

The capital expenditures incurred in the year ended 31 December 2010 were mainly related to the completion of Phase One of our three-phase expansion plan.

Based on the existing business plan of the Company which may change depending on various factors, including but not limited to, the overall economic environment, market demand for our products and any business strategies adopted by the Company to respond to changes in market conditions, we expect our budgeted capital expenditures to be approximately RMB692.5 million in 2011 and RMB400.9 million in 2012.

INDEBTEDNESS

As of the Indebtedness Date, we owed RMB280.2 million (equivalent to approximately HK\$335 million) in short-term bank loans.

As of the Indebtedness Date, other than amounts due to Faithful Boom, the immediate holding company, in the amount of RMB266.2 million (equivalent to US\$41.0 million), amounts due under the Standard Chartered Loan Agreement referred to below in the amount of RMB196.6 million (equivalent to HK\$235 million) and amounts due under the Chong Hing Bank Loan Agreement referred to below in the amount of RMB83.6 million (equivalent to HK\$100 million), and apart from intra-group liabilities, we did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or material undisclosed contingent liabilities. We do not have any current plans to raise any material external debt financing after Listing. However, our current plans are subject to change based on market conditions, our business plan, our results of operations, the actions of our competitors and the government, as well as other factors.

Bank and Other Borrowings

We did not have any bank borrowings as of 31 December 2008, 2009 and 2010.

We entered into a loan agreement dated 11 February 2011 with Standard Chartered Bank (Hong Kong) Limited (the “Standard Chartered Loan Agreement”) relating to a HK\$235 million loan facility. Interest is payable at a rate of HIBOR plus 1.8% per annum. We drew down fully on the Standard Chartered loan facility in April of 2011. The proceeds of the drawdown were used to repay a portion of the shareholders’ loans then outstanding. Pursuant to the Standard Chartered Loan Agreement, NWS has executed a guarantee for HK\$235 million, plus interest and charges, which they can replace with a letter of comfort upon the successful listing of the Company on the Stock Exchange. This is a revolving loan which we expect to repay in one year from the drawdown date. Pursuant to the Standard Chartered Loan Agreement, the Company undertakes to procure that all its obligations related to the Loan Agreement will at all times rank at least *pari passu* in terms of security and support (including third party) with all its other present and future obligations and undertakes to comply with certain notification provisions. Standard Chartered Bank has the overriding right at any time to require immediate payment and/or cash collateralisation of any sums that the Company actually or contingently owes to it under the Loan Agreement.

On 18 February 2011, we entered into a loan agreement with Chong Hing Bank Limited (the “Chong Hing Bank Loan Agreement”) relating to a HK\$100 million banking facility (the “Chong Hing Facility”). We drew down fully on the Chong Hing Facility in March of 2011. The proceeds of the Chong Hing Facility were also applied to repay a portion of the then outstanding shareholders’ loans. NWS has provided a guarantee for the HK\$100 million, which will be released on the Listing Date of the Company. The interest to be paid on this loan is 1% per annum above HIBOR, or another rate as Chong Hing Bank Limited may determine from time to time and as agreed upon by the Company on the date of the drawing. We expect to repay this loan facility in the first quarter of 2012. Chong Hing Bank Limited retains the overriding right at any time to require immediate repayment.

FINANCIAL INFORMATION

On 17 June 2011, we received an offer letter from Chong Hing Bank for an additional banking facility of HK\$150 million. The final terms and conditions of the additional banking facility are subject to the bank's approval and agreement by the parties. We intend to draw down this banking facility in full prior to the Listing Date and to use the proceeds of this banking facility, equivalent to RMB124.5 million, to make further repayment on the outstanding shareholders' loans, as set out in greater detail in "Relationship with our Controlling Shareholders and Connected Transactions — Independence of Management, Financing & Operation".

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to various types of market risks in the ordinary course of our business, including fluctuations in interest rates, changes in the selling prices for our products and movements in commodities prices. We manage our exposure to these and other market risks through regular operating and financial activities.

Commodity price risk

The market prices for iron and steel have a significant effect on our results of operation. The fluctuations in prices may be influenced by factors and events that are beyond our control.

Credit risk

Substantially all of our cash and cash equivalents are held in major financial institutions located in China (including in Hong Kong), which our management believes are of high credit quality. We have policies that limit the amount of credit exposure to any financial institutions.

However, disruptions in the worldwide financial markets and other macroeconomic challenges currently affecting the PRC economy and the global economic outlook could adversely affect our customers and suppliers in a number of ways, which could adversely affect us. The slowdown in the growth of the PRC economy, and any attendant effects on the levels of consumer and commercial spending may cause customers to reduce, modify, delay or cancel plans to purchase our products, and may cause suppliers to reduce their sales to us or change terms of sales. If our customers' cash flow or operating and financial performance deteriorates, or if they are unable to make scheduled payments or obtain credit, they may not be able to pay, or may delay payment of, receivables owed to us. Likewise, for similar reasons, suppliers may restrict credit or impose different payment terms. Any inability of our customers to pay us for products or demands by suppliers for different payment terms may have an adverse impact on our management's cash flow forecasts and assessment of the impairment of trade receivables. As of the Latest Practicable Date, we had not experienced any material adverse change to our business operations or our cash flows as a result of the recent disruptions in global economic conditions, nor have we been subject to any bankruptcy filings or defaults on the part of our major suppliers.

As we have not yet engaged in commercial production, no credit sales were made to customers during the Track Record Period.

FINANCIAL INFORMATION

Interest rate risk

Our exposure to market risk for changes in interest rates relates primarily to fluctuations in interest rates on any future potential bank borrowings. Higher interest rates may adversely affect our revenue, profit from operations and net profit. We have not historically been exposed nor do we anticipate being exposed to material risks due to changes in interest rates on debt denominated in Renminbi, although our future interest income and interest disbursements may fluctuate in line with changes in interest rates on debt denominated in Renminbi.

Foreign exchange risk

Substantially all of our future revenue and expenses are denominated in Renminbi. The Renminbi is not freely convertible into other currencies and conversion of the Renminbi into foreign currencies is subject to foreign exchange control rules and regulations promulgated by the PRC Government. In July 2005, the PRC Government introduced a managed floating exchange rate system to allow the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the Renminbi appreciated by approximately 2% against the U.S. dollar. The PRC Government has since made, and may in the future make, further adjustments to the exchange rate system. When the Renminbi appreciates, the value of foreign currency denominated assets will decline against the Renminbi.

We use Renminbi as the reporting currency for our financial statements. Each of our entities determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. All transactions in currencies other than the respective functional currency during the year are recorded at the exchange rates prevailing on the respective relevant dates of such transactions. Monetary assets and liabilities existing at the statements of financial position date denominated in currencies other than the respective functional currency are re-measured at the exchange rates prevailing on such date. Exchange differences are recorded in our consolidated statements of comprehensive income. Fluctuations in exchange rates may also affect our statements of financial position. For example, to the extent that we need to convert HK dollars received in the Global Offering into Renminbi for our operations, the appreciation of the Renminbi against the HK dollar would have an adverse effect on Renminbi amount that we receive from the conversion. Conversely, if we decide to convert Renminbi into HK dollars for the purpose of making payments for dividends on our ordinary shares or for other business purposes, appreciation of the HK dollar against Renminbi would have a negative effect on the HK dollar amount available to us.

We do not believe that we currently have any significant direct foreign currency exchange rate risk and have not hedged exposures denominated in foreign currencies or any other derivative financial instruments.

Liquidity risk

Our liquidity is primarily dependent on our ability to maintain sufficient cash inflows from our operations to meet any debt obligations as they become due, and our ability to obtain external financing to meet our committed future capital expenditures. In addition, the ongoing liquidity crisis could affect our ability to obtain new financing at rates that are favorable to us. We believe we are taking all necessary measures to maintain sufficient liquidity reserves to support the sustainability and growth of our business in the current circumstances and to repay any outstanding borrowings when they fall due.

PROFIT FORECAST⁽¹⁾⁽²⁾⁽³⁾

Our Directors believe that, on the bases and assumptions set out in Appendix III to this Prospectus and in the absence of unforeseen circumstances, our estimated consolidated profit attributable to owners of the parent of the Company for the six months ending 30 June 2011 is expected to be approximately RMB9.6 million (equivalent to approximately HK\$11.5 million).

Note:

- (1) The bases and assumptions on which the above profit forecast for the six months ending 30 June 2011 have been prepared are summarized in part (A) of Appendix III of this Prospectus.

FINANCIAL INFORMATION

- (2) Our Directors have prepared the forecast of the consolidated profit attributable to owners of the parent for the six months ending 30 June 2011 based on the unaudited management accounts of the Group for the four months ended 30 April 2011 and the forecast of the consolidated results of the remaining two months ending 30 June 2011.
- (3) Our Directors forecast that the average selling price of iron ore concentrate per tonne (net of value-added tax and other surtaxes) will not be less than RMB1,120 per tonne throughout the forecast period in May and June 2011. Assuming that the average iron ore concentrate price in May and June 2011 varies 10% and 20% above or below the base case iron ore concentrate price, the corresponding forecast consolidated net profit attributable to owners of the parent for the six months ending 30 June 2011 will increase or decrease by approximately RMB333,000 and RMB665,000, respectively.

DIVIDEND POLICY

After completion of the Global Offering, our shareholders will be entitled to receive any dividends we declare. The payment and amount of any dividend will be at the discretion of the Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, interests of our shareholders, taxation conditions, statutory restrictions, and other factors that our Board deems relevant. The payment of any dividends will also be subject to the Companies Law and our constitutional documents, which indicate that payment of dividends out of our share premium account is possible on the condition that we are able to pay our debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

Our ability to declare future dividends will also depend on the availability of dividends, if any, received from our PRC operating subsidiary. Pursuant to the PRC laws, dividends may only be paid out of distributable profits, defined as retained earnings after tax payments as determined under the PRC GAAP less any recovery of accumulated losses and the required allocations to statutory reserves made by our PRC operating subsidiary. In general, we do not expect to declare dividends in a year where we do not have any distributable earnings.

We currently intend to retain most, if not all, of our available funds and future earnings to operate and expand our business, primarily through acquisitions. The Board will review the dividend policy on an annual basis. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

DISTRIBUTABLE RESERVES

As of 31 December 2010, we had no distributable reserves for distribution to the shareholders.

PROPERTY VALUATION

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued our property interests as of 31 March 2011. The text of the letter, summary of valuation and the summary valuation certificates are set out in Appendix IV to this Prospectus.

PROPERTY VALUE RECONCILIATION

Particulars of our property interests are set out in Appendix IV to this Prospectus. Jones Lang LaSalle Sallmanns Limited has valued our property interests as of 31 March 2011. A summary of values and valuation certificates issued by Jones Lang LaSalle Sallmanns Limited is included in Appendix IV to this Prospectus.

FINANCIAL INFORMATION

The table below sets forth the reconciliation of aggregate amounts of land use right and structures from our audited consolidated financial statements as of 31 December 2010 to the unaudited net book value of our property interests as of 31 March 2011:

	<u>RMB'000</u>
Net book value of our property interests as of 31 December 2010 ⁽¹⁾	10,432
Additions	–
Depreciation	(44)
Disposals	–
Net book value as of 31 March 2011	10,388
Valuation surplus as of 31 March 2011	2,117
Valuation as of 31 March 2011 per Appendix IV – Property Valuation	<u>12,505</u>

- (1) Property interests as of 31 December 2010 with net book value of RMB6,519,000 were included in “property, plant and equipment – construction in progress” and with net book value of RMB3,913,000 were included in “prepaid land lease payments” within our financial information. See Notes 11 and 13 of Section II of the Accountants’ Report included as Appendix I to this Prospectus.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted net tangible assets which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 December 2010. The unaudited pro forma net tangible assets have been prepared for illustrative purposes only and because of their hypothetical nature, they may not give a true picture of our financial position had the Global Offering been completed as of 31 December 2010 or any future dates.

	Audited consolidated net tangible assets attributable to owners of the parent as at 31 December 2010 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets ⁽³⁾	Unaudited pro forma adjusted net tangible assets per Share ⁽⁴⁾	
	RMB'000	RMB'000	RMB'000	(RMB)	(HK\$)
Based on Offer Price of HK\$1.75 per Share	31,446	1,013,433	1,044,879	0.26	0.31
Based on Offer Price of HK\$2.35 per Share	31,446	1,393,905	1,425,351	0.36	0.43

- (1) As of 31 December 2010, our audited consolidated net tangible assets attributable to our equity holders was equal to equity attributable to our equity holders less the intangible assets.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$1.75 and HK\$2.35, respectively, per Offer Share, after deduction of underwriting fees and estimated expenses payable by us in connection with the Global Offering.
- (3) The unaudited pro forma adjusted net tangible assets have not taken into consideration capital injections subsequent to 31 December 2010 and before Global Offering.
- (4) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in Appendix II — Unaudited Pro Forma Adjusted Net Tangible Assets to this Prospectus and on the basis of 4,000,000,000 Shares in issue at the respective Offer Price of HK\$1.75 and HK\$2.35 per Share immediately following completion of the Global Offering and Capitalization Issue, without taking into account any options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Except as otherwise disclosed in this Prospectus, we confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

As of the date of this Prospectus, our Directors and the Joint Sponsors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 December 2010, the date of our latest audited financial statements.

Our Directors confirm that they have performed sufficient due diligence on us to ensure that, up to the date of this Prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2010, and there is no event since 31 December 2010 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “Business — Business Strategies” in this Prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$1,450.2 million from the Global Offering after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming an Offer Price of HK\$2.05 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this Prospectus.

We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 30%, or HK\$434.9 million, primarily to complete our three-phase expansion plan, in which our mining and processing capacities are expected to increase to 10,500 ktpa. In our three-phase expansion plan, we plan to develop six additional open-pit mining pits, construct four dry magnetic cobbing systems, upgrade two existing processing facilities and build two new processing facilities, and develop supporting infrastructure such as road, two electrical converting stations, four reservoirs and a new water supply system from Lincheng Reservoir, two new tailings storage facilities, as well as our land rehabilitation works.
- approximately 8%, or HK\$115.7 million, to pay resource fees to the relevant Department of Land and Resources in applying for the mining permit to process 10,500 ktpa for the Yanjiazhuang Mine;
- approximately 27%, or HK\$392.1 million, for exploration and acquisition activities to expand our resources, including further exploration work at the Yanjiazhuang Mine, the acquisition of exploration rights to expand the northern boundary of the permitted mining area of the Yanjiazhuang Mine by an additional 0.75 km² and two iron ore mines in Hebei Province, namely, the Gangxi Mine and the Shangzhengxi Mine. Payment for the estimated reserves of these mines to be determined after exploration work is completed for both mines and reimbursement of costs incurred for the exploration work performed by the 11th Geological Brigade for these two mines, as well as the acquisition of other mines yet to be identified by us;
- approximately 22%, or HK\$319.0 million, to develop our gabbro-diabase resources into commercial production, which includes the development of extraction pits, the construction of gabbro-diabase production facilities, provisions for administrative fees such as payments for necessary permits and licenses, development of road infrastructure, land expropriation compensation and land rehabilitation;
- approximately 10%, or HK\$145.0 million, to repay a portion of the shareholders' loans; and
- approximately 3%, or HK\$43.5 million, to fund our working capital.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing and non-interest-bearing bank accounts with licensed commercial banks and/or authorized financial institutions in Hong Kong or China.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range, we will receive net proceeds of approximately HK\$1,221.0 million. Under such circumstances, we intend to apply approximately 35%, or HK\$427.5 million, of the net proceeds primarily to complete our three-phase expansion plan to increase our mining and processing capacities to 10,500 ktpa, approximately 9%, or HK\$109.9 million, to pay resource fees to the relevant Department of Land and Resources in applying for the mining permit to process 10,500 ktpa for the Yanjiazhuang Mine, approximately 17%, or HK\$207.5 million, for exploration and acquisition activities to expand our resources, approximately 26%, or HK\$317.4 million, to develop our gabbro-diabase resources into commercial production, approximately 10%, or HK\$122.1 million, to repay a portion of the shareholders' loans and approximately 3%, or HK\$36.6 million, to fund our working capital.

In the event that the Offer Price is set at the high-end of the proposed Offer Price range, we will receive net proceeds of approximately HK\$1,679.4 million. Under such circumstances, we intend to apply approximately 26%, or HK\$436.6 million, of the net proceeds primarily to complete our three-phase expansion plan to increase our mining and processing capacities to 10,500 ktpa, approximately 7%, or HK\$117.6 million, to pay resource fees to the relevant Department of Land and Resources in applying for the mining permit to process 10,500 ktpa for the Yanjiazhuang Mine, approximately 35%, or HK\$587.8 million, for exploration and acquisition activities to expand our resources, approximately 19%, or HK\$319.1 million, to develop our gabbro-diabase resources into commercial production, approximately 10%, or HK\$167.9 million, towards the repayment of the shareholders' loans and approximately 3%, or HK\$50.4 million, to fund our working capital.

Because the Over-allotment Option has been granted by the Selling Shareholder, we will not receive any additional proceeds as a result of the exercise of the Over-allotment Option.

UNDERWRITING

HONG KONG UNDERWRITERS

Citigroup Global Markets Asia Limited
Macquarie Capital Securities Limited
BOCOM International Securities Limited
BOCI Securities Limited
Guotai Junan Securities (Hong Kong) Limited
Haitong International Securities Group Limited
Kingston Securities Limited

INTERNATIONAL UNDERWRITERS

Citigroup Global Markets Limited
Macquarie Capital Securities Limited
BOCOM International Securities Limited
VMS Securities Limited
BOCI Securities Limited
Guotai Junan Securities (Hong Kong) Limited
Haitong International Securities Group Limited
Kingston Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

We are offering the Hong Kong Offer Shares for subscription on and subject to the terms and conditions of this Prospectus and the Application Forms. Subject to the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares to be offered pursuant to the Global Offering and the Capitalisation Issue as mentioned herein and certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to purchase or procure subscribers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions of this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement being signed and becoming unconditional and not having been terminated in accordance with its terms.

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 develops, occurs, exists or comes into effect:
 - (i) any new law or regulation, or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, Canada, Japan or any other relevant jurisdiction in which the Group carries on its business (each a “**Relevant Jurisdiction**”);
 - or

UNDERWRITING

- (ii) any local, national, regional or international financial, political, military, economic, currency market, fiscal or regulatory or market change or development involving a prospective change or development, or any event or series of events, resulting or likely to result in conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, or any monetary or trading settlement system or matters and/or disaster (including, without limitation, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars or an appreciation of the Renminbi against the currency of any of the United States or Japan) in or affecting any Relevant Jurisdiction); or
- (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes or lock-outs (whether or not covered by insurance), fire, explosion, flooding, epidemic, civil commotion, acts of war, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is declared), acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency or war, riot, public disorder, or acts of God) in or affecting any Relevant Jurisdiction; or
- (iv) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Stock Market, the London Stock Exchange or (B) a general moratorium on commercial banking activities in New York, London, Hong Kong, Japan or the PRC declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or
- (v) any taxation or exchange controls (or the implementation of any exchange control, currency exchange rates or foreign investment regulations) in any Relevant Jurisdiction adversely affecting an investment in the Shares; or
- (vi) any change or development involving a prospective change on the condition, financial or otherwise, or in the earnings, business affairs or trading position of the Group; or
- (vii) any executive Director being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or
- (viii) the commencement by any regulatory body of any public action against any Executive Director in his or her capacity as such or an announcement by any regulatory body that it intends to take any such action; or
- (ix) any litigation or claim being threatened or instigated against the Company or any of its subsidiaries; or
- (x) the issue or requirement to issue by the Company of a supplementary prospectus, Application Form, preliminary or final offering circular pursuant to the Companies Ordinance or the Listing Rules in circumstances where the matter to be disclosed is adverse to the marketing for or implementation of the Global Offering; or
- (xi) the materialization of any of the risks set out in the section headed “Risk Factors” in this Prospectus; or

UNDERWRITING

- (xii) any demand by creditors for repayment of material indebtedness or a petition is presented for the winding-up or liquidation of any member of the Group or any member of the 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 the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group;

and which, in any such case and in the sole opinion of the Joint Bookrunners (for themselves and on behalf of the other Hong Kong Underwriters),

- (A) is or may or will be or is likely to be materially adverse to the general affairs or management or the business or financial or trading position or prospects of the Company and its subsidiaries taken as a whole; or
 - (B) has or will have or is reasonably likely to have a material adverse effect on the success of the Global Offering and/or make it impracticable, inexpedient or inadvisable for any part of the Hong Kong Underwriting Agreement, the International Underwriting Agreement, the Hong Kong Public Offering, the Preferential Offering or the International Placing to be performed or implemented as envisaged; or
 - (C) makes or will or is likely to make it impracticable, inexpedient or inadvisable to proceed with or to market the Hong Kong Public Offering, the Preferential Offering and/or the International Placing or the delivery of the Offer Shares on the terms and in the manner contemplated by the Hong Kong Public offering documents, the Preferential Offering Documents, the formal notice or the offering circular; or
- (b) there has come to the notice of the Joint Bookrunners or any of the Hong Kong Underwriters:
- (i) that any statement contained in the Hong Kong Public Offering documents, the Preferential Offering Documents, the formal notice and any announcements in the agreed form issued by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) or the Preferential Offering was or has become untrue, incorrect or misleading in any material respect, or any forecasts, estimates, expression of opinion, intention or expectation expressed in such documents are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) any matter has arisen or has been discovered which would or might, had it arisen immediately before the date of this Prospectus, not having been disclosed in this Prospectus, constitutes a material omission therefrom; or
 - (iii) any of the representations and warranties in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or might when repeated be) being untrue or misleading or inaccurate in any material respect, save for such representations and warranties given by the underwriters; or
 - (iv) any event, act or omission which gives or may give rise to any material liability pursuant to the indemnities given under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, save for any indemnities given by the Underwriters; or
 - (v) any breach of any of the obligations or undertakings under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, save for any obligation or undertaking of the Underwriters, likely to have a material adverse effect on the Global Offering; or

UNDERWRITING

- (vi) any material adverse change or prospective material adverse change in the assets, liabilities, profits, losses, business, properties, results of operations, business affairs, the financial or trading position or performance or management of the Company and its subsidiaries taken as a whole; or
- (vii) the Company withdraws any of the Hong Kong Public Offering documents, the Preferential Offering Documents, the preliminary offering circular or the final offering circular or the Global Offering;

then the Joint Bookrunners may, on behalf of the Hong Kong Underwriters, in their sole discretion and upon giving notice to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

UNDERTAKINGS

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by Our Company

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 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 pursuant to the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by Our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange that except pursuant to the Global Offering (including the Over-allotment Option), she/it will not and shall procure that the relevant registered holder(s) will not, without the prior written consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules:

- (1) in the period commencing on the date hereof and ending on 30 June 2012, 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 in respect of which she/it is shown by this Prospectus to be the beneficial owner (whether direct or indirect); and
- (2) in the period from 1 July 2012 to 31 December 2012, 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 paragraph (1) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would then cease to be our Controlling Shareholders for the purposes of the Listing Rules.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and our Company that within the period commencing on the date hereof and ending on 31 December 2012, she/it shall:

- (1) when she/it (or through the relevant registered holder(s)) pledges or charges any Shares beneficially owned by her/it, in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and

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- (2) when she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

In March 2011, Fast Fortune (as borrower) and VMS (as guarantor) entered into a loan arrangement with Independent Third Parties. In connection with this loan arrangement, the purpose of which was to provide financing for VMS, share certificates in respect of not less than 55.02% of the issued share capital of Fast Fortune have been placed in escrow. Under the terms of the loan arrangement, the lenders do not have any specified right to seize or dispose of the shares of Fast Fortune. The Fast Fortune shares in escrow are held for safe keeping only and do not create any security or other rights over Fast Fortune's or the Company's shares. As the shares held in escrow are those of Fast Fortune and not of the Company, the escrow does not affect any of the Controlling Shareholders' undertakings to the Stock Exchange pursuant to Rule 10.07 of the Listing Rules. The agreement provides for the release of the escrow arrangement when no sum is outstanding under the loan agreement, among other circumstances.

Undertakings by Our Controlling Shareholders pursuant to the Deeds of Lock-up

Each of the Controlling Shareholders will enter into a deed of lock-up in favour of the Sole Global Coordinator, the Joint Bookrunners, the Joint Sponsors and the Hong Kong Underwriters pursuant to which they will undertake the following:

Undertakings by NWS

NWS agrees and undertakes to each of the Sole Global Coordinator, the Joint Bookrunners, the Joint Sponsors and the Underwriters that:

- (a) except as pursuant to the Global Offering (including pursuant to exercise of the Over-allotment Option) or any share option schemes of any members of the Group, during the period commencing from the date of the Prospectus and up to and including 30 June 2012 and unless permitted in accordance with the Listing Rules or the lock-up undertaking provided by NWS to the Stock Exchange, NWS will not without the prior written consent of the Joint Bookrunners (on behalf of the Underwriters) (subject to the requirements set out in the Listing Rules)
- (i) offer, pledge, charge, mortgage, sell, contract to pledge, charge, mortgage, sell, any option or purchase or contract to purchase any option or grant or contract to grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the Shares which is shown in the Prospectus that NWS has beneficial ownership (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for such Shares) (the "NWS Lock-up Shares") (the foregoing restriction is expressly agreed to preclude NWS from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of such NWS Lock-up Shares even if such Shares would be disposed of by someone other than NWS. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of such NWS Lock-up Shares or with respect of any security that includes, relates to, or derives any significant part of its value from the NWS Lock-up Shares);
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the NWS Lock-up Shares; or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

UNDERWRITING

- (iv) offer to or agree or contract to, or publicly announce any intention to enter into, any transaction described in (i) or (ii) above whether any of the foregoing transactions described in (i) (ii) or (iii) above is to be settled by delivery of the NWS Lock-up Shares, in cash or otherwise; and
- (b) during the period from 1 July 2012 and up to and including 31 December 2012 and unless permitted in accordance with the Listing Rules and or the lock-up undertaking provided by NWS to the Stock Exchange, NWS will not without the prior written consent of the Joint Bookrunners (on behalf of the Underwriters) (subject to the requirements set out in the Listing Rules)
 - (i) offer, pledge, charge, mortgage, sell, contract to pledge, charge, mortgage, sell, any option or purchase or contract to purchase any option or grant or contract to grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the NWS Lock-up Shares (the foregoing restriction is expressly agreed to preclude NWS from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of such NWS Lock-up Shares even if such Shares would be disposed of by someone other than NWS), if immediately following such action, disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, NWS and the VMS Shareholders (as defined below) would cease to be controlling shareholders (as defined in the Listing Rules) of the Company. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of such NWS Lock-up Shares or with respect of any security that includes, relates to, or derives any significant part of its value from the NWS Lock-up Shares;
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the NWS Lock-up Shares, but only to the extent when discounting that part of the NWS Lock-up Shares that are subject to the aforesaid arrangements, NWS and VMS Shareholders would cease to be controlling shareholders (as defined in the Listing Rules) of the Company; or
 - (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
 - (iv) offer to or agree or contract to, or publicly announce any intention to enter into, any transaction described in (i) or (ii) above whether any of the foregoing transaction described in (i) (ii) or (iii) above is to be settled by delivery of the NWS Lock-up Shares, in cash or otherwise.

Undertakings by Mak Siu Hang, Viola, VMS and Fast Fortune

Mak Siu Hang, Viola, VMS and Fast Fortune (collectively the “VMS Shareholders” and each a “VMS Shareholder”) jointly and severally undertakes to each of the Sole Global Coordinator, the Joint Bookrunners, the Joint Sponsors and the Underwriters that:

- (a) except as pursuant to the Global Offering (including pursuant to exercise of the Over-allotment Option) or any share option schemes of any members of the Group, during the period commencing from the date of the Prospectus and up to and including June 30, 2012 (the “VMS First Lock-up Period”) and unless permitted in accordance with the Listing Rules or the lock up undertaking provided by VMS and Ms. Mak Siu Hang, Viola to the Hong Kong Stock Exchange, the VMS Shareholders will not without the prior written consent of the Joint

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Bookrunners (on behalf of the Underwriters) (subject to the requirements set out in the Listing Rules):

- (i) offer, pledge, charge, mortgage, allot, issue, sell, contract to pledge, charge, mortgage, allot, issue or sell, any option, purchase or contract to purchase any option or grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of its share capital or other securities or any interests in the Shares of the Company (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or other securities or any interests therein whether now owned or hereinafter acquired or owned directly by any VMS Shareholders (including holding as a custodian) or with respect to which the VMS Shareholders have beneficial ownership (the “VMS Lock-up Shares”) (the foregoing restriction is expressly agreed to preclude the VMS Shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of such VMS Lock-up Shares even if such Shares would be disposed of by someone other than a VMS Shareholder. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of such VMS Lock-up Shares or with respect of any security that includes, relates to, or derives any significant part of its value from such Shares);
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such VMS Lock-up Shares; or
 - (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
 - (iv) offer to or agree or contract to, or publicly announce any intention to enter into, any transaction described in (i) or (ii) above whether any such transaction described in (i) (ii) or (iii) above is to be settled by delivery of such VMS Lock-up Shares, in cash or otherwise;
- (b) at any time from July 1, 2012 up to and including the date December 31, 2012 (the “VMS Second Lock-up Period”) and unless permitted in accordance with the Listing Rules or the VMS lock up undertaking provided to the Hong Kong Stock Exchange, the VMS Shareholders will not without the prior written consent of the Joint Bookrunners (on behalf of the Underwriters) (subject to the requirements set out in the Listing Rules)
- (i) offer, pledge, charge, mortgage, allot, issue, sell, contract to pledge, charge, mortgage, allot, issue or sell, any option, or grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or dispose of, either directly or indirectly, conditionally or unconditionally, any of the VMS Lock-up Shares or other securities or any interests therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or other securities or any interests therein whether now owned or hereinafter acquired, owned directly by any VMS Shareholders (including holding as a custodian) or with respect to which such VMS Shareholder has beneficial ownership (the VMS Lock-up Shares) (the foregoing restriction is expressly agreed to preclude any VMS Shareholder from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of such VMS Lock-up Shares even if such Shares would be disposed of by someone, other than a VMS Shareholder, if immediately following such action, disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, the VMS Shareholders and NWS would cease to be controlling shareholders (as defined in the Listing Rules) of the Company. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of such VMS Lock-up Shares or with respect of any security that includes, relates to, or derives any significant part of its value from such Shares);

UNDERWRITING

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such VMS Lock-up Shares; or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or agree or contract to, or publicly announce any intention to enter into, any transaction described in (i) or (ii) above whether any such transaction described in (i) (ii) or (iii) above is to be settled by delivery of such VMS Lock-up Shares, in cash or otherwise.

In March 2011, Fast Fortune (as borrower) and VMS (as guarantor) entered into a loan arrangement with Independent Third Parties. In connection with this loan arrangement, the purpose of which was to provide financing for VMS, share certificates in respect of not less than 55.02% of the issued share capital of Fast Fortune have been placed in escrow. Under the terms of the loan arrangement, the lenders do not have any specified right to seize or dispose of the shares of Fast Fortune. The Fast Fortune shares in escrow are held for safe keeping only and do not create any security or other rights over Fast Fortune's or the Company's shares. As the shares held in escrow are those of Fast Fortune and not of the Company, the escrow does not affect the VMS Shareholders' undertakings pursuant to the Deeds of Lock-up. The agreement provides for the release of the escrow arrangement when no sum is outstanding under the loan agreement, among other circumstances.

Undertakings by Our Company pursuant to the Underwriting Agreements

Pursuant to the Underwriting Agreement, we have undertaken to each of the Sole Global Coordinator, Joint Bookrunners and Joint Lead Managers, Joint Sponsors and the Hong Kong Underwriters that, (except as pursuant to the Global Offering, including the exercise of the Over-allotment Option and the grant and exercise of the options under the Pre-IPO Share Option Scheme and Share Option Scheme) at any time from the date of the Hong Kong Underwriting Agreement until the expiry of six months from the Listing Date, our Company will not without the prior written consent of the Sole Global Coordinator (on behalf of the Underwriters) (and subject to the requirements set out in the Listing Rules):

- (i) offer, pledge, charge, mortgage, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of our share capital or other securities or any interests therein (including, but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or other securities or any interests therein whether now owned or hereinafter acquired (the "Held Interests")); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interest; or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or agree or contract to, or publicly announce any intention to enter into, any transaction described in limb (i) or (ii) above,

whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of Held Interest, in cash or otherwise.

Commission and Expenses

The Hong Kong Underwriters will receive a commission of 3.0% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commissions. 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 International Underwriters and not the Hong Kong Underwriters. Our Company may also in its sole discretion pay the Joint Bookrunners an additional incentive fee of up to 0.25% if it is satisfied with the services provided by the Joint Bookrunners in connection with the Global Offering.

UNDERWRITING

Hong Kong Underwriters' Interest in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement and the stock borrowing arrangement that may be entered into between the Stabilization Manager and Fast Fortune for the purpose of the Global Offering, none of the Underwriters has any shareholding interests in any members of our Group or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreements.

Indemnity

Our Company, NWS Mining and Fast Fortune have agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

International Placing

In connection with the International Placing, we expect to enter into the International Underwriting Agreement with, among others, the International Underwriters, the Sole Global Coordinator, Joint Bookrunners and Joint Lead Managers. Under the International Underwriting Agreement, the International Underwriters to be named therein would severally but not jointly agree to purchase the International Placing Shares or procure purchasers for the International Placing Shares being offered pursuant to the International Placing.

Under the International Underwriting Agreement, the Selling Shareholder has granted to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator or any of its affiliates or any person acting for it on behalf of the International Underwriters (at the discretion of the Sole Global Coordinator), in whole or in part at one or more times, for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Selling Shareholder to sell up to an aggregate of 150,000,000 Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price and will be for the purpose of, among other things, covering over-allocations in the International Placing, if any. An announcement will be made in the event that the Over-allotment Option is exercised.

TOTAL EXPENSES

Assuming an Offer Price of HK\$2.05 per Share (being the mid-point of the stated offer price range of HK\$1.75 to HK\$2.35 per Share), the aggregate commissions and fees (exclusive of any discretionary incentive fees), together with Stock Exchange listing fees, SFC transaction levy of 0.003%, Stock Exchange trading fee of 0.005%, legal and other professional fees and printing and other expense relating to the Global Offering to be borne by our Company, are estimated to amount to approximately HK\$189.8 million (assuming the Over-allotment Option is not exercised) in total.

JOINT SPONSORS' INDEPENDENCE

Citi and Macquarie satisfy the independence criteria applicable set out in Rule 3A.07 of the Listing Rules. Pursuant to Rule 3A.07 of the Listing Rules, Rothschild is not independent because it acted as the sole financial adviser to VMS Investment Group (HK) Limited, a related company of VMS, in connection with the acquisition of a 57.3% equity interest in Perfect Move as well as the acquisition of all the Exchangeable Bonds issued by Faithful Boom. The acquisition of the equity stake in Perfect Move was completed in July 2010 while the acquisition of the Exchangeable Bonds was completed in June 2010.

STRUCTURE OF GLOBAL OFFERING

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$2.35 and is expected to be not less than HK\$1.75 unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum Offer Price of HK\$2.35 per Offer Share plus a 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$2.35, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. You may find further details in the “How to Apply for Hong Kong Offer Shares and Reserved Shares” section in this Prospectus.

DETERMINATION OF THE OFFER PRICE

We expect the Offer Price to be fixed by agreement among us (on behalf of ourselves and the Selling Shareholder) and the Joint Bookrunners, on behalf of the Underwriters, on the Price Determination Date when market demand for the Offer Shares will be determined. We expect the Price Determination Date to be on or around 24 June 2011 and in any event, no later than 28 June 2011. The Offer Price will not be more than HK\$2.35 per Offer Share and is expected to be not less than HK\$1.75 per Offer Share. **You should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus.**

The Sole Global Coordinator, on behalf of the Underwriters, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, reduce the number of Offer Shares and/or the indicative Offer Price range below that described in this Prospectus on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we 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 publish a notice in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) of the reduction in the number of Offer Shares and/or the indicative Offer Price range. Such announcements will also be available at the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.newton-resources.com.

Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon between the Joint Bookrunners, on behalf of the Underwriters and us (on behalf of ourselves and the Selling Shareholder), will be fixed within such revised Offer Price range. In this notice, we will also confirm or revise, as appropriate, the working capital statement as currently disclosed in the “Financial Information — Working Capital” section in this Prospectus, the offering statistics as currently disclosed in the “Summary” section in this Prospectus, the use of proceeds in the “Future Plans and Use of Proceeds” section in this Prospectus and any other financial information which may change as a result of such reduction. **If you have already submitted an application for Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application, even if the number of Offer Shares and/or the Offer Pricing range is reduced.** If we do not publish a notice in the South China Morning Post and the Hong Kong Economic Times nor make such announcements on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.newton-resources.com, regarding a reduction in the number of Offer Shares and/or the indicative Offer Price range stated in this Prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon by us, will be within the Offer Price range as stated in this Prospectus.

STRUCTURE OF GLOBAL OFFERING

If we are unable to reach an agreement with the Joint Bookrunners on behalf of the Underwriters on the Offer Price by 28 June 2011, the Global Offering will not proceed and will lapse.

We expect to publish an announcement of the Offer Price, together with the level of interest in the International Placing and the application results and basis of allotment of the Hong Kong Offer Shares, on 30 June 2011.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be issued as described in this Prospectus (including any options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme), and such listing and permission not having been subsequently revoked prior to the commencement of dealings in our Shares on the Stock Exchange;
- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator, on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective agreements;

in each case, on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this Prospectus.

The consummation of each of the International Placing and the Hong Kong Public Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the day after such lapse.

In the above situation, we will return all application monies to the applicants for the Hong Kong Offer Shares and the Reserved Shares, without interest and on the terms described in the “How to Apply for Hong Kong Offer Shares and Reserved Shares — Refund of Application Monies” section in this Prospectus. In the meantime, we will hold all application monies in separate bank account(s) or separate bank accounts with the receiving banker(s) or other banks licensed under the Banking Ordinance (Chapter 155 of the laws of Hong Kong) (as amended).

We expect to despatch share certificates for the Offer Shares on 30 June 2011. However, these share certificates will only become valid certificates of title at 8:00 a.m. on 4 July 2011 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the “Underwriting” section of this Prospectus has not been exercised.

STRUCTURE OF GLOBAL OFFERING

THE PREFERENTIAL OFFERING

In order to enable holders of NWD shares or NWS shares to participate in the Global Offering on a preferential basis as to allocation only, Qualifying NWD Shareholders and Qualifying NWS Shareholders are being invited to apply for an aggregate of 40,000,000 Reserved Shares (representing approximately 5% of the new Shares available under the Global Offering and 1% of the enlarged share capital of our Company upon completion of the Global Offering and the Capitalization Issue) in the Preferential Offering. The basis of the Assured Entitlement is one Reserved Share for every whole multiple of 168 NWD shares or 85 NWS shares held by the Qualifying NWD Shareholders or the Qualifying NWS Shareholders at 5:00 p.m. on the Record Date. Any Qualifying NWD Shareholder holding less than 168 NWD shares or any Qualifying NWS Shareholder holding less than 85 NWS shares as at 5:00 p.m. on the Record Date will not be entitled to apply for the Reserved Shares. Further, NWD and its subsidiaries which are Qualifying NWS Shareholders will waive and will not take up their Assured Entitlements. The determination of the Assured Entitlements of the Qualifying NWD Shareholders has already taken into account the Assured Entitlements that NWD and its subsidiaries would otherwise have as Qualifying NWS Shareholders. The Reserved Shares are being offered out of the International Placing Shares under the International Placing and are not subject to the clawback mechanism as described in “Structure of the Global Offering — The Hong Kong Public Offering”.

Qualifying NWD Shareholders and Qualifying NWS Shareholders should note that Assured Entitlements to Reserved Shares may not represent a number of a full board lot of 2,000 Shares. Further, the Reserved Shares allocated to the Qualifying NWD Shareholders and the Qualifying NWS Shareholders will be rounded down to the closest whole number if required, and that dealings in odd lots of the Shares may be at a price below the prevailing market price for full board lots.

A **light orange** or **blue** Application Form is being despatched to each Qualifying NWD Shareholder or Qualifying NWS Shareholder, as the case may be, with an Assured Entitlement together with an electronic copy of this Prospectus on CD-ROM. Qualifying NWD Shareholders and Qualifying NWS Shareholders are permitted to apply for a number of Reserved Shares which is greater than, equal to or less than, their Assured Entitlement under the Preferential Offering. A valid application in respect of a number of Reserved Shares less than or equal to a Qualifying NWD Shareholder's or a Qualifying NWS Shareholder's Assured Entitlement will be accepted in full, subject to the terms and conditions set forth on the **light orange** or the **blue** Application Form. If an application is made for a number of Reserved Shares greater than the Assured Entitlement of a Qualifying NWD Shareholder or Qualifying NWS Shareholder, the Assured Entitlement will be satisfied in full but the excess portion of such application will only be met to the extent that there are sufficient Reserved Shares resulting from other Qualifying NWD Shareholders or other Qualifying NWS Shareholders, as the case may be, declining to take up all or some of their Assured Entitlements. Any Assured Entitlement not taken up by the Qualifying NWD Shareholders or the Qualifying NWS Shareholders, as the case may be, will first be allocated to satisfy the excess applications for the Reserved Shares from other Qualifying NWD Shareholders or from other Qualifying NWS Shareholders, as the case may be, in each case, on a fair and reasonable basis. Any Assured Entitlement not taken up by Qualifying NWD Shareholders or Qualifying NWS Shareholders will be allocated at the discretion of the Joint Bookrunners, to other investors in the International Placing.

If an application is made for a number of Reserved Shares less than or greater than the Assured Entitlement of a Qualifying NWD Shareholder or a Qualifying NWS Shareholder, as the case may be, the applicant is recommended to apply for a number of Reserved Shares in one of the numbers of full board lots stated in the table of numbers and payments on the back page of the **light orange** or the **blue** Application Form, as the case may be, which also states the amount of remittance payable on application for each number of full board lots of Reserved Shares. If an applicant does not follow this recommendation when applying for less than or greater than his/her/its Assured Entitlement, he/she/it must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the formula set out below the table of numbers and payments on the back page of the **light orange** or the **blue** Application Form, as the case may be. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Reserved Share will be allotted to such applicant.

STRUCTURE OF GLOBAL OFFERING

Qualifying NWD Shareholders or Qualifying NWS Shareholders who have applied for Reserved Shares on **light orange** Application Forms or the **blue** Application Forms, as the case may be, will be entitled to make one application for Hong Kong Offer Shares on **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service. However in respect of any application for Hong Kong Offer Shares using the above-mentioned methods, Qualifying NWD Shareholders or Qualifying NWS Shareholders will not enjoy the preferential treatment accorded under the Preferential Offering as described above in this section.

The Reserved Shares are not available to existing beneficial owners of Shares, the Directors or chief executive of our Company or their respective associates (as defined in the Listing Rules) or any other connected persons (as defined in the Listing Rules) of our Company or persons who will become our connected persons immediately upon completion of the Global Offering.

Assured Entitlements of Qualifying NWD Shareholders and Qualifying NWS Shareholders to Reserved Shares are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange. The Joint Bookrunners have the authority to reallocate all or any of the Reserved Shares not taken up by the Qualifying NWD Shareholders or Qualifying NWS Shareholders, as the case may be, to the International Placing.

The procedures for application under and the terms and conditions of the Preferential Offering are set forth in “How to Apply for Hong Kong Offer Shares and Reserved Shares” and on the **light orange** and the **blue** Application Forms.

The documents to be issued in connection with the Hong Kong Public Offering and the Preferential Offering will not be registered or filed under applicable securities or equivalent legislation of any jurisdiction other than Hong Kong. Accordingly, no Reserved Shares are being offered to Overseas NWD Shareholders or Overseas NWS Shareholders under the Preferential Offering and no light orange or blue Application Forms will be sent to such persons. Applications on light orange or blue Application Forms will not be accepted from Overseas NWD Shareholders, Overseas NWS Shareholders, or persons who are acting for the benefit of Overseas NWD Shareholders or Overseas NWS Shareholders.

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- the Hong Kong Public Offering of 100,000,000 Shares (subject to adjustment) in Hong Kong as described below under the paragraph headed “The Hong Kong Public Offering”;
- the International Placing of 660,000,000 new Shares and 200,000,000 Sale Shares to be offered by the Selling Shareholder (subject to adjustment and the Over-allotment Option) in the United States with QIBs in reliance on Rule 144A and outside the United States in reliance on Regulation S within the International Placing; and
- 40,000,000 Reserved Shares which are being offered to the Qualifying NWD Shareholders and the Qualifying NWS Shareholders pursuant to the Preferential Offering as described in the paragraph above headed “The Preferential Offering”.

You may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Placing, but you may not apply in both offerings for the Offer Shares.

STRUCTURE OF GLOBAL OFFERING

In other words, you may only apply for and receive either Hong Kong Offer Shares under the Hong Kong Public Offering or International Placing Shares under the International Placing, but not under both offerings. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The International Placing will involve the private placement of the Offer Shares to QIBs in the United States in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act and to institutional and professional investors and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to the Price Determination Date.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based 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. Allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and that those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

In connection with the Global Offering, the Selling Shareholder has granted the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters. The Over-allotment Option gives the Sole Global Coordinator the right, exercisable at any time until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, being 24 July 2011, to require the Selling Shareholder to sell up to an aggregate of 150,000,000 Option Shares, representing in aggregate 15% of the initial size of the Offer Shares in the Global Offering at the Offer Price to cover, among other things, over-allocations in the International Placing, if any. These Shares will be sold or issued at the Offer Price. The Sole Global Coordinator may also cover any over-allocations by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. In the event that the Over-allotment Option is exercised, we will make a press announcement.

In addition to the 660,000,000 new Shares and 200,000,000 Sale Shares to be offered by the Selling Shareholder under the International Placing, 40,000,000 Offer Shares will be offered as Reserved Shares to the Qualifying NWD Shareholders and Qualifying NWS Shareholders for subscription at the Offer Price under the Preferential Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Placing is expected to be fully underwritten by the International Underwriters. The Hong Kong Public Offering and the International Placing are subject to the conditions described in the “Underwriting — Underwriting Arrangements and Expenses” section in this Prospectus. In particular, we and the Joint Bookrunners, on behalf of the Underwriters, must agree on the Offer Price for the Global Offering. The Hong Kong Underwriting Agreement was entered into on 21 June 2011 and, subject to an agreement on the Offer Price among the Joint Bookrunners (on behalf of the Hong Kong Underwriters) and us for the purposes of the Hong Kong Public Offering. The International Underwriting Agreement (including the agreement on the Offer Price among us and the Joint Bookrunners on behalf of the International Underwriters for the purposes of the International Placing) is expected to be entered into on or around 24 June 2011, and in any event no later than 28 June 2011, being the Price Determination Date. The Hong Kong Underwriting Agreement and the International Underwriting Agreement are conditional upon each other.

STRUCTURE OF GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

The Hong Kong Public Offering is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions provided in the Hong Kong Underwriting Agreement including those described in “Conditions of the Global Offering” in this section) for the subscription in Hong Kong of, initially, 100,000,000 Offer Shares at the Offer Price (representing 10% of the total number of the Offer Shares initially available under the Global Offering). Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering described below, the Hong Kong Offer Shares will represent 2.5% of our enlarged issued share capital immediately after completion of the Global Offering.

Allocation

The total number of the Offer Shares (subject to any adjustment between the Hong Kong Public Offer and the International Placing) available under the Hong Kong Public Offering is to be divided equally into two pools for allocation purposes:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5,000,000 (excluding the brokerage fee, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5,000,000 (excluding the brokerage fee, the Stock Exchange trading fee and the SFC transaction levy 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 the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. We will reject multiple applications between the two pools and reject multiple applications within pool A or pool B. In addition, any applications for more than 50% of the 100,000,000 Hong Kong Offer Shares initially included in the Hong Kong Public Offering (that is, 50,000,000 Hong Kong Offer Shares) will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Placing, and such applicant’s application will be rejected if the said undertaking and/or confirmation is breached and/or untrue, as the case may be. We and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have indicated interest in or have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for or have received Offer Shares in the Hong Kong Public Offering. Qualifying NWD Shareholders and Qualifying NWS Shareholders who have applied for Reserved Shares on **light orange** or **blue** Application Forms will be entitled to make one application for Hong Kong Offer Shares on **white** or **yellow** Application Form or by giving electronic application instructions to HKSCC via CCASS or to the designated HK eIPO White Form Service Provider through the HK eIPO White Form service. However, in respect of any application for Hong Kong Offer Shares using the above-mentioned methods, Qualifying NWD Shareholders and Qualifying NWS Shareholders will not enjoy the preferential treatment accorded under the Preferential Offering as described in the section headed “Structure of the Global Offering — The Preferential Offering” in this Prospectus.

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Reallocation and Clawback

The allocation of our Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment.

If the number of Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares available for subscription under the Hong Kong Public Offering, then our Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of our Shares available under the Hong Kong Public Offering will be increased to 300,000,000 Shares (in the case of (i)), 400,000,000 Shares (in the case of (ii)) and 500,000,000 Shares (in the case of (iii)), respectively, representing 30%, 40% and 50%, respectively, of the total number of Shares available under the Global Offering (before any exercise of the Over-allotment Option). In addition, the Sole Global Coordinator has the discretion to reallocate our Shares offered in the International Placing to the Hong Kong Public Offering as it deems appropriate to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator may, at its discretion, reallocate to the International Placing all or any unsubscribed Shares offered in the Hong Kong Public Offering in such manner as it deems appropriate.

The Preferential Offering of 40,000,000 Offer Shares to Qualifying NWD Shareholders or Qualifying NWS Shareholders will not be subject to the clawback arrangement between the Hong Kong Public Offering and the International Placing.

THE INTERNATIONAL PLACING

Number of Offer Shares

The number of the Offer Shares to be initially offered for subscription and sale, and for sale by the Selling Shareholder under the International Placing will be 900,000,000 Offer Shares, representing 90% of the Offer Shares initially available under the Global Offering and 22.5% of our enlarged issued share capital immediately after completion of the Global Offering.

Allocation

Pursuant to the International Placing, the International Placing Shares will be conditionally placed on behalf of us and the Selling Shareholder by the International Underwriters or through selling agents appointed by them. International Placing Shares will be placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for the International Placing Shares in Hong Kong, Europe and other jurisdictions outside the United States in offshore transactions meeting the requirements of, and in reliance on, Regulation S, and with QIBs in the United States in reliance on Rule 144A or another exemption from registration requirements under the U.S. Securities Act. Prospective investors may be required to give an undertaking and confirmation that they have not applied for or taken up any Hong Kong Offer Shares. The International Placing is subject to the Hong Kong Public Offering becoming unconditional.

Under the International Underwriting Agreement, the Selling Shareholder has granted to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator or any of its affiliates or any person acting for it on behalf of the International Underwriters (at the discretion of the Sole Global Coordinator), in whole or in part at one or more times, for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Selling Shareholder to sell up to an aggregate of 150,000,000 Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price and will be for the purpose of, among other things, covering over-allocations in the International Placing, if any. An

STRUCTURE OF GLOBAL OFFERING

announcement will be made in the event that the Over-allotment Option is exercised. Because the Over-allotment Option has been granted by the Selling Shareholder, we will not receive any additional proceeds as a result of the exercise of the Over-allotment Option.

Stock Borrowing Arrangement

In order to facilitate the settlement of over-allotments in connection with the Global Offering, the Stabilizing Manager may choose to borrow, whether on its own or through its affiliates, up to 150,000,000 Shares from Fast Fortune pursuant to the stock borrowing arrangement (being the maximum number of Shares which the Selling Shareholder may need to sell pursuant to the Over-allotment Option), or acquire Shares from other sources, including the exercise of the Over-allotment Option.

If such stock borrowing arrangement with Fast Fortune is entered into, it will only be effected by the Stabilizing Manager or its agent for settlement of over-allocations in the International Placing and such arrangement is not subject to the restrictions of Rule 10.07 (1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with. The same number of Shares so borrowed must be returned to Fast Fortune or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full and the relevant Shares subject to the Over-allotment Option have been sold. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Fast Fortune by the Stabilizing Manager or its agent in relation to the stock borrowing arrangement.

Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market during a specified period of time to retard and, if possible, prevent a decline in the public market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, on behalf of the Underwriters, may over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period which begins on the commencement of trading of the Shares on the Stock Exchange and ends on the trading day on or before the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to expire on or before 24 July 2011. However, there is no obligation on the Stabilizing Manager to do this. Such stabilizing action, if taken, may be discontinued at any time, and must be brought to an end after a limited period. The Underwriting Agreements provide that the net profits, if any, resulting from stabilizing actions shall be shared by the Joint Bookrunners with the Company. The stabilizing action which may be taken by the Stabilizing Manager may include primary and ancillary stabilizing action such as purchasing or agreeing to purchase any of the Shares, exercising the Over-allotment Option, stock borrowing, establishing a short position in the Shares, liquidating long positions in the Shares or offering or attempting to do any such actions. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold under the Over-allotment Option, namely 150,000,000 Shares, which is 15% of the Offer Shares available under the Global Offering. For the purpose of settlement of over-allocations in connection with the International Placing, the Stabilizing Manager may borrow up to 150,000,000 Shares from Fast Fortune, equivalent to the maximum number of Shares to be sold on full exercise of the Over-allotment Option, under the stock borrowing arrangement. The stock borrowing arrangement will be affected in compliance

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with all applicable laws, rules and regulatory requirements. No payments or other benefit will be made to Fast Fortune by the Stabilizing Manager in relation to the stock borrowing arrangement.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the laws of Hong Kong). Stabilizing activities permitted under the Securities and Futures (Price Stabilizing) Rules include: (a) primary stabilization, including purchasing, or agreeing to purchase, any of the Shares or offering or attempting to do so for the purpose of preventing or minimizing any reductions in the market price of the Shares, and (b) ancillary stabilization in connection with any primary stabilizing actions, including: (i) over-allocation for the purpose of preventing or minimizing any reductions in the market price; (ii) selling or agreeing to sell Shares so as to establish a short position in them for the purpose of preventing or minimizing any reductions in the market price; (iii) purchasing or subscribing, or agreeing to purchase or subscribe for Shares pursuant to the Over-allotment Option in order to close out any positions established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell Shares to liquidate a long position held as a result of those purchases or subscriptions; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v). The Stabilizing Manager may take any one or more of the stabilizing actions described above.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilizing Manager or any of its affiliates, or any persons acting for them, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by selling in the open market, the market price of the Shares may decline.

Stabilizing action by the Stabilizing Manager is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the trading day on or before the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to expire on or before 24 July 2011. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period.

Any stabilizing action taken by the Stabilizing Manager may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for on-market purchases of the Shares by the Stabilizing Manager or any of its affiliates, or any persons acting for them, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by subscribers or purchasers.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on 4 July 2011, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on 4 July 2011.

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UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price among the Joint Bookrunners (on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholder) on the Price Determination Date.

We expect that we will, on or about 24 June 2011, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Placing.

The underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting” in this Prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

CHANNELS TO APPLY FOR HONG KONG OFFER SHARES

There are three channels to make an application for the Hong Kong Offer Shares. You may either:

- (i) use a **white** or **yellow** Application Form;
- (ii) electronically instruct HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf; or
- (iii) use the **HK eIPO White Form** service by submitting applications online through the designated website at www.hkeipo.hk.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **white** or **yellow** Application Form or applying online through the **HK eIPO White Form** service by giving **electronic application instructions** to HKSCC.

I. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **white** or **yellow** Application Form 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
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Offer Shares by means of **HK eIPO White Form**, 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 **HK eIPO White Form**.

If the applicant is a firm, the application must be in the names of the individual members of the firm, not the firm's name. If the applicant is a body corporate, the Application Form must be stamped with the company chop (bearing the company name) and signed by a duly authorized officer who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Sole Global Coordinator (or its respective agents or nominees) may accept it at its discretion and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Sole Global Coordinator, or the designated **HK eIPO White Form** Service Provider or our respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares, our Directors or chief executive of the Company or any of our subsidiaries, or associates of any of them or United States persons (as defined in Regulation S) or persons who do not have a Hong Kong address or any other connected persons of the Company or persons who will become our connected persons immediately upon completion of the Global Offering.

You may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for International Placing Shares under the International Placing, but may not do both.

Our Offer Shares are not available to our Directors, chief executive or any of their respective associates.

II. APPLYING BY USING AN APPLICATION FORM

Which Application Form to use

Use a **white** Application Form 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 your designated CCASS Participant stock account.

Where to collect Application Forms

You can collect a **white** Application Form and this Prospectus during normal business hours from 9:00 a.m. on 21 June 2011 until 12:00 noon on 24 June 2011 from:

Citigroup Global Markets Asia Limited

50th Floor, Citibank Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

or

Macquarie Capital Securities Limited

Level 18, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

or

Rothschild (Hong Kong) Limited

16/F, Alexandra House
18 Chater Road
Central
Hong Kong

or

**BOCOM International Securities
Limited**

201 Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

or

BOCI Securities Limited

20/F, Bank of China Tower
1 Garden Road
Hong Kong

or

**Guotai Junan Securities (Hong Kong)
Limited**

27/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

or

**Haitong International Securities Group
Limited**

25/F, New World Tower
16-18 Queen's Road
Central
Hong Kong

or

Kingston Securities Limited

Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

or any of the following branches of **Standard Chartered Bank (Hong Kong) Limited:**

	Branch	Address
Hong Kong Island ...	88 Des Voeux Road Branch North Point Centre Branch Causeway Bay Branch	88 Des Voeux Road Central, Central North Point Centre, 284 King's Road, North Point G/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon	Kwun Tong Branch Mongkok Branch Tsimshatsui Branch Lok Fu Shopping Centre Branch	1A Yue Man Square, Kwun Tong Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok G/F, 10 Granville Road, Tsimshatsui Shop G101, G/F., Lok Fu Shopping Centre
New Territories	New Town Plaza Branch Metroplaza Branch Yuen Long Fung Nin Road Branch	Shop 215-223, Phase 1, New Town Plaza, Shatin Shop No. 175-176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung Shop B at G/F and 1/F, Man Cheong Building, 247 Castle Peak Road, Yuen Long

or any of the following branches of **Bank of China (Hong Kong) Limited:**

	Branch	Address
Hong Kong Island ...	Bank of China Tower Branch 409 Hennessy Road Branch North Point (Kiu Fai Mansion) Branch United Centre Branch	3/F, 1 Garden Road 409-415 Hennessy Road, Wan Chai 413-415 King's Road, North Point Shop 1021, United Centre, 95 Queensway
Kowloon	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong
New Territories	Lucky Plaza Branch Castle Peak Road (Tsuen Wan) Branch	Lucky Plaza, Wang Pok Street, Shatin 201-207 Castle Peak Road, Tsuen Wan

or any of the following branches of **Bank of Communications Co., Ltd. Hong Kong Branch:**

	Branch	Address
Hong Kong Island ...	Hong Kong Branch North Point Sub-Branch Quarry Bay Sub-Branch	20 Pedder Street, Central 442-444 King's Road G/F., 981 C, King's Road
Kowloon	Jordan Road Sub-Branch	1/F., Booman Bldg, 37U Jordan Road
New Territories	Sha Tsui Road Sub-Branch	122-124 Sha Tsui Road, Tsuen Wan

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

You can collect a **yellow** Application Form and this Prospectus during normal business hours from 9:00 a.m. on 21 June 2011 until 12:00 noon on 24 June 2011 from:

1. the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
2. your stockbroker, who may have such Application Forms and this Prospectus available.

How to complete the Application Form

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

By signing on the Application Form, you should note inter alia that you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- (a) confirm that you have only relied on the information and representations in this Prospectus and the Application Form in making your application and will not rely on any other information and representations save as set out in any supplement to this Prospectus;
- (b) agree that we, our Directors, the Sole Global Coordinator, Joint Bookrunners and Joint Lead Managers, the Underwriters and other parties involved in the Global Offering are liable only for the information and representations contained in this Prospectus and any supplement thereto;
- (c) undertake and confirm that you (if the application is made for your benefit), or the person(s) for whose benefit you have made the application, have not indicated an interest for, applied for or taken up any of the International Placing Shares; and
- (d) agree to disclose to the Company, our Hong Kong Listed Share Registrar, the receiving bankers, the Sole Global Coordinator, Joint Bookrunners and Joint Lead Managers, the Joint Sponsors and their respective advisors and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

In order for the **yellow** Application Form 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 signatures will be accepted.

(a) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

- (i) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.

(b) If the application is made by an individual CCASS Investor Participant:

- (i) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and
- (ii) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(c) If the application is made by a joint individual CCASS Investor Participant:

- (i) the Application Form must contain all joint CCASS Investor Participants' names and Hong Kong identity card numbers; and
- (ii) the participant I.D. 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 Hong Kong business registration number; and
- (ii) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

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.

If your application is made through a duly authorized attorney, the Company and the Sole Global Coordinator, may accept it at our discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. Our Company and the Sole Global Coordinator will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

How to make payment for the application

Each completed **white** or **yellow** Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by cheque, the cheque must:

- (a) be in Hong Kong dollars;
- (b) be drawn on your Hong Kong dollar bank account in Hong Kong;
- (c) bear your account name (or, in the case of joint applicants, the name of the first-named applicant) either pre-printed on the cheque or endorsed on the reverse of the cheque by an authorized signatory of the bank on which it is drawn, which must be the same as the name on

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your Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant);

- (d) be made payable to “**Horsford Nominees Limited – Newton Resources Public Offer**”;
- (e) be crossed “Account Payee Only”; and
- (f) not be post dated.

Your application may be rejected if your cheque does not meet all of these requirements or is dishonored on first presentation.

If you pay by banker’s cashier order, the banker’s cashier order must:

- (a) be in Hong Kong dollars;
- (b) be issued by a licensed bank in Hong Kong and have your name certified on the reverse of the banker’s cashier order by an authorized signatory of the bank on which it is drawn. The name on the reverse of the banker’s cashier order and the name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker’s cashier order must be the same as the name of the first-named applicant;
- (c) be made payable to “**Horsford Nominees Limited – Newton Resources Public Offer**”;
- (d) be crossed “Account Payee Only”; and
- (e) not be post dated.

Your application may be rejected if your banker’s cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your cheque or banker’s cashier order will not be presented for payment before 12:00 noon on 24 June 2011. We will not give you a receipt for your payment. We will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheques). The right is also reserved to retain any Share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker’s cashier order.

III. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **electronic application instructions** via CCASS 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 through the CCASS Internet System (<https://ip.ccass.com>) using the procedures contained in HKSCC’s “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**

**2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong**

and complete an input request form.

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Prospectuses 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 the Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Company and our Hong Kong Listed Share Registrar.

Giving Electronic application instructions to HKSCC to apply for 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:

- (a) 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;
- (b) on behalf of each such person, HKSCC Nominees:
 - (i) 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 inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - (ii) 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;
 - (iii) undertakes and confirms that that person has not indicated an interest for, applied for or taken up any Offer Shares under the International Placing;
 - (iv) (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;
 - (v) (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 authorized to give those instructions as that other person's agent;
 - (vi) understands that the above declaration will be relied upon by us, our Directors, the Sole Global Coordinator, Joint Bookrunners, Joint Lead Managers and Joint Sponsors in deciding whether or not to make any allotment of 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;
 - (vii) authorizes us to place the name of HKSCC Nominees on the register of members of the 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 the Company and HKSCC;
 - (viii) 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;
 - (ix) confirms that that person has only relied on the information and representations in this Prospectus 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

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behalf and will not rely on any other information and representations save as set out in any supplement to this Prospectus, and that person agrees that neither the Company, our Directors, the Sole Global Coordinator, Joint Bookrunners and Joint Lead Managers, the Joint Sponsors, the Underwriters, or any of the parties involved in the Global Offering will have any liability for any such other information or representation;

- (x) agrees that the Company, the Sole Global Coordinator, Joint Bookrunners and Joint Lead Managers, the Joint Sponsors, the Underwriters and any of their respective directors, officers, employees, partners, agents or advisors are liable only for the information and representations contained in this Prospectus and any supplement thereto;
- (xi) agrees to disclose that person's personal data to the Company, our Hong Kong Listed Share Registrar, receiving bankers, the Sole Global Coordinator, Joint Bookrunners and Joint Lead Managers, the Joint Sponsors, the Underwriters and any of their respective advisors and agents and any information which they may require about that person for whose benefit the application is made;
- (xii) 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;
- (xiii) agrees that any application made by HKSCC Nominees on behalf of that person pursuant to the **electronic application instructions** given by that person is irrevocable on or before the expiration of the fifth day after the closing of the application lists, such agreement to take effect as a collateral contract with the Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the expiration of the fifth day after the closing of the application lists, except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this Prospectus;
- (xiv) agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering made by the Company;
- (xv) 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;
- (xvi) agrees with us, for ourselves and for the benefit of each of our Shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance and the Articles; and
- (xvii) agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong and any other applicable laws.

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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, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the matters mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, and the related brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Offer Share paid on application, refund of the application monies (in each case including brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized 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 application amount and permitted numbers

You may use the Application Forms to subscribe for a minimum of 2,000 Hong Kong Offer Shares or for one of the numbers in the table in the Application Forms. You may give or cause your broker or 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 in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Allocation of Hong Kong Offer Shares

For the purposes of allocating 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.

Section 40 of the Companies Ordinance

For the avoidance of doubt, we 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 Companies Ordinance.

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Share Registrar and receiving bank about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The application for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, our Directors, the Sole Global Coordinator, Joint Bookrunners, Joint Lead Managers, Joint Sponsors and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

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To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last day to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **white** or **yellow** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on 24 June 2011 or such later time as described in the paragraph headed "VI. When May Applications Be Made for the Hong Kong Offer Shares — Effect of bad weather on the opening of the Application Lists" below.

IV. APPLYING THROUGH HK eIPO WHITE FORM

General

- (a) You may apply through **HK eIPO White Form** by submitting an application through the designated website at www.hkeipo.hk if you satisfy the relevant eligibility criteria for this as set out in the subsection headed "I. Who Can Apply for Hong Kong Offer Shares" in this section of the Prospectus and on the same website. If you apply through **HK eIPO White Form**, the Shares will be issued in your own name.
- (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 the Company.
- (c) If you give electronic application instructions through the designated website at www.hkeipo.hk, you will have authorized 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 authorized the designated **HK eIPO White Form** Service Provider to transfer the details of your application to the Company and our Hong Kong Listed Share Registrar.
- (f) You may submit an application through the **HK eIPO White Form** service in respect of 2,000 Hong Kong Offer Shares. Each electronic application instruction in respect of 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 may submit your application to the designated **HK eIPO White Form** Service Provider through the designated website www.hkeipo.hk from 9:00 a.m. on 21 June 2011 until 11:30 a.m. on 24 June 2011 or such later time as described under the sub-paragraph headed "Effect of bad weather on electronic applications under **HK eIPO White Form** service" 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 24 June 2011, the last application day, or, if the Application Lists are not open on that day, then by the time and date stated in the sub-paragraph headed "Effect of bad weather on electronic applications under **HK eIPO White Form** service" below.

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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 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.

- (h) You should make payment for your application made by **HK eIPO White Form** service in accordance with the methods and instructions set out in the designated website at www.hkeipo.hk. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on 24 June 2011, or such later time as described under the paragraph headed “Effect of bad weather on electronic applications under HK eIPO White Form service” below, the designated HK eIPO White Form Service Provider will reject your application and your application monies will be refunded to you in the manner described in the designated website at www.hkeipo.hk.**
- (i) Once you have completed payment in respect of any electronic application instruction given by you or for your benefit to the designated **HK eIPO White Form** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.
- (j) **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. **We, our Directors, the Sole Global Coordinator, Joint Bookrunners, Joint Lead Managers, Joint Sponsors and the Underwriters and the HK eIPO White Form Service Provider take no responsibility for such applications, and provide no assurance that applications through the HK eIPO White Form service will be submitted to the 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 day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **HK eIPO White Form** service, you should submit a **white** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **white** or **yellow** Application Form or give **electronic application instructions** to HKSCC via CCASS.

Conditions of the HK eIPO White Form service

In using the **HK eIPO White Form** service to apply for the Hong Kong Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- **applies** for the desired number of Hong Kong Offer Shares on the terms and conditions of this Prospectus and the **HK eIPO White Form** designated website at www.hkeipo.hk subject to the Articles;
- **undertakes** and agrees to accept the Hong Kong Offer Shares applied for, or any lesser number allotted to the applicant on such application;

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- **declares** that it is the only application made and the only application intended by the applicant to be made whether on a white or yellow Application Form or by giving electronic application instruction to HKSCC or to the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, to benefit the applicant or the person for whose benefit the applicant is applying;
- **undertakes and confirms** that the applicant and the person for whose benefit the applicant is applying has not applied for or taken up, or indicated an interest for, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, nor otherwise participate in the International Placing;
- **understands** that such declaration and representation will be relied upon by the Company and the Sole Global Coordinator in deciding whether or not to make any allotment of Hong Kong Offer Shares in response to such application;
- **authorizes** the Company to place the applicant's name on the register of members of the Company as the holder of any Hong Kong Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set out in this Prospectus) to send any Share certificates by ordinary post at the applicant's own risk to the address given on the **HK eIPO White Form** application except where the applicant has applied for 1,000,000 or more; Hong Kong Offer Shares and that applicant collects any Share certificate(s) in person in accordance with the procedures prescribed in the **HK eIPO White Form** designated website at www.hkeipo.hk and this Prospectus;
- **requests** that any refund payment instructions be despatched to the application payment bank account where the applicants had paid the application monies from a single bank account;
- **requests** that any refund cheque(s) be made payable to the applicant who had used multibank accounts to pay the application monies;
- **has read** the terms and conditions and application procedures set out on the **HK eIPO White Form** designated website at www.hkeipo.hk and this Prospectus and agrees to be bound by them;
- **represents, warrants and undertakes** that the applicant, and any persons for whose benefit the applicant is applying are non-US person(s) outside the United States (as defined in Regulation S), when completing and submitting the application or is a person described in paragraph (h)(3) of Rule 902 of Regulation S or the allotment of or application for the Hong Kong Offer Shares to or by whom or for whose benefit the application is made would not require the Company to comply with any requirements; under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong; and
- **agrees** that such application, any acceptance of it and the resulting contract, will be governed by and construed in accordance with the laws of Hong Kong and any other applicable laws.

Effect of bad weather on electronic applications under HK eIPO White Form service

The latest time for submitting an application to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service will be 11:30 a.m. on 24 June 2011 and the latest time for completing full payment of application monies will be 12:00 noon on 24 June 2011. If:

- (a) a tropical cyclone warning signal number 8 or above; or
- (b) a "black" rainstorm warning signal

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is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 24 June 2011, the latest time to complete the application and the latest time to complete payment will be postponed to 11:30 a.m. and 12:00 noon respectively 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 on such day.

If the Application Lists of the Hong Kong Public Offering do not open and close on 24 June 2011 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected Timetable” in this Prospectus, such dates mentioned in the section headed “Expected Timetable” in this Prospectus may be affected. A press announcement will be made in such event in the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese).

Supplemental information

If any supplement to this Prospectus is issued, applicant(s) who have already submitted an electronic application instruction through the **HK eIPO White Form** service may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **HK eIPO White Form** service that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **HK eIPO White Form** service is irrevocable and applicants shall be deemed to have applied on the basis of this Prospectus as supplemented.

Effect of completing and submitting an application through the HK eIPO White Form service

By completing and submitting an application through the **HK eIPO White Form** service, you for yourself or as agent or nominee and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- instruct and authorize the Company and the Sole Global Coordinator as agents for the Company (or its respective agents or nominees) to do on your behalf all things necessary to register any Hong Kong Offer Shares allotted to you in your name as required by the Articles and otherwise to give effect to the arrangements described in this Prospectus and the **HK eIPO White Form** designated website at www.hkeipo.hk;
- confirm that you have only relied on the information and representations in this Prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this Prospectus;
- agree that the Company and our Directors are liable only for the information and representations contained in this Prospectus and any supplement thereto;
- agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (if the application is made for your own benefit) warrant that it is the only application which will be made for your benefit on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service;
- (if you are an agent for another person) warrant reasonable enquiries have been made of that other person that it is the only application which will be made for the benefit of that other person on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service, and that you are duly authorized to submit the application as that other person’s agent;

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- undertake and confirm that, you (if the application is made for your benefit) or the person(s) for 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 Offer Shares under the International Placing;
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- agree to disclose to the Company, our Hong Kong Listed Share Registrar, receiving bankers, the Sole Global Coordinator, Joint Bookrunners and Joint Lead Managers, the Joint Sponsors and their respective advisors and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- agree with the Company and each Shareholder, and the Company agrees with each of the Shareholders, to observe and comply with the Companies Ordinance, the Memorandum and Articles;
- agree with the Company and each Shareholder that the Shares are freely transferable by the holders thereof;
- authorize the Company to enter into a contract on your behalf with each of our Directors and officers whereby each such Director and officer undertakes to observe and comply with his or her obligations to Shareholders as stipulated in the Memorandum and Articles;
- represent, warrant and undertake that you are not, and none of the other person(s) for whose benefit you are applying, is a US person (as defined in Regulation S);
- represent and warrant that you understand that the Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States (as defined in Regulation S) when completing the application or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and the **HK eIPO White Form** designated website at www.hkeipo.hk and agree to be bound by them;
- undertake and agree to accept the Shares applied for, or any lesser number allocated to you under your application; and
- if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Global Coordinator, Joint Bookrunners and Joint Lead Managers, the Joint Sponsors and the Underwriters nor any of their respective officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this Prospectus and the **HK eIPO White Form** designated website at www.hkeipo.hk.

Our Company, the Sole Global Coordinator, Joint Bookrunners, Joint Lead Managers and Joint Sponsors, the Underwriters and their respective directors, officers, employees, partners, agents, advisors, and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in such application.

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Power of attorney

If your application is made by a duly authorized attorney, the Company or the Sole Global Coordinator (for itself or on behalf of the Hong Kong Underwriters), as its agent, may accept it at its discretion and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

Additional information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through **HK eIPO White Form** service to the **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 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 application 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 application monies payable to you due to a refund for other reasons are set out below in the subsection headed “X. Publication of Results, Despatch/Collection of Share Certificates and Refunds of Application Monies.”

V. HOW TO APPLY FOR RESERVED SHARES

Who can apply for the Reserved Shares

Qualifying NWD Shareholders and Qualifying NWS Shareholders are entitled to apply on the basis of an Assured Entitlement of one Reserved Share for every whole multiple of 168 NWD shares or every whole multiple of 85 NWS shares held by them as at 5:00 p.m. on the Record Date. Any Qualifying NWD Shareholder holding less than 168 NWD shares or any Qualifying NWS Shareholder holding less than 85 NWS shares as at 5:00 p.m. on the Record Date will not be entitled to apply for the Reserved Shares. Further, NWD and its subsidiaries which are Qualifying NWS Shareholders will waive and will not take up their Assured Entitlements. The determination of the Assured Entitlements of the Qualifying NWD Shareholders have already taken into account the Assured Entitlements that NWD and its subsidiaries would otherwise have as Qualifying NWS Shareholders. You may apply for the Reserved Shares if you, or any person(s) for whose benefit you are applying, are a Qualifying NWD Shareholder or a Qualifying NWS Shareholder, are an individual and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not inside the United States (as defined in Regulation S under the US Securities Act 1933, as amended) when completing and submitting the **light orange** Application Form or the **blue** Application Form and are not a person described in paragraph (h)(3) of Rule 902 of Regulation S under the US Securities Act 1933, as amended; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If the applicant is a firm, the application must be in the names of the individual members, not in the name of the firm. If the applicant is a body corporate, the application must be stamped with the company chop (bearing the company name) and signed by a duly authorized officer, who must state his or her representative capacity.

Qualifying NWD Shareholders or Qualifying NWS Shareholders are entitled to apply on the basis of the Assured Entitlements of one Reserved Shares for every whole multiple of 168 NWD shares or 85 NWS shares held by the Qualifying NWD Shareholders or Qualifying NWS Shareholders at 5:00 p.m. on the Record Date.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

If an application is made by a person duly authorized under a valid power of attorney, the Joint Sponsors (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions as they think fit, including production of evidence of the authority of the attorney.

The Reserved Shares are not available to existing beneficial owners of Shares, the Directors or chief executive of our Company or their respective associates (as defined in the Listing Rules) or any other connected persons (as defined in the Listing Rules) of our Company or persons who will become our connected persons immediately upon completion of the Global Offering.

Channel of applying for the Reserved Shares

Applications for Reserved Shares under the Preferential Offering may only be made by Qualifying NWD Shareholders or Qualifying NWS Shareholders using the **light orange** Application Forms or by using the **blue** Application Forms which will be despatched to Qualifying NWD Shareholders and Qualifying NWS Shareholders by our Company together with electronic copies of this Prospectus on CD-ROM. Using the **light orange** or the **blue** Application Forms, as the case may be, Qualifying NWD Shareholders and Qualifying NWS Shareholders may apply on an assured basis for a number of Reserved Shares greater than, less than or equal to their respective Assured Entitlements, which will be specified on their individual **light orange** or **blue** Application Forms.

A valid application for a number of Reserved Shares equal to or less than a Qualifying NWD Shareholder's or Qualifying NWS Shareholder's Assured Entitlement will be accepted in full, subject to the terms and conditions set forth on the **light orange** or the **blue** Application Form assuming that the conditions of the Preferential Offering are satisfied. If an application is made for a number of Reserved Shares greater than the Assured Entitlement of a Qualifying NWD Shareholder or Qualifying NWS Shareholder, the Assured Entitlement will be satisfied in full but the excess portion of such application will only be met to the extent that there are sufficient Reserved Shares resulting from other Qualifying NWD Shareholders or other Qualifying NWS Shareholders, as the case may be, declining to take up all or some of their Assured Entitlements. Any Assured Entitlement not taken up by the Qualifying NWD Shareholders or the Qualifying NWS Shareholders, as the case may be, will first be allocated to satisfy the excess applications for the Reserved Shares from other Qualifying NWD Shareholders or from other Qualifying NWS Shareholders, as the case may be, in each case, on a fair and reasonable basis. Any Assured Entitlements not taken up by Qualifying NWD Shareholders or Qualifying NWS Shareholders will be allocated at the discretion of the Joint Bookrunners, to other investors in the International Placing.

If an application is made for a number of Reserved Shares less than or greater than the Assured Entitlement of a Qualifying NWD Shareholder or Qualifying NWS Shareholder, as the case may be, the applicant is recommended to apply for a number of Reserved Shares in one of the numbers of full board lots stated in the table of numbers and payments on the back page of the **light orange** or the **blue** Application Form, as the case may be, which also states the amount of remittance payable on application for each number of full board lots of Reserved Shares. If such applicant does not follow this recommendation when applying for less than or greater than his/her/its Assured Entitlement, he/she/it must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the formula set out below the table of numbers and payments on the back page of the **light orange** or the **blue** Application Form, as the case may be. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Reserved Share will be allotted to such applicant.

Qualifying NWD Shareholders and Qualifying NWS Shareholders who have applied for Reserved Shares on **light orange** Application Forms or **blue** Application Forms, as the case may be, will be entitled to make one application for Hong Kong Offer Shares on **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service. However in respect of any application for Hong Kong Offer Shares using the above-mentioned methods, Qualifying NWD Shareholders and Qualifying NWS Shareholders will not enjoy the preferential treatment accorded under the Preferential Offering as described in the section headed "Structure of the Global Offering — The Preferential Offering" in this Prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

Despatch of the Prospectus and light orange and blue Application Forms

A **light orange** or **blue** Application Form, together with an electronic format of this Prospectus on CD-ROM, is being despatched to you by our Company if you are a Qualifying NWD Shareholder or Qualifying NWS Shareholder with an Assured Entitlement to your address recorded on NWD's or NWS's register of members as at 5:00 p.m. on the Record Date. Persons who held their NWD shares or NWS shares as at 5:00 p.m. on the Record Date in CCASS indirectly through a broker or custodian, and wish to participate in the Preferential Offering, should instruct their broker or custodian to apply for the Reserved Shares on their behalf no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, such persons should check with their broker/custodian for the timing on the processing of their instructions, and submit their instructions to their broker/custodian as required by them. Persons who held their NWD shares or NWS shares as at 5:00 p.m. on the Record Date in CCASS directly as a CCASS Investor Participant, and wish to participate in the Preferential Offering, should give their instruction to HKSCC via the CCASS Phone System or CCASS Internet System no later than the deadline set by HKSCC or HKSCC Nominees. Qualifying NWD Shareholders or Qualifying NWS Shareholders who require an electronic format of this Prospectus on CD-ROM and a replacement **light orange** or **blue** Application Form may obtain these from Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong or contact its hotline 2980 1333 at the following times on the following dates:

21 June 2011	– 9:00 a.m. – 5:00 p.m.
22 June 2011	– 9:00 a.m. – 5:00 p.m.
23 June 2011	– 9:00 a.m. – 5:00 p.m.
24 June 2011	– 9:00 a.m. – 12:00 noon

How to apply by using a light orange or blue Application Form

- (a) Complete the **light orange** or the **blue** Application Form in English in ink, and sign it. There are detailed instructions on each **light orange** and **blue** Application Forms. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first named applicant in the case of joint applicants) at your own risk at the address stated in the **light orange** or the **blue** Application Form.
- (b) Each **light orange** or **blue** Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order made payable to "Horsford Nominees Limited — Newton Resources Preferential Offer". You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.
- (c) Lodge the **light orange** or the **blue** Application Form in one of the collection boxes by the time and at one of the locations as described in "— V. How to Apply for Reserved Shares — When may applications be made", below.

When may applications be made

- (a) *Applications on **light orange** or **blue** Application Forms*

Your completed **light orange** or **blue** Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed in "— How to Apply for Hong Kong Offer Shares and Reserved Shares — Where to collect the Application

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

Forms”, above or at Tricor Investor Services Limited, at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, at the following times on the following dates:

21 June 2011	– 9:00 a.m. – 5:00 p.m.
22 June 2011	– 9:00 a.m. – 5:00 p.m.
23 June 2011	– 9:00 a.m. – 5:00 p.m.
24 June 2011	– 9:00 a.m. – 12:00 noon

Completed **light orange** or **blue** Application Forms, together with payment attached, must be lodged by 12:00 noon on 24 June 2011, or, if the Application Lists are not open on that day, then by the time and date stated in “— V. How to Apply for the Reserved Shares — When may applications be made — (c) Effect of bad weather conditions on the opening of the application lists” below.

(b) Application lists

The Application Lists will be open from 11:45 a.m. to 12:00 noon on 24 June 2011, except as provided in “— V. How to Apply for Reserved Shares — When may applications be made — (c) Effect of bad weather conditions on the opening of the application lists”, below. Applicants should note that cheques or banker’s cashier orders will not be presented for payment before the closing of the Application Lists but may be presented at any time thereafter.

(c) Effect of bad weather conditions 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 24 June 2011. 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 signals in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon. For this purpose, “business day” means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

VI. WHEN MAY APPLICATIONS BE MADE FOR THE HONG KONG OFFER SHARES

Applications on white or yellow Application Forms

Completed **white** and **yellow** Application Forms, with payment attached, must be lodged by 12:00 noon on 24 June 2011, or, if the Application Lists are not open on that day, then by 12:00 noon on the next day that the lists are open.

Your completed Application Form, with full payment in Hong Kong dollars attached, should be deposited in the special collection boxes provided at any of the branches of the receiving bankers listed under the subsection headed “II. Applying by Using an Application Form — Where to collect Application Forms” above at the following times:

21 June 2011	– 9:00 a.m. to 5:00 p.m.
22 June 2011	– 9:00 a.m. to 5:00 p.m.
23 June 2011	– 9:00 a.m. to 5:00 p.m.
24 June 2011	– 9:00 a.m. to 12:00 noon

The Application Lists will be open from 11:45 a.m. to 12:00 noon on 24 June 2011.

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allotment of any such Hong Kong Offer Shares will be made until the closing of the Application Lists. No allotment of any of the Hong Kong Offer Shares will be made earlier than 21 June 2011.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

Electronic application instructions to HKSCC via CCASS

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

21 June 2011	–	9:00 a.m. to 8:30 p.m.⁽¹⁾
22 June 2011	–	8:00 a.m. to 8:30 p.m.⁽¹⁾
23 June 2011	–	8:00 a.m. to 8:30 p.m.⁽¹⁾
24 June 2011	–	8:00 a.m.⁽¹⁾ to 12:00 noon

(1) These dates and 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 21 June 2011 until 12:00 noon on 24 June 2011 (24 hours daily, except the last application day).

The latest time for inputting **electronic application instructions** via CCASS will be 12:00 noon on 24 June 2011, the last application day, or if the Application Lists are not open on that day, by the time and date stated in the paragraph headed “Effect of bad weather on the opening of the Application lists” below.

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 24 June 2011. 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 anytime between 9:00 a.m. and 12:00 noon.

If the Application Lists of the Hong Kong Public Offering do not open and close on 24 June 2011 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected Timetable” in this Prospectus, such dates mentioned in the section headed “Expected Timetable” in this Prospectus may be affected. An announcement will be made in such event.

VII. HOW MANY APPLICATIONS MAY YOU MAKE

Multiple applications or suspected multiple applications are liable to be rejected. You may not make more than one application for Hong Kong Offer Shares unless you are a nominee, in which case you may both give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and may lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

If you are a Qualifying NWS Shareholder or a Qualifying NWD Shareholder applying for Reserved Shares under the Preferential Offering on a **blue** or **light orange** Application Form, as the case may be, you will be entitled to make one application for Hong Kong Offer Shares on **white** or **yellow** Application Form or by giving electronic application instructions to HKSCC via CCASS or to the designated **HK**

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

eIPO White Form Service Provider through the **HK eIPO White Form** service. However, in respect of any application for Hong Kong Offer Shares using the above-mentioned methods, you will not enjoy the preferential treatment accorded to you under the Preferential Offering as described in the section headed “Structure of the Global Offering — The Preferential Offering” in this Prospectus.

Otherwise, multiple applications are not allowed and will be rejected.

If you have made an application by giving **electronic application instructions** to HKSCC and 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 the 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. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an **electronic application instruction** to HKSCC, you:

- (if the application is made for your own benefit) warrant that the application made pursuant to a **white** or **yellow** Application Form or **electronic application instruction** is the only application which will be made for your benefit on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service;
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person which confirms 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 giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service, and that you are duly authorized to sign the Application Form or give **electronic application instructions** as that other person’s agent; or
- **undertake and confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for, 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 any interest in any Offer Shares in the International Placing, nor otherwise participate in the International Placing (except in respect of the Reserved Shares applied for pursuant to the Preferential Offering).

Save as referred to above, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service; or
- both apply (whether individually or jointly) on one **white** Application Form and one **yellow** Application Form or on one **white** or **yellow** Application Form and give **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service; or
- apply on one **white** or **yellow** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service for more than 50,000,000 Hong Kong Offer Shares, being 50% of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering; or

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

- have indicated an interest for or have been or will be placed any of the International Placing Shares.

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 an application made by HKSCC Nominees acting on **electronic application instructions**). 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 made for your benefit.

“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 the company; or
- control more than one half of the voting power of the company; or
- hold more than one half of the issued share capital of the 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).

VIII. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES OR RESERVED SHARES

Full details of the circumstances in which you will not be allotted Hong Kong Offer Shares or Reserved Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Hong Kong Offer Shares and Reserved Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or submitting an **electronic application instruction** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service you agree that your application or the application made by HKSCC Nominees on your behalf or the **HK eIPO White Form** Service Provider cannot be revoked on or before the expiration of the fifth day after the closing of the application lists (excluding for this purpose any day which is not a business day), unless a person responsible for this Prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this Prospectus. This agreement will take effect as a collateral contract with us, and will become binding when you lodge your application or submit your **electronic application instructions** to HKSCC or the **HK eIPO White Form** Service Provider and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that we will not offer any Hong Kong Offer Shares or Reserved Shares to any person on or before the expiration of the fifth day after the closing of the application lists (excluding for this purpose any day which is not a business day), except by means of one of the procedures referred to in this Prospectus.

If any supplement to this Prospectus is issued, applicant(s) 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 notified but have not withdrawn their applications in accordance with the procedure to be notified, all

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

applications that have been submitted 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 the Prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf or the **HK eIPO White Form** Service Provider has been accepted, it cannot be revoked or withdrawn. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press 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 the satisfaction of such conditions or results of the ballot respectively.

(b) *Full discretion of the Company, the Sole Global Coordinator's or our or the Sole Global Coordinator's respective agents or nominees to reject or accept:*

We, the Sole Global Coordinator or the designated **HK eIPO White Form** Service Provider or our or its 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.

(c) *If the allotment of Hong Kong Offer Shares or Reserved Shares is void:*

The allotment of Hong Kong Offer Shares or Reserved Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **yellow** Application Form) will be void if the Listing Committee does not grant permission to list the Hong Kong Offer Shares or Reserved 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 notifies us of that longer period within three weeks of the closing date of the Application Lists.

(d) *You will not receive any allotment of Hong Kong Offer Shares if:*

- you make multiple applications or you are suspected to have made multiple applications;
- you or the person in whose benefit you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) International Placing Shares (except in respect of Reserved Shares applied for pursuant to the Preferential Offering). By filling in any of the Application Forms or submitting **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service, you agree not to apply for or indicate an interest for Offer Shares in the International Placing (except in respect of Reserved Shares applied for pursuant to the Preferential Offering). Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Placing (except in respect of Reserved Shares applied for pursuant to the Preferential Offering), and to identify and reject indications of interest in the International Placing (except in respect of Reserved Shares applied for pursuant to the Preferential Offering) from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;
- 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 dishonored upon its first presentation;
- your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- you apply for more than 50,000,000 Hong Kong Offer Shares (being 50% of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering);
- the Company or the Sole Global Coordinator believes that by accepting your application, we would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address overleaf is located;

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- the Underwriting Agreements do not become unconditional; or
- the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement are/is terminated in accordance with their respective terms.

You should also note that you may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Placing, but may not do both.

IX. HOW MUCH ARE THE HONG KONG OFFER SHARES AND RESERVED SHARES

The maximum Offer Price is HK\$2.35 per Hong Kong Offer Share and HK\$2.35 per Reserved Share. You must also pay a brokerage fee of 1%, Stock Exchange trading fee of 0.005%, and SFC transaction levy of 0.003%. This means that for one board lot of 2,000 Hong Kong Offer Shares or Reserved Shares, you will pay approximately HK\$4,747.38. The Application Forms have tables showing the exact amount payable for the numbers of Hong Kong Offer Shares or Reserved Shares, as the case may be, that may be applied for. You must pay the maximum Offer Price and related brokerage fee, SFC transaction levy, and the Stock Exchange trading fee in full when you apply for the Hong Kong Offer Shares and the Reserved Shares. You must pay the amount payable upon application for Hong Kong Offer Shares and the Reserved Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Forms or this Prospectus.

If your application is successful, the brokerage fee will be paid to participants of the Stock Exchange or the Stock Exchange, and the SFC transaction levy and Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy collected by the Stock Exchange on behalf of the SFC).

X. PUBLICATION OF RESULTS, DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUNDS OF APPLICATION MONIES

Publication of results

We expect to announce the Offer Price, the level of indication of interest in the International Placing, the basis of allotment of the Hong Kong Offer Shares and the Reserved Shares and the results of applications under the Hong Kong Public Offering and the Preferential Offering no later than 9:00 a.m. on 30 June 2011 and in the manner specified below:

- on the website of the Stock Exchange (www.hkexnews.hk); and
- on the website of the Company (www.newton-resources.com) for at least five consecutive days.

A notification announcement under Rule 2.17A of the Listing Rules which also includes the Offer Price, an indication of the level of interest in the International Placing, the level of applications of the Hong Kong Public Offering and the Preferential Offering and the basis of allocation of the Hong Kong Offer Shares and the Reserved Shares will be published by us on Thursday, 30 June 2011 in the **South China Morning Post** (in English) and the **Hong Kong Economic Times** (in Chinese).

In addition, the Company expects to announce the results of allocations of the Hong Kong Public Offering and the Preferential Offering, including applications made under **white, yellow, light orange** and **blue** Application Forms or applying online through **HK eIPO White Form** service (www.hkeipo.hk) and by giving **electronic application instructions** to HKSCC, which will include the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers of successful applicants

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and the number of the Hong Kong Offer Shares and the Reserved Shares successfully applied for will be made available at the times and dates and in the manner specified below:

Results of allocations for the Hong Kong Public Offering and the Preferential Offering will be available from our designated results of allocations website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Thursday, 30 June 2011 to 12:00 midnight on Thursday, 7 July 2011. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;

Results of allocations will be available from our Hong Kong Public Offering and the Preferential Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares or Reserved Shares allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 30 June 2011 to Wednesday, 6 July 2011 (except 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 from Thursday, 30 June 2011 to Tuesday, 5 July 2011 at all the receiving bank branches and sub-branches at the addresses set out in the section headed “How to Apply for Hong Kong Offer Shares and Reserved Shares — II. Applying by Using an Application Form — Where to collect Application Forms” in this Prospectus.

Despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the initial price per Offer Share (excluding brokerage fee, SFC transaction levy, and Stock Exchange trading fee thereon) paid on application, or if the conditions of the Global Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering — Conditions of the Global Offering” in this Prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy, and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

- (a) for applications on **white, light orange and blue** Application Forms or by giving **electronic application instructions** through **HK eIPO White Form** service:
 - (i) Share certificate(s) for all the Hong Kong Offer Shares or Reserved Shares applied for, if the application is wholly successful; or
 - (ii) Share certificate(s) for the number of Hong Kong Offer Shares or Reserved Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applications on **yellow** Application Forms: Share certificates for the Shares successfully applied for will be deposited into CCASS as described below); and/or
- (b) for applications on **white, yellow, light orange and blue** Application Forms, refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares or Reserved Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the final Offer Price and the maximum Offer Price per Hong Kong Offer

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

Share or per Reserved Shares paid on application in the event that the Offer Price is less than the offer price per Offer Share initially paid on application, in each case including brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest;

- (c) for applicants applying through the **HK eIPO White Form** service by paying the application monies through a single bank account and the applicant's application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on the application, e-Auto Refund payment instructions (if any) will be despatched to the application payment bank account on 30 June 2011; or
- (d) for applicants applying through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts and the applicant's application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on the application, refund cheque(s) will be sent to the address specified in the application instructions to the designated **HK eIPO White Form** Service Provider on 30 June 2011, by ordinary post and at applicant's own risk.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per Share initially paid on application (if any) under **white, yellow, light orange** or **blue** Application Forms; and Share certificates for wholly and partially successful applicants under **white, light orange** or **blue** Application Forms or by giving **electronic application instructions** through **HK eIPO White Form** service are expected to be posted on 30 June 2011. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s).

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 your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your 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.

Share certificates will only become valid certificates of title at 8:00 a.m. on 4 July 2011 provided that the Global Offering has become unconditional in all respects and the rights of termination described in the paragraph headed "Grounds for Termination" in the section headed "Underwriting" in this Prospectus have not been exercised. You will receive one Share certificate for all the Hong Kong Offering Shares or Reserved Shares issued to you under the Hong Kong Public Offering or the Preferential Offering (except pursuant to applications made on **yellow** application forms or by **electronic application instructions** to HKSCC where Share certificates will be deposited in CCASS).

White, light orange, or blue Application Form

If you have applied for 1,000,000 Hong Kong Offer Shares or above on a **white** Application Form or 1,000,000 Reserved Shares or above on a **light orange** or **blue** Application Form and have indicated on your Application Form that you will collect your Share certificate(s) (where applicable) and/or refund cheque (if any) in person, you may collect it/them from:

Tricor Investor Services Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

between 9:00 a.m. and 1:00 p.m. on 30 June 2011 or any other date notified by the Company in the newspapers as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

If you are an individual who opts for personal collection, you must not authorize any other person to make the collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must, in any event, produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your Share certificate(s) and/or refund cheque (if any) within the time for collection specified above, they will be sent to you by ordinary post to the address as specified in your Application Form (or the address of the first-named applicant in the case of a joint application) and at your own risk shortly after the time for collection.

If you have applied for 1,000,000 Hong Kong Offer Shares or above or 1,000,000 Reserved Shares or above and have not indicated on your Application Form that you will collect your Share certificate(s) and/or refund cheque (if any) in person; or if you have applied for less than 1,000,000 Hong Kong Offer Shares or less than 1,000,000 Reserved Shares; or if your application is rejected, not accepted or accepted in part only; or if the conditions of the Global Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this Prospectus, or if any application is revoked or any allotment pursuant thereto has become void, then your Share certificate(s) (where applicable) and/or refund cheque (where applicable) in respect of the application monies or the appropriate portion thereof, together with the related brokerage fee, Stock Exchange trading fee and SFC transaction levy (without interest) will be sent to the address on your Application Form (or the address of the first-named applicant in case of a joint application) by ordinary post and at your own risk on the date of despatch.

If you apply through HK eIPO White Form

If you apply for 1,000,000 Hong Kong Offer Shares or more 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 your application is wholly or partially successful, you may collect your Share certificate(s) in person from Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on 30 June 2011.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider promptly thereafter, by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk on 30 June 2011 by ordinary post and at your own risk.

If you paid the application monies from a single bank account and your application is wholly or partially unsuccessful and/or the Offer Price is different from the initial price paid on your application, e-Auto Refund payment instructions (if any) will be despatched to your application payment bank account on 30 June 2011.

If you used multi-bank accounts to pay the application monies and your application is wholly or partially unsuccessful and/or the Offer Price is different from the initial price paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider on 30 June 2011, by ordinary post and at your own risk.

Yellow Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **yellow** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **white** Application Form applicants as described above.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Hong Kong Offering Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering — Conditions of the Global Offering” in this Prospectus, or if any application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) in respect of the application monies or the appropriate parties thereof, together with the related brokerage fee, Stock Exchange trading fee, SFC transaction levy (without interest) will be sent to the address on your application form by ordinary post and at your own risk.

If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you on 30 June 2011, 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):

- for the Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of the Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- the Company will publish the results of CCASS Investor Participants’ applications together with the results of the Hong Kong Public Offering in the newspapers on 30 June 2011. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on 30 June 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC’s “Operating Guide for Investor Participants” in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply by giving electronic application instructions to HKSCC

If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on 30 June 2011, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

Our Company will publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner, where supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner described in the paragraph headed “Publication of results” in this section above on 30 June 2011.

You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on 30 June 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "Operating Guide for Investor Participants" in effect from time to time) on 30 June 2011. Immediately after the credit of the relevant portion of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Offer Share initially paid on application, in each case including a brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on 30 June 2011. No interest will be paid thereon.

Refund of application monies

If you do not receive any Hong Kong Offer Shares or Reserved Shares for any reason, we will refund your application monies, including related brokerage fee of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%. No interest will be paid thereon.

If your application is accepted only in part, we will refund to you the appropriate portion of your application monies (including the related brokerage fee of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003% without interest.

If the Offer Price as finally determined is less than the initial price per Offer Share (excluding brokerage fee, SFC transaction levy, and Stock Exchange trading fee thereon) paid on application, we will refund to you the surplus application monies, together with the related brokerage fee of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%, without interest.

All such interest accrued prior to the date of despatch of refund will be retained for our benefit.

In a contingency situation involving a substantial over-application, at the discretion of us and the Sole Global Coordinator, applications made on Application Forms for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) is expected to be made on 30 June 2011 in accordance with the various arrangements as described above.

XI. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on 4 July 2011. The Shares will be traded in board lots of 2,000 each. The stock code of the Shares is 1231.

XII. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares and we comply 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 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.

Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements will affect their rights and interests.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

All necessary arrangements have been made for the Shares to be admitted into CCASS.

XIII. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “Ordinance”) came into effect in Hong Kong on 20 December 1996. This Personal Information Collection Statement informs the applicant for and holder of the Hong Kong Offer Shares of the policies and practices of the Company and our Hong Kong Listed Share Registrar in relation to personal data and the Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to the Company and our Hong Kong Listed Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of our Hong Kong Listed Share Registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of the Company or our Hong Kong Listed Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s), and/or the despatch of or encashment of refund cheque(s) to which you are entitled.

It is important that holders of securities inform the Company and our Hong Kong Listed Share Registrar immediately of any inaccuracies in the personal data supplied.

(b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and refund cheque, where applicable and verification of compliance with the terms and application procedures set out in the Application Forms and this Prospectus and announcing results of allocations of the Hong Kong Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of the Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of the Company, such as dividends, rights issues and bonus issues;
- distributing communications from the Company and our subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by any laws, rules or regulations;
- disclosing identities of successful applications by way of press announcement(s) or otherwise;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and our Hong Kong Listed Share Registrar to discharge our obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) Transfer of personal data

Personal data held by the Company and our Hong Kong Listed Share Registrar relating to the applicants and the holders of securities will be kept confidential but the Company and our Hong Kong Listed Share Registrar, to the extent necessary for achieving the above purposes or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, the Company may disclose, obtain or provide (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to or from any and all of the following persons and entities:

- we or our appointed agents such as financial advisors, receiving bankers and our unlisted share registrar and Hong Kong Listed Share Registrar;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Hong Kong Offer Shares to be deposited into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company and/or our Hong Kong Listed Share Registrar in connection with the operation of our businesses;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an Application Form or by giving **electronic application instructions** to HKSCC or by applying through **HK eIPO White Form**, you agree to all of the above.

(d) Access and correction of personal data

The Ordinance provides the applicants and the holders of securities with rights to ascertain whether the Company and/or our Hong Kong Listed Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the Ordinance, the Company and our Hong Kong Listed Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices or the kinds of data held should be addressed to the Company for the attention of our company secretary or (as the case may be) our Hong Kong Listed Share Registrar for the attention of the Privacy Compliance Officer (for the purposes of the Ordinance).



18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

21 June 2011

The Directors
Newton Resources Ltd

Citigroup Global Markets Asia Limited
Macquarie Capital Securities Limited
Rothschild (Hong Kong) Limited

Dear Sirs,

We set out below our report on the financial information of Newton Resources Ltd (the “Company”) and its subsidiaries (hereafter collectively referred to as the “Group”) comprising the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the three years ended 31 December 2008, 2009 and 2010 (the “Relevant Periods”), the consolidated statements of financial position of the Group as at 31 December 2008, 2009 and 2010, and the statements of financial position of the Company as at 31 December 2009 and 2010, together with the notes thereto (the “Financial Information”) prepared on the basis of presentation set out in Note 2 of Section II below, for inclusion in the prospectus of the Company dated 21 June 2011 (the “Prospectus”) in connection with the 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 in the Cayman Islands on 25 September 2009 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the “Reorganisation”), details of which are further described in the “History, Reorganisation and Corporate Structure – Reorganisation” section in the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group.

As at the date of this report, no statutory financial statements have been prepared for the Company as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

The Group is principally engaged in the business of mining, ore processing, the sale of iron concentrate and management of strategic investments.

Particulars of the subsidiaries of the Company at the date of this report are set out below:

Company name	Place and date of incorporation/ registration	Nominal value of issued and paid-up share/registered paid-up capital	Percentage of equity interests attributable to the Company (%)	Principal activities
<i>Directly held:</i>				
Venca Investments Limited ⁽¹⁾ ("Venca") 永佳投資有限公司	British Virgin Islands ("BVI") 4 July 2006	US\$1,000	100.0	Investment holding
<i>Indirectly held:</i>				
Jet Bright Limited ⁽²⁾ ("Jet Bright") 仲耀有限公司	Hong Kong 2 November 2009	HK\$1,189	100.0	Investment holding
Lincheng Xingye Mineral Resources Co., Ltd ⁽³⁾ ("Xingye Mining") 臨城興業礦產資源有限公司	People's Republic of China ("PRC") 10 May 2006	US\$30,000,000	99.0	Mining, ore processing and sale of iron concentrate

Notes:

- As of the date of this report, no audited financial statements have been prepared since the date of incorporation of Venca as there was no requirement, statutory or otherwise, to issue financial statements. Venca has not carried on any business other than the Reorganisation and the events described in the "History, Reorganisation and Corporate Structure — Reorganisation" section in the Prospectus.
- As of the date of this report, no audited financial statements have been prepared since the date of incorporation of Jet Bright as Jet Bright has not commenced commercial activities.
- As of the date of this report, no audited financial statements have been prepared since the date of registration of Xingye Mining.

The English name of the subsidiaries registered in the PRC represents the best efforts made by management of the Company to translate its Chinese name as it does not have official English name.

All companies now comprising the Group have adopted 31 December as their financial year end date. For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") for the three years ended 31 December 2008, 2009 and 2010 and the statements of financial position of the Company as at 31 December 2009 and 2010 (the "IFRS Financial Statements") in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2008, 2009 and 2010 and of the consolidated results and cash flows of the Group for each of the Relevant Periods and of the state of affairs of the Company as at 31 December 2009 and 2010.

I. FINANCIAL INFORMATION

Consolidated statements of comprehensive income

	Notes	Year ended 31 December		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Continuing operations				
Revenue	5	—	—	—
Cost of sales		—	—	—
Gross profit		—	—	—
Operating expenses		—	—	—
Administrative expenses		(227)	(2,136)	(7,747)
Other expense		—	—	(95)
Finance (costs)/income	6	—	(27)	4,894
Gain on disposal of a subsidiary	25	—	15	—
Loss before tax from continuing operations	6	(227)	(2,148)	(2,948)
Income tax expense	8	—	—	—
Loss for the year from continuing operations .		(227)	(2,148)	(2,948)
Discontinued operation				
Loss for the year from a discontinued operation .	9	(144)	(85)	—
Total comprehensive loss		(371)	(2,233)	(2,948)
Attributable to:				
Owners of the parent		(367)	(2,204)	(2,921)
Non-controlling interests		(4)	(29)	(27)
		(371)	(2,233)	(2,948)
Loss per share (RMB)				
— Basic and diluted	10	(367)	(2,202)	(2,918)
Loss per share from continuing operations (RMB)				
— Basic and diluted	10	(223)	(2,117)	(2,918)

Consolidated statements of financial position

		31 December		
		2008	2009	2010
	Notes	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	11	63,245	65,465	351,700
Intangible assets	12	4,601	2,301	2,301
Prepaid land lease payments	13	–	–	3,810
		<u>67,846</u>	<u>67,766</u>	<u>357,811</u>
Current assets				
Prepayments, deposits and other receivables	15	–	10,675	59,380
Due from a related party	16	2	15	–
Inventories	17	150	3,563	1,617
Cash and cash equivalents	18	340	4,043	55,934
		<u>492</u>	<u>18,296</u>	<u>116,931</u>
Current liabilities				
Trade payables		102	891	358
Other payables and accruals	19	1,134	3,786	102,158
Due to immediate holding company	16	–	–	335,974
Due to related parties	16	51,789	43,410	–
		<u>53,025</u>	<u>48,087</u>	<u>438,490</u>
Net current liabilities		<u>(52,533)</u>	<u>(29,791)</u>	<u>(321,559)</u>
Total assets less current liabilities		<u>15,313</u>	<u>37,975</u>	<u>36,252</u>
Non-current liabilities				
Long-term payables	20	1,180	1,180	1,180
Net assets		<u>14,133</u>	<u>36,795</u>	<u>35,072</u>
Equity				
Equity attributable to owners of the parent				
Issued capital	21	–	–	–
Capital reserves	22	15,471	40,366	40,366
Accumulated losses		<u>(1,494)</u>	<u>(3,698)</u>	<u>(6,619)</u>
		13,977	36,668	33,747
Non-controlling interests		<u>156</u>	<u>127</u>	<u>1,325</u>
Total equity		<u>14,133</u>	<u>36,795</u>	<u>35,072</u>

Consolidated statements of changes in equity

	Attributable to owners of the parent				Non-controlling interests	Total equity
	Issued capital	Capital reserves	Accumulated losses	Total		
	RMB'000 Note 21	RMB'000 Note 22	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	–	15,471	(1,127)	14,344	–	14,344
Total comprehensive loss for the year	–	–	(367)	(367)	(4)	(371)
Capital injection (Note 22)	–	–	–	–	160	160
At 31 December 2008 and						
1 January 2009	–	15,471	(1,494)	13,977	156	14,133
Total comprehensive loss for the year	–	–	(2,204)	(2,204)	(29)	(2,233)
Capital injection (Note 22)	–	24,895	–	24,895	18	24,913
Disposal of a subsidiary (Note 25) ...	–	–	–	–	(18)	(18)
At 31 December 2009 and						
1 January 2010	–	40,366	(3,698)	36,668	127	36,795
Total comprehensive loss for the year	–	–	(2,921)	(2,921)	(27)	(2,948)
Capital injection (Note 22)	–	–	–	–	1,225	1,225
At 31 December 2010	–	40,366	(6,619)	33,747	1,325	35,072

	Notes	Year ended 31 December		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Loss before tax:				
From continuing operations		(227)	(2,148)	(2,948)
From a discontinued operation		(144)	(85)	–
Adjustments for:				
Depreciation of property, plant and equipment	6, 11	333	462	145
Amortisation of prepaid land lease payment	6	–	–	287
Gain on disposal of a subsidiary	25	–	(15)	–
Net foreign exchange losses/(gains)	6	–	27	(5,014)
Cash flows before working capital changes		(38)	(1,759)	(7,530)
Increase in prepaid land lease payment		–	–	(4,200)
(Increase)/decrease in inventories		(150)	(3,413)	1,946
Increase in advances from customers		–	–	23,664
Increase in prepayments, deposits and other receivables		–	(10,666)	(6,640)
Increase/(decrease) in trade payables		102	270	(533)
Increase in other payables and accruals		–	3,655	6,863
Net cash (used in)/flows from operating activities		(86)	(11,913)	13,570
Cash flows from investing activities				
Purchase of items of property, plant and equipment		(5,513)	(10,366)	(233,334)
Disposal of a subsidiary	25	–	(8)	–
Net cash used in investing activities		(5,513)	(10,374)	(233,334)
Cash flows from financing activities				
Capital injection from equity holders	22	–	24,895	–
Capital injection from non-controlling shareholders		160	18	1,225
Payment of initial public offering expenses		–	–	(27,290)
Advances from related parties, net	24	4,995	1,104	299,185
Net cash flows from financing activities		5,155	26,017	273,120
Net (decrease)/increase in cash and cash equivalents		(444)	3,730	53,356
Effect of foreign exchange rate changes		–	(27)	(1,465)
Cash and cash equivalents at beginning of year		784	340	4,043
Cash and cash equivalents at end of year		340	4,043	55,934
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	18	340	4,043	55,934

Statements of financial position of the Company

		31 December	
		2009	2010
		RMB'000	RMB'000
	Notes		
Non-current assets			
Property, plant and equipment		—	53
Interests in subsidiaries	14	—	36,665
		—	36,718
Current assets			
Prepayments, deposits and other receivables	15	9,350	49,305
Due from a subsidiary	16	—	259,670
Cash and cash equivalents		—	210
		9,350	309,185
Current liabilities			
Other payables and accruals		—	13,347
Due to a subsidiary	16	9,596	—
Due to immediate holding company	16	—	298,010
		9,596	311,357
Net current liabilities		(246)	(2,172)
Total assets less current liabilities		(246)	34,546
Net assets		(246)	34,546
Equity			
Issued capital	21	—	—
Capital reserves	21	—	36,665
Accumulated losses		(246)	(2,119)
Total equity		(246)	34,546

II. NOTES TO FINANCIAL INFORMATION**1. CORPORATE INFORMATION AND REORGANISATION**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 25 September 2009 under the Companies Law (as amended) of the Cayman Islands under the name of Newton Resources Ltd. The registered office address of the Company is Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9005, Cayman Islands.

The Group is principally engaged in the business of mining, ore processing, the sale of iron concentrate and management of strategic investments.

Pursuant to the Reorganisation as described in the “History, Reorganisation and Corporate Structure – Reorganisation” section in the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group in March 2010.

As a result of the above Reorganisation but immediately before the proposed listing of the Company’s shares on the Main Board of the Stock Exchange (the “Listing”), 60% of the share capital of the Company was owned by Faithful Boom Investments Limited (“Faithful Boom”), a company incorporated in the British Virgin Islands and ultimately controlled by NWS Holdings Limited (“NWS”), a company incorporated in Bermuda and listed on the Stock Exchange in 1997. In the opinion of the Directors, NWS and VMS Investment Group Limited (“VMS”, a limited company incorporated in the British Virgin Islands) are the controlling shareholders of the Company (“Controlling Shareholders”).

2. BASIS OF PRESENTATION

The Reorganisation involved business combinations of entities under common control and the Group is regarded and accounted for as a continuing group. Accordingly, for the purpose of this report, the Financial Information has been prepared on a combined basis by applying the principles of merger accounting prior to the foundation of the Company.

The Financial Information has been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation or registration, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2008, 2009 and 2010 have been prepared to present the assets and liabilities of the Group as at the respective dates as if the current group structure had been in existence at those dates.

All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

As at 31 December 2008, 2009 and 2010, the current liabilities of the Group exceeded its current assets by approximately RMB52,533,000, RMB29,791,000, and RMB321,559,000 respectively. Notwithstanding the net current liabilities position, the Financial Information has been prepared on a going concern basis as the shareholders of the Company have undertaken in writing to provide continuing financial support to the Group, by way of additional shareholder loans, if necessary, up to the time of the Listing, and not to demand repayment of any amounts due to them up to the time of the Listing.

Basis of preparation

The Financial Information has been prepared in accordance with IFRS which comprise standards and interpretations approved by the IASB, International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee. All IFRS effective for the accounting period commencing from 1 January 2008, 2009 and 2010 together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention and is presented in Renminbi ("RMB") with all values rounded to the nearest thousand (RMB'000) except when otherwise indicated.

3.1 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective in this Financial Information.

IFRS 1 Amendment	Amendment to IFRS 1 First-time Adoption of IFRSs – Limited Exemption from Comparatives IFRS 7 Disclosures for First-time Adopters ¹
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets ²
IFRS 9	Financial Instruments ³
IAS 24 (Revised)	Related Party Disclosures ⁴
IAS 32 Amendment	Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues ⁵
IFRIC 14 Amendments	Amendments to IFRIC-Int 14 Prepayments of a Minimum Funding Requirement ⁴
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments ¹
Improvements to IFRSs (May 2010)	Amendments to a number of IFRSs

¹ Effective for annual periods beginning on or after 1 July 2010

² Effective for annual periods beginning on or after 1 July 2011

³ Effective for annual periods beginning on or after 1 January 2013

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 February 2010

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results and financial position.

The amendment to IFRS 1 was issued in February 2010 and shall be applied for financial years beginning on or after 1 July 2010. The amendment to IFRS 1 provides first-time adopters to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with IFRSs that are included in Amendments to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments. As the Group is not a first-time adopter of IFRSs, the amendment will not have any financial impact on the Group.

The HKFRS 7 Amendments introduce more extensive quantitative and qualitative disclosure requirements regarding transfer transactions of financial assets (e.g., securitisations), including information for understanding the possible effects of any risks that may remain with the entity that transferred the assets. The Company expects to adopt the amendments from 1 January 2012 and comparative disclosures are not required for any period beginning before that date.

IFRS 9 was issued in November 2009 and shall be applied for financial years beginning on or after 1 January 2013. IFRS 9 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39

Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

IAS 24 (Revised) was issued in November 2009 and shall be applied for financial years beginning on or after 1 January 2011. IAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt IAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly. While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government related entities.

The amendment to IAS 32 was issued in October 2009 and shall be applied for financial years beginning on or after 1 February 2010. The amendment to IAS 32 revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Group expects to adopt the IAS 32 Amendment from 1 January 2011. As the Group currently has no such rights, options or warrants in issue, the amendment is unlikely to have any financial impact on the Group.

The amendments to IFRIC 14 were issued in December 2009 and shall be applied for financial years beginning on or after 1 January 2011. The amendments to IFRIC 14 remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment for future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. The Group expects to adopt the IFRIC 14 Amendments from 1 January 2011. As the Group has no defined benefit scheme, the amendments will not have any financial impact on the Group.

IFRIC 19 was issued in December 2009 and shall be applied for financial years beginning on or after 1 July 2010. It addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Group expects to adopt the interpretation from 1 January 2011. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with IAS 39 Financial Instruments: Recognition and Measurement and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. As the Group has not undertaken such transactions, the interpretation is unlikely to have any material financial impact on the Group.

Improvements to IFRSs

Improvements to IFRSs issued in May 2010 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Group controls, directly or indirectly, so as to obtain benefits from its activities.

Non-controlling interests

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Group's subsidiaries. An acquisition of non-controlling interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

Impairment of non-financial assets other than goodwill

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, goodwill, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of comprehensive income in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of comprehensive income in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d); or

- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation of items of property, plant and equipment, other than mining infrastructure, is calculated on the straight-line basis to depreciate the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Motor vehicles, fixtures and others	5 years
Machinery	10-15 years

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as part of the costs of inventories or expensed, except for costs which qualify for capitalisation relating to mining asset additions or improvements, or mineable reserve development. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Stripping costs

Stripping costs incurred in the development of a mine before production commences are capitalised in property, plant and equipment as part of the cost of constructing the mine, and subsequently amortised over the estimated useful life of the mine using the UOP method.

Stripping costs incurred during the production phase are variable production costs that are included in the costs of inventories produced during the period that the stripping costs are incurred, unless the stripping activity can be shown to give rise to future benefits from the mineral property, in which case the stripping costs would be capitalised in property, plant and equipment. Future benefits arise when stripping activity increases the future output of the mine by providing access to a new ore body.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Mining rights

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

Exploration rights and assets

Exploration rights are stated at cost less accumulated amortisation and any impairment losses and exploration assets are stated at cost less impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and deferred amortisation and depreciation charges in respect of assets consumed during the exploration activities.

Exploration rights are amortised over the term of rights. Equipment used in exploration is depreciated over its useful life, or, if dedicated to a particular exploration project, over the life of the project on the straight-line basis, whichever is shorter. Amortisation and depreciation is included, in the first instance, in exploration rights and assets and are transferred to mining rights when it can be reasonably ascertained that an exploration property is capable of commercial production.

Exploration and evaluation costs include expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to the consolidated statement of comprehensive income as incurred, unless the Directors conclude that a future economic benefit is more likely to be realised than not. When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to mining infrastructure or mining right and amortised using the UOP method based on the proved and probable mineral reserves. Exploration and evaluation assets are written off to the consolidated statement of comprehensive income if the exploration property is abandoned.

Leases

Leases that transfer substantially all the risks and rewards of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidate statement of comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

Leases are accounted for as operating leases where substantially all the rewards and risks of ownership of assets remain with the lessor. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and the rentals receivable under the operating leases are credited to the consolidated statement of comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating lease, net of any incentives received from the lessor are charged to the consolidated statement of comprehensive income on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. During the Relevant Periods, the Group only held loans and other receivables.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

The Group's financial assets include cash and cash equivalents, trade receivables and other receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the consolidated statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the consolidated statement of comprehensive income. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance amount. Any subsequent reversal of an impairment loss is recognised in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are recognised when they are assessed as uncollectible.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred substantially all the risks nor retained substantially all the rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred substantially all the risks nor retained substantially all the rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables and amounts due to related parties are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within “Finance costs” in the consolidated statements of comprehensive income.

Gains and losses are recognised in the consolidated statements of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statements of comprehensive income.

Discontinued operation

A discontinued operation is a component of the Group’s business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statements of comprehensive income, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

Comparative information for prior periods is represented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

The classification, measurement and presentation requirements above are also applied to non-current assets that are held for distribution, or distributed to shareholders acting in their capacity as shareholders.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the consolidated statement of comprehensive income.

Provisions for the Group's obligations for rehabilitation are based on estimates of required expenditure at the mines in accordance with the PRC rules and regulations. The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. 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 such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining infrastructure. Over time, the discounted liability is increased for the change in present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within "Finance costs" in the consolidated statements of comprehensive income. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities) will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur at the appropriate discount rate.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated statements of comprehensive income or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to the consolidated statement of comprehensive income by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, i.e., when goods are delivered and title has passed, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised.

Other borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised as expenses in the consolidated statements of comprehensive income in the period in which they are incurred.

Foreign currencies

The Financial Information is presented in RMB, which is the presentation currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken

to the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Employee benefits

The Group's employer contributions vest fully with the employees when contributed into the Mandatory Provident Fund retirement benefit scheme ("MPF Scheme") in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 20% of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, the inherent uncertainty about these significant assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty, critical judgment in applying the Group's accounting policies which have a significant effect on the Financial Information are discussed below:

(a) 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. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record reserve for technically obsolete assets that have been abandoned.

(b) Impairment of property, plant and equipment, including mining infrastructure

The Group assesses each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The carrying value of the property, plant and equipment, including mining infrastructure, is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. Estimating the value in use requires the Group to estimate future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property plant and equipment at 31 December 2008, 2009 and 2010 were RMB63,245,000, RMB65,465,000, and RMB351,700,000 respectively.

(c) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated on regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in both depreciation and amortisation rates calculated on the UOP basis and the time period for discounting the rehabilitation provision. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

(d) Production start date

The Group assesses the stage of each mine under construction to determine when a mine moves into the production stage being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the production phases is considered to commence and all related amounts are reclassified from "Construction in progress" to the appropriate category of "Property, plant and equipment". Some of the criteria used will include, but are not limited to, the following:

- Level of capital expenditure incurred compared to the original construction cost estimates
- Completion of a reasonable period of testing of the mine plant and equipment
- Ability to produce metal in saleable form (within specifications)
- Ability to sustain ongoing production of metal

When a mine development/construction project moves into the production stage, the capitalisation of certain mine development/construction costs ceases and costs are either regarded as forming part of the costs of inventories or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. No revenue or contribution to profit during the Relevant Periods was derived in the Group as the Group is currently in its development stage.

During the year ended 31 December 2009, the Group disposed its interest in the mining right of Lincheng County Shiwopu Guomu Nangou Iron Ore Mine (臨城縣石窩鋪果木南溝鐵礦, "Guomu Nangou Mine"), and upon completion of the disposal, the Group's results is made up of only one continuing segment, Lincheng Yanjiazhuang Iron Ore Mine (臨城閭家莊鐵礦, "Yanjiazhuang Mine"). For details of the disposal, please refer to Notes 9 and 25.

Further, as the principal assets employed by the Group are located in Hebei Province, the PRC. Accordingly, no segment analysis by business or geographical is provided.

5. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns and various types of government surcharges, where applicable. As the Group has not commenced commercial production, there were no revenue, trade discounts or returns during the Relevant Periods.

6. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

The Group's loss before tax from continuing operations is arrived at after charging/(crediting):

	Notes	Year ended 31 December		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Minimum lease payments under operating leases				
for office tenancy		–	217	2,168
Staff costs				
– Wages and salaries		–	446	3,281
Depreciation	11	227	383	145
Amortisation of prepaid land lease payments	13	–	–	287
Gain on disposal of a subsidiary	25	–	(15)	–
Finance costs/(income)				
– Interest expenses, net		–	–	120
– Exchange losses/(gains), net		–	27	(5,014)

7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of directors, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	—	—	1,021
Pension scheme contributions	—	—	—
	—	—	1,021

(a) Independent non-executive directors

The independent non-executive directors during the Relevant Periods were Mr. Sun Yongxu, Mr. Wang Xiaoxing and Mr. Choy Sze Chung Jojo until July 2010 and on 15 December 2010, Mr. Tsui King Fai and Mr. Lee Kwan Hung were appointed as independent non-executive directors.

There were no emoluments payable to the independent non-executive directors during the years ended 31 December 2008, 2009, and 2010.

(b) Executive directors

Executive directors of the Company did not receive any fees or emoluments in respect of their services rendered to the Company during the years ended 31 December 2008 and 2009. Details of the executive directors' remuneration during the year ended 31 December 2010 are as follow:

Year ended 31 December 2010	Salaries, allowance and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000
Yao Zanzun	442	—	442
Li Yuelin	300	—	300
Lin Zeshun	96	—	96
Liu Yongxin	96	—	96
Jing Zhiqing	87	—	87
	1,021	—	1,021

Notes: Mr. Li Yuelin, Mr. Lin Zeshun and Mr. Liu Yongxin were appointed as executive directors of the Company on 9 April 2010. Mr. Yao Zanzun and Mr. Jing Zhiqing were appointed as executive directors of the Company on 13 December 2010.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(c) Five highest paid employees

The five highest paid employees during year ended 31 December 2010 include two executive directors (two years ended 31 December 2008 and 2009: Nil), details of whose remuneration are set out in Note 7(b) above.

Details of the remuneration of the three non-director highest paid employees (two years ended 31 December 2008 and 2009: five) during 31 December 2010 are as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	88	143	974
Pension scheme contributions	16	17	–
	<u>104</u>	<u>160</u>	<u>974</u>

The remuneration of the above non-director, highest paid individuals in each of the Relevant Periods was below HK\$1,000,000.

During the Relevant Periods, no emoluments were paid by the Group to any of the persons who are directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

The provision for PRC corporate income tax ("CIT") is based on the respective CIT rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the Relevant Periods.

During the years ended 31 December 2009 and 2010, a PRC subsidiary of the Company, Xingye Mining has undergone trial production and in accordance with the instruction of the local tax authority, it has paid 25% of CIT based on rates of 11% and 12% in 2009 and 2010, respectively of its deemed trial production revenue. As the related mining assets were not ready to commence commercial production, the net income/expense from trial production was offset/added to the related construction in progress.

The major components of income tax expense from continuing operations for the Relevant Periods are as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Current – Mainland China			
CIT payable for the year	–	–	–
Adjustments in respect of current income tax of previous years	–	–	–
Deferred tax movement	–	–	–
Total tax charge for the year	–	–	–

A reconciliation of income tax expense applicable to loss before tax at the statutory income tax rate in the PRC to income tax expense at the Group's effective income tax rate for each of the Relevant Periods is as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Loss before tax from continuing operations	(227)	(2,148)	(2,948)
Tax at applicable statutory tax rates of 25% for 2008, 2009 and 2010 in the PRC	(57)	(537)	(737)
Expenses not deductible for tax	57	537	737
Total tax charge for the year	–	–	–

Neither the Group nor the Company had significant unrecognised deferred tax assets as at the end of each of the three years ended 31 December 2008, 2009 and 2010.

9. DISCONTINUED OPERATION

On 9 November 2009, Xingye Mining entered into an agreement with an individual, Wang Zhixiong, to sell its 99% equity interests in Lincheng County Guomu Nangou Iron Ore Limited (“Guomu Nangou” 臨城縣果木南溝鐵礦有限公司) for a consideration of RMB1. The Directors believe that the disposal of Guomu Nangou allows a better use of funds and resources available to the Group. The disposal was completed on 12 November 2009.

The results of Guomu Nangou for the Relevant Periods were presented below:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Revenue	—	—	—
Cost of sales	—	—	—
Gross profit	—	—	—
Administrative expenses	(144)	(85)	—
Other expense	—	—	—
Loss before tax from a discontinued operation	(144)	(85)	—
Income tax	—	—	—
Loss for the year from a discontinued operation	(144)	(85)	—

The net cash flows incurred by Guomu Nangou during the Relevant Periods were as follows:

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Operating activities	(3)	(100)	—
Investing activities	—	—	—
Financing activities	—	—	—
Net cash outflow	(3)	(100)	—
Loss per share from the discontinued operation (RMB) ..	(144)	(85)	—

10. LOSS PER SHARE

The calculation of basic loss per share for the Relevant Periods is based on the loss attributable to owners of the parent for each of the Relevant Periods and on the assumption that 1,001 shares, representing the number of shares of the Company as at 31 December 2010, but excluding any shares to be issued pursuant to the public offering, had been in issue throughout the Relevant Periods. No adjustment has been made to the basic loss per share amounts presented for any of the Relevant Periods as no diluting events occurred during the Relevant Periods.

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Motor vehicles, fixtures and others	Machinery	Mining infra- structure	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At 1 January 2008	117	2,132	10,124	48,168	60,541
Additions	5	1,560	–	1,733	3,298
Transfer in/(out)	–	–	12,776	(12,776)	–
At 31 December 2008 and 1 January 2009	122	3,692	22,900	37,125	63,839
Additions	327	15	–	12,184	12,526
Disposal of a subsidiary	(102)	(447)	(8,722)	(900)	(10,171)
At 31 December 2009 and 1 January 2010	347	3,260	14,178	48,409	66,194
Additions	2,210	1,597	84	282,781	286,672
At 31 December 2010	2,557	4,857	14,262	331,190	352,866
Accumulated depreciation:					
At 1 January 2008	12	249	–	–	261
Provided for the year	23	310	–	–	333
At 31 December 2008 and 1 January 2009	35	559	–	–	594
Provided for the year	26	436	–	–	462
Disposal of a subsidiary	(44)	(283)	–	–	(327)
At 31 December 2009 and 1 January 2010	17	712	–	–	729
Provided for the year	106	273	58	–	437
At 31 December 2010	123	985	58	–	1,166
Net book value:					
At 1 January 2008	105	1,883	10,124	48,168	60,280
At 31 December 2008	87	3,133	22,900	37,125	63,245
At 31 December 2009	330	2,548	14,178	48,409	65,465
At 31 December 2010	2,434	3,872	14,204	331,190	351,700

Included in the depreciation for the year were depreciation charges related to a discontinued operation of RMB106,000, RMB79,000 and nil for the years ended 31 December 2008, 2009 and 2010 respectively.

During the year ended 31 December 2010, depreciation charges of RMB292,000 (two years ended 31 December 2008 and 2009: Nil) were included in the construction cost.

12. INTANGIBLE ASSETS

Group

	Mining rights ⁽¹⁾	Exploration rights ⁽²⁾	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At 1 January 2008, 31 December 2008 and			
1 January 2009	2,300	2,301	4,601
Disposal of a subsidiary (Note 25)	(2,300)	–	(2,300)
Transfer in/(out)	2,301	(2,301)	–
At 31 December 2009, 1 January 2010 and 31			
December 2010	2,301	–	2,301
Accumulated amortisation:			
At 1 January 2008, 31 December 2008, 1 January 2009,			
31 December 2009, 1 January 2010 and			
31 December 2010	–	–	–
Net book value:			
At 1 January 2008	2,300	2,301	4,601
At 31 December 2008	2,300	2,301	4,601
At 31 December 2009	2,301	–	2,301
At 31 December 2010	2,301	–	2,301

Notes:

- (1) Mining rights represent rights for the mining of iron ore reserves in the Yanjiazhuang Mine and Guomu Nangou Mine where both are located in Lincheng County, Hebei Province, China.

The Yanjiazhuang Mine is operated by Xingye Mining. In May 2009, the local government granted the Yanjiazhuang Mine mining permit to Xingye Mining for a term of eight years to July 2017. As a result, the Group has reclassified the exploration rights of Yanjiazhuang Mine as mining rights. The estimated useful life of the mining rights is based on its unexpired period. No amortisation was accrued as the mine had not yet commenced commercial production as at 31 December 2010.

On 29 August 2005, the mining rights to Guomu Nangou Mine were purchased at a cash consideration of RMB2,300,000. In November 2009, the Group disposed of its interest in Guomu Nangou, which included the mining rights to Guomu Nangou Mine. Please refer to Note 25 for further details.

- (2) Exploration rights represent the exploration rights of the Yanjiazhuang Mine acquired by Xingye Mining in the year ended 31 December 2006. The exploration rights were reclassified as mining rights in May 2009 when the mining permit of the Yanjiazhuang Mine was granted to Xingye Mining by the local government.

13. PREPAID LAND LEASE PAYMENTS*Group and Company*

	Notes	31 December		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Carrying amount at 1 January:		—	—	—
Additions		—	—	4,200
Recognised during the year	6	—	—	(287)
Carrying amount at 31 December		—	—	3,913
Current portion included in prepayments, deposits and other receivables	15	—	—	(103)
Non-current portion		—	—	3,810

The balance represented the prepayments for the use rights of two parcels of land leased from the PRC government with lease terms of 40 years and the land use right certificates expiring in September 2049.

The Group had paid the land premium in accordance with the notices from the local Land Resources Bureau. Upon payment of the final instalment in December 2010, the Group is no longer required to make further instalment payment.

14. INTERESTS IN SUBSIDIARIES*Company*

	31 December	
	2009	2010
	RMB'000	RMB'000
Unlisted investments, cost:		
Venca	—	36,665

On 15 January 2010, the Company acquired the entire issued share capital of Venca, from the immediate holding company, Faithful Boom, by issuing 1,000 ordinary shares to Faithful Boom.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES*Group*

	Notes	31 December		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Deferred initial public offering expenses ..		—	9,350	48,042
Deposits		—	520	1,643
Advance to employees		—	772	382
Advances to suppliers		—	—	3,263
VAT receivables		—	—	5,388
Prepaid land lease payments	13	—	—	103
Others		—	33	559
		—	10,675	59,380

Company

	31 December	
	2009	2010
	RMB'000	RMB'000
Deferred initial public offering expenses	9,350	48,042
Deposits	—	727
Others	—	536
	9,350	49,305

The carrying amounts of prepayments, deposits and other receivables closely approximate to their respective fair values.

Deferred initial public offering expenses represent legal and other professional fees relating to the Listing, which will be deducted from equity when the Company completes the Listing.

None of the above assets is either past due or impaired. The financial assets included in the above relate to receivables for which there was no recent history of default.

16. BALANCES WITH RELATED PARTIES*Group*

	Notes	31 December		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Due from a related party:				
Wang Jiangping	(a)	2	15	—

		31 December		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Notes				
Due to the immediate holding company:				
	Faithful Boom	—	—	335,974
Due to related parties:				
	Zhao Haofu	(b) —	23,773	
	Liu Hui	(c) 13,625	9,595	—
	Chen Zhiqing	(d) 13,642	10,042	—
	Zhao Yinhe	(e) 24,522	—	—
		51,789	43,410	—

On 26 August 2009, Zhao Yinhe and Zhao Haofu entered into an agreement, whereby Zhao Yinhe transferred his interest in the amount due to him by the Group prior to 30 July 2009, in an aggregate amount of RMB24,572,000, to Zhao Haofu.

Balances with related parties were all unsecured, non-interest-bearing and the amounts due to the immediate holding company as at 31 December 2010 will be repaid or waived in full upon Listing.

The carrying amounts of amounts due to related parties approximate to their fair values.

Company

		31 December	
		2009	2010
		RMB'000	RMB'000
Due from a subsidiary:			
	Venca	—	259,670
Due to a subsidiary:			
	Venca	9,596	—
Due to the immediate holding company			
	Faithful Boom	—	298,010

Notes:

- (a) Non-controlling shareholder of Guomu Nangou, a former subsidiary company
- (b) Then shareholder and director of the Company until 12 July 2010
- (c) Then shareholder of the Company until 21 September 2010
- (d) Then shareholder
- (e) Then director of the Company and Xingye Mining

17. INVENTORIES

	31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
At cost:			
Spare parts and consumables	150	1,301	1,378
Iron ore	–	341	–
Iron concentrate	–	1,921	239
	<u>150</u>	<u>3,563</u>	<u>1,617</u>

As at 31 December 2008, 2009 and 2010, all inventories were stated at cost.

18. CASH AND CASH EQUIVALENTS

	31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cash on hand	340	1,016	12
Cash at banks	–	3,027	55,922
Cash and cash equivalents	<u>340</u>	<u>4,043</u>	<u>55,934</u>

The Group's cash and bank balances are denominated in RMB at the end of each of the three years ended 31 December 2008, 2009 and 2010, except for the following:

	RMB equivalent 31 December 2009	RMB equivalent 31 December 2010
	RMB'000	RMB'000
Cash and bank balances denominated in:		
US\$	–	51,962
HK\$	<u>2,968</u>	<u>240</u>
	<u>2,968</u>	<u>52,202</u>

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents in the consolidated statements of financial position approximate to their fair values.

19. OTHER PAYABLES AND ACCRUALS*Group*

	31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Property, plant and equipment suppliers			
or contractors	144	1,235	38,660
Payables for initial public offering expenses	–	–	11,402
Other payables	168	506	5,877
Other taxes payable	92	954	764
Payroll and welfare payable	390	791	3,502
Compensation to farmers	340	300	18,282
Advances from customers	–	–	23,671
	<u>1,134</u>	<u>3,786</u>	<u>102,158</u>

Advances from customers represented cash deposits placed by potential customers for sales of iron concentrate upon commencement of production.

20. LONG-TERM PAYABLES

Long-term payables represent compensation payables to farmers from 2015 to 2025.

21. ISSUED CAPITAL

	31 December	
	2009	2010
	HK\$	HK\$
Authorised:		
10,000,000,000 ordinary shares of HK\$0.1 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued and fully paid:		
1,001 ordinary shares of HK\$0.1 each (2009: 1 ordinary share of HK\$0.1 each)	<u>0.1</u>	<u>100</u>

On 15 January 2010, the Company entered into agreement with Faithful Boom to acquire its 100% equity interest in Venca, by issuance of 1,000 ordinary shares to Faithful Boom and upon completion of the transfer, Faithful Boom became the immediate holding company of the Company.

A summary of the transactions during the period with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued capital	Capital Reserves	Total
		RMB'000	RMB'000	RMB'000
At 25 September 2009 (incorporation date)	–	–	–	–
Share issued	<u>1</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2009 and 1 January 2010	1	–	–	–
Shares issued	<u>1,000</u>	<u>–</u>	<u>36,665</u>	<u>36,665</u>
At 31 December 2010	<u>1,001</u>	<u>–</u>	<u>36,665</u>	<u>36,665</u>

22. CAPITAL RESERVE*Group*

	Year ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Beginning of the year.....	15,471	15,471	40,366
Capital injection	—	24,895	—
End of the year.....	15,471	40,366	40,366

The capital reserve of the Group represents the paid-in capital of the subsidiaries now comprising the Group, after eliminating intra-group investments. These capital injections were made by the equity holders of the Group to Venca, which are treated as contributions from the equity holders of the Company in the Financial Information. The contributions were settled in cash.

23. COMMITMENTS*(a) Capital commitments*

The Group had the following capital commitments at the end of each of the three years ended 31 December 2008, 2009 and 2010:

Group

	31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
– Plant and machinery	—	23,430	202,667
Authorised, but not contracted for:			
– Plant and machinery	—	456,570	51,111
	—	480,000	253,778

*(b) Operating lease arrangements**As lessee*

The Group leases certain of its office premises under operating lease arrangements, with leases negotiated for a three years' term, at which time all terms will be renegotiated.

At the end of each of the three years ended 31 December 2008, 2009 and 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within one year	—	1,739	1,681
In the second to fifth years, inclusive	—	3,189	1,401
	—	4,928	3,082

24. RELATED PARTY TRANSACTIONS

(a) During the Relevant Periods, the Group had the following material transactions with related parties:

(i) Related party transactions*Group*

		Year ended 31 December		
		2008	2009	2010
Name of related party	Notes	RMB'000	RMB'000	RMB'000
Payments made by the related parties on behalf of the Group:				
Zhao Haofu	(a)	—	3,906	—
Liu Hui	(b)	2,115	3,774	—
Chen Zhiqing	(c)	2,280	994	—
Zhao Yinhe	(d)	600	50	—
Net advance from immediate holding company:				
Faithful Boom		—	—	335,974
Leasing of office premises from:				
New World Tower Company Limited.....		—	—	2,047

Company

		Year ended 31 December	
		2009	2010
Name of related party	Notes	RMB'000	RMB'000
Advance to a subsidiary company:			
Venca		—	259,670
Payments made by a subsidiary company on behalf of the Company:			
Venca		9,596	—
Net advance from an immediate holding company:			
Faithful Boom		—	298,010
Leasing of office premises from:			
New World Tower Company Limited.....		—	2,047

In July 2010, the Company was acquired by our Controlling Shareholders and the leasing of office premises from New World Tower Company Limited (a related company of NWS) is now regarded as a related party transaction.

The directors of the Company are of the opinion that above transactions with related parties were conducted in the usual course of business and the transactions were made on terms agreed among the parties.

Notes:

- (a) Then shareholder and director of the Company until 12 July 2010
- (b) Then shareholder of the Company until 21 September 2010
- (c) Then shareholder
- (d) Then director of the Company and Xingye Mining

(ii) Pledges relating to the Exchangeable Bonds

On 17 January 2010, Faithful Boom Investments Limited (“Faithful Boom”, the Bond Issuer and the immediate holding company of the Company as part of the Reorganisation), the immediate holding company of the Company, Zhao Haofu, Chen Zhiqing and Liu Hui (together with Zhao Haofu and Chen Zhiqing, as the Guarantors), entered into a subscription agreement (the “Subscription Agreement”) with 8W APO Holdings Ltd., China Gate Worldwide Limited and Long Tree Investment Limited (together, as the Bondholders) to issue secured exchangeable bonds (the “Exchangeable Bonds”) exchangeable into shares of Newton Resources Ltd, at an amount of US\$60,000,000. The Company is not obliged to issue any new shares in connection with the exchange of the Exchangeable Bonds.

On 15 June 2010, the Bondholders transferred their respective Exchangeable Bond holdings to Pioneer Vast Limited (“Pioneer Vast”) and Star Valiant Limited (“Star Valiant”), and upon completion of the transfer, Pioneer Vast and Star Valiant, each holds US\$9,000,000 and US\$51,000,000 of the Exchange Bond. Pioneer Vast and Star Valiant are related companies to the Company as they are controlled by our Controlling Shareholders, NWS and VMS, respectively. All terms and obligations of the Exchangeable Bonds remain unchanged.

All obligations imposed on the Company in connection with the issuance of the Exchangeable Bonds shall terminate, including without limitation, the redemption amount owing by Faithful Boom to Pioneer Vast and Star Valiant, upon the successful listing of the Company’s shares.

(b) Outstanding balances with related parties

Details of the Group’s balances with its related parties at the end of each of the three years ended 31 December 2008, 2009 and 2010 together with the outstanding balances due from/to related parties are disclosed in Note 16.

25. DISPOSAL OF A SUBSIDIARY

Guomu Nangou, a private enterprise established on 21 June 2004, then known as Guomu Nangou Mining Co. (臨城縣石窩鋪果木南溝鐵礦), was transformed as a limited liability company on 19 February 2009. No audited financial statements were issued for the private company as there was no requirement, statutory or otherwise, to issue financial statements.

On 9 November 2009, Xingye Mining entered into an agreement with an individual, Wang Zhixiong, to sell its 99% equity interests in Guomu Nangou for a consideration of RMB1. The disposal was completed on 12 November 2009.

	Year ended 31 December 2009
	RMB'000
Net assets disposed of:	
Property, plant and equipment	9,844
Intangible assets	2,300
Cash and bank balances	8
Due from related parties	1,867
Other payables and accruals	(199)
Due to related parties	(13,817)
Non-controlling interests	(18)
Gain on disposal of a subsidiary	(15)
Satisfied by:	
Cash	RMB 1

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	Year ended 31 December 2009
	RMB'000
Cash consideration	—
Cash and bank balances disposed of	(8)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(8)

26. FINANCIAL ASSETS HIERARCHY

As at 31 December 2008, 2009 and 2010, the Company did not hold any financial instruments measured at fair value.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and bank balances, deposits and other receivables and amounts due from related parties, which arise directly from its operations. Financial liabilities of the Group mainly include advances from customers, other payables and accruals, and amounts due to related parties.

Risk management is carried out by the finance department which is led by the Group's executive directors. The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units. The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, credit risk and foreign currency risk.

The Group's financial risk management policies seek to ensure that adequate resources are available to manage the above risks and to maximise value for its shareholders. The board regularly reviews these risks and they are summarised below.

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through advances from related parties.

The maturity profile of the Group's financial liabilities at the end of each of the three years ended 31 December 2008, 2009 and 2010, based on the contractual payments, was as follows:

Group

	31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade payable			
Less than 1 year	102	891	358
	31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Other payables and accruals			
Less than 1 year	1,134	3,786	102,158
	31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Long-term payables			
Over 5 years	1,180	1,180	1,180

Interest rate risk

Other than cash and cash equivalents, the Group has no significant interest-bearing assets and liabilities. As a result, the Group's income, expenses and cash flows are substantially independent of changes in market interest rates.

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents and other receivables included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

Bank deposits are placed in banks with a creditable rating. Management does not expect any losses from non-performance by these banks.

As the Group is primarily in its development stage, no credit sales are made to customers by the Group.

The Group's cash and cash equivalents are mainly with banks in Hong Kong. The credit risk of the Group's other financial assets, which comprise other receivables and an amount due from a related party, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group has no other financial assets which carry significant exposure to credit risk.

During the Relevant Periods, as the Group was primarily in its development stage, it has no concentration of credit risk with any single counterparty.

Foreign currency risk

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, as such, the Group has not hedged its foreign exchange rate risk.

Fair values

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group's financial instruments approximate to their fair values due to the short term to maturity at the end of each of the three years ended 31 December 2008, 2009 and 2010.

Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company's directors review the capital structure on a regular basis. During the start-up stage of the Group, the equity holders of the Company contributed capital based on the needs of these entities. The dividend policy will be established when the Group starts to generate revenues from its activities. Management will regularly review the capital structure.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing financial risk during the Relevant Periods.

28. CONTINGENT LIABILITIES

On 9 March 2010, Venca entered into an agreement with Jet Bright, its wholly owned subsidiary, to transfer its entire 99% equity interest in Xingye Mining to Jet Bright. This equity transfer was approved by the Lincheng Commerce Bureau on 9 March 2010 and was registered with the Xingtai Administration for Industry and Commerce on 15 July 2010.

According to the PRC tax rules, such equity transfer is liable to PRC income tax upon completion unless certain criteria as laid down in Article 5 of the Ministry of Finance/State Administration of Taxation Circular of Caishui [2009] No.59 titled "Circular on Certain Questions Regarding Corporate Income Tax Treatments for Business Reorganisation of Enterprises" (關於企業重組業務企業所得稅處理若干問題的通知) (hereinafter referred to as the "Circular No.59") are fulfilled and the transaction

qualifies for special tax treatment as stipulated in the above PRC Circular. Pursuant to the State Administration of Taxation Circular of Guoshuihan [2009] No.698 titled "Circular on Strengthening the Corporate Income Tax Administration on Non-Resident Enterprise's Gain on Equity Transfer" (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), the qualification of special tax restructuring treatment of a non-resident enterprise needs to be assessed and recognized by provincial tax authority.

In December 2010, the Group submitted an application to the relevant tax bureaus for confirmation that the above-mentioned transfer qualifies for special tax treatment. As the Directors believe that the above-mentioned transfer meet the criteria laid down in Article 5 of Circular No.59 and that the transfer qualifies for special tax treatment, there shall have no PRC income tax arising from the transfer and hence, no tax provision has been made in this regard.

29. SUBSEQUENT EVENTS

- (a) For the purpose to recognise the contribution of certain employees, executives or officers of the Group and those qualifying employees of the Controlling Shareholders made or may have made to the growth of the Group and/or the listing of shares on the stock exchange, under a pre-IPO share option scheme, the Company granted options to subscribe at an exercise price equivalent to the Listing offer price for an aggregate of 133,300,000 shares in the Company ("Pre-IPO Share Option Scheme"). The principal terms of the Pre-IPO Share Option Scheme were approved by resolutions in writing of all the shareholders passed on 25 January 2011.
- (b) In February 2011, the Company entered into two separate loan agreements with two banks for banking facilities amounting to HK\$335 million (equivalent to RMB280.2 million) in aggregate. Under the terms of these loan agreements, the banks have the overriding right at any time to require immediate payment from the Company of the amounts it owes to the banks.

These bank loans were drawn down in March and April 2011, respectively, and then applied to repay part of the outstanding amounts due to the immediate holding company.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group and the Company in respect of any period subsequent to 31 December 2010.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The information set forth in this Appendix does not form part of the Accountants' Report prepared by the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, 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 "Financial Information" and "Appendix I – Accountants' Report".

The following unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out here to provide the prospective investors with further information about how the proposed listing might have affected (i) the consolidated net tangible assets of our Group as of 31 December 2010 after completion of our Global Offering; and (ii) the forecast earnings per Share of our Group for the six-month period ending 30 June 2011 as if the Global Offering had taken place on 1 January 2011.

The accompanying unaudited pro forma financial information of our Company is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of our Company does not purport to predict our Company's future financial position. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial positions following the completion of the Global Offering.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets have been prepared based on the consolidated net tangible assets as of 31 December 2010 as extracted from the Accountants' Report, the text of which is set out in Appendix I to this Prospectus, and is adjusted as described below.

The unaudited pro forma adjusted consolidated net tangible assets have been prepared for illustrative purposes only and, because of their nature, they may not give a true picture of the financial position of the Group as at 31 December 2010 or any future dates.

The following unaudited pro forma adjusted consolidated net tangible assets have been prepared to show the effect on the consolidated net tangible assets as of 31 December 2010 as if the Global Offering had occurred on 31 December 2010.

	Audited consolidated net tangible assets attributable to owners of the parent as at 31 December 2010 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets ⁽³⁾	Unaudited pro forma adjusted net tangible assets per Share ⁽⁴⁾	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$1.75 per Share	31,446	1,013,433	1,044,879	0.26	0.31
Based on an Offer Price of HK\$2.35 per Share	31,446	1,393,905	1,425,351	0.36	0.43

Notes:

- (1) The consolidated net tangible assets attributable to owners of the parent as at 31 December 2010 is extracted from the Accountants' Report set out in Appendix I to this Prospectus.

The consolidated net tangible asset attributable to owners of the parent as at 31 December 2010 was determined as follows:

	RMB'000
Audited consolidated net assets as set out in Appendix I to this Prospectus	35,072
Less: Minority interests	(1,325)
Consolidated net assets attributable to equity holders of the parent	33,747
Intangible assets	(2,301)
Consolidated net tangible assets attributable to equity holders of the parent.....	31,446

- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$1.75 and HK\$2.35 per Share, being the low or high end of the stated offer price range, after deduction of the underwriting fees and related expenses payable by our Company and takes no account of any Shares which may be sold upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted net tangible assets have not taken into consideration capital injections subsequent to 31 December 2010 and before Global Offering.
- (4) The unaudited pro forma adjusted net tangible assets value per Share is based on 4,000,000,000 Shares expected to be in issue following the completion of the Capitalization Issue and the Global Offering without taking into account any exercise of the options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The unaudited pro forma forecast earnings per Share of the Group for the six-month period ending 30 June 2011 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2011. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and, because of its nature, may not provide a true picture of the financial results of the Group following the Global Offering.

Forecast consolidated total comprehensive income attributable to owners of the parent for the six-month period ending 30 June 2011 (Note 1)	approximately RMB9.6 million (approximately HK\$11.5 million)
Unaudited pro forma forecast earnings per Share for the six-month period ending 30 June 2011 (Note 2)	approximately RMB0.0024 (approximately HK\$0.0029)

Notes:

- (1) The forecast consolidated total comprehensive income attributable to owners of the parent for the six-month period ending 30 June 2011 is extracted from the "Financial Information – Profit Forecast" section in this Prospectus. The bases and assumptions on which the above profit forecast for the six-month period ending 30 June 2011 had been prepared are summarized in Part A of Appendix III to this Prospectus.
- (2) The calculation of unaudited pro forma forecast earnings per Share is based on the forecast consolidated total comprehensive income attributable to owners of the parent for the six-month period ending 30 June 2011 of RMB9.6 million and on the assumption that the Company has been listed since 1 January 2011 and a total number of 4,000,000,000 Shares were in issue during the six-month ending 30 June 2011.
- (3) The unaudited pro forma forecast earnings per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.8300.

C. LETTER FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS AND UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following is the text of a report, prepared for inclusion in this prospectus, received from the Company's reporting accountants, Ernst & Young Certified Public Accountants, Hong Kong in respect of the unaudited pro forma financial information.



18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

21 June 2011

The Directors
Newton Resources Ltd

Citigroup Global Markets Asia Limited
Macquarie Capital Securities Limited
Rothschild (Hong Kong) Limited

Dear Sirs,

We report on the unaudited pro forma adjusted consolidated net tangible assets and unaudited pro forma forecast earnings per share (the “Unaudited Pro Forma Financial Information”) of Newton Resources Ltd (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which have been prepared by the directors of the Company (the “Directors”) for illustrative purposes only, to provide information about how the global offering of 1,000,000,000 shares of HK\$0.1 each in the capital of the Company might have affected the relevant financial information presented, for inclusion in Appendix II to the prospectus of the Company dated 21 June 2011 (the “Prospectus”). The basis of presentation of the Unaudited Pro Form Financial Information is set out in Appendix II to the Prospectus.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS 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 (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) 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 HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and

discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma 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 on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 December 2010 or any future dates; or
- the forecast earnings per share of the Group for the six-month period ending 30 June 2011 or any future periods.

OPINION

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors 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 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

The forecast of consolidated profit attributable to owners of the parent for the six-month period ending 30 June 2011 is set out in “Financial Information — Profit Forecast” of this Prospectus.

(A) BASES AND ASSUMPTIONS

Our Directors have prepared the forecast of the consolidated profit attributable to owners of the parent for the six-month period ending 30 June 2011 based on the unaudited management accounts of the Group for the four months ended 30 April 2011 and the forecast of the consolidated results for the remaining two months ending 30 June 2011 (the “Forecast Period”).

The profit forecast has been prepared on the basis of accounting policies consistent, in all material respects, with those currently adopted by us as summarised in the Accountants’ Report, details of which are set forth in Appendix I to this Prospectus.

In preparing the profit forecast, our Directors made the following principal assumptions:

- there will be no material changes in existing political, legal, fiscal, market or economic conditions in China or any other country or territory where we carry on our business;
- there will be no changes in legislation, regulations or rules in China or any other country or territory where we carry on our business or with which we have arrangements or agreements, which may have a material adverse effect on our business;
- there will be no material changes in the basis or rates of taxation or duties, both direct and indirect, in China or any other country or territory where we carry on our business, except as otherwise disclosed in this Prospectus;
- there will be no material changes in inflation, interest rates or foreign currency exchange rates in China from those prevailing as at the date of the last audited statement of financial position;
- our Directors do not foresee any major disruption to the iron ore mining and processing facilities of the Group other than those already disclosed in this Prospectus, save for any events beyond control of our Directors, and forecast that the iron concentrate production and sales volume will not be less than 37.0 kilotonne (“kt”) for the six-month period ending 30 June 2011; and
- our Directors forecast that the average selling price of iron concentrate per tonne (net of value-added tax and other surtaxes) will not be less than RMB1,120 per tonne throughout the Forecast Period in May and June 2011. Assuming that the average iron concentrate price in May and June 2011 varies 10% and 20% above or below the base case iron concentrate price; the corresponding forecast consolidated net profit attributable to owners of the parent for the six-month period ending 30 June 2011 will increase or decrease by approximately RMB333,000 and RMB665,000, respectively.

(B) LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for inclusion in this prospectus, which we have received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in connection with the profit forecast.



18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

21 June 2011

The Directors
Newton Resources Ltd

Citigroup Global Markets Asia Limited
Macquarie Capital Securities Limited
Rothschild (Hong Kong) Limited

Dear Sirs,

We have reviewed the calculations and accounting policies adopted in arriving at the forecast of the consolidated profit attributable to owners of Newton Resources Ltd (the "Company", and formerly known as China Tian Yuan Mining Ltd.) and its subsidiaries (hereinafter collectively referred to as the "Group") for the six-month period ending 30 June 2011 (the "Profit Forecast"), as set out in the paragraph headed "Profit Forecast" under the section headed "Financial Information" in this prospectus of the Company dated 21 June 2011 (the "Prospectus"), for which the directors of the Company (the "Directors") are solely responsible.

We conducted our work with reference to Auditing Guideline 3.341 "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Accountants.

The Profit Forecast has been prepared by the Directors based on the audited consolidated results of the Group for the year ended 31 December 2010, the unaudited consolidated results of the Group for the four months ended 30 April 2011 and the forecast of the consolidated results of the Group for the remaining two months ending 30 June 2011.

In our opinion, so far as the calculations and accounting policies are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions made by the Directors of the Company as set out in Part (A) of Appendix III of the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our Accountants' Report dated 21 June 2011, the text of which is set out in Appendix I to this Prospectus.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

(C) LETTER FROM THE JOINT SPONSORS

The following is the text of a letter, prepared for inclusion in this prospectus, which we have received from Citigroup Global Asia Markets Limited, Macquarie Capital Securities Limited and Rothschild (Hong Kong) Limited (the “Joint Sponsors”), in connection with the profit forecast of the consolidated net profit of Newton Resources Ltd (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) attributable to the owners of the parent of the Company for the six-month period ending 30 June 2011.



The Directors
Newton Resources Ltd

21 June 2011

Dear Sirs,

We refer to the forecast consolidated net profit attributable to the owners of the parent of Newton Resources Ltd (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six-month period ending 30 June 2011 (the “Profit Forecast”) as set out in the prospectus issued by the Company dated 21 June 2011 (the “Prospectus”). We understand that the Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the unaudited management accounts of the Group for the four months ended 30 April 2011 and the forecast of the consolidated results for the remaining two months ending 30 June 2011. We have discussed with you the bases and assumptions made by the directors of the Company as set out in part (A) of Appendix III to the Prospectus, to the extent applicable, upon which the Profit Forecast has been made. We have also considered, and relied upon, the letter dated 21 June 2011 addressed to yourselves and ourselves from Ernst & Young regarding the accounting policies and calculations upon which the Profit Forecast has been made. On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Ernst & Young, we are of the opinion that the Profit Forecast, for which you as the directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
**Citigroup Global Markets
Asia Limited**
Richard Zhang
Managing Director
Head of Greater China
Metals and Mining

For and on behalf of
**Macquarie Capital Securities
Limited**
Bardin Davis
Managing Director
Head of North Asia
Metals and Mining

For and on behalf of
**Rothschild (Hong Kong)
Limited**
Catherine Yien
Director
Head of Execution
Greater China

Joseph Hsu
Managing Director
Head of Greater China
Corporate Finance
Execution

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this Prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 March 2011 of the property interests of the Group.



Jones Lang LaSalle Sallmanns Limited
6/F Three Pacific Place
1 Queen's Road East Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

21 June 2011

The Board of Directors
Newton Resources Ltd
(新礦資源有限公司)
Walker House, 87 Mary Street,
George Town, Grand Cayman,
KY1-9005, Cayman Islands

Dear Sirs,

In accordance with your instructions to value the properties in which Newton Resources Ltd (新礦資源有限公司) (the "Company") and its subsidiary (hereinafter together referred to as the "Group") have interests in Hong Kong and the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 March 2011 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "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".

Where, due to the nature of the structures of the property in Group I and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interest has been valued on the basis of its depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have attributed no commercial value to the property interest in Group II, which is leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates and official plans relating to the property in the PRC and have made searches to be made at the relevant Land Registry in respect of Hong Kong Property. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisors – King & Wood, concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, 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 any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in the valuation certificates are in RMB.

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited

Paul L. Brown
B.Sc. FRICS FHKIS
Chief Valuation Adviser

Sam B. Q. Zhu
MRICS
Director

Note:

1. Paul L. Brown is a Chartered Surveyor who has 28 years' experience in the valuation of properties in the PRC and 31 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.
2. Sam B. Q. Zhu is a Chartered Surveyor who has 13 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUES

Group I – Property interest held and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2011 <i>RMB</i>	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2011 <i>RMB</i>
1.	2 parcels of land and various structures located in the southwest of Shiwopu Village and the west of Shilou Village Haozhuang Town Lincheng County Xingtai City Hebei Province The PRC	12,505,000	99%	12,380,000
Sub-total:		12,505,000		12,380,000

Group II – Property interest leased and occupied by the Group in Hong Kong

No.	Property	Capital value in existing state as at 31 March 2011 <i>HK\$</i>	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2011 <i>HK\$</i>
2	Room 1502-5 15th Floor New World Tower 16-18 Queen's Road Central Hong Kong	No commercial value		No commercial value
Sub-total:		Nil		Nil
Grand total:		12,505,000		12,380,000

VALUATION CERTIFICATE

Group I – Property interest held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 RMB
1.	2 parcels of land and various structures located in the southwest of Shiwopu Village and the west of Shilou Village Haozhuang Town Lincheng County Xingtai City Hebei Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 92,700 sq.m. and various structures erected thereon which were completed in various stages between 2005 and 2008. The structures mainly include a tailing dam, cisterns, sheds and roads together with 15 bungalows with a total gross floor area of approximately 1,102 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 25 September 2049 for industrial use.	The property is currently occupied by the Group for iron ore processing production purpose.	12,505,000 99% interest attributable to the Group: RMB12,380,000

Notes:

1. Lincheng Xingye Mineral Resources Co., Ltd. (臨城興業礦產資源有限公司) is a 99% interest owned subsidiary of the Company.
2. Pursuant to 2 State-owned Land Use Rights Grant Contracts numbered 2010-02 and 03 dated 26 February 2010 entered into between Lincheng Xingye Mineral Resources Co., Ltd. and the Land Resource Bureau of Lincheng County, the land use rights of 2 parcels of land with a total site area of approximately 92,700 sq.m. were contracted to be granted to Lincheng Xingye Mineral Resources Co., Ltd. for a term of 50 years expiring on 25 September 2049 for industrial use. As advised by the Company, the total land premium was RMB4,130,000 and the land premium was fully paid on 16 December 2010.
3. Pursuant to 2 State-owned Land Use Rights Certificates – Lin Guo Yong (2009) Zi Di No. 010 and 011, the land use rights of 2 parcels of land with a total site area of approximately 92,700 sq.m. have been granted to Lincheng Xingye Mineral Resources Co., Ltd. for a term of 50 years expiring on 25 September 2049 for industrial use.
4. Pursuant to a letter issued by Lincheng Xingye Mineral Resources Co., Ltd., the building construction plan for the land of the property will be applied along with its business development. And the bungalows of the property are intended for temporary use and will be demolished after the construction plan is approved by the government.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:
 - a. the land use rights of the property are legally owned by the Group and the Group will be entitled to transfer, lease, mortgage or otherwise dispose of the land use rights within the use terms; and
 - b. the property is not subject to any mortgage or any other encumbrances.

Group II – Property interest leased and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2011 HK\$
2.	Room 1502-5 15th Floor New World Tower 16-18 Queen's Road Central Hong Kong	The property comprises an office unit on level 15 of a 41-storey commercial building completed in about 1976. The unit has a gross floor area of approximately 365.85 sq.m. (3,938 sq.ft.) The property is leased to the Company for a term commencing from 28 October 2009 and expiring on 27 October 2012 at a monthly rent of HK\$169,334 and for a term commencing from 28 October 2012 and expiring on 31 December 2013 at a monthly rent of HK\$255,970, exclusive of government rates, service charges and other outgoings.	The property is currently occupied by the Company for office purpose.	No commercial value

Notes:

1. The registered owner of this property is New World Tower Company Limited, a connected party of the Company, vide UB6075995 dated 1 July 1994.
2. (i) Pursuant to a Tenancy Agreement dated 18 December 2009, China Tian Yuan Mining Limited (the predecessor of the Company) leases from New World Tower Company Limited an office unit with a gross floor area of approximately 365.85 sq.m. at a monthly rent of HK\$169,334 for a term of 3 years commencing from 28 October 2009 and expiring on 27 October 2012, exclusive of government rates, service charges and other outgoings.
- (ii) Pursuant to another Tenancy Agreement dated 10 January 2011, China Tian Yuan Mining Limited leases from New World Tower Company Limited an office unit with a gross floor area of approximately 365.85 square metres at a monthly rent of HK\$255,970 for a term commencing from 28 October 2012 and expiring on 31 December 2013, exclusive of government rates, service charges and other outgoings.

BEHRE DOLBEAR
BEHRE DOLBEAR ASIA, INC.
founded 1911 MINERALS INDUSTRY ADVISORS
999 Eighteenth Street – Suite 1500, Denver, CO 80202 USA
Telephone +1.303.620.0020 Fax +1.303.620.0024
BEIJING DENVER GUADALAJARA HONG KONG LONDON NEW YORK
SANTIAGO SYDNEY TORONTO VANCOUVER
www.dolbear.com

June 21, 2011

The Directors
Newton Resources Ltd

Gentlemen,

Behre Dolbear Asia, Inc. (“BDASIA”), a wholly owned subsidiary of Behre Dolbear & Company, Inc. (“Behre Dolbear”), herewith submits a report on the Independent Technical Review of the Yanjiazhuang Iron Mine (the “Yanjiazhuang Mine”) of Newton Resources Ltd (the “Company”) in Lincheng County, Hebei Province, the People’s Republic of China. The address for BDASIA is noted above. This letter of transmittal is part of the report.

The Yanjiazhuang Mine is currently 99%-owned and operated by the Company indirectly through its subsidiaries. It constitutes the primary mining asset of the Company. BDASIA’s project team visited the Yanjiazhuang Mine in October 2009, February 2010, December 2010, January 2011, and April 2011.

The purpose of this report is to provide an independent technical assessment of the Company’s Yanjiazhuang 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 independent technical report has been prepared in accordance with the Rules Governing the Listing of Securities on the SEHK (the “Listing Rules”). 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 for 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 1999 and revised in 2004.

The evidence upon which the estimated mineral resources and ore reserves are based includes the deposit geology, drilling and sampling information and project economics. 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 the Company’s management, site personnel and outside consultants, analysis of the drilling and sampling database and the procedures and parameters used for the estimates by the Company’s outside consultants.

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 Toronto office in Canada. 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 costs, capital costs, environmental management, community issues, and occupational health and safety.

BDASIA has not undertaken an audit of the Company’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 Management and Community Issues, and Occupational Health and Safety, as well as a Risk Analysis of the Yanjiazhuang Mine. BDASIA believes 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 and all of its mining properties. 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 or its mining properties. 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 March 31, 2011. The Company has confirmed to BDASIA that no material changes have occurred for the Yanjiazhuang 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

Behre Dolbear Project 09-112

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1.0 INTRODUCTION

Newton Resources Ltd (the “Company”) is a company registered in the Cayman Islands. Through its subsidiaries, the Company owns a 99% interest in the Yanjiazhuang iron mine (the “Yanjiazhuang Mine”) in Lincheng County, Hebei Province of the People’s Republic of China (“PRC” or “China”) as shown in Figure 1.1.



Figure 1.1 Location map of the Yanjiazhuang Mine

The Yanjiazhuang Mine is a development and early production stage mining project currently owned and operated by Lincheng Xingye Mineral Resources Company Ltd (“Lincheng Xingye”), which is 99% owned by the Company through its subsidiaries.

The Yanjiazhuang iron deposit is a metamorphosed sedimentary banded magnetite deposit. Exploration work conducted by the No.11 Geological Brigade (“Brigade 11”) of the Geology and Exploration Bureau of Hebei Province in Xingtai, Hebei Province, in 2006-2007 and 2009 has defined Measured and Indicated JORC-compliant mineral resources of 312 million tonnes (“Mt”) with an average total iron grade (“TFe”) of 21.51% and an average magnetic iron grade (“mFe”) of 18.62%. A pre-feasibility-level technical study with a positive outcome was completed for the Yanjiazhuang Mine based on the Brigade 11 resource estimate by the Sinosteel Engineering Design & Research Institute Company Ltd (the “Sinosteel Institute”) in Shijiazhuang, Hebei Province, in February 2010, and this study was updated in December 2010.

Phase I mine construction at the Yanjiazhuang Mine was substantially completed and the Phase II mine construction was well underway during BDASIA’s site visit to the property in April 2011. A new mine access road and access roads to the southern and central portions of the open pit area have been completed, and initial mine commercial production has begun in these areas. The No.1 and No.2 crushing plants with a dry magnetic cobbing system for initial concentration of the magnetite iron ore at a designed production capacity of 1.5 million tonnes per annum (“Mtpa”) each at the southern portions of the planned mining area and located approximately 800 meters (“m”) apart have been constructed and were put into commercial production on January 1, 2011. The dry magnetic cobbing system in the crushing

plants is expected to reduce the crushed raw ore by approximately 30% in volume, reducing the costs for transportation and further processing. However, the initial commercial production in January 2011 indicated that the two crushing plants need to undergo some modification and adjustment, including replacing the tertiary crushers, in order to optimize the processing efficiency and reliability. While these modifications can be performed in different stage over a period of 12 months without major interruptions to operations, the management decided to take advantage of the downtime to shorten the implementation time for these modifications to within three months. The management's decision was made due to the fact that Northern China, including the Yanjiazhuang Mine area, had been suffering from a severe drought since last winter. Because of the drought, plant production was significantly reduced since March 2011. In order to provide a reliable major fresh water source for the Yanjiazhuang Mine so that the Company can still maintain its production capacity even in a situation of severe drought, the Company has reached an agreement with local authorities to use up to 10 million m³ water per annum from the 170 million m³ Lincheng Reservoir, located approximately 20 km east of the Yanjiazhuang Mine area. A 630-millimeter-diameter pipeline with two pump stations was being constructed to bring water from the Lincheng Reservoir to the processing plants and the construction is expected to be finished in August 2011. Given the production was going to be significantly reduced due to the drought, management decided to use the down time to implement these plant modifications concurrently with the Lincheng Reservoir water pipeline project to maximize the efficiency of the modification and construction. The modification and adjustment of the two crushing plants started in April 2011 and is expected to be completed in June 2011. While there is limited production from these plants when modifications are being made, regular commercial production is expected to resume in September 2011 concurrently with the completion of the Lincheng Reservoir water pipeline project. BDASIA believes both the Lincheng Reservoir water pipeline project and modifications to the crushing plants are in the long term best interest of the Yanjiazhuang Mine to minimize production down time and maximize production efficiencies going forward. An original 1,200 tonnes per day ("tpd") open-air wet magnetic separation plant for iron concentrate production has been upgraded to a covered 3,000-tpd (or 900,000 tonne per annum ("tpa") based on 300 working days per annum) plant (the No.1 concentrator). An original 2,400 tpd open-air wet magnetic separation plant has been covered and was being upgraded into a 4,000-tpd (or 1.2-Mtpa) plant (the No.2 concentrator), which is expected to be completed in May 2011. These two wet magnetic separation plants are located approximately 3 kilometers ("km") east of the southern end of the Yanjiazhuang deposit, and approximately 500 m from each other. The two concentrators were also put into commercial production on January 1, 2011. The combined Phase I raw ore production capacity for the mine and plants is currently approximately 2.15 Mtpa, and will be approximately 3.0 Mtpa when all the Phase I construction, upgrading, modification and adjustment are completed. The designed Phase I production capacity is expected to be reached in October 2011.

Lincheng Xingye plans to further increase the raw ore production capacity of the Yanjiazhuang Mine to 7.0 Mtpa and 10.5 Mtpa in Phase II and Phase III expansions by September 2011 and June 2012, respectively, by constructing one 4.0-Mtpa crushing plant and one 2.8-Mtpa concentrator for Phase II and by constructing one 3.5-Mtpa crushing plant and one 2.45-Mtpa concentrator for Phase III, producing approximately 2.66 Mtpa of iron concentrate with an average TFe grade of 66% when all the mine expansions are completed. Based on the current construction progress, the 4.0-Mtpa No.3 crushing plant is expected to be completed in September 2011; the 2.8-Mtpa No.3 concentrator is expected to be completed in August 2011. Commercial production for Phase II and Phase III facilities is expected to start in October 2011 and July 2012, respectively. The designed production capacity for Phase II and Phase III of the Yanjiazhuang Mine is expected to be reached in January 2012 and October 2012, respectively. BDAsia believes the production expansion and ramp up schedule can be reasonably achieved as planned. However, any delays in construction and the equipment adjustment process could cause some production short falls in the initial periods. The produced iron concentrates will be sold to the customers in the surrounding area in Hebei Province.

In addition to the iron mineralization, there are also significant gabbro-diabase resources occurring as footwalls and hangingwalls of the iron mineralized bodies at the Yanjiazhuang Mine. Gabbro-diabase is an igneous rock known for its hardness, abrasive resistant qualities and durability. A resource estimate for the gabbro-diabase at the Yanjiazhuang Mine was completed by the First Geological Exploration Institute of China Metallurgical Geology Bureau in March 2010 and a scoping-level technical study was completed by Hebei Construction Material Industrial Design and Research Institute Company Limited in April 2010. The scoping-level technical study discussed the possibility of mining the gabbro-diabase resources in conjunction with the open-pit iron ore mining to produce crushed stone (for highway and railroad construction), stone slabs and tiles (for making high-end countertops, interior decorative materials and indoor flooring), and other materials to increase the economic value of the Yanjiazhuang Mine.

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 exploration, project development, expansion and acquisition. Citigroup Global Markets Asia Limited (“Citigroup”), Macquarie Capital Securities Limited (“Macquarie”) and Rothschild (Hong Kong) Limited (“Rothschild”) are the Company’s Joint Sponsors for the IPO.

The Board of Directors of the Company engaged Behre Dolbear Asia, Inc. (“BDASIA”), a wholly-owned subsidiary of Behre Dolbear & Company, Inc. (“Behre Dolbear”), as their independent technical advisor to undertake an independent technical review of the Company’s Yanjiazhuang 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, Toronto in Canada, and Sydney in Australia. Behre Dolbear personnel contributing to the study and to this CPR include:

- **Dr. Qingping Deng (B.S., M.S. and Ph.D.)**, 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 26 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 CPR 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. Derek Rance (B.S. and MBA)**, a senior associate of Behre Dolbear’s Toronto office, was BDASIA’s **Project Mining Engineer** and **Project Metallurgist**. Mr. Rance has over 30 years of worldwide experience in the engineering, executive and senior management of mining operations. In particular he was the General Manager of the Carol Lake project of the Iron Ore Company of Canada, which annually produced 10 Mt of pellets and 8 Mt of sinter feed. He later became president and COO of that company. While consulting for Behre Dolbear, he has completed numerous iron ore assignments throughout the world, conducting due diligence assessments, valuations of iron ore properties, optimizations, rehabilitations of closed properties, product marketing and iron ore price forecasting. Mr. Rance is a Professional Engineer registered in Ontario, Canada and a Fellow of The Canadian Institute of Mining, Metallurgy and Petroleum.

- **Ms. Janet Epps (B.S. and M.S.)**, 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 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.Sc. and M.A.)**, 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 20 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 Yanjiazhuang Mine in Lincheng, Hebei, that is reviewed in this report. Dr. Deng visited the Yanjiazhuang Mine from October 27 to October 29, 2009. Dr. Deng, Mr. Rance and Ms. Epps visited the Yanjiazhuang Mine from February 6 to February 13, 2010. Dr. Deng visited the Yanjiazhuang Mine from December 3 to December 5, 2010, from January 29 to January 31, 2011, and from April 22 to April 24, 2011. During BDASIA's visit, discussions were held with technical and management personnel of the Company as well as with the Company's outside consultants. Historical operating performance and production schedules, life-of-mine budgets and forecasts were reviewed.

This BDASIA report contains 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 is based on technical reviews of project data and project site visits.

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 RMB6.55 for US\$1.00, the rate of the People's Bank of China prevailing on March 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 and its parent, Behre Dolbear Group Inc., currently have offices in Beijing, Denver, Guadalajara, London, New York, Santiago, Sydney, Toronto, 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 CPRs 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 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 CPRs 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 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 Yanjiazhuang Mine and holdings. Site visits have been 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 the data provided for BDASIA's review is true, accurate and complete. Other than the disclaimers made in this section of the BDASIA report, there are no any other indemnities provided to BDASIA by the Company.

4.0 PROPERTY DESCRIPTION

4.1 Location, Access and Infrastructure

The Yanjiazhuang Mine is located approximately 40 km west of the Lincheng County seat (Figure 1.1), in the southwestern section of the Hebei Province in China. The geographic location of the property is defined by longitudes from 114°09'45"E to 114°11'15"E and latitudes from 37°29'15"N to 37°31'30"N. The Lincheng County has a total area of 797 square kilometers ("km²") and a population of approximately 196,000. The project is located west of the village of Yanjiazhuang, which is administrated by the Haozhuang Township in the county.

Access to the Yanjiazhuang Mine is generally good. There is a newly-constructed 5.5-km long dirt/gravel mine access road connecting Lincheng Xingye's office and its two existing concentrators to a north-south provincial highway (S202, the Pingshan-Shexian highway) at a point approximately 2 km south of the Haozhuang Township; another east-west provincial highway (S328, the Nangong-Haozhuang highway) continues from Haozhuang for approximately 32 km to the east to the Lincheng County seat. The Lincheng County seat is located west of the Beijing-Zhuhai Expressway, the Beijing-Guangzhou Railroad and state highway G107. The distance from the county seat is 78 km to Shijiazhuang, the capital city of Hebei Province, 350 km to Beijing in the north and 54 km to Xingtai in the south.

Hebei Province is the largest steel-producing province and also the largest iron ore-producing province in China. Iron concentrates produced in the province, however, are insufficient to satisfy the needs of the steel mills in the province, and a large quantity of iron ore and/or iron concentrates are imported from outside the province as well as from outside China every year, making Hebei Province also the largest iron ore/concentrate importing province in China. As a result, iron concentrates produced in the province are in high demand by the local steel industry. Iron concentrates produced by the Yanjiazhuang Mine will be sold to the steel manufacturers in the surrounding areas in the province. Concentrate transportation from the project will generally be by truck to Lincheng Xingye's customers in Hebei Province within a 100 km radius and the transportation costs have been and will generally be paid by the customers.

Within the Yanjiazhuang mining property, Lincheng Xingye has constructed access roads to the planned open pits in the southern and central portions of the over 4-km long strike of the Yanjiazhuang iron deposit along the north-northeast direction. These roads will be sufficient to support the planned Phase I production. Lincheng Xingye understands that these roads will need to be extended to the northern portions of the planned open pit mining area to support the Phase III expansion of the project.

Currently, the electricity supply to Yanjiazhuang is from the local Lincheng County power grid through the 35-kV Haozhuang substation located approximately 7-km to the east. Power transmission lines and substations have been constructed to Lincheng Xingye's office and the two crushing plants and two concentrators. Electricity for the Phase I concentrating plants will be supplied by the existing power transmission lines. For the Phase II/III expansions of the project, two new 35-kV substations will be constructed at Haozhuang and a new power transmission line is being constructed from Haozhuang to the Yanjiazhuang Mine to provide electricity for the Phase II and Phase III plants, respectively. Lincheng Xingye has reached an agreement with the county power-supply company for the construction of the new power-supply facilities. Lincheng Xingye's management has stated that power supply will be sufficient for the planned mining and processing operations.

There are significant surface waters in the Yanjiazhuang Mine area. During the wet season (July to September), waterflows from surface drainages in the project area can provide a significant portion of the fresh water needed for the existing and proposed wet magnetic concentrating plants. However, local surface drainage water is insufficient for planned production during the dry season and a major fresh water source is required. Northern China, including the Yanjiazhuang Mine area, had been suffering from a severe drought since last winter and it had a significant impact on the production of the Yanjiazhuang Mine. Because of the drought, plant production was significantly reduced since March 2011 and the Company was concentrated working on the plant construction, upgrading, modification and adjustment. In order to provide a reliable major fresh water source for the Yanjiazhuang Mine, the Company has reached an agreement with local authorities to use up to 10 million m³ water per annum from the 170 million m³ Lincheng Reservoir, located approximately 20 km east of the Project area. A 630-millimeter-diameter pipeline with two pump stations was being constructed during BDASIA's visit in April 2011 and the construction is expected to be finished in August 2011. In addition, there are four smaller water reservoirs east of the mining license area, the Yanjiazhuang Reservoir, the Huangmi No.1 and No.2 Reservoirs, and the Longjiawan Reservoir with a current water storage capacity of 120,000 cubic meters ("m³"), 600,000 m³, 1,200,000 m³, and 300,000 m³, respectively. These four smaller reservoirs and the local surface drainages will provide supplemental fresh water for the Yanjiazhuang Mine. Water from the concentrating plants and from the tailings storage facilities will also be recycled for concentrate production.

4.2 Climate and Physiography

The Yanjiazhuang Mine is located in a mountainous area in the eastern part of the Taihang Mountains. Local elevations in the project area range from 577 m to 1,128 m, with a maximum relief of approximately 550 m. The elevation is high in the northwest and low in the southeast. The area is characterized by steep mountains with deep valleys, and is the headwater of the Shi River.

The Yanjiazhuang Mine area has a continental temperate zone monsoonal climate with distinct seasonal changes. Summers are wet and hot with a maximum temperature of approximately 43°C; winters are dry and cold with a minimum temperature of approximately -24°C. The average annual temperature is around 13°C. Annual precipitation generally ranges from 500 millimeters ("mm") to 600 mm, which mostly occurs as rain in the wet season from July to September. There are generally 200 frost-free days in a year.

The area is a rural agricultural district, and primary crops include wheat, corn and millet and a variety of legumes. The economic crops include walnuts, persimmons, apples, chestnuts and other fruits. Industries in the Lincheng County area are relatively underdeveloped and consist mostly of coal and iron ore mining as well as transportation. Labor supplies are abundant in the area.

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 permit for the mining or exploration right to conduct mining or exploration activities in a specific area during a specified period of validity. The permits are generally extendable at the expiration of their period of validity. The renewal application must be submitted to the relevant state or provincial authorities at least 30 days before the expiration of a permit. To renew an exploration permit, all exploration permit fees must be paid and the minimum exploration expenditure must have been made for the area designated under the exploration permit. To renew a mining permit, all mining permit fees and resource compensation fees must be paid to the state for the area designated under the mining permit. A mining permit has both horizontal limits and elevation limits, but an exploration permit has only horizontal limits.

Lincheng Xingye currently holds a permit for a mining right of 5.22348 km² in area for the Yanjiazhuang Mine; this permit was issued by the Land and Resource Department of Hebei Province. The horizontal boundary of the mining license is defined by 12 corner points and its elevation range is from 500 m to 1,028 m. The license number is C1300002009052110018498. This license is valid until July 20, 2017 and is extendable thereafter. The license permits Lincheng Xingye to conduct open pit iron ore mining at a rate of 3 Mtpa. The production rate can be increased if Lincheng Xingye can find sufficient iron ore resources to support the production expansion. BDASIA recommends that Lincheng Xingye apply for a production rate revision to the planned 10.5 Mtpa of ore for the mining license. All currently defined mineral resources and ore reserves reviewed by this report are contained within the limits of the mining license. As the iron mineralization continues to the north-northeast, crossing the current Yanjiazhuang mining license boundary, Lincheng Xingye is considering expanding the mining license to the north for an additional 0.7531 km².

According to information provided by the Company, iron ore production from the Yanjiazhuang Mine will be subject to a resource tax of RMB7.20/t (US\$1.10/t), however, only 3.5 t of ore production will be assessed for each tonne of concentrate sold by the mine. A value added tax (“VAT”) of 17% will be included in the sale price of iron concentrates produced from the Yanjiazhuang Mine, and there is also a city-maintenance-and-construction levy of 1% of the VAT and an education levy of 4% of the VAT. The corporate income tax rate for Lincheng Xingye is 25%.

BDASIA has not undertaken a legal due diligence review of Lincheng Xingye’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.

Lincheng Xingye has secured sufficient surface land areas through short-term and long-term leases for the planned mining operation and expansion, including lands for the open pits, waste dumps, processing plant, tailings storage facilities (“TSFs”), office buildings, mine camp, and other mine infrastructural items. There are no claims that may exist over the land on which mining activity is being carried out.

BDASIA has been informed by the Company that there is no legal claim or proceeding that may have an influence on the Company’s rights to explore and/or mine at the Yanjiazhuang Mine; the Company’s Yanjiazhuang Mine operation has been in compliance with Chinese laws, regulations and permits, all taxes and fees to the relevant governments have been made or will be made on time based on payment schedule.

4.4 History

Metamorphosed sedimentary banded magnetite iron mineralization in the Yanjiazhuang Mine area was identified by regional geological investigation conducted by the Regional Geological and Surveying Brigade of the Geological Bureau of Hebei Province in 1960. However, this iron deposit did not become economic until the significant increase in iron ore and iron concentrate prices in recent years occurred.

Preliminary exploration of the iron deposit in the Yanjiazhuang Mine area was conducted by Brigade 11 from May 2006 to May 2007. Exploration work completed in the period includes 1:5,000 scale geological mapping, drilling 3 diamond drill holes (“DDH”) with a total drilled length of 493.8 m, adit development of 308.5 m, and surface trenching of 1,200 m³. The deposit was sampled by surface trenches along the normal 200-m spaced exploration lines with limited testing by drilling and underground adits for the deposit below the surface. Based on the result of this exploration work, a mining license for the Yanjiazhuang Mine was issued to Lincheng Xingye in May 2009, and a preliminary mining operation was established at Yanjiazhuang by Lincheng Xingye.

In July 2009, Brigade 11 completed another study of the Yanjiazhuang iron deposit, based mostly on work completed from 2006 to 2007. Brigade 11 estimated an expanded resource potential for the Yanjiazhuang mining license area in the study. This work provided a basis for a scoping level technical study by the Sinosteel Institute and a guide for the follow-up extensive detailed exploration work of the project.

An extensive detailed exploration of the Yanjiazhuang deposit was conducted by Brigade 11 from October to December 2009. Exploration work completed includes a detailed ground magnetic survey and drilling 47 DDH holes with a total drilled length of 10,672 m. Drill hole spacing for the near surface portion of the deposit is generally around 200 m (along strike) by 100 m (in the dip direction), increasing to approximately 400 m by 200 m at depth. A new geological report with updated resource estimation was completed in January 2010 by Brigade 11, and this report is used as the basis for a pre-feasibility-level technical study completed by the Sinosteel Institute in February 2010 and updated in December 2010. This updated resource estimate by Brigade 11 and the updated pre-feasibility-level study by the Sinosteel Institute, supplemented by additional information provided by the Company, form the basis for BDASIA’s technical review and this CPR for the Yanjiazhuang Mine.

5.0 GEOLOGY AND DATABASE

The Hebei Province is currently the largest steel-producing province in China, and the province also has abundant iron deposits. Iron mineralization hosted by old metamorphosed sedimentary rocks, such as the Yanjiazhuang iron deposit, is one of the most important iron ore deposit types in the province.

5.1 Geology

5.1.1 Regional Geology

The Yanjiazhuang Mine area is tectonically located in the middle portion of the Sino-Korean paraplatform. Stratigraphy outcropping in the area consists primarily of Late Archean and Early Proterozoic rocks.

The Late Archean Wangjiachong gneissic sequence (referred to as the Shijialan Formation of the Archean Wutai Group in a 1987 regional geological survey report) occurs in the east part of the area, and the Nansizhang Formation and Nansi Formation of the Early Proterozoic Gantaohu Group occur in the western part. Lithologically, the former consists of mostly gneisses and is believed metamorphosed from deep intrusives; the latter consists of metamorphosed feldspar-quartzose pebble-sandstones, metamorphosed feldspar-quartzose sandstones, sandy slates and metamorphosed basalts. Magnetite iron mineralization is hosted by the metamorphosed pebble-sandstones with well-developed cross-bedding at the bottom of the Early Proterozoic Nansizhang Formation, which overlies unconformably on the Late

Archean gneisses. The Proterozoic strata strike north-northeasterly and dip to the northwest. The contact zone between the Late Archean gneisses and the Early Proterozoic metamorphosed sediments was intruded by numerous phases of gabbro and diabase, which have also been metamorphosed.

5.1.2 Geology of the Yanjiazhuang Iron Deposit

Strata outcropping at the surface in the Yanjiazhuang Mine area include the Late Archean Wangjiachong biotite-plagioclase gneisses and hornblende-plagioclase gneisses in the east and the Nansizhang Formation metasediments of the Early Proterozoic Gantaohu Group in the west. Quaternary sediments consisting of deluviums and alluviums are distributed mainly in the valleys (Figure 5.1).

The Nansizhang Formation strikes from 360° to 10° , and dips to the northwest at dip angles generally between 60° and 75° at the surface. It occupies about half of the surface area at Yanjiazhuang. The formation overlies unconformably on the Late Archean gneisses and is the primary iron mineralization host stratum in the area. Lithology in the formation includes a lower section of magnetite-bearing metamorphosed feldspar-quartzose pebble-sandstones and an upper section of metamorphosed feldspar-quartzose sandstones. The two rock types are gradational to each other in both lithology and magnetite content. Continuous sampling is needed to determine the boundary of the iron mineralized bodies.

The magnetite-bearing metamorphosed feldspar-quartzose pebble-sandstone at the bottom of the Nansizhang Formation is the primary iron mineralized stratum. This rock is light-gray to dark-gray in color, and locally changes to yellowish brown due to oxidation. The particle size in the rock ranges largely from 0.5 mm to 1.2 mm, and a small portion of the grains is 3-4 mm in size; the grain size generally decreases gradually upward. Feldspar (mostly oligoclase and microcline) and quartz are the primary minerals in the rock with small amounts of biotite, muscovite, epidote/chlorite and sericite. Magnetite is disseminated in the rock or occurs in enriched cross bedding bands or masses. Magnetite content in the rock generally ranges from 10% to 35%.

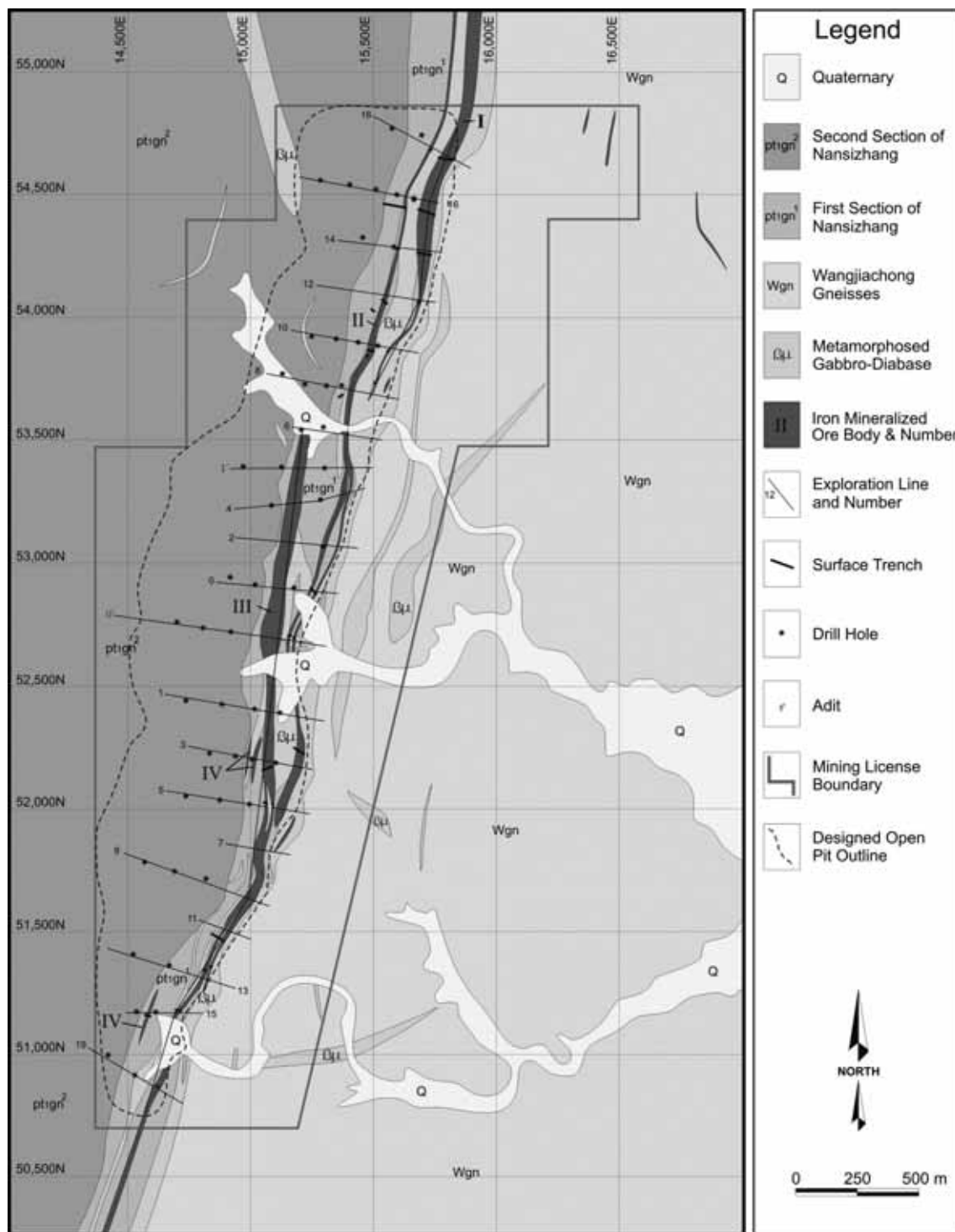


Figure 5.1 Geology Plan Map of the Yanjiazhuang iron deposit

Structures in the Yanjiazhuang Mine area are relatively simple. East of the mining license area, there is a Shiwopu syncline with a near-north-south fold axis, approximately 20-km long. The syncline is about 5-km wide. As predicted by BDASIA during the initial site visit in October 2009, the east portion of an open syncline with a near-north-south fold axis was well defined by the latest drilling in the mining license area. Fault structure is generally not well developed in the area. The magnetite-bearing zones near the surface generally dip to the west at an intermediate to high angle, but they become flat rapidly to depth, making the deposit amenable to an open pit mining operation.

The main intrusives in the Yanjiazhuang mining license area are the Lüliang gabbro-diorite dykes that intruded along the contact zone of the Early Proterozoic Nansizhang Formation and the Late Archean Wangjiachong gneisses. There are also some small later felsic dikes locally in the mining license area.

5.1.3 Geology of the Iron Mineralized Bodies

Based on its 2006-2007 and 2009 work, Brigade 11 has identified four iron mineralized bodies at the bottom of the Nansizhang Formation in the Yanjiazhuang Mine area. The direct footwall of the mineralized bodies is generally the metamorphosed gabbro-diorite and the indirect footwall is the Wangjiachong gneisses. The hangingwall of the iron mineralization is generally metamorphosed feldspar-quartzose pebble-sandstones, sandstones and metamorphosed gabbro-diorite.

These iron mineralized bodies are bedded and parallel; they strike approximately N10°E and dip to the northwest at dip angles between 17° and 84° at surface.

- The No.1 mineralized body is a magnetite-bearing layer at the bottom of the Nansizhang Formation located in the northern portion of the deposit, between Exploration Lines 8 and 18. It extends further north out of the mining license boundary. This mineralized body is approximately 1,300-m long on the surface with thickness ranging from 4.1 m to 105.4 m and averaging 57.5 m. It dips to the northwest with dip angles between 45° and 85° on the surface, but becomes flat rapidly to depth, forming a syncline. The mFe grade ranges from 6.14% to 32.65%, averaging 19.64%; the TFe grade averages 22.02%. Both thickness and grade of the mineralized body are quite stable. This mineralized body was defined by 9 DDH drill holes and 6 surface trenches.
- The No.2 mineralized body is a magnetite-bearing layer above the No.1 mineralized body in the Nansizhang Formation. It is located in the northern and central portions of the deposit, between Exploration Lines 7 and 18. It extends further north out of the mining license boundary. The mineralized body is approximately 2,900-m long on the surface with thicknesses ranging from 4.1 m to 43.6 m and averaging 13.2 m. Its middle section splits and merges locally. This mineralized body dips to the northwest with dip angles between 35° and 82° on the surface, but it becomes flat to depth. The mFe grade ranges from 6.16% to 33.21%, averaging 20.89%; the TFe grade averages 23.11%. Both thickness and grade are quite stable. This mineralized body was defined by 30 DDH holes and 14 surface trenches.
- The No.3 mineralized body is a magnetite-bearing layer above the No.2 mineralized body in the Nansizhang Formation located in the central and southern portions of the deposit, between Exploration Lines 6 and 19. It extends further south out of the mining license boundary. This mineralized body is approximately 2,800-m long on the surface with thicknesses ranging from 6.0 m to 120.4 m and averaging 45.9 m. The mineralized body splits and merges locally. It dips to the northwest with dip angles between 17° and 79° on the surface, but rapidly becomes flat at depth. The mFe grade ranges from 6.18% to 33.51%, averaging 19.87%. The TFe grade averages 22.20%. Both thickness and grade are quite stable. This mineralized body was defined by 25 DDH holes, 13 surface trenches, and one adit.

- The No.4 mineralized body consists of two small magnetite-bearing lenses above the No.3 mineralized body located in the southwestern portion of the deposit, intersected by drill holes and trenches in Exploration Lines 3 and 15. Each lens is controlled by only one to two drill holes and one surface trench, and is generally less than 300-m long along strike with an average thickness of 20.5 m. These lenses dip to the northwest on the surface and become flat to depth. The mFe grade averages 18.08%, and the TFe grade averages 20.53%.

Figures 5.2 and 5.3 are two cross sections produced by Brigade 11 in January 2010 for the Yanjiazhuang iron deposit, showing the distribution of the mineralized bodies in depth and the planned open pit.

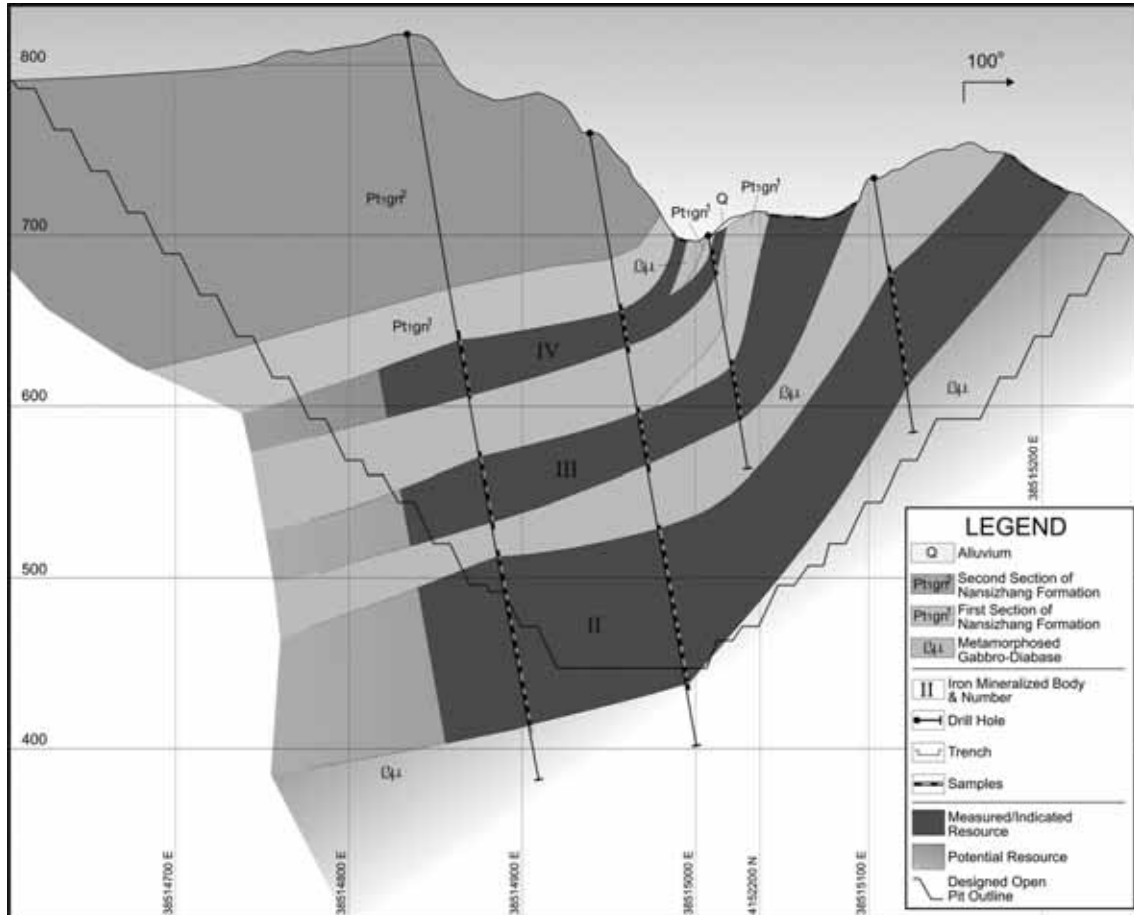


Figure 5.2 Exploration Line 3 section of the Yanjiazhuang iron deposit
(Location of the section is shown in Figure 5.1.)

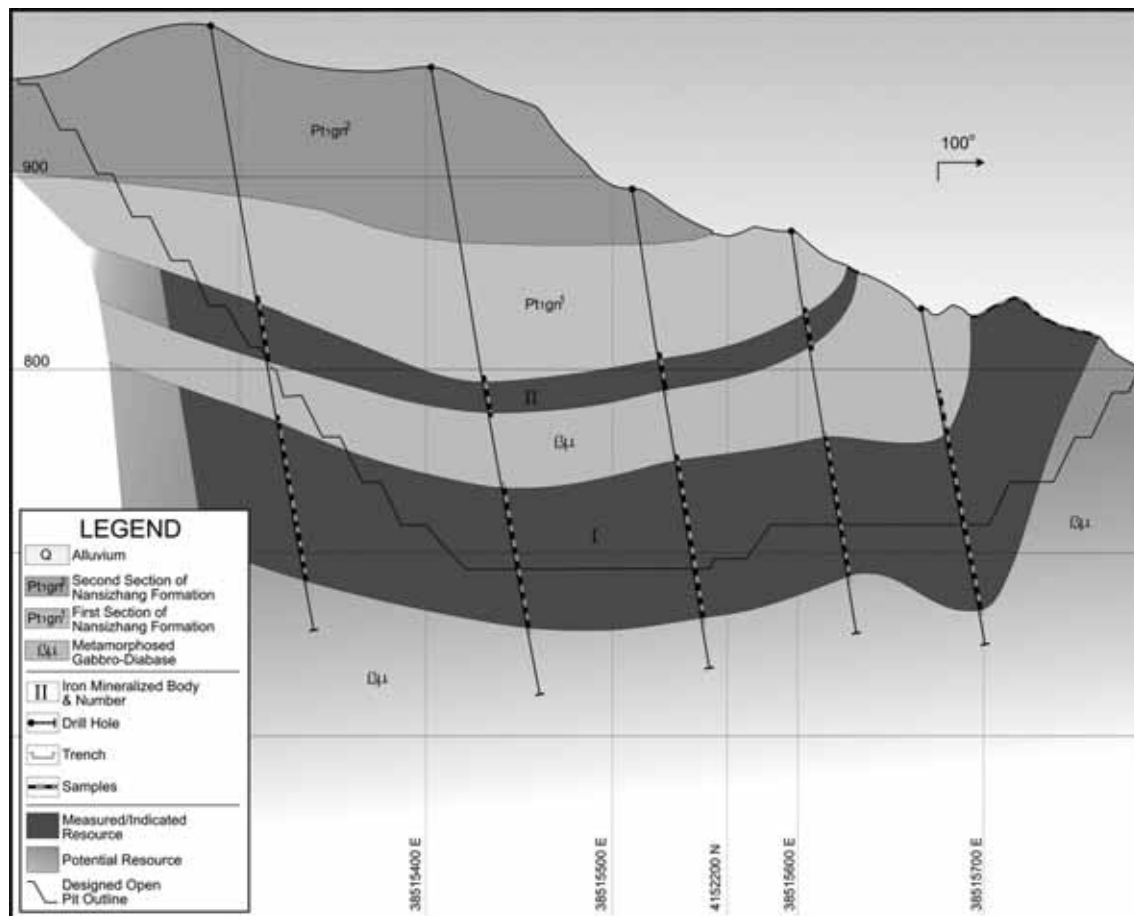


Figure 5.3 Exploration Line 16 section of the Yanjiazhuang iron deposit
(Location of the section is shown in Figure 5.1.)

Magnetite is the primary metallic mineral in the mineralized zones. It occurs as rounded fine grains mostly ranging from 0.25 mm to 0.8 mm. The mineral distribution is generally oriented along the bedding in the host rock, and locally enriched into small masses. Magnetite is partially oxidized to limonite near the surface, forming a thin film on the surface of the magnetite grains. The magnetite content in the mineralized zones generally ranges from 10% to 35%. Gangue minerals in the mineralized zone include quartz, oligoclase, microcline, sericite, epidote/chlorite and occasionally apatite.

Table 5.1 summarizes the results of chemical analysis of other elements for five composite samples from the mineralized zones. As the $(\text{CaO}+\text{MgO})/(\text{SiO}_2+\text{Al}_2\text{O}_3)$ ratio is less than 0.5 to 1 in the mineralized zones, the iron ore in the Yanjiazhuang Mine area is considered as acid ore. The chemical analyses also show that the content of harmful elements, such as P and S, in the mineralized bodies is low. The level of the harmful elements in the deposit should not cause any quality problem for iron concentrate produced from the iron ore, and this is supported by the fact that the iron concentrate produced during trial and commercial production of the Yanjiazhuang Mine meets all the quality specifications of local iron concentrate customers.

Table 5.1 Chemical Analytical Results for Composite Samples of the Mineralized Zones at Yanjiazhuang

Sample Number	YZH01	YZH02	YZH03	YZH04	YZH05
Mineralized Body	I	II	III	III	IV
S (%)	0.016	0.031	0.016	0.008	0.016
P (%)	0.04	0.03	0.03	0.05	0.04
As (%)	0.58	0.32	0.27	0.40	0.42
Sn (%)	0.023	0.026	0.021	0.028	0.016
Pb (%)	0.0007	0.0007	0.0007	0.0007	0.0007
Zn (%)	0.0066	0.0056	0.0052	0.0060	0.0052
Cu (%)	0.0009	0.0004	0.0004	0.0004	0.0004
CaO (%)	0.49	1.23	1.28	1.81	0.49
MgO (%)	0.059	0.470	0.150	1.120	0.470
SiO ₂ (%)	63.11	63.96	67.00	62.37	69.13
Al ₂ O ₃ (%)	8.67	7.13	8.67	9.22	9.09

The magnetite-bearing mineralized zones are generally more resistant to erosion than the surrounding host rocks, and they generally outcrop as ridges in the field, making them a good target for open pit mining operations.

The Yanjiazhuang iron deposit is generally considered to be formed by metamorphism of banded magnetite-bearing sedimentary rocks. Intrusion of the gabbro-diabase was also believed to have played a partial role locally in the enrichment of iron content.

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 Yanjiazhuang Mine reviewed in this report comprise core samples of surface drilling and channel samples from surface trenches and underground adits.

Table 5.2 summarizes the database used for the mineral resource estimation for the Yanjiazhuang iron deposit reviewed in this report.

Table 5.2 Mineral Resource Database Statistics for the Yanjiazhuang Iron Deposit

Sample Type	Yanjiazhuang Mine
<i>Core Drilling</i>	
Holes	50
Meters	11,165.5
<i>Surface Trenching</i>	
Cubic Meters	1,200
<i>Underground Adit Development</i>	
Meters	308.5
<i>Assays</i>	
Core Samples	1,220
Channel Samples	329
Composite Samples	5
<i>Density Measurements</i>	
Core/Rock	81

5.2.2 Drilling, Logging and Survey

The purpose of the preliminary exploration work conducted by Brigade 11 in 2006-2007 was mostly to define the near surface portion of the Yanjiazhuang iron deposit. The primary exploration method used was surface trenching, which was supported by limited DDH drilling and underground adit development. Only 3 DDH holes were drilled and two underground adits were developed for the deposit to test the depth extension of the iron mineralization. These three holes and the two adits have all successfully intersected the expected iron mineralization zones.

The 2009 detailed exploration work was to systematically define the mineralized bodies in order to produce Measured and Indicated mineral resource estimates that can be used for mine planning and production scheduling in a pre-feasibility study of the Yanjiazhuang deposit. A total of 47 surface DDH holes were drilled with a total drilled length of 10,671.7 m. These drill holes, together with the surface trenches and underground adits, have successfully defined the mineralized bodies.

Drilling was conducted using Chinese-made drill rigs. Drill hole size was generally 105 mm at the top, reducing to 89 mm and then to 75 mm. Core recovery was reasonable, averaging around 79% for mineralized intervals (ranging from 76% to 100%) and 78% for the host rocks (ranging from 73% to 92%). These core recoveries are relatively low for a modern drilling program as relatively old Chinese-made drill rigs were used for the drilling, but they do meet the Chinese drilling standards. As magnetite is generally distributed rather homogeneously throughout the mineralized bodies, BDASIA considers that the core recovery provides a reasonable basis to estimate the grade and thickness of the deposit.

All drill holes were drilled at a dip angle of 80° in the direction perpendicular to the strike of the mineralized bodies. Drill hole collar locations were surveyed by a differential GPS instrument after drilling, and down-hole deviation was measured in 50-m to 100-m intervals using down-hole survey techniques with drill hole depth checks at the same intervals. Drill cores were logged in detail by a project geologist at the drill site before sampling.

5.2.3 Sampling, Sample Preparation and Assaying

Surface trenching was the primary exploration method used in the 2006-2007 Brigade 11 exploration program. The entire Yanjiazhuang deposit was sampled by surface trenches at a spacing of approximately 200 m. Two adits were also developed at locations with high relief, and the subsurface portions of the mineralized zones can be easily accessed. Surface trenches and underground cross cuts were sampled by channel samples oriented as close to the true thickness direction of the mineralized zones as possible. Channels were cut 10-centimeters ("cm") wide and 3-cm deep. Sample lengths were generally 2 m to 4 m, covering the entire magnetite-bearing metamorphosed feldspar-quartzose pebble-sandstone interval, as the mineralization is gradational and the ore-waste boundaries can only be determined based on assay results.

Surface drilling was the primary exploration method used in the 2009 Brigade 11 exploration program. Drill core was 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 in 4-m lengths, although variation in intervals does occur to coincide with geological contacts. Generally, the entire magnetite-bearing metamorphosed feldspar-quartzose pebble-sandstone interval was sampled and assayed.

Sample preparation and analysis were conducted by the Brigade 11 assay laboratory located in Xingtai, Hebei, which is accredited at the provincial level and has a good quality control program. Samples were prepared by a two-stage crushing and one-stage grinding procedure to reduce the sample particle size to approximately -200 mesh (0.074 mm).

Analytical methods adopted for TFe grade were wet chemical analyses. The mFe grade was determined by separating the magnetic portion of a sample using a magnet before the analysis. The wet chemical analytical method for iron grade is widely used in the mining industry in China and generally produces reliable results if conducted correctly. BDASIA would note that the standard method to separate the magnetic portion of an iron ore sample in the West is by using the Davis Tube, which can produce a nearly perfect separation for the magnetic portion of the sample. Separation of the magnetic portion of an iron ore sample using a magnet may be incomplete, resulting in a slightly conservative estimate for its mFe content.

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. For samples analyzed in Brigade 11's 2006-2007 exploration program for the Yanjiazhuang deposit, 42 of the total of 403 samples (10.4%) were subject to internal check assays, and 30 (7.4%) were sent for external check assays. For samples analyzed in Brigade 11's 2009 exploration program, 120 of the total of 1,146 samples (10.5%) were subject to internal check assays, and 60 (5.2%) were sent for external check assays. The internal check assays were conducted by a different operator at the same laboratory and the external check assays were conducted by Hebei Baoding Central Analytical Laboratory, an unpaired assay laboratory, located in Baoding City in Hebei 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. It was reported that the internal and external check assay results for the Brigade 11's 2006-2007 and 2009 exploration programs were all within the permitted range.

From analysis of sampling, sample preparation and analysis procedures, check assay results, Lincheng Xingye's June 2008 test run of facilities and equipment data as well as BDASIA professionals' field and drill core observation of the mineralized bodies for the Yanjiazhuang iron deposit, BDASIA concludes that the analytical methods used for the Yanjiazhuang iron 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. The average bulk density for the 73 measurements of samples from the iron mineralized bodies undertaken for the Brigade 11's 2006-2007 and 2009 exploration programs is 3.12 t/m³.

BDASIA considers that the average bulk density adopted is reasonable and appropriate, based on the mineral composition of the Yanjiazhuang 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 CPRs 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 Yanjiazhuang 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.

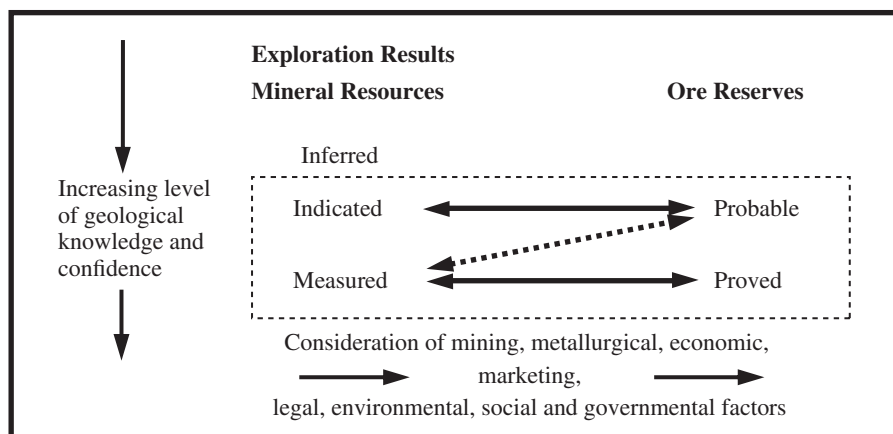


Figure 6.1 Schematic Mineral Resources and Their Conversion to Ore Reserves

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 CPR, all of the ore reserves are included within the mineral resource statements.

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 exploration work and the resource estimation for the Yanjiazhuang iron deposit were conducted by Brigade 11, which holds a Class A exploration license for solid minerals issued by the Land and Resource Department of Hebei 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 is classified into certain exploration types before mineral resource estimation. As the iron mineralization at Yanjiazhuang generally comprises large stratiform mineralized bodies of hundreds to thousands of meters in dimension with good continuity in both grade and thickness, the deposit was categorized as exploration type I under the Chinese classification system for iron 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 Brigade 11. 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 2007, 2009 and 2010 mineral resource estimations for the Yanjiazhuang 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 Yanjiazhuang iron deposit by Brigade 11. Based on the resource estimation report provided by Brigade 11 and discussions with Brigade 11'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 Yanjiazhuang iron deposit reviewed in this report are summarized in Table 6.1.

Table 6.1 Deposit Industrial Parameters for Mineral Resource Estimation

Metal	Boundary Cutoff Grade	Drill	Minimum Width	Minimum Waste Exclusion Width
		Hole/Trench Cutoff Grade		
mFe	6%	8%	4m	4m

6.2.2 Determination of Block Boundaries and Confidence Levels

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 resource block was defined by surface drilling, surface trench channel sampling and underground channel sampling with a data spacing of approximately 200 m (along strike) by 100 m (in the dip direction). An Indicated block was defined by a data spacing of at least 400 m by 200 m. Extrapolation from a data point for the Measured and Indicated resource blocks was limited to 50 m. No Inferred block was defined by Brigade 11 in the current resource estimation. BDASIA believes that the geological interpretation for the Yanjiazhuang deposit is generally reasonable and reliable, which provides a solid basis for the resource/reserve estimation and mine planning. Figure 6.2 shows the resource classification for the No. III mineralized body in the Yanjiazhuang iron deposit on a projected plan map.

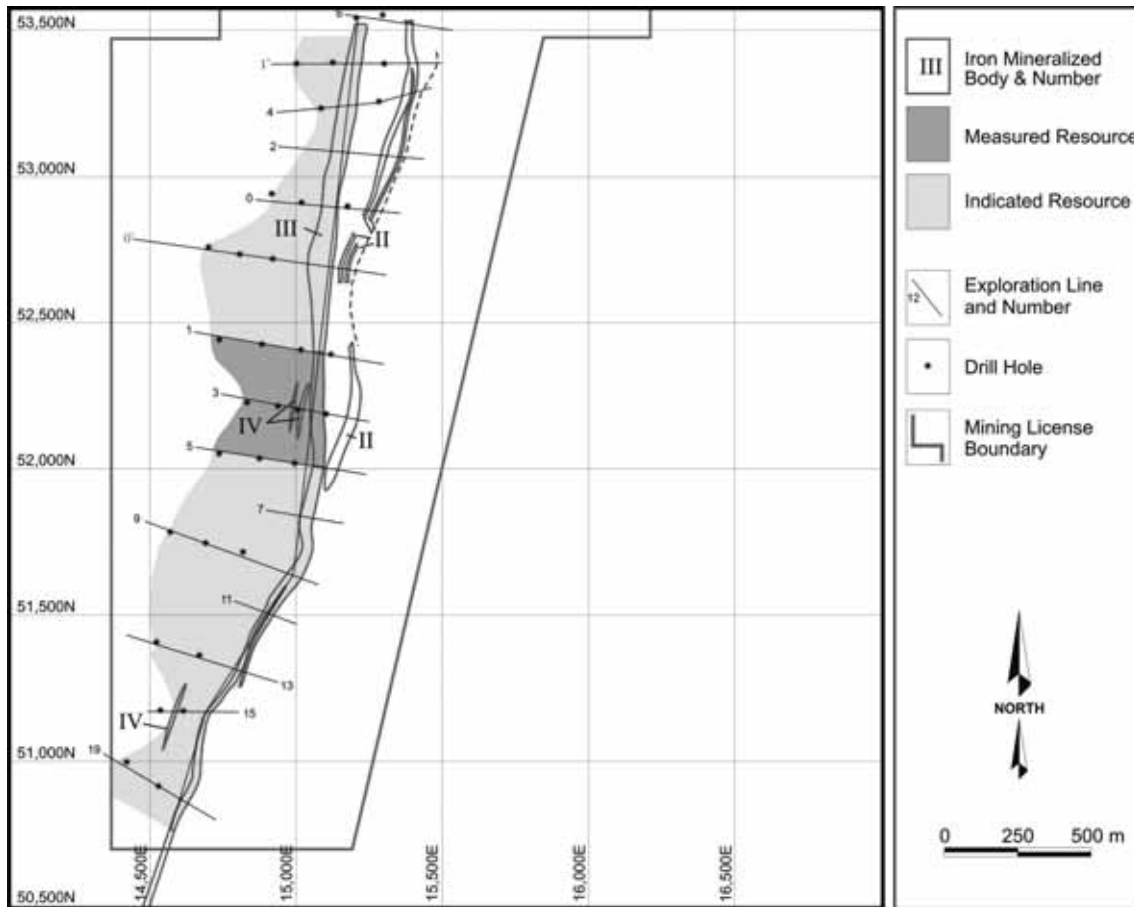


Figure 6.2 Block Mineral Resource Classification for the No.III Mineralized Body on a Projected Plan

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:

$$S = \frac{S_1 + S_2 + \sqrt{S_1 \times S_2}}{2}$$

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.

When the two sections used for block resource volume calculation were not parallel, the following formula was used for the three-dimensional block volume calculation:

$$S = \left(\frac{S_1 + S_2}{2} \right) \times \left(\frac{L_1 + L_2}{2} \right)$$

where L_1 and L_2 were perpendicular distances from the barycenter of one of the two sections to the other section.

The block mineral resource tonnage was determined by multiplying the volume by the average bulk density of the type of the mineral resources 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 Discussion

Based on BDASIA's review, BDASIA considers the geological interpretation, mineral resource estimation procedures and parameters applied by Brigade 11 to the Yanjiazhuang Mine to be generally reasonable and appropriate. The deposit is a metamorphosed sedimentary banded iron deposit with good spatial and grade continuity. The Measured category blocks were defined by drill holes and surface trenches at a data spacing of approximately 200 m (along strike) by 100 m (in the dip direction) and have good geological control. The Indicated category blocks were defined by a data spacing of no more than 400 m × 200 m and have a reasonable level of geological control. There was only limited extrapolation (50 m) from data points for the Measured and Indicated category resource. No Inferred resource blocks were estimated.

The Yanjiazhuang Mine had some limited trial production in 2008 and 2009. Based on Lincheng Xingye's record, a total of 40,000 t and 78,000 t of ore were processed by the No.1 and No.2 processing plants, respectively, for the test run of facilities and equipment in the month of June 2008, and the average ore TFe grade was 19.59%. The processed ore was from the No.3 mineralized body located in the southern portion of the Yanjiazhuang Mine area. This average TFe grade of 19.59% is generally in line with the average TFe grade of 20.64% in the resource estimation for the No.3 mineralized body of the Yanjiazhuang deposit, after considering mining dilution.

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 and Indicated mineral resources estimated under the 1999 Chinese mineral resource system for the Yanjiazhuang iron deposit by Brigade 11 conform to the equivalent JORC mineral resource categories. The economic portion of the Measured and Indicated resources can accordingly be used to estimate Proved and Probable ore reserves.

6.3 Mineral Resource Statement

The mineral resource estimates under the JORC Code as of December 31, 2010 for the Yanjiazhuang Mine, as reviewed by BDASIA, are summarized in Table 6.2. The mineral resources estimated by Brigade 11 were dated December 31, 2009. As there was negligible production at the Yanjiazhuang Mine in 2010, the mineral resources as of December 31, 2010 are essentially the same as that at December 31, 2009. The mineral resource estimates are inclusive of mineralization comprising the ore reserves. The Measured and Indicated mineral resources can be used for ore reserve estimation and mine planning.

Table 6.2
Yanjiazhuang Mine Mineral Resource Summary – December 31, 2010
(The Company's attributable share of the following mineral resource is 99%.)

Mineralized Body Number	JORC Mineral Resource Category	Tonnage Mt	Grades		Contained Metals	
			TFe %	mFe %	TFe Mt	mFe Mt
I	Measured	40.32	23.36	21.00	9.42	8.47
	Indicated	20.24	20.60	17.96	4.17	3.64
	Subtotal	60.56	22.43	19.98	13.59	12.10
II	Measured	40.28	22.46	18.37	9.05	7.40
	Indicated	61.10	22.20	17.67	13.50	10.79
	Subtotal	101.38	22.24	17.94	22.55	18.19
III	Measured	19.20	20.92	18.52	4.02	3.56
	Indicated	129.81	20.60	18.53	26.74	24.05
	Subtotal	149.01	20.64	18.53	30.76	27.61
IV	Indicated	0.81	19.15	16.78	0.16	0.14
Total	Measured	99.80	22.53	19.46	22.48	19.42
	Indicated	211.96	21.03	18.22	44.57	38.62
	Total	311.76	21.51	18.62	67.05	58.04

6.4 Gabbro-Diabase Resources

In order to investigate the possibility of utilizing the gabbro-diorite resources occurring as the footwalls and hangingwalls of the iron mineralization in the Yanjiazhuang Mine area, Lincheng Xingye engaged the First Geological Exploration Institute of China Metallurgical Geology Bureau to conduct an estimate for the gabbro-diorite resources based primarily on the drilling data generated by Brigade 11 in the exploration process for iron resources for the Yanjiazhuang Mine. This gabbro-diorite resource estimate was summarized in a geological report dated March 2010. Based on this report and BDASIA's review, the gabbro-diorite resources at the Yanjiazhuang Mine were estimated at approximately 207 million cubic meters with an Indicated Resource category under the JORC Code. It is expected that when the commercial production of the gabbro-diorite begins, there would be some cost sharing with the iron ore production.

BDASIA would note that mineral resources that are not mineral reserves do not have demonstrated economic viability.

6.5 Ore Reserve Estimation

Ore reserves comprise that portion of the Measured and Indicated mineral resources that are planned to be mined economically and delivered to the concentrator for processing. Ore reserves and the mine plan for the Yanjiazhuang Mine were developed by the Sinosteel Institute in a pre-feasibility-level technical study report for the project dated December 2010 using the January 2010 Brigade 11 mineral resource estimate. Only the Measured and Indicated mineral resources were considered as potential ore in the Sinosteel Institute's ore reserve estimation and mine planning.

As the mineralized zones are large, tabular mineralized bodies exposed at surface and forming a syncline at depth, they are suitable for open pit mining operations. The Sinosteel Institute used a Chinese mining software, 3DMine, for pit optimization and mine planning of the Yanjiazhuang deposit. The sectional resource model produced by Brigade 11 was converted to a 3-dimensional block model with a block size of 12×12×12 m. The sectional polygonal mineralized body boundary was transported into the 3-dimensional blocks based on the block location. Pit optimization was performed on the block model using the economic and technical parameters listed in Table 6.3.

Table 6.3
Economic and Technical Parameters Used for Pit Optimization of the Yanjiazhuang Mine

Item	Unit	Parameter
Ore production rate	Mtpa	10.5
Average TFe concentrator feed grade	%	20.43
Overall Processing TFe recovery	%	81.7
Net block ore value	RMB/t	120/105/90/75/60/45
Approximate 66% TFe iron concentrate price (excluding VAT)	RMB/t	705/647/588/529/471/412
Base waste mining cost	RMB/t	10.00
Waste mining cost increment (below the pit rim surface)	RMB/km	2.00
Ore mining cost	RMB/t	16.15
Processing cost	RMB/t	26.71
G&A and other cost	RMB/t	10.48
Resource Tax	RMB/t	7.20
All ore related operating costs	RMB/t	60.54
Pit slope (inter-ramp)	degrees	50
Mining dilution factor (Chinese)	%	5.0
Mining recovery factor	%	95.0

It was assumed that all blocks have the same TFe average grade of 20.43%, which was diluted by 5% (Chinese mining dilution factor) from the original in-situ resource TFe grade of 21.51%. The overall processing TFe recovery used was 81.7%. The net block ore value was calculated from the average TFe grade, overall processing TFe recovery, ore-related operating costs and a number of assumed 66% TFe iron concentrate prices (excluding VAT) as listed in the table. According to BDASIA's calculation, the break even cutoff TFe grade under the assumed overall processing TFe recovery and ore-related operating costs is approximately 6.85% at the 66% TFe iron concentrate price of RMB705/t (US\$107.6/t, excluding VAT). As all the blocks in the Brigade 11 resource model have TFe grade higher than the break-even TFe grade, all the resource blocks were used as potential ore in pit optimization and mine planning.

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 5.0% is equivalent to a Western mining dilution factor of 5.3%, and the Chinese mining dilution factor of 9.0% is equivalent to a Western mining dilution factor of 9.9%.

Six pit shells were produced in the Sinosteel Institute's pit optimization at net block ore values of RMB45/t, RMB60/t, RMB75/t, RMB90/t, RMB105/t and RMB120/t. The RMB90/t pit shell was selected for final pit design as it has a reasonable incremental strip ratio for the assumed economic and technical conditions.

The final pit design was performed by the Sinosteel Institute by smoothing the pit walls and by incorporating a ramp system into the selected optimized pit shell using the pit design parameters listed in Table 6.4.

Table 6.4
Final Pit Design Parameters for the Yanjiazhuang Mine

Parameter	Number
Bench Height (m)	12
Crest Elevation of the Top Pit Bench (m)	1,124
Toe Elevation of the Bottom Pit Bench (m)	452
Number of Benches	56
Final Pit Surface Outline Length (m)	4,310 (east-northeast)
Final Pit Surface Outline Width (m)	778
Bench Face Slope Angle (degrees)	65
Maximum Inter-Ramp Slope Angle (degrees)	50
Double Bench Berm Width (m)	9.46
Two-Way Haul Road Width (m)	22
One-Way Haul Road Width (m)	15
Maximum Haul Road Slope (%)	9.0

The designed final pit contains 260.01 Mt of ore and 748.88 Mt of waste with an average waste to ore strip ratio of 2.88:1.

BDASIA's review indicates that the Sinosteel Institute's pit optimization and final pit design for the Yanjiazhuang Mine has generally been performed correctly. A Chinese mining dilution factor of 5.0% (5.3% Western) and a mining recovery factor of 95% were used for the mine planning and ore reserve estimation. BDASIA considers these factors to be appropriate at the planning stage as the mineralized zones in the Yanjiazhuang deposit are large tabular bodies. The diluting waste was assumed to have a zero metal grade. No detailed geotechnical study has been performed to determine the appropriate inter-ramp pit slope, but a relatively conservative slope angle of 50° was used in the Sinosteel Institute's pit optimization and final pit design. BDASIA recommends that Lincheng Xingye carry out a detailed geotechnical study to determine the appropriate pit slope angles in the early years of mining operation so that the western high wall of the open pit can be designed appropriately. A slightly higher pit slope angle can reduce the waste stripping significantly, resulting in meaningful savings for Lincheng Xingye. A consistent TFe grade was assumed for all the model blocks in pit optimization, pit design, and ore reserve estimation. This is acceptable for a pre-feasibility-level technical study as the TFe grade has good continuity and only small variations. However, BDASIA believes that it is important to use an appropriately constructed TFe grade block model to refine the pit optimization and final pit design in the early years of mining operation to produce a truly optimized pit design.

6.6 Ore Reserve Statement

Ore reserve statements as of December 31, 2010 for Lincheng Xingye's Yanjiazhuang Mine as estimated by the Sinosteel Institute and adopted by BDASIA in this CPR are summarized in Table 6.5. The ore reserve estimates include both Proved and Probable ore reserves, which were converted from Measured and Indicated mineral resources, respectively. Mining dilution factors and mining recovery factors for the ore reserve estimates are as shown in Table 6.3.

Table 6.5
Yanjiazhuang Mine Ore Reserve Summary – December 31, 2010
(The Company's attributable share of the following mineral resource is 99%.)

JORC Ore Reserve Category	Tonnage (Mt)	Grades		Contained Metals	
		TFe %	mFe %	TFe Mt	mFe Mt
Proved	85.80	21.39	18.48	18.35	15.85
Probable	174.21	19.97	17.30	34.79	30.13
Total	260.01	20.43	17.68	53.14	45.98
Waste	748.88				
Strip Ratio (waste t/ore t)		2.88			

6.7 Mine Life Analysis

The ore reserve mine life of the Yanjiazhuang Mine reviewed in this study based on the December 31, 2010 ore reserve estimate and the long-term raw ore production rate at the full designed capacity of 10.5 Mtpa is approximately 24.8 years. However, as there is a production ramp up process in the beginning and a production ramp down process at the end, the actual mine life of the Yanjiazhuang Mine will be approximately 26 years based on the current production plan. This ore reserve mine life may change significantly in the future due to the following reasons:

- additional exploration and development of the mines could increase the Measured and Indicated mineral resources, which in turn might be partially converted to Proved and Probable ore reserves. These new ore reserves would increase the mine life;
- the additional mineralization located north and west of the Yanjiazhuang mining license area could be acquired by Lincheng Xingye from the government. This will increase Yanjiazhuang Mine's mineral resources and ore reserves significantly and further extend 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.

7.0 POTENTIAL FOR DEFINING ADDITIONAL MINERAL RESOURCES AND RESERVES

The Yanjiazhuang Mine was explored by Brigade 11 in 2006-2007 and 2009, using surface DDH holes, surface trenches and limited underground adit development. These exploration programs have successfully defined the upper eastern portion of the deposit. However, all mineralized bodies defined by the exploration work are still open along strike and to the west along the dip direction. The current resource estimate has only projected the Measured/Indicated mineral resource from the data points for 50 m, and no Inferred mineral resource was estimated. Therefore, there is a significant additional exploration potential along strike (to the north and south) and in the dip direction (to the west) for the Yanjiazhuang deposit.

Figure 5.1 of this report clearly shows that the iron mineralized bodies extend further north outside the current Lincheng Xingye license boundary. Lincheng Xingye is in the process of applying for an expansion of the current mining license to the north for an additional 0.7531 km².

The two cross sections in Figure 5.2 and 5.3 of this report clearly show that the iron mineralized bodies have not been closed by drilling to the west. There are still some areas (approximately 30% to 40% of the drilled areas of the Yanjiazhuang deposit) to the west of the currently defined mineral resources within the current Lincheng Xingye license boundary that have not been drilled to date. Therefore, there is an additional exploration potential within the current mining license. Furthermore, the iron mineralized bodies will very likely extend outside the Lincheng Xingye license boundary, and Lincheng Xingye can acquire additional license areas to the west, which will bring further additional exploration potential to the Yanjiazhuang Mine.

Drilling for additional resources in these areas can start when the license expansion application is approved. BDASIA estimates that a further 30 to 50 DDH holes will be needed to explore these potential areas at a cost of RMB10 M to RMB25 M. Additional drilling may also be justified if these drill holes still cannot close the iron mineralized bodies. As a result of the additional drilling, the mineral resource of the Yanjiazhuang Mine will be increased significantly and the additional resources will be likely to have similar TFe and mFe grades as the currently defined mineral resources on the property, and this may provide a basis for further production expansion for the project.

8.0 MINING

Based on the Sinosteel Institute pre-feasibility study report, the Yanjiazhuang Mine will be mined as an open pit operation. Ore will be transported from the open pit to one of the four crushing plants located to the east side of the over 4-km long open pit; after crushing and dry magnetic cobbing to reduce approximately 30% of the volume, the pre-concentrated ore will be trucked (in the earlier years) or transported by conveyors constructed overland and in declines (after the system is constructed) to one of the four concentrators for further processing. Waste rock will be conventionally transported by truck haulage from the mine to the waste dumps located in the valleys lying to the east on the footwall area of the orebodies.

The Yanjiazhuang open pit was designed based on an optimized pit shell developed using the Chinese 3DMine mining software and a 50° inter-ramp pit slope angle. The pit will extend along the entire strike length of the Yanjiazhuang iron deposit inside the current mining license boundary and will be locally deepened in four areas where deeper mineralized zones occur. No detailed geotechnical assessment has yet been made on the rock walls of the pit; consequently the estimate of ore and waste tonnages may change somewhat after this assessment has been made. Loss of ore is estimated to be 5% and mining dilution (Chinese) is estimated at 5%. Other mine design parameters include the use of 12-m high benches and 22-m wide two-way haul roads with a maximum gradient of 9%.

The total mineable ore tonnage within the designed pit was determined to be 260.01 Mt and waste tonnage was estimated to be 748.88 Mt for an average strip ratio of 2.88:1. A preliminary mine production schedule was developed for the designed Yanjiazhuang open pit by the Sinosteel Institute and has been adjusted by the Company according to the initial commercial production results in January 2011 and current progress of mine construction as summarized in Table 8.1. This mine production schedule is based on 300 working days per annum, which BDASIA considers to be a conservative estimate and the actual working days per annum could be significantly more than the estimate and could reach 330 days.

Table 8.1
Forecast Mine production Schedule for the Yanjiazhuang Mine
 (The Company's attributable share of the production is 99%.)

Production Year	Actual Time Period	Ore Mining (kt)	Waste Stripping (kt)	Strip Ratio
Year 1	2011	790	1,900	2.41
Year 2	2012	6,300	15,800	2.51
Year 3	2013	10,500	31,500	3.00
Year 4	2014	10,500	31,500	3.00
Year 5	2015	10,500	31,500	3.00
Year 6	2016	10,500	31,500	3.00
Year 7 – 21	2017 – 2031	10,500	35,700	3.40
Year 22 – 26	2032 – 2036	10,500	13,900	1.32
Year 27	2037	921	179	0.19
Total		260,011	748,879	2.88

Mine operations will be conducted by a standard drill-and-blast, excavator-and-truck method working on a three eight hour shifts per day, 300 days per year schedule. The initial mining rate started in December 20, 2010 is approximately 3.0 Mtpa, being then incrementally increased toward 10.5 Mtpa by the fourth quarter of the second year (2012) of the operation. Due to ore geometry, the stripping ratio for the initial two years (2011 and 2012) is expected to be around 2.5:1.0 waste:ore and 3.0:1.0 for the following four years (2013 to 2016). After that, the stripping ratio is expected to be stable at 3.4:1.0 from year 7 through year 21.

BDASIA notes that the annual stripping ratio in Table 8.1 for the Yanjiazhuang Mine is not based on detailed production scheduling; therefore, actual waste stripping requirement in the early years could be different from planned. Although having a detailed mining plan is not critical to the operation and profitability of Yanjiazhuang Mine, especially at the early stage of the operation, and many profitable open pit iron ore mines in China do not use detailed mine plans, if waste stripping is not scheduled appropriately, ore production in the following years could be affected. BDASIA recommends that Lincheng Xingye conduct a detailed mine production scheduling study to find out the true waste stripping needs for the project in the early years. BDASIA understands that the Company is currently preparing more detailed two-year and 10-year mine plans which are expected to be completed in September 2011, and has started to conduct a detailed 26-year mine plan which is expected to be completed in December 2011.

For capital cost and supply reasons, Lincheng Xingye has decided to source its fleet of mining equipment from equipment manufactured within mainland China. Equipment sizes are therefore limited to manufactured supply criteria.

The ore and waste will be drilled using YZ-35B rotary drills drilling 250-mm-diameter holes inclined at 75°. 2-m subgrade drilling will ensure pit floors will be maintained at an even elevation. The actual drill pattern is yet to be established, but all holes will be blasted using non-electric ignition with an en-echelon pattern. ANFO will be the standard explosive charge, but emulsion will be used for water-filled holes. 4-m³ shovels will load ore to 45-t trucks and 10-m³ shovels will load waste into 86-t trucks, which will haul to ore crushing plants and waste dumps, respectively.

9.0 METALLURGICAL PROCESSING

Processing magnetite iron ore to produce a magnetite iron concentrate is a relatively simple, low cost, and environmentally safe process. The process will involve three-stage crushing, dry magnetic cobbing, two-stage grinding, wet magnetic separation and concentrate dewatering for the Yanjiazhuang Mine.

The Yanjiazhuang Mine iron ore is a banded iron formation with idiomorphic and allotriomorphic magnetite grains. The major contaminant content in the ore is desirably low. The chemical analysis of a raw ore sample used for the metallurgical testwork is shown in Table 9.1 below.

Table 9.1
Raw Ore Chemical Analysis Result (%)

TFe	FeO	SiO ₂	Al ₂ O ₃	CaO	K ₂ O	Na ₂ O	Cu	Pb	Zn	P	Mn	TiO ₂	MgO	S
21.62	7.94	56.38	7.90	0.69	1.86	1.15	0.001	0.016	0.004	0.06	0.23	1.13	0.58	0.021

The Yanjiazhuang Mine started Phase I commercial production on January 1, 2011. There was limited trial production for the Yanjianzhuang Mine before the formal commercial production. A total of 32 working days were realized in the period from December 20, 2010 to January 27, 2011 for the processing plants. Actual production results during this period are summarized in Table 9.2.

Table 9.2
Initial Production Results from Yanjiazhuang Mine Processing Plants, Dec 20, 2010 – Jan 27, 2011

Item	Unit	Number
Raw ore feed		
tonnage	t	167,693
TFe grade	%	22.96
mFe grade	%	17.93
TFe content	t	38,502
mFe content	t	30,067
mFe/TFe Ratio		0.781
Grinding ore feed (after dry magnetic cobbing)		
tonnage	t	124,522
grinding ore/raw ore ratio		0.743
Concentrate produced (after wet magnetic separation)		
tonnage	t	40,863
TFe grade	%	64.24
TFe content	t	26,189
Raw ore/Concentrate ratio		4.104
Processing iron recovery		
raw ore to concentrate	%	68.18
Productivity		
number of working days	day	32
raw ore processing	tpd	5,240
grinding ore processing	tpd	3,902
concentrate production	tpd	1,277
Wet magnetic separation tailings grade		
TFe	%	3.41
mFe	%	0.87

Iron concentrates produced from the initial production period have the following average specifications:

grain size	approximately 85% -200 mesh (0.074 mm)
TFe	63.0% to 66.6%
SiO ₂	3.73% to 3.97%
CaO	0.04% to 0.07%
MgO	0.09% to 0.10%
Al ₂ O ₃	1.17% to 1.27%
K ₂ O	0.03% to 0.04%
Na ₂ O	0.12% to 0.16%
TiO ₂	0.56% to 0.81%
S	0.01%
P	0.02%
Cu	0.005%
Pb	0.003%
Zn	0.008%

These specifications meet the industrial quality requirements for acid iron concentrate of 65% -200 mesh, TFe $\geq$ 62%, S $\leq$ 0.3%, P $\leq$ 0.03%, and SiO₂ $\leq$ 7%. This indicates that iron concentrate produced from the Yanjiazhuang Mine will be of good quality.

As part of the Sinosteel Institute pre-feasibility study, the Hebei Geology and Mineral Resource Center Laboratory was engaged by Lincheng Xingye to conduct a series of metallurgical tests on the ore samples from the Yanjiazhuang Mine and a report titled “Yanjiazhuang Iron Ore Processing Test Report” was submitted in January 2010.

The conclusions of this report are:

- The magnetic iron content of the raw ore test sample is 18.86%, which accounts for only 87.24% of the total iron content. The remaining 12.76% of total iron content is represented by iron silicate, siderite, pyrite and hematite minerals. These other iron-bearing minerals are not recoverable by conventional magnetic separation techniques.
- Dry magnetic cobbing tests were conducted on samples with crushed sizes of -15 mm and -8 mm under the magnetic field intensity of 2,500 Oersted (“Oe”). A better recovery was obtained for the -8-mm sized sample with a TFe recovery of 92.91% and mFe recovery of 96.80%.
- Wet magnetic separation tests were then conducted on a -8-mm dry magnetic-separated concentrate sample using a standard coarse-grinding and magnetic separation – concentrate re-grinding – magnetic separation process. The initial grinding size was 38% -200 mesh, and initial concentration was done with a magnetic field intensity of 1,500 Oe. The second regrinding size was 60.0% -200 mesh and final concentration was with a magnetic field intensity of 1,000 Oe. The final iron concentrate had a TFe grade of 67.74%, with a TFe recovery ratio of 88.11% and a mFe recovery ratio of 97.46% for the wet magnetic separation process. Compared with the total iron content of the raw ore, the overall recovery with both dry magnetic cobbing and wet magnetic separation totaled 81.87% for TFe and 94.32% for mFe.

These findings are summarized in Table 9.3 below.

Table 9.3
Quantitative Results for Magnetic Separation

Product	Output %	Grade (%)		Recovery Rate (%)	
		TFe	MFe	TFe	MFe
Concentrates	25.97	67.74	67.13	81.87	94.32
Wet magnetic separation tailings .	35.59	6.67	1.28	11.04	2.46
Dry magnetic cobbing tailings ...	38.44	3.96	1.55	7.09	3.22
Total tailings	74.03	5.26	1.42	18.13	5.68
Raw ore	100.00	21.48	18.48	100.00	100.00

Chemical analysis of the final iron concentrate produced from the processing test is summarized in Table 9.4.

Table 9.4
Iron Concentrate Chemical Analysis Result (%)

TFe	SiO ₂	Al ₂ O ₃	CaO	K ₂ O	Na ₂ O	Cu	Pb	Zn	P	TiO ₂	MgO	S
67.74	2.30	0.84	0.31	0.12	0.025	0.001	0.016	0.0037	0.015	0.46	0.071	0.016

The initial production from December 20, 2010 to January 27, 2011 has achieved a TFe recovery of 68.18% from raw ore to the final concentrate, less than the TFe recovery of 81.87% achieved in the metallurgical test. The primary reason for the difference is that the ore used for the initial production was from the near-surface portion of the Yanjiazhuang deposit, which was partially oxidized as indicated by

its average mFe/TFe ratio of 0.781, significantly lower than the average mFe/TFe ratio for the entire Yanjiazhuang Mine ore reserve of 0.865. A second reason is that there are indications during the initial production period that some adjustment and optimization are needed for the two crushers and two concentrators. BDASIA believes that when the ore production gets into the unoxidized zone and after the needed adjustment and optimization are made, the TFe recovery should improve significantly from the initial production period from December 20, 2010 to January 27, 2011, and therefore, the raw ore/concentrate ratio would drop from the current rate of 4.104 to further reduce the operating cost.

Based on the testwork and the initial production results, the following operating flowsheet was developed by the Sinosteel Institute for the concentrating plants of the Yanjiazhuang Mine (Figure 9.1).

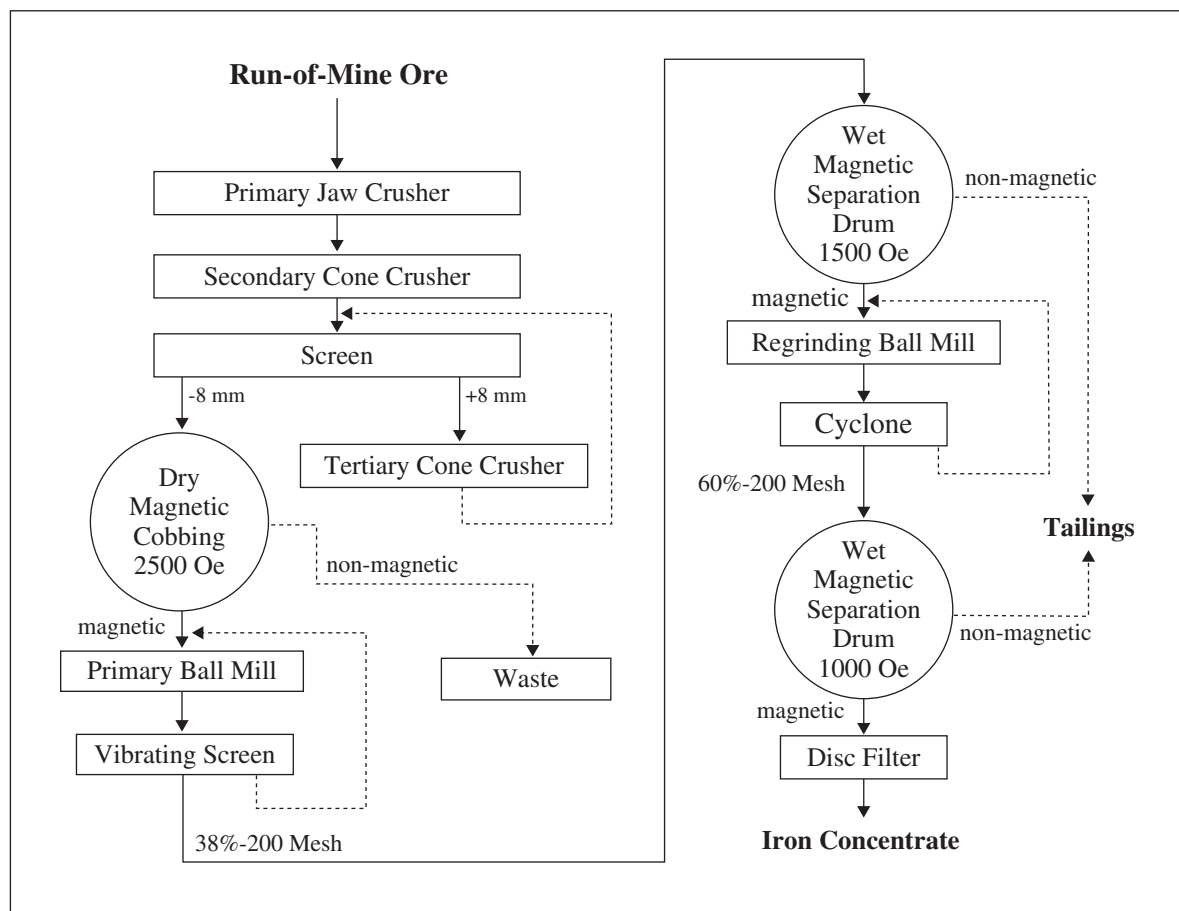


Figure 9.1 Proposed Processing Flowsheet for the Yanjiazhuang Mine

The crushing plants with dry magnetic cobbing systems and wet-magnetic concentrators will be built and put into production in three phases. There will be a total of four crushing plants and four concentrators when construction for the processing facilities is completed in June 2012.

Phase I processing facilities consist of two newly-constructed 1.5-Mtpa crushing plants and two upgraded concentrators with a combined processing capacity of 2.1 Mtpa of pre-concentrated ore produced by the dry magnetic cobbing system in the crushing plants. The dry magnetic cobbing system at the crushing plants will reduce approximately 30% of the volume of the crushed raw ore. Therefore, the total raw ore processing capacity of the Phase I processing facilities is approximately 3.0 Mtpa. Phase I commercial production started in January 1, 2011. However, initial commercial production showed that some modification and adjustment have to be made to the two crushing plants, including replacing the tertiary cone crushers. Because of the water shortage caused by the severe drought since last winter, the Company decided to take advantage of the down time from March to August to concentrate working on

the crushing plant modification and adjustment, the upgrading of the No.2 concentrator, as well as the construction of water pipelines. The crushing plant modification and upgrading of the concentrator are expected to be completed in June 2011 and regular commercial production is expected to resume in September 2011 once the Lincheng Reservoir water pipeline project is completed in August 2011. The Phase I production facilities are expected to ramp up to the designed production capacity in October 2011.

Phase II processing facility will consist of one 4.0-Mtpa crushing plant and one 2.8-Mtpa concentrator; the Phase III processing facilities will consist of one 3.5-Mtpa crushing plant and one 2.45-Mtpa concentrator. Construction for the Phase II and Phase III processing facilities is scheduled to be completed at the end of September 2011 and June 2012, respectively. Production capacity for Phase II and Phase III plants is expected to be reached in January 2012 and October 2012, respectively.

10.0 MINE PRODUCTION

Table 10.1 lists the forecast ore production, processing recoveries and iron concentrate production for the Yanjiazhuang Mine for the first 21 years of mine life based on the Sinosteel Institute pre-feasibility study and additional information provided by the Company. This production schedule is based on 300 working days per annum. BDASIA considers that the actual working days per annum could be significantly more than the estimate and could reach 330 days.

Table 10.1
Forecast Production for the Yanjiazhuang Mine
(The Company's attributable share of the production is 99%.)

Item	Year 1 2011	Year 2 2012	Year 3 2013	Year 4 2014	Year 5 2015	Year 6 2016	Year 7-21 2017-2031
Processed Iron Ore							
Tonnage (kt)	790	6,300	10,500	10,500	10,500	10,500	10,500
TFe Grade (%)	20.43	20.43	20.43	20.43	20.43	20.43	20.43
TFe Content (kt)	161	1,287	2,145	2,145	2,145	2,145	2,145
Processing Recovery							
Dry Magnetic Cobbing (%)	91.89	91.89	91.89	91.89	91.89	91.89	91.89
Wet Magnetic Separation (%)	88.91	88.91	88.91	88.91	88.91	88.91	88.91
Overall Recovery (%)	81.70	81.70	81.70	81.70	81.70	81.70	81.70
Final Product							
Iron Concentrate (kt)	200	1,590	2,655	2,655	2,655	2,655	2,655
TFe Grade (%)	66	66	66	66	66	66	66
TFe Content (kt)	132	1,052	1,752	1,752	1,752	1,752	1,752
Ore/Concentrate Ratio	3.954	3.954	3.954	3.954	3.954	3.954	3.954

The Phase I expansion of the Yanjiazhuang Mine will increase the current processing plants and the open pit mine to a 3.0-Mtpa capacity. The Phase I expansion is expected to be completed in June 2011, and initial commercial production started in January 1, 2011 but it was significantly reduced from March to August 2011 due to severe drought in North China. Company has identified Lincheng Reservoir as a reliable water source and commenced construction of a water pipeline to Lincheng Reservoir. While waiting for the Lincheng Reservoir project to be completed, the company decided to undertake measure to make some necessary modification and adjustment to the crushing plants and to make the upgrading to the No.2 concentrator. While there will be limited production during the modification period, regular Phase I commercial production is expected to resume in September 2011 and is expected to ramp up to the designed production capacity of 3.0 Mtpa in October 2011.

Phase II processing plant construction was well underway during BDASIA's April 2011 visit. Foundation for the No.3 concentrator had been poured, equipment had been largely installed, and the steel frame installation was being completed. Construction of the 4.0-Mtpa No.3 crushing plant was in good progress. Construction of these Phase II plants is scheduled to be completed in September 2011 and will be put into production immediately. Designed production capacity of the Phase II plants is expected to be reached in January 2012.

Construction of the 3.5-Mtpa No. 4 crushing plant and the 2.45-Mtpa concentrator for the Phase III expansion is scheduled to be completed in June 2012. The full production capacity of 10.5 Mtpa is expected to be reached in October 2012; after that approximately 2.66 Mt of iron concentrate with an average TFe grade of 66% will be produced each year from the Yanjiazhuang Mine.

BDASIA considers these production targets and ramp up schedule to be reasonable and achievable. However, any delays in construction and equipment adjustment could cause potential production short falls during the ramp-up period.

The projected overall processing recovery is 81.7% for TFe, in line with the metallurgical test result but significantly higher than the average initial production metallurgical recovery of 68.18%. BDASIA believes this projected overall TFe recovery is achievable when mining gets into the unoxidized zone of the deposit and when the equipment for the crushers and concentrates has been adjusted and optimized.

11.0 OPERATING COSTS

Historical operating costs for the initial production period from December 20, 2010 to January 27, 2011 and forecast operating cost for year 1 (2011) through year 21 (2031) of the mine life at production rates from 3.0 Mtpa to 10.5 Mtpa as estimated by the Sinosteel Institute in its December 2010 pre-feasibility study report and adjusted based on additional information provided by the Company are summarized in Table 11.1.

Table 11.1
Actual and Forecast Operating Costs for the Yanjiazhuang Mine

Item	Dec 20, 2010-Jan 27, 2011	2011	2012	2013	2014	2015	2016	2017 to 2031
Open Pit Mining Cost								
Contract Ore Mining Cost (RMB/t of ore)	5.39	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Contract Ore Transportation (RMB/t of ore)	7.20	7.25	7.25	7.25	7.25	7.25	7.25	7.25
Contract Waste Mining Cost (RMB/t of waste) ..	3.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Contract Waste Transportation (RMB/t of waste)	2.66	2.00	2.00	2.00	2.00	2.00	2.00	2.50
Mining Management (RMB/t of ore)	0.59	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Strip Ratio (waste to ore)	1.00	2.41	2.51	3.00	3.00	3.00	3.00	3.40
Total Mining Cost (RMB/t of ore)	18.84	33.02	33.72	37.15	37.15	37.15	37.15	41.65
Total Mining Cost (US\$/t of ore)	2.88	5.04	5.15	5.67	5.67	5.67	5.67	6.36
Processing Cost								
Workforce Employment (RMB/t of ore)	2.92	1.23	1.23	1.23	1.23	1.23	1.23	1.23
Transportation of Workforce (RMB/t of ore)	—	—	—	—	—	—	—	—
Consumables (RMB/t of ore)	6.81	13.27	13.27	13.27	13.27	13.27	13.27	13.27
Fuel, Electricity and Water (RMB/t of ore)	16.87	12.21	12.21	12.21	12.21	12.21	12.21	12.21
Total Processing Cost (RMB/t of ore)	26.60	26.71	26.71	26.71	26.71	26.71	26.71	26.71
Total Processing Cost (US\$/t of ore)	4.06	4.08	4.08	4.08	4.08	4.08	4.08	4.08
Total Mining and Processing Cost								
(RMB/t of ore)	45.44	59.73	60.43	63.86	63.86	63.86	63.86	68.36
Total Mining and Processing Cost								
(US\$/t of ore)	6.94	9.12	9.23	9.75	9.75	9.75	9.75	10.44
Total Mining and Processing Cost								
(RMB/t of concentrate)⁽¹⁾	186.49	236.17	238.94	252.50	252.50	252.50	252.50	270.30
Total Mining and Processing Cost								
(US\$/t of concentrate)	28.47	36.06	36.48	38.55	38.55	38.55	38.55	41.27

Table 11.1
Actual and Forecast Operating Costs for the Yanjiazhuang Mine

Item	Dec 20, 2010-Jan 27, 2011	2011	2012	2013	2014	2015	2016	2017 to 2031
G&A and Other Cost								
On and Off-Site Management (RMB/t of ore)	1.04	1.22	2.80	3.15	3.15	3.15	3.15	3.15
Environmental Protection and Monitoring (RMB/t of ore)	0.24	0.67	0.80	1.10	1.10	1.10	1.10	1.10
Product Marketing and Transport (RMB/t of ore)	3.32	8.57	8.57	8.57	8.57	8.57	8.57	8.57
Non-Income Taxes, Royalties and Governmental Charges (RMB/t of ore)	7.24	7.25	7.65	7.60	7.60	7.60	7.60	7.60
Interest Expense (RMB/t of ore)	—	—	—	—	—	—	—	—
Contingency Allowances (RMB/t of ore)	—	1.35	1.66	0.54	0.54	0.54	0.54	0.54
Total G&A and Other Cost (RMB/t of ore)	11.84	19.06	21.48	20.96	20.96	20.96	20.96	20.96
Total G&A and Other Cost (US\$/t of ore)	1.81	2.91	3.28	3.20	3.20	3.20	3.20	3.20
Total Operating Cost (RMB/t of ore)	57.28	78.79	81.91	84.82	84.82	84.82	84.82	89.32
Total Operating Cost (US\$/t of ore)	8.75	12.03	12.51	12.95	12.95	12.95	12.95	13.64
Total Operating Cost (RMB/t of iron concentrate)⁽¹⁾	235.08	311.54	323.87	335.38	335.38	335.38	335.38	353.17
Total Operating Cost (US\$/t of iron concentrate)	35.89	47.56	49.45	51.20	51.20	51.20	51.20	53.92
Depreciation and Amortization (RMB/t of ore)	5.34	3.50	1.70	1.60	1.60	1.60	1.60	1.00
Depreciation and Amortization (US\$/t of ore)	0.82	0.53	0.26	0.24	0.24	0.24	0.24	0.15
Total Production Cost (RMB/t of ore)	62.63	82.29	83.61	86.42	86.42	86.42	86.42	90.32
Total Production Cost (US\$/t of ore)	9.56	12.56	12.76	13.19	13.19	13.19	13.19	13.79
Total Production Cost (RMB/t of iron concentrate)⁽¹⁾	257.03	325.37	330.59	341.70	341.70	341.70	341.70	357.13
Total Production Cost (US\$/t of iron concentrate)	39.24	49.68	50.47	52.17	52.17	52.17	52.17	54.52

Note:

(1) The raw ore/concentrate ratio used in concentrate cost calculation is 3.954.

BDASIA's review indicates that the forecast mining cost, processing cost, and G&A and other cost estimates are generally in line with similar operations in China, and therefore are considered reasonable and achievable. These cost estimates are generally supported by Yanjiazhuang Mine's initial production from December 20, 2010 to January 27, 2011.

BDASIA notes that the ore/waste transportation cost is kept as a constant throughout the mine life in Table 11.1, but the actual ore/waste transportation cost will increase slightly every year after the initial several years when the pit deepens and the waste dumps get higher.

Based on the forecast cost estimates in Table 11.1, BDASIA has calculated total operating cost and total production cost for a tonne of 66% TFe iron concentrate (Table 11.1). BDASIA notes that the forecast cost estimates are higher than the actual cost realized during the initial production despite the fact that the overall processing recovery realized during the initial production was 68.18%, significantly lower than the 81.7% realized from the metallurgical tests results, which were used for the forecast cost estimates by BDASIA, indicating there is room for the actual cost to be lower than the forecast cost estimates. Both actual production costs and forecasted costs are significantly lower than the current and forecast iron concentrate prices in China, indicating the Yanjiazhuang Mine should be a very profitable mining operation.

12.0 CAPITAL COSTS

Total initial capital expenditure estimates for the Yanjiazhuang Mine by the Sinosteel Institute in its pre-feasibility study report and adjusted by the Company based on additional information are summarized in Table 12.1.

Table 12.1
Initial Capital Cost Estimates for the Yanjiazhuang Mine

Item	Capital Costs (RMB M/US\$ M)			
	Actual to End of 2010	Estimated 2011-2013	Total	Percentage
Open Pit Mine	134.4/20.52	192.6/29.40	327.0/49.92	36.4%
Processing Plants	118.7/18.12	262.0/40.00	380.7/58.12	42.4%
Electric, water and TSFs	37.5/5.73	94.9/14.49	132.4/20.21	14.8%
Others	4.2/0.64	53.0/8.09	57.2/8.73	6.4%
Subtotal	294.8/45.01	602.5/91.98	897.3/136.99	100.0%
Contingency (10%)	—	60.3/9.21	60.3/9.21	—
Resource Fee	2.0/0.31	310.0/47.33	312.0/47.63	—
Total	296.8/45.31	972.8/148.52	1,269.6/193.83	—

The open pit mine capital will be used for construction of mine access roads, haul roads and equipment purchases. The processing capital will be used to construct four crushing plants, to upgrade the two small existing concentrating plants and to construct two new concentrating plants. Based on information provided by the Company, total capital expenditures up to the end of 2010 were RMB296.8 M (US\$45.01 M). Capital expenditures for 2011, 2012 and 2013 are expected to be RMB548.5 M (US\$83.74 M), RMB299.4 M (US\$45.71 M), and RMB124.9 M (US\$19.07 M), respectively. A significant portion of the remaining capital cost estimates are based on actual equipment purchase prices as well as quotes from equipment vendors and construction contractors. A contingency of 10% for the remaining mine/plant capital expenditures was in the capital cost estimates.

In addition to the capital cost estimates in Table 12.1, there will also be a working capital requirement of RMB284.5 M (US\$43.44 M) for the Yanjiazhuang Mine.

BDASIA consider these capital cost estimates generally reasonable and achievable. The 10% contingency is appropriate for this stage of the project.

BDASIA would note that the capital cost for construction of the conveyor system and declines from the crushing plants to the concentrators are not included in the initial capital cost estimate as this pre-concentrated ore transportation system is not scheduled to be built in the initial years of the mine life.

13.0 ENVIRONMENTAL MANAGEMENT AND COMMUNITY ISSUES

13.1 Environmental Management

China has in place a comprehensive national framework of environmental laws, regulations, standards and procedures for the management of environmental protection with respect to mining, mineral processing and smelting projects.

Key laws include the National Law for Environmental Protection, National Law for Assessment of Environmental Impact, National Law for Air Pollution Prevention, National Law for Water Pollution Prevention, National Law for Prevention of Noise Pollution and National Law for the Prevention of Solid Waste Pollution.

Each of these laws is associated with a suite of accompanying regulations, standards and mechanisms for the levying of taxes and penalties, as is appropriate. For example, in the case of the regulation of water use and management, there is a Water Law (1988, revised 2002), a Prevention and Control of Water Pollution Act (1988, amended 1996), and Water and Soil Conservation Act (1991) and detailed rules for implementation of these laws, e.g. for the Prevention and Control of Water Pollution Act, the rules were enacted in 1989 and revised in 2000. A suite of standards are in place to meet various circumstances (e.g. Integrated Standard for Wastewater Discharge, GB8978-1996), and a Water Permit is

required if abstraction of water from surface or groundwater sources is required. A tax is levied on discharged water according to the type and quantity of the discharge, and if the discharge does not meet the national and local standards, the tax levied is doubled.

The Yanjiazhuang Mine has an approved Environmental Impact Assessment for the 3-Mtpa mine production plan, and has subsequently obtained an Environmental Permit from the Xingtai Environment Protection Bureau (“EPB”) in December 2007 for mining activity at the proposed production level. The Environment Permit was renewed in July 2010 and the current permit is valid until July 2011, and the permit is extendable at the expiration. Lincheng Xingye is planning to conduct an Environmental Impact Assessment for the 10.5-Mtpa mine production plan.

Lincheng Xingye develops and operates its facilities, and conducts its operations, materially in accordance with internationally accepted good management practices on environmental and social issues, including applicable World Bank Group environmental and social standards.

Environmental measures to be implemented by the Yanjiazhuang Mine (including the upgraded and new plants) comprise:

- Dust mitigation: including the use of dust collectors, exhaust fans, water sprays and enclosure of dust generating activity. Personal protection devices (“PPE”) to provide additional personal protection from dust will also be provided to workers. Use of water trucks and wet drilling procedures will reduce dust generated from mining and drilling activities;
- Waste water treatment: the site is being designed as a zero discharge site, with an expectation of recycling up to 80% of used water in processing. Used water (including tailings effluent) will be recycled to the process plants for use in mineral processing or used for dust suppression. Top up and domestic water is being taken from the nearby stream, a branch of the Zhi River, and local reservoirs which can provide a reasonable supply. A Water Permit valid until September 9, 2014 and extendable thereafter, issued by the Lincheng County Bureau and a Wastewater Discharge Permit (in case of extraordinary circumstances) is a component of the Environmental Permit. A 20-km long pipeline with two pump stations was being constructed between the Lincheng Reservoir to the Yanjiazhuang Mine; when completed in August 2011, the Lincheng Reservoir will become the primary fresh water source for the Yanjiazhuang Mine providing up to 10 million m³ of fresh water each year for mine and processing plant production;
- Solid waste: some of the waste rock from the open pits will be used for construction purposes, and some will be used to produce tiles, but mostly it will be placed in one of a series of engineered waste rock dumps. Tailings from the processing plants are, and will continue to be, stored in engineered TSFs (Table 13.1);
- Noise control: methods of noise control will include use of silencers, noise and vibration dampening and absorbing materials, isolation and enclosure of noisy equipment, and regular equipment maintenance. Company policy will require PPE use, such as ear muffs or ear plugs, for noise-affected workers;
- Environmental monitoring: the mines will undertake a schedule for regular noise, water and air quality monitoring. Monitoring tests are also regularly conducted by the County EPB; and
- Rehabilitation: a rehabilitation and re-planting program for mined and disturbed areas will be ongoing. TSFs and waste rock dumps are to be properly rehabilitated upon mine closure and fruit orchards will be planted on the partially backfilled and reshaped mine pits to provide an economic resource for the post-mine community. The Company has produced an estimated cost of final land reclamation requirements and will be lodging a payment with the relevant authority, based on this amount, as a guarantee that the reclamation will be competently carried out.

Table 13.1 Tailings Storage Facility for the Yanjiazhuang Mine

Design Capacity and Estimated life	Comments
The TSFs will be designed to meet the requirements of the concentrators over the projected mine life.	The TSFs will be constructed in a series of connected valleys adjacent to the four concentrating plant sites. They will provide storage of tailings over the life of the mine. Tailings are gravity fed to the TSFs from the process plant and the supernatant water, together with any collected rainwater, returned to the process plant for recycling. The TSF emplacement has been or will be designed with a 1 in 200 years flood design factor, which includes the provision of a clean water diversion channel, and a series of underdrains, connected to several downpipes, which will permanently drain the emplacement. The TSFs are designed to accommodate a local seismic risk factor of 8 (on the Chinese Richter scale equivalent). The TSFs will be topsoiled and grassed upon closure.

13.2 Community Issues

Approximately 30 households (120 people) have been affected by the Yanjiazhuang Mine, requiring resettlement. The Company has informed BDASIA during the April 2011 site visit that all relocation compensation has been substantially paid to the affected people and all resettlement have been substantially completed by the end of March 2011.

Negotiations for resettlement and compensation of affected villagers, were undertaken in conjunction with the local Land Resources Bureau according to national laws and regulations. Negotiations involved notification of land resumption requirements to the farmers' collective economic units as well as the individual farmers affected, assessment of all land improvements that would require specific additional compensation, availability of hearings in regard to compensation and resettlement provisions, public disclosure of the outcome of the land resumption process, and approval of the resettlement and compensation proposal by the County Government as well as other co-operative action with the Agriculture Bureau and Civil Services Bureau.

Lincheng Xingye is also required by the Government to assist in the provision of alternative employment and training, as required. The Land Resources Bureau cooperates with other arms of government to offer alternative locations and occupations (e.g. farmers moving into new city developments with urban occupations), if affected individuals prefer that option. All negotiations are, however, conducted in conjunction with the farmers' collective economic units, and in this case, most of the affected farmers have opted to move to the nearby Yanjiazhuang Village. Ongoing supervision of the outcome of the resettlement process is the responsibility of the Land Resources Bureau.

Lincheng Xingye has employed a designated manager from the community to oversee the resettlement process.

14.0 OCCUPATIONAL HEALTH AND SAFETY

The Yanjiazhuang Mine is at the Phase I development stage to expand the production capacity to a 3.0-Mtpa mine. Lincheng Xingye has obtained production permits for the mine and processing plants, which are valid until September 2013 from the Hebei Provincial Development and Reform Committee. The safety permit for mine production was issued by Xingtai City Administration of Work Safety in August 2010 and it is valid until August 2013. The safety permit for processing plants will be applied for after the Phase-I plant construction is completed. Lincheng Xingye implements a corporate safety policy which incorporates national safety standards and applies to contractors as well as to company employees.

Lincheng Xingye plans to conduct its operations in accordance with the relevant national laws and regulations covering occupational health and safety (“OH&S”) in mining, production, blasting and explosives handling, mineral processing, TSF design, environmental noise, emergency response, construction, fire protection and fire extinguishment, sanitary provision, power provision, labor and supervision.

BDASIA has confirmed with Lincheng Xingye that no fatality has been recorded for the Yanjiazhuang Mine during the period of the Company’s ownership and management.

15.0 RISK ANALYSIS

When compared with many industrial and commercial operations, mining is a relatively high risk business. Each orebody is unique. The nature of the orebody, the occurrence and grade of the ore, and its behavior during mining and processing can never be wholly 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 whole orebody. 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 reserves 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 $\pm 10\%$ and will be at least $\pm 15\%$ for projects in the development 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.

The Company’s Yanjiazhuang Mine reviewed in this report is at the Phase-I expansion stage and only limited trial and commercial production has occurred. This brings an additional risk for the project.

In reviewing the Company’s Yanjiazhuang 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 cashflows. The assessment is necessarily subjective and qualitative. The uncertainty associated with the risk analysis will be reduced when a mining project evolves from the exploration stage to the development stage and the production stage. Risk has 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 <i>Low Risk</i>	The Yanjiazhuang iron deposit is a metamorphosed sedimentary banded magnetite deposit; it consists of stratiform mineralized bodies of generally hundreds and thousands of meters in dimension along the strike and dip directions and with good continuity in both grade and thickness. Exploration work conducted by Brigade 11 in 2006-2007 and 2009 has reasonably defined the deposit by surface drilling, surface trenching and underground adits at a data spacing of 200-m (along strike) by 100-m (in the dip direction) to 400-m by 200-m. Measured and Indicated mineral resources have been reasonably estimated based on the exploration work. The mineralization remains open to the west, north and south, and BDASIA considers that there is significant additional exploration potential. BDASIA noted some local uncertainties with the geological model of the deposit and believes that some infill drilling will be required in these areas to refine the geological model before actual mining reaches these areas.
Ore Reserves <i>Low to Moderate Risk</i>	Proved and Probable ore reserves under the JORC Code have been defined for the Yanjiazhuang Mine based on the Brigade 11 January 2010 resource estimation and the Sinosteel Institute December 2010 pre-feasibility study. Initial production of the Yanjiazhuang Mine since December 20, 2010 has generally confirmed the ore grade and concentrate salability from the project. However, detailed geotechnical studies have not been completed to determine the appropriate pit slopes and the grade model used for pit optimization and ore reserve estimation is also considered preliminary in nature. Although it is not essential to have detailed geotechnical and/or grade studies to conduct efficient and/or profitable mining operation, especially at the early stage of the open pit mining operation, BDASIA recommends the Company to conduct a detailed geotechnical study for the project and to carry out a more detailed grade model for pit optimization and ore reserve estimation in order to fully optimize the mining operation at Yanjiazhuang Mine.

Open Pit Mining

Low to Moderate Risk

The Yanjiazhuang Mine will utilize conventional drill-and-blast, excavator-and-truck, open pit mining method for its mining operation. However, no detailed mine plan has been completed for the project. Detailed long term production plans require that a detailed geotechnical assessment is made of the wall rock conditions. The decision to use small scale mining equipment imposes a higher operating cost structure and as haul road size is based on the size of this equipment, the ability to lower cost by introducing larger equipment is negated by the very large amount of extra stripping that would then be required.

BDASIA notes that the annual strip ratios in the production plan are not based on a detailed production schedule, and recommends that Lincheng Xingye conduct a detailed production scheduling to find out the real waste stripping needs for the early years of the mine life. BDASIA understands that the Company is currently preparing more detailed two-year and 10-year mine plans which are expected to be completed in September 2011, and has started to prepare a detailed 26-year mine plan which is expected to be completed in December 2011.

Concentrating

Low Risk

The Yanjiazhuang ore is amenable to concentration and upgrading by conventional and widely-used, simple, low-cost, magnetic separation methods. Initial production results indicate that the iron concentrates produced from the project meet all the specifications for iron concentrate of the local steel-mill costumers.

Infrastructure

Low to Moderate Risk

The access roads to the current mine office, southern portion of the open pit and the Phase I processing plants have been constructed. Additional roads will need to be built to connect to the central and northern portions of the open pit mining area and Phase II/III processing plants.

Sufficient power is generally available for mine production for the Yanjiazhuang Mine. Power supply to the Phase I mine and processing facilities has been established. Additional substations and transmission lines will need to be built for the Phase II and Phase III expansions. Water for production will generally be sufficient from the surface drainage systems and water reservoirs.

Production Targets

Low to Moderate Risk

The Yanjiazhuang Mine is at its initial Phase I commercial production stage and early stage of Phase II development. Phase I construction was substantially completed with a raw ore production capacity of 2.15 Mtpa and was put into commercial production since January 1, 2011. Phase I construction is scheduled to be completed in June 2011; Phase II construction will be completed in September 2011 and Phase III in June 2012. These three phases will increase the raw ore production capacity of the Yanjiazhuang Mine to 3.0 Mtpa, 7.0 Mtpa and 10.5 Mtpa, respectively. Full production capacity is expected to be reached in October 2012. BDASIA believes that the Lincheng Xingye's construction and expansion schedules for the next two years are generally reasonable and achievable, but any delays in construction and equipment adjustment could cause some short fall of the production target in the initial periods.

Operating Cost

Low to Moderate Risk

Operating costs for the Yanjiazhuang Mine have been estimated by the Sinosteel Institute in a December 2010 pre-feasibility study. These estimates are generally in line with other similar mining operations in China and are supported by Lincheng Xingye's actual initial production operating costs since December 20, 2010. BDASIA would note that no inflation factors have been built into the operating cost estimates and that ore/waste transportation costs will increase slightly every year after the initial several years as the pit deepens and results in an increase in the hauling distances.

Capital Cost

Low

Capital costs for the Phases I/II/III expansions of the Yanjiazhuang Mine have been estimated by the Sinosteel Institute December 2010 pre-feasibility study report and have been adjusted by the Company according to current status of the mine development. Approximately one quarter of the total capital cost estimate has been spent in 2010. The remaining costs are largely based on actual equipment purchase and/or quotes from equipment vendors and construction contractors. The contingency of 10% is considered as appropriate for this stage of the project.

Environment and Community

Low Risk

The Yanjiazhuang Mine has an approved Environmental Impact Assessment for the 3-Mtpa mine production plan, and has subsequently obtained an environmental permit from the Xingtai Environment Protection Bureau ("EPB"), for mining activity at the proposed production level. Lincheng Xingye intends to conduct the environmental management of the project in line with international standards and guidelines.

Lincheng Xingye has worked in conjunction with the relevant authorities to resettle affected residents and provide compensation, in accordance with national laws and regulations. A designated manager chosen from the community has been hired to oversee the resettlement process.

Occupational Health and Safety
Low Risk

The Yanjiazhuang Mine is at the development stage to expand to a 3.0-Mtpa mine. Production permits for the mine and mill as well as safety permit for the mine production have been obtained. A safety permit for the processing plants will be applied for after the construction is completed. Production permits and safety permits for Phase II and Phase III expansion will also be applied for when the construction is completed.

Lincheng Xingye plans to conduct its operations in accordance with the relevant national laws and regulations covering OH&S in mining, production, blasting and explosives handling, mineral processing, TSF design, environmental noise, emergency response, construction, fire protection and fire extinguishment, sanitary provisions, power provisions, labor and supervision.

BDASIA has confirmed with Lincheng Xingye that no fatality has been recorded for the Yanjiazhuang Mine during the period of the Company's ownership and management.

The following discussion is a summary of certain anticipated tax consequences of the operations of the Group and of an investment in the Shares under Hong Kong tax laws, Cayman Islands tax laws and PRC income tax laws. The discussion does not deal with all possible tax consequences relating to our operations or to an investment in the Shares. In particular, the discussion does not address the tax consequences under state, local and other (e.g. non-Hong Kong, non-Cayman Islands and non-Chinese) tax laws. Accordingly, each prospective investor should consult his or her tax advisor regarding the tax consequences of an investment in the Shares. The discussion is based upon law and relevant interpretations thereof, all of which are subject to change.

1. TAXATION OF OUR SHAREHOLDERS

(a) Taxation of Dividends

(i) Hong Kong

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us. Dividends distributed to our shareholders are free of withholding taxes in Hong Kong.

(ii) Cayman Islands

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits or income.

(b) Profits Tax

(i) Hong Kong

Hong Kong does not currently levy any tax on capital gains. However, trading gains from the sale of shares by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 16.5% on corporations and at a maximum rate of 15% on unincorporated businesses.

Trading gains from sales of shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Thus, trading gains from sales of shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong will be chargeable to Hong Kong profits tax.

(ii) Cayman Islands

The Cayman Islands currently levy no taxes on individuals or corporations based upon capital gains or appreciations.

(c) Stamp Duty

(i) Hong Kong

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of our Shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, our Shares transferred on each sale and purchase. In other words, a total of 0.2% of stamp duty is currently payable on a typical sale and purchase transaction of our Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5. Where a sale or purchase of our Shares is effected by a non-Hong Kong resident and any stamp duty payable on the contract notes is not paid, the relevant instrument of transfer (if any) will be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee will be liable to pay such duty.

(ii) Cayman Islands

No stamp duty is payable in the Cayman Islands on the transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands and where documents are brought into the Cayman Islands for execution or enforcement.

(d) Estate Duty**(i) Hong Kong**

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong. No Hong Kong estate duty is payable in respect of holders of the shares whose deaths occur on or after 11 February 2006.

(ii) Cayman Islands

There is no taxation in the nature of inheritance tax or estate duty in the Cayman Islands.

2. TAXATION OF THE GROUP**(a) Taxation of the Group in the PRC****(i) PRC Enterprise Income Tax**

PRC enterprise income tax is calculated based on taxable income determined under PRC accounting principles. In accordance with the former Income Tax Law of the PRC for Foreign Invested Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法) (the “Former Income Tax Law”) and its implementing rules which were annulled as of 1 January 2008, foreign invested enterprises incorporated in the PRC were generally subject to an enterprise income tax rate of 33.0% (30.0% of state income tax plus 3.0% local income tax) prior to 1 January 2008. The Former Income Tax Law and the related implementing rules provide certain favorable tax treatments to foreign invested enterprises. Production-oriented foreign invested enterprises, which are scheduled to operate for a period of ten years or more, are entitled to exemption from income tax for two years commencing from the first profit-making year and 50% reduction of income tax for the subsequent three years. In certain special areas such as coastal open economic areas, special economic zones and economic and technology development zones, foreign invested enterprises were entitled to reduced tax rates, namely: (1) in coastal open economic zones and old urban districts of Special Economic Zones and economic and technology development zones, the tax rate applicable to production-oriented foreign invested enterprises was 24%; (2) the tax rate applicable to foreign invested enterprises located in Special Economic Zones and production-oriented foreign invested enterprises located in economic and technology development zones was 15%; and (3) in coastal open economic zones, old urban districts of Special Economic Zones and economic and technology development zones or other areas stipulated by the State Council, the tax rate applicable to foreign invested enterprises fall within the encouraged industries, such as energy, transportation, port and quay, may be 15%, determining by the State Council.

On 16 March 2007, the National People’s Congress adopted the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “Income Tax Law”). The implementing rules for the Income Tax Law were issued by the State Council on 6 December 2007. The implementing rules and the Income Tax Law became effective on 1 January 2008. The Income Tax Law adopts a uniform tax rate of 25% for all enterprises (including foreign invested enterprises) and revokes the former tax exemption, reduction and preferential treatments applicable to foreign invested enterprises. The Income Tax Law also provides for transitional measures for enterprises established prior to the promulgation of the Income Tax Law and eligible for lower tax rate preferential treatment in accordance with the then prevailing tax laws, and administrative regulations. These enterprises will gradually become subject to the new, unified tax rate over a five-year period from 1 January 2008;

enterprises eligible for periodic tax reductions or exemptions may continue to enjoy tax preferential treatments after the implementation of the Income Tax Law and until their preferential treatments expire. The preferential treatment period for enterprises which have not enjoyed any preferential treatments for the reason of not having made any profits, however, shall be deemed as starting from 1 January 2008. In addition, under the Income Tax Law, the exemption to the 20% income tax on dividends distributed by foreign invested enterprises to their foreign investors under the former tax laws may no longer be available. Generally, if a foreign company has no institution or establishment inside China, or if its income has no actual connection to its institution or establishment inside the territory of China, it shall pay tax on the incomes derived from inside China at a tax rate of 20%.

The State Council issued a Notice on Implementing Transitional Measures for Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知) (the “Notice”) on 26 December 2007. The Notice sets out the detailed implementing rules for Article 57 of the Income Tax Law. In accordance with the Notice, the enterprises that have been approved to enjoy a low tax rate prior to the promulgation of the Income Tax Law will be eligible for a five-year transition period beginning on 1 January 2008, during which the tax rate will be increased incrementally to the 25% unified tax rate set out in the Income Tax Law. From 1 January 2008, for the enterprises whose applicable tax rate was 15% before the promulgation of the Income Tax Law, their tax rate will be increased to 18% for the year of 2008, 20% for 2009, 22% for 2010, 24% for 2011, and 25% for 2012. For the enterprises whose applicable tax rate was 24%, their tax rate will be changed to 25% from 1 January 2008.

(ii) PRC Value-Added Tax (VAT)

Pursuant to the Provisional Regulation of the PRC on VAT (中華人民共和國增值稅暫行條例) and its implementing rules, all entities and individuals that are engaged in the sale of goods, the provision of repairs and replacement services and the importation of goods in China are generally required to pay VAT at a rate of 17% of the gross sales proceeds received except for certain designated goods with VAT at a rate of 13%, less any deductible VAT already paid or borne by the taxpayer. Furthermore, when exporting goods, the exporter is entitled to refund all of VAT that it has already paid or borne.

(iii) Business Tax

Under the Provisional Regulations on Business Tax of the PRC (中華人民共和國營業稅暫行條例) which took effect on 1 January 1994 and has been amended on 10 November 2008 and the provisional implementation rules (中華人民共和國營業稅暫行條例實施細則) which took effect on 25 December 1993, and newly amended on 15 December 2008 with effectiveness as of 1 January 2009, business tax is levied on all enterprises that provide “taxable services”, the assignment or transfer of intangible assets, the sale of immovable property and leasing of immovable properties in the PRC. The rates range from 3% to 20% depending on the type of services provided. The assignment of intangible assets, the sale of immovables and leasing of immovables property attract a tax rate of 5% of gross revenue generated from the relevant transactions of the enterprise. Enterprises are required to pay the business tax to the relevant local tax authorities.

(b) Dividends from Our PRC Operations

The principal regulations governing distribution of dividends of foreign holding companies include the Foreign-funded Enterprises Law of the PRC (中華人民共和國外資企業法) as amended in 2000 and the Foreign-funded Implementation Rules Enterprises Law of the PRC (中華人民共和國外資企業法實施細則) as amended in 2001, and the Company Law of the PRC (中華人民共和國公司法) as amended in 2005.

Under these regulations, foreign-funded enterprises in China may pay dividends only after its deficit of previous years have been made up; if any, determined in accordance with PRC Accounting Standards and Accounting Regulations. In addition, foreign-funded enterprises in China are required to

allocate at least 10% of their respective after tax profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

Under the previous PRC tax laws, regulations and rulings, dividends from our operations in the PRC paid to us by our operating subsidiaries established in the PRC were exempt from any PRC withholding or income tax prior to 1 January 2008. Nevertheless, according to the Income Tax Law, such dividends may be subject to the PRC Enterprise Income Tax.

(c) Taxation of the Group in Hong Kong

We do not consider that any of our income or the income of the Group is derived from or arises in Hong Kong for the purposes of Hong Kong taxation. We will therefore not be subject to Hong Kong taxation.

(d) Taxation of the Group in the Cayman Islands

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) in addition, that no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision).

The undertaking is for a period of twenty years from 13 October 2009.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

3. PRC LAWS AND REGULATIONS CONCERNING FOREIGN EXCHANGE CONTROL

The foreign exchange control system of China has experienced a number of reforms and the current system contains two major regulations since 1993.

The Regulations of the People's Republic of China on the Management of Foreign Exchanges (中華人民共和國外匯管理條例) promulgated by the State Council, implemented on 1 April 1996 and currently amended on 5 August 2008, applies to the receipts, payments or business activities in China that are transacted in foreign currencies by domestic institutions, individuals, foreign representative offices and individuals visiting China. The Regulation on Control of Foreign Exchange Settlements, Sales and Payments (結匯、售匯及付匯管理規定) issued by PBOC on 20 June 1996 and implemented on 1 July 1996 governs the foreign exchange settlements, purchases, foreign exchange account openings and payments to foreign countries that are incurred in China by domestic institutions, individual residents, foreign representative offices in China and individuals visiting China.

PBOC publicizes the exchange rates between RMB and other major foreign currencies on each business day. The exchange rates are determined by reference to the preceding day's trading prices of RMB against major foreign currencies on the inter-bank foreign exchange market. In general and unless special immunity is obtained, all organizations and individuals in China shall sell their exchange income to designated banks, but foreign-funded enterprises are permitted to retain a certain percentage of their exchange income, to be deposited in a foreign exchange bank account opened in designated banks. In addition, exchange income arising from loans from foreign institutions or from issuance of shares or bonds valued in foreign currencies need not be sold to designated banks but shall be deposited in designated foreign exchange accounts with designated banks. Capital foreign exchange must be deposited in foreign exchange accounts opened with designated banks. Beginning from 21 July 2005, China implemented a regulated and managed floating exchange rate system based on market supply and demand by reference to a basket of currencies.

At present, the PRC Government is gradually loosening its control over foreign exchange purchases. Any Chinese enterprise (including foreign-funded enterprises) in need of foreign currencies in their day-to-day business activities, trade and non-trade operations, import business and payment of foreign debts may purchase foreign currencies from designated banks, provided that they submit the required appropriate supporting documents.

In addition, if foreign-funded enterprises are in need of foreign currencies for distributing dividends, capital bonuses or profits to foreign investors, the amount so needed after payment of the appropriate dividend tax may be drawn from the enterprises' foreign exchange accounts maintained with designated banks. If the foreign currency in such an account is insufficient, the foreign-funded enterprise may apply to the government authority in charge for purchasing the necessary amount of foreign currency from a designated bank to cover the deficiency.

Although the foreign exchange control over transactions under current accounts has decreased, enterprises shall obtain approval from SAFE before they accept foreign-currency loans, provide foreign currency guarantees, make investments in foreign countries or carry out any other capital account transactions involving the purchase of foreign currencies.

In foreign exchange transactions, designated banks may freely determine applicable exchange rates based on the rates publicized by PBOC and subject to certain governmental restrictions.

On 21 October 2005, the SAFE issued the SAFE Notice No. 75, which became effective as of 1 November 2005. According to the SAFE Notice No. 75, prior registration with the local SAFE branch is required for PRC residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC. An amendment to registration or filing with the local SAFE branch by such PRC resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore company or overseas funds raised by such offshore company, or any other material change involving a change in the capital of the offshore company.

Moreover, the SAFE Notice No. 75 applies retroactively. As a result, PRC residents who have established or acquired control of offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant registration procedures with the local SAFE branch by 31 March 2006. Under the relevant rules, failure to comply with the registration procedures set forth in the SAFE Notice No. 75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who control the Group from time to time are required to register with the SAFE in connection with their investments in us.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands Companies Law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 September 2009 under the Cayman Islands Companies Law. The Memorandum and Articles comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Islands Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted pursuant to a shareholders' resolution passed on 9 April 2010, conditional upon and with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Composition of the board

Unless otherwise determined by the Company in general meeting, the number of directors shall not be less than three. There is no maximum number of directors.

(ii) Power to allot and issue Shares and warrants

Subject to the Articles, any direction that may be given by the Company in general meeting and, where applicable, the Listing Rules and without prejudice to any special rights or restrictions for the time being attached to any Shares or any class of Shares, all Shares for the time being unissued shall be under the control of the Directors who may designate, re-designate, offer, issue, allot and dispose of the same to such persons, in such manner, on such terms and having such rights and being subject to such restrictions as they may from time to time determine but so that no Shares shall be issued at a discount; and grant options with respect to such Shares and issue warrants, convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of Shares or securities in the capital of the Company on such terms as they may from time to time determine, and, for such purposes, the Directors may reserve an appropriate number of Shares for the time being unissued.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of Shares, to make, or make available, any such allotment, offer, option or Shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Islands Companies Law to be exercised or done by the Company in general meeting.

(iv) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any payment 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 the Company in general meeting.

(v) Loans and provision of security for loans to Directors

There are provisions in the Articles restricting the making of loans or provision of security to Directors.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company.

Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the Shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour 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.

Subject to the Cayman Islands Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the 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 shall any such contract 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 the 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. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of Shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in 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;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of Shares or debentures or other securities of the Company by virtue only of his/their interest in Shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in five percent. or more of the issued Shares or of the voting rights of any class of Shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a Share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the 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 the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of Shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a

managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

(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 a multiple of three, 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 re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy or as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any Shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place.

The office of Director shall also be vacated if:

- (aa) the Director resigns his office by notice in writing to the Company at its registered office or its head office;
- (bb) an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (cc) the Director, without leave, is absent from meetings of Directors (unless an alternate Director appointed by him attends in his place) for a continuous period of 12 months, and the Directors resolve that his office be vacated;
- (dd) the Director becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) the Director ceases to be or is prohibited from being a director by law or by virtue of any provisions in the Articles; or
- (ff) the Director is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

The Directors may from time to time appoint any person, whether or not a Director to hold such office in the Company as the Directors may think necessary for the administration of the Company, including but not limited to, the office of president, one or more vice-presidents, treasurer, assistant treasurer, manager or controller, and for such term and at such remuneration (whether by way of salary or commission or participation in profits or partly in one way and partly in another), and with such powers and duties as the Directors may think fit. Any person so appointed by the Directors may be removed by the Directors. The Directors may also appoint one or more of their number to the office of managing director upon like terms, but any such appointment shall ipso facto determine if any managing director ceases from any cause to be a Director, or if the Company by resolution resolves that his tenure of office be terminated.

The Directors may delegate to any such committee, local board, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorize the members of any such local board, or any of them to fill any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any person so appointed and may annul or vary any such delegation.

(ix) Borrowing powers

The board may exercise all the powers of the Company to borrow money and to mortgage or charge all or part of its undertaking, property and uncalled capital or any part thereof, and subject to the Cayman Islands Companies Law, to issue debentures, debenture stock, and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(x) Proceedings of the Board

The board may meet together with (either within or outside the Cayman Islands) for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(xi) Register of Directors and Officers

The Cayman Islands Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of Directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty days of any change in such Directors or officers.

(b) *Alterations to constitutional documents/ Change of Name*

The Articles may be altered or amended by the Company in general meeting by special resolution. The Cayman Islands Companies Law provides that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Cayman Islands Companies Law:

- (i) increase its capital by such sum, to be divided into Shares of such classes and amount, as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into Shares of larger amount than its existing Shares;
- (iii) convert all or any of its paid up Shares into stock and reconvert that stock into paid up Shares of any denomination;
- (iv) subdivide its Shares, or any of them into Shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in case of the Share from which the reduced Share is derived; or
- (v) cancel any Shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the Shares so cancelled.

The Company may by special resolutions reduce its Share capital and any capital redemption reserve in any manner authorized by law.

(d) Variation of rights of existing Shares or classes of Shares

Whenever the capital of the Company is divided into different classes the rights attached to any such class may, subject to any rights or restrictions for the time being attached to any class, only be materially adversely varied or abrogated with the consent in writing of the holders of not less than three-fourths of the issued Shares of the relevant class, or with the sanction of a resolution passed at a separate meeting of the holders of the Shares of such class by a majority of not less than three-fourths of the votes cast at such a meeting. To every such separate meeting all the provisions of the Articles relating to general meetings of the Company or to the proceedings thereat shall *mutatis mutandis*, apply except that the necessary quorum shall be two persons at least holding or representing by proxy one-third in nominal or par value amount of the issued Shares of the relevant class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those shareholders who are present shall form a quorum) and that, subject to any rights or restrictions for the time being attached to the Shares of that class, every shareholder of the class shall have one vote for each Share of the class held by him.

The rights conferred upon the holders of the Shares of any class issued with preferred or other rights shall not, subject to any rights or restrictions for the time being attached to the Shares of that class, be deemed to be materially adversely varied or abrogated by, *inter alia*, the creation, allotment or issue of further Shares ranking *pari passu* with or subsequent to them or the redemption or purchase of any Shares of any class by the Company.

(e) Transfer of Shares

Transfers of Shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve, which is consistent with the standard form of transfer as prescribed by the Stock Exchange and approved by the Directors. All instruments of transfer must be left at the registered office of the Company or at such other place as the Directors may appoint. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so 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. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any Share which is not fully paid up, and it may also refuse to register any transfer of any Share to more than four joint holders or any transfer of any Share on which the Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of Share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board 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 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to and in accordance with the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles or by advertisement published in any newspapers, be suspended and the register of Shares closed at such times for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended or the register of Shares closed for more than 30 days in each year.

(f) Power for the Company to purchase its own Shares

The Company is empowered by the Cayman Islands Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements of the Listing Rules.

(g) Power for any subsidiary of the Company to own Shares in the Company

There are no provisions in the Articles relating to ownership of Shares in the Company by a subsidiary.

(h) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of adoption of the Articles) at such time and place as may be determined by the board.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by 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 shall be called by notice of at least 21 clear days and not less than 10 clear business days. All other extraordinary general meetings shall be called by notice of at least 14 clear days and not less than 10 clear business days. The notice shall specify the time, place, and agenda of the meeting, particulars of the resolutions to be considered at the meeting and in the case of special business (as defined in the Articles) the general nature of that business. Notice of every general meeting shall be given to all members of the Company (except that in the case of joint holders the notice shall be sufficient if given to the joint holder first named in the share register), the Company's auditors, each Director and alternate Director, the Stock Exchange, and such other person(s) to whom such notice is required to be given in accordance with the Listing Rules.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, if permitted by the Listing Rules, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. in nominal value of the issued Shares giving that right.

All business carried out at a general meeting shall be deemed special with the exception of (a) declaration and sanctioning a dividend; (b) the consideration of the accounts, balance sheets, and any report of the Directors or of the Company's auditors; (c) the election of Directors whether by rotation or otherwise in the place of those retiring; (d) the appointment of the Company's auditors and other officers; (e) the fixing of the remuneration of the company's auditors, and the voting of remuneration or extra remuneration to the Directors; (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued Shares in the capital of the Company representing not more than 20 per cent. in nominal value of its existing issued share capital; and (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

No special business shall be transacted at any general meeting without the consent of all members of the Company entitled to receive notice of that meeting unless notice of such special business has been given in the notice convening that meeting.

(j) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued Shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(k) Special/ Ordinary resolution-majorities required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of such members as, being entitled so to do, vote in person or, in the case of such members being corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice, specifying the intention to propose the resolution as a special resolution, has been duly given, or in writing by all members of the Company entitled to vote at a general meeting of the Company.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of such members as, being entitled to do so, vote in person or, in the case of such members being corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles, or in writing by all members of the Company entitled to vote at a general meeting of the Company.

(l) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any Shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid Share of which he is the holder but so that no amount paid up or credited as paid up on a Share in advance of calls or installments is treated for the foregoing purposes as paid up on the Share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of Shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the Shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(m) Proxies

Any member of the Company entitled to attend and vote at a meeting of the 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 and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and 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.

(n) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Cayman Islands Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the Listing Rules, the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the Directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the Directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(o) Dividends and other methods of distribution

Subject to the Cayman Islands Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of Share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Islands Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any Share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the Shares in respect whereof the dividend is paid but no amount paid up on a Share in advance of calls shall for this

purpose be treated as paid up on the Share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any Shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board 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 up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of Shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of Shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the Shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such Shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the Shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any Share shall bear interest against the Company.

(p) Inspection of register of members

Pursuant to the Articles the principal register and any branch register of members shall be open to inspection for at least two hours on every business day by members without charge. Any branch register held in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the directors may impose) be open to inspection by a member without charge and any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the directors may determine for each inspection.

(q) Call on Shares and forfeiture of Shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any moneys unpaid on the Shares held by them (whether on account

of the nominal value of the Shares or by way of premium). If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person from whom the sum is due shall pay interest upon the sum at the rate of eight per cent. per annum from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the moneys uncalled and unpaid or instalments payable upon any Shares held by him, and upon all or any of the moneys so advanced the Company may pay interest at such rate (not exceeding without the sanction of an Ordinary Resolution, eight per cent. per annum) as may be agreed upon between the member and the board.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating 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 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 board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited Shares and not actually paid before the date of 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 the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the Shares, but this liability shall cease if and when the Company receives payment in full of the amount unpaid on the Shares forfeited.

(r) *Rights of the minorities in relation to fraud or oppression*

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarized in paragraph 3(f) of this Appendix VII.

(s) *Procedures on liquidation*

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution, except where the Company is to be wound up voluntarily because it is unable to pay its debts as they fall due. In such case the resolution shall be an ordinary resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of Shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the Shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the Shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the authority of an ordinary resolution and any other sanction required by the Cayman Islands Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, 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 shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any Shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the Shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the Shares in question (being not less than three in total number) for any sum payable in cash to the holder of such Shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) following the expiry of the 12 year period, the Company has caused an advertisement to be published in accordance with the Listing Rules giving notice of its intention to sell such Shares and a period of three months, or such shorter period as may be permitted by the Stock Exchange, has elapsed since the date of such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Islands Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANIES LAW

The Company is incorporated in the Cayman Islands subject to the Cayman Islands Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of 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) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) 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 of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Islands Companies Law provides that the share premium account may be

applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) in any manner provided in section 37 of the Cayman Islands Companies Law; (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Cayman Islands Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Memorandum and Articles conditionally adopted on 9 April 2010 include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial Assistance to Purchase Shares of a Company or its Holding Company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the Directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of Shares and Warrants by a Company and its Subsidiaries

Subject to the provisions of the Cayman Islands Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of the purchase, a company cannot purchase any of its own shares unless the manner and the terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own 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 Companies law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the Directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands Companies law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and Distributions

With the exception of section 34 of the Cayman Islands Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Islands Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account.

(f) 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 the 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 wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a 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 should be wound up. Or, as an alternative to a winding-up order, the Court may make the following orders: (a) an order regulating the conduct of the company's affairs in the future; (b) an order requiring the company to refrain from doing or continuing an act complained of by the petitioner or to do an act which the petitioner has complained it has omitted to do; (c) an order authorizing civil proceedings to be brought in the name of and on behalf of the company by the petitioner on such terms as the Court may direct; or (d) an order providing for the purchase of the shares of any members of the company by other members or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

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 company's memorandum and articles of association.

(g) 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, 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.

(h) Accounting and Auditing Requirements

A Cayman Islands company shall cause proper books of account, including, which applicable, material underlying documentation including contracts and invoices, 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. Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions. A Cayman Islands company shall cause all its books of account to be retained for a minimum period of five years from the date on which they are prepared.

(i) Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (ii) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 13 October 2009. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to Directors

There is no express provision in the Cayman Islands Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of Corporate Records

Members of the Company will have no general right under the Cayman Islands Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A Cayman Islands exempted company may also maintain a separate register of members in respect of its listed shares. There is no requirement

under the Cayman Islands Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding Up

A company may be wound up by either an order of the Court, voluntarily or subject to the supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily (a) when the period (if any) fixed for the duration of the company by its memorandum or articles of association expires; (b) if the event (if any) occurs, on the occurrence of which the memorandum or articles of association provide that the company is to be wound up; (c) if the company resolves by special resolution that it be wound up voluntarily; or (d) if the company resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company shall from the commencement of its winding up, cease to carry on its business except so far as it may be beneficial for its winding up.

In circumstances where a company is solvent (the directors of the company will need to provide a statutory declaration to this effect), the, company can be wound up by a special resolution of its shareholders, and the liquidation will not require the supervision of the Court. Unless one or more persons have been designated as liquidator or liquidators of the company in the company's memorandum and articles of association, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Alternatively, where the financial position of the company is such that a declaration of solvency cannot be given by the directors, the winding up will be initiated by an ordinary resolution of the company's shareholders and will occur subject to the supervision of the Court. In this case, a licensed insolvency practitioner will need to be appointed as liquidator (known as an official liquidator). The Court may determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. The Court may appoint a foreign practitioner to act jointly with a qualified insolvency practitioner. A person may qualify as an official liquidator if that person holds the qualifications specified in the Insolvency Practitioners Regulations of the Cayman Islands. The Court may appoint a foreign practitioner to act jointly with a qualified insolvency practitioner.

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. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

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 for it. At least 21 days before the meeting the liquidator must send a notice specifying the time, place and object of the meeting to each contributory in any manner authorized by the company's articles of association and published in the Cayman Islands Gazette.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. While a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Mergers and Consolidations

The Cayman Islands Companies Law provides that any two or more Cayman Islands companies limited by shares (other than segregated portfolio companies) may merge or consolidate in accordance with the Cayman Islands Companies Law. The Cayman Islands Companies Law also allows one or more Cayman Islands companies to merge or consolidate with one or more foreign companies (provided that the laws of the foreign jurisdiction permit such merger or consolidation).

To effect a merger or consolidation of one or more Cayman Islands companies the directors of each constituent company must approve a written plan of merger or consolidation in accordance with the Cayman Islands Companies Law. The plan must then be authorized by each constituent company by a special resolution of members and such other authorization, if any, as may be specified in such constituent company's articles of association.

Where a Cayman Islands parent is merging with one or more of its Cayman Islands subsidiaries, shareholder consent is not required if a copy of the plan of merger is given to every member of each subsidiary company to be merged, unless that member agrees otherwise.

To effect a merger or consolidation of one or more Cayman Islands companies with one or more foreign companies, in addition to the approval requirements applicable to the merger or consolidation of Cayman Islands companies (in relation to Cayman Islands company(ies) only), the merger or consolidation must also be effected in compliance with the constitutional documents of, and laws of the foreign jurisdiction applicable to, the foreign company(ies).

(q) Compulsory Acquisition

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than ninety per cent of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(r) Indemnification

Cayman Islands Companies law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Walkers, the Company's legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of the Cayman Islands Companies 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 IX to this Prospectus. Any person wishing to have a detailed summary of the Cayman Islands Companies 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 COMPANY**1. *Incorporation***

The Company was incorporated in the Cayman Islands as an exempted company under the Companies Law on 25 September 2009. The Company has established a place of business in Hong Kong at Rooms 1502-5, 15th Floor, New World Tower, 16-18 Queen's Road Central, Hong Kong. The Company was registered with the Companies Registry as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance on 13 April 2010. Ho Siu Mei of Rooms 1502-5, 15th Floor, New World Tower, 16-18 Queen's Road Central, Hong Kong has been appointed as the authorized representative of the Company for acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitutional documents comprising the Memorandum and the Articles. A summary of various provisions of its constitutional documents and relevant aspects of the Companies Law is set out in Appendix VII to this Prospectus.

2. *Changes in share capital of the Company*

The Company was incorporated on 25 September 2009 with an authorized share capital of HK\$350,000 divided into 3,500,000 Shares of HK\$0.10 each, one of which was allotted and issued for cash at par value of HK\$0.10 to Start Well. Pursuant to a written resolution of the then existing Shareholder passed on 16 December 2009, the authorized share capital of the Company was increased to HK\$1,000,000,000 divided into 10,000,000,000 Shares of HK\$0.10 each.

On 6 January 2010, Start Well transferred its one share in the Company to Mr. Zhao for US\$1. On 15 January 2010, Mr. Zhao transferred his one share in the Company to Faithful Boom for a nominal consideration of US\$1 satisfied by the issuance of one share in Faithful Boom to Mr. Zhao. On 15 January 2010, Faithful Boom transferred to the Company its 100.0% interests in Venca to the Company at a consideration of US\$11,027,000 (determined after negotiations at arm's length based on the Group's consolidated net asset value and the amounts due to shareholders as of 13 November 2009) which was satisfied by the issuance of 1,000 shares by the Company to Faithful Boom. Upon completion, the Company became a wholly-owned subsidiary of Faithful Boom which holds a total of 1,001 shares of the Company.

Assuming that the Global Offering becomes unconditional, the Capitalization Issue is completed and the Offer Shares are issued but not taking into account any Shares which may be issued upon the exercise of the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme, the issued share capital of the Company will be HK\$400,000,000 divided into 4,000,000,000 Shares fully paid or credited as fully paid, with 6,000,000,000 Shares remaining unissued.

Save as disclosed in this Appendix, there has been no alteration in the share capital of the Company since its incorporation.

3. *Written resolutions of the Shareholders passed on 9 April 2010, 25 January 2011, 8 June 2011 and 10 June 2011*

On 9 April 2010, written resolutions of the then existing Shareholder were passed to approve and adopt, among other things, the following:

- (a) the Company conditionally approved and adopted the Articles, the provisions of which are summarized in Appendix VII to this Prospectus;
- (b) the rules of the Share Option Scheme and our Directors were authorized to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant thereto and to take all such steps and attend all such matters as they consider necessary, desirable or expedient to implement the Share Option Scheme, including without limitation:
 - (1) administering the Share Option Scheme;
 - (2) modifying and/or amending the Share Option Scheme from time to time provided that such modification and/or amendment was effected in accordance with the provisions of the Share Option Scheme relating to modification and/or amendment and the requirements of the Listing Rules;
 - (3) granting options under the Share Option Scheme and allotting and issuing from time to time any Shares pursuant to the exercise of the options that may be granted under the Share Option Scheme with an aggregate number not exceeding 10% of the total nominal value of Shares in issue as at the Listing Date, immediately following the completion of the Global Offering and the Capitalization Issue; and
 - (4) making application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme.

On 25 January 2011, written resolutions of the then existing Shareholder were passed to approve and adopt, among other things, the rules of the Pre-IPO Share Option Scheme, the principal terms of which are set out in the paragraph headed “Pre-IPO Share Option Scheme” in this Appendix and our Directors were authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.

On 8 June 2011 and 10 June 2011, written resolutions of the then existing Shareholder were passed on, among other things, the following:

- (a) conditional on the conditions as stated in the section headed “Structure of the Global Offering – Conditions of the Global Offering” in this Prospectus being fulfilled or waived:
 - (i) the Global Offering was approved and the Directors were authorized to allot and issue up to 800,000,000 additional Shares for subscription; and
 - (ii) the share premium account of the Company was approved to be credited as a result of the issue of the Offer Shares pursuant to the Global Offering; and conditional on the share premium account of the Company being credited as a result of the issue of Offer Shares pursuant to the Global Offering, an amount of HK\$319,999,899.9 (then standing to the credit of the share premium account of the Company) be capitalized and applied in full at par value of a total of 3,199,998,999 Shares for allotment and issue to holders of Shares whose names appear on the register of members of the Company at close of business on the Latest Practicable Date (or as they may direct in writing) in the following manner;

- (b) a general unconditional mandate (the “**Issue Mandate**”) was given to Directors to allot, issue and deal with (including the power to grant any offers, agreements or option which would or might require shares to be issued, allotted or disposed of, whether during continuance of such mandate or thereafter) Shares other than pursuant to the Global Offering, issued as a result of rights issue, scrip dividend or similar arrangement pursuant to the Articles from time to time, upon the exercise of rights of subscription or conversion attached to any warrants of the Company or upon the exercise of rights of subscription attached to any options which may be granted pursuant to the Share Option Scheme or the Pre-IPO Share Option Scheme or similar arrangement or a specific authority granted by the shareholders of the Company, with an aggregate nominal value not exceeding (i) 20% of the aggregate nominal value of the share capital of the Company in issue and to be issued immediately following completion of the Global Offering and the Capitalization Issue and (ii) the aggregate nominal value of Shares repurchased under the authority granted to the Directors as referred to in paragraph (d) below, until:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law of the Cayman Islands to be held; or
 - (iii) the revocation or variation by an ordinary resolution of the members in a general meeting, whichever is the earliest; and
- (c) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorizing them to exercise all powers of the Company to repurchase Shares on the Stock Exchange or any other stock exchange on which the Shares may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Listing Rules or equivalent rules or regulations of such other stock exchange, with an aggregate nominal value of not exceeding 10% of the aggregate nominal value of the share capital of the Company in issue and to be issued immediately following completion of the Global Offering and the Capitalization Issue, until:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law of the Cayman Islands to be held; or
 - (iii) the revocation or variation by an ordinary resolution of the members in a general meeting, whichever is the earliest.

4. Reorganization

In preparation for the listing of the Shares on the Stock Exchange, the Group underwent the Reorganization. A diagram showing the corporate structure of the Group immediately after the Reorganization is set out in the section headed “History, Reorganization and Corporate Structure” in this Prospectus.

Details of the Reorganization undertaken are as follows:

1. On 25 September 2009, the Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with an authorized share capital of HK\$350,000 divided into 3,500,000 Shares of HK\$0.10 each.
2. On 25 September 2009, one subscriber Share was allotted and issued to Start Well at par value and on 16 December 2009 the authorized share capital of the Company was increased to HK\$1,000,000,000 divided into 10,000,000,000 Shares of HK\$0.10 each.

3. On 10 September 2009, Mr. Liu acquired Liu SPV while on 28 September 2009, Mr. Zhao and Mr. Chen acquired Zhao SPV and Chen SPV, respectively.
4. On 14 November 2009, Standlink transferred 2.0% interest in Faithful Boom to Start Well, for a consideration of US\$220,540, (determined after negotiations at arm's length and based on the consolidated net asset value of the Group and the amounts due to shareholders as of 13 November 2009 and payable on demand).
5. On 14 November 2009, Mr. Chen transferred 1.0% interest in Faithful Boom to Start Well for a consideration of US\$110,270 (determined after negotiations at arm's length and based on the consolidated net asset value of the Group and the amounts due to shareholders as of 13 November 2009 and payable on demand).
6. On 14 November 2009, Mr. Chen transferred 11.0% interest in Faithful Boom to Mr. Liu for a consideration of US\$1,212,970 (determined after negotiations at arm's length based on the consolidated net asset value of the Group and the amounts due to shareholders as of 13 November 2009 and payable on demand).
7. On 9 November 2009, Mr. Sin acquired Aleman and on 14 November 2009 directed the transfer of the 7.0% equity interest in Faithful Boom held by Start Well to Aleman for a consideration of US\$771,890 (determined after negotiations at arm's length and based on the consolidated net asset value of the Group and the amounts due to shareholders as of 13 November 2009 and payable on demand).
8. On 12 November 2009, Xingye Mining transferred of its shares in Guomu Nangou Mining Ltd. amounting to 99.0% interest in Guomu Nangou Mining Ltd. to Wang Zhixiong who is a third party independent from the Company for a consideration of RMB1 and the assumption of debts of Guomu Nangou Mining Ltd. amounting to RMB13,200,000 owing to Mr. Zhao, Mr. Chen and Mr. Liu.
9. On 6 January 2010, Start Well transferred its one share in the Company to Mr. Zhao for US\$1. On 15 January 2010, Mr. Zhao transferred his one share in the Company to Faithful Boom for a nominal consideration of US\$1 satisfied by the issuance of one share in Faithful Boom to Mr. Zhao. On 15 January 2010, Faithful Boom transferred to the Company its 100% interests in Venca to the Company at a consideration of US\$11,027,000 (determined after negotiations at arm's length based on the Group's consolidated net asset value and the amounts due to shareholders as of 13 November 2009) which was satisfied by the issuance of 1,000 Shares by the Company to Faithful Boom. Upon completion, the Company became a wholly-owned subsidiary of Faithful Boom.
10. On 8 March 2010, Mr. Zhao, Mr. Chen and Mr. Liu transferred their respective shares in Faithful Boom to Perfect Move at an aggregate consideration of US\$9,814,030 (determined after negotiations at arm's length based on the Group's consolidated net asset value and the amounts due to shareholders as at 13 November 2009) which was satisfied by the issuance of 572, 146 and 281 shares by Perfect Move to Zhao SPV, Chen SPV and Liu SPV respectively. Upon completion, Zhao SPV, Chen SPV and Liu SPV owned 57.3%, 14.6% and 28.1%, respectively, of the issued share capital in Perfect Move. Through Perfect Move, Mr. Zhao, Mr. Chen and Mr. Liu indirectly owned 51.0%, 13.0% and 25.0%, respectively, in the issued share capital of Faithful Boom while Mr. Yip (through Standlink) and Mr. Sin (through Aleman) indirectly own 4.0% and 7.0%, respectively, of the issued share capital of Faithful Boom.
11. On 8 March 2010, Venca acquired the entire interest in Jet Bright. On 9 March 2010, Venca entered into an agreement with Jet Bright to transfer its 99.0% equity interest in Xingye Mining to Jet Bright. Jet Bright became the holding company of Xingye Mining.

12. The Company was registered with the Companies Registry as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance on 13 April 2010.
13. On 28 January 2011, Modern Global and Fast Fortune acquired all the interests held by Standlink and Aleman in Faithful Boom at the consideration of US\$11,322,000 and US\$19,814,000 respectively, so that Faithful Boom was then held as to 89% by Perfect Move, 6.6% by Modern Global and 4.4% by Fast Fortune.
14. On 2 March, 2011, Li Yuan transferred 1% interest in Xingye Mining to Tianjin Chuangji for a consideration of US\$300,000.
15. On 28 January 2011 and 18 February 2011, Modern Global and Fast Fortune acquired the interests held by Chen SPV and Liu SPV in Perfect Move at an aggregate consideration of approximately US\$36.8 million paid to Chen SPV and approximately US\$70.8 million paid to Liu SPV, so that all the issued shares of Perfect Move are held as to 60% by Modern Global and as to 40% by Fast Fortune.
16. On 15 June 2011, VMS, NWS Mining, Modern Global, Fast Fortune, Perfect Move, Pioneer Vast, Star Valiant and Faithful Boom entered into a reorganisation agreement pursuant to which:
 - (a) Fast Fortune agreed to transfer 40% of shares of Perfect Move to Modern Global. After completion of the transfer, Perfect Move is wholly-owned by Modern Global;
 - (b) Modern Global agreed to transfer 6.6% of shares of Faithful Boom to Perfect Move and Fast Fortune agreed to transfer 4.4% of shares of Faithful Boom to Perfect Move. After completion of the transfer, Faithful Boom is wholly-owned by Perfect Move;
 - (c) each of Pioneer Vast and Star Valiant and Faithful Boom agreed that upon completion of (a) and (b) above, all the rights and obligations of the parties under the Exchangeable Bonds and related documents shall terminate, including without limitation, the outstanding EOD Redemption Amount owing by Faithful Boom to Pioneer Vast and Star Valiant. It was also agreed that any breaches (if any) under the Exchangeable Bonds shall be waived without any further obligations or liabilities on the part of Faithful Boom;
 - (d) all loans provided to Faithful Boom by Fast Fortune shall be waived upon completion of (a) and (b) above;
 - (e) Faithful Boom agreed to transfer 40% of the Shares to Fast Fortune upon completion of (a) and (b) above. After completion of the transfer, the Company is 40% owned by Fast Fortune and 60% owned by Faithful Boom; and
 - (f) Faithful Boom undertook to waive, upon completion of (a) and (e) above and the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions thereof), and such obligations not being terminated in accordance with the terms of the Underwriting Agreements, all outstanding loans owing by our Company to Faithful Boom save and except for an amount that is equal to 10% of the net proceeds to be received by us from the Global Offering, which amount is expected to be used by our Company to repay the unwaived portion of the loans from Faithful Boom upon Listing.
17. Conditional on the share premium account being credited as a result of the Global Offering, our Directors will be authorized to capitalize the amount of HK\$319,999,899.9 from such account and applying such sum in paying up in full at par a total of 3,199,998,999 Shares for allotment and issue to our then shareholders.

5. *Changes in share capital of subsidiaries*

Our Company's subsidiaries are listed in the accountants' report, the text of which is set out in Appendix I to this Prospectus.

The following alterations in the share capital of the Company's principal subsidiary took place within the two years immediately preceding the date of this Prospectus:

Xingye Mining

1. On 17 August 2009, the registered capital of Xingye Mining was approved to increase from US\$2 million to US\$12 million, which had been fully paid up on 10 February 2010.
2. On 21 February 2010, the Company received approval to increase the registered capital of Xingye Mining from US\$12 million to US\$20 million, which had been fully paid up on 7 July 2010.
3. On 30 July 2010, the Company received approval to further increase the registered capital of Xingye Mining from US\$20 million to US\$30 million, which had been fully paid up on 7 January 2011.

Save as disclosed in this Prospectus and except for as referred to in the paragraph headed "Reorganization" above in this Appendix, there has been no change in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this Prospectus.

6. *Salient features of the Company's subsidiary established in the PRC*

The salient features of the Company's subsidiary established in the PRC are as follows:

臨城興業礦產資源有限公司 (Lincheng Xingye Mineral Resources Co., Ltd.)

Date of establishment:	10 May 2006
Registered capital:	US\$30 million
Term of operation:	10 May 2006 to 9 May 2056
Scope of business:	Deep processing of copper, aluminum, zinc, basalt, diabase dykes and quartzite; mining and deep processing of iron ore; sale of the products of the Company
Group's attributable percentage interest:	99.0%
Owner of the registered capital:	99.0% by Jet Bright 1.0% by Tianjin Chuangji

7. *Repurchase by the Company of its own securities*

This section sets out information required by the Stock Exchange to be included in this Prospectus concerning the repurchase by the Company of its own securities.

(a) **Provisions of the Listing Rules**

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders' Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by special approval of a particular transaction.

On 8 June 2011, our Directors were granted a general unconditional mandate to repurchase the Shares as referred to in the paragraph headed "A. Further Information about Our Company – 3. Written resolutions of the Shareholders passed on 9 April 2010, 25 January 2011, 8 June 2011 and 10 June 2011" above in this Appendix on the Stock Exchange or other stock exchange on which Shares may be listed and recognized by the SFC and the Stock Exchange for this purpose (the "**Repurchase Mandate**"). The Repurchase Mandate will be exercisable upon Listing and will expire at the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws to be held, or when revoked or varied by ordinary resolution of the Shareholders, whichever shall first occur (the "**Relevant Period**").

(ii) *Source of Funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Listing Rules, the Memorandum and the Articles and the applicable laws of the Cayman Islands. The 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. Subject to the foregoing, any repurchases by the Company may be made out of the Company's funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of the Company's share premium account.

(iii) *Trading Restrictions*

The total number of Shares which the Company may repurchase on the Stock Exchange is the number of Shares representing up to a maximum of 10.0% of the aggregate number of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering. The Company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the Company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, the Company is prohibited from repurchasing its Shares on the Stock Exchange if the purchase price is 5.0%

or more than the average closing market price for the five preceding trading days on which its Shares were traded on the Stock Exchange. The Listing Rules also prohibit the Company from repurchasing its securities which will result in Shares held by the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. The Company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of Repurchase

The Company may not make any repurchase of securities 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, during the period of one month immediately preceding the earlier of: (aa) 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 the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for publication of an announcement of the 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), the Company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if the Company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities 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 following business day. In addition, the Company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) Connected Persons

Our Company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the Company or any of its subsidiaries or their associates (as defined in the Listing Rules) and a connected person is prohibited from knowingly selling his securities to the Company.

(b) Reasons for Repurchases

Our Directors believe that it is in the best interests of the Company and the Shareholders as a whole for our Directors to have general authority from the Shareholders 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 when our Directors believe that such repurchases will benefit the Company and the Shareholders as a whole.

(c) Funding of Repurchases

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Articles, the applicable laws of the Cayman Islands and the Listing Rules.

On the basis of the current financial position of the Group as disclosed in this Prospectus and taking into account the current working capital position of the Group, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this Prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for the Group.

(d) General

Exercise in full of the Repurchase Mandate, on the basis of 4,000,000,000 Shares in issue immediately after the Listing, could accordingly result in up to 400,000,000 Shares being repurchased by the Company during the Relevant Period.

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 Shares to the Company or its subsidiaries.

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, the Memorandum and the Articles and the applicable laws of the Cayman Islands. 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, the Memorandum and the Articles and the applicable laws of Cayman Islands.

No connected person (as defined in the Listing Rules) has notified the Company that he or she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

No purchase of Shares has been made by the Company within six months prior to the date of this Prospectus.

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this Prospectus and are or may be material:

- (a) an amendment agreement dated 26 June 2009 entered into between Lincheng County Li Yuan Mining Co. Ltd. (臨城縣利源礦業有限公司) and Venca Investments Limited to amend the articles of association and the agreement dated 28 November 2007 of Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司);
- (b) an amendment agreement dated 17 August 2009 entered into between Lincheng County Li Yuan Mining Co. Ltd. (臨城縣利源礦業有限公司) and Venca Investments Limited to amend the articles of association and the agreement dated 28 November 2007 of Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司) to increase the total investment and registered capital of Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司) from US\$2,800,000 to US\$30,000,000 and from US\$2,000,000 to US\$12,000,000, respectively;
- (c) an equity transfer agreement dated 9 November 2009 entered into between Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司) (as vendor), Wang Zhixiong (王志雄) (as purchaser) and Wang Jiangping (王江平) (as the other joint venture party) in respect of the transfer of 99% interest in Lincheng County Guomu Nangou Mining Ltd. (臨城縣果木南溝鐵礦有限公司) at a consideration of RMB1 and an undertaking by Wang Zhixiong (王志雄) to repay the shareholders' loan of Lincheng County Guomu Nangou Mining Ltd. (臨城縣果木南溝鐵礦有限公司) of RMB13.2 million in aggregate;
- (d) a share purchase agreement dated 15 January 2010 entered into by Faithful Boom Investments Limited (as seller) and our Company (as purchaser) in respect of the transfer of 1,000 shares in Venca Investments Limited by Faithful Boom Investments Limited to the Company at a consideration of US\$11,027,000 and the allotment and issue of 1,000 Shares to Faithful Boom Investments Limited by our Company;
- (e) a security agency agreement dated 22 January 2010 entered into by Zhao Hao Fu, Chen Zhiqing, Liu Hui, Faithful Boom Investments Limited, our Company and Venca Investments Limited (as obligors) with 8W APO Holdings, Ltd., Long Tree Investment Limited and China Gate Worldwide Limited (as secured creditors) and Citicorp International Limited (as security agent), in connection with the respective rights and priorities of 8W APO Holdings, Ltd., Long Tree Investment Limited and China Gate Worldwide Limited with respect to certain personal property of Zhao Hao Fu, Chen Zhiqing, Liu Hui, Faithful Boom Investments Limited, our Company and Venca Investments Limited and all proceeds thereof;
- (f) a deed of security dated 22 January 2010 entered into by our Company (as chargor) and Citicorp International Limited (as security agent) in respect of the charge of all present and future assets of our Company that are the subject of the security created thereunder in favour of Citicorp International Limited;
- (g) a deed of security and account charge dated 22 January 2010 entered into by Venca Investments Limited (as chargor) and Citicorp International Limited (as security agent) in

respect of the charge of all present and future assets and certain bank account of Venca Investments Limited that are the subject of the security created thereunder in favour of Citicorp International Limited;

- (h) a share mortgage dated 22 January 2010 entered into by our Company (as mortgagor) and Citicorp International Limited (as security agent) in respect of the mortgage of all the shares and related rights held by the Company in Venca Investments Limited in favour of Citicorp International Limited;
- (i) an equity pledge agreement dated 22 January 2010 entered into by Venca Investments Limited (as pledgor), Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司) (as company) and Citicorp International Limited (as security agent) in respect of the pledge of the equity interests held by Venca Investments Limited in Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司) to Citicorp International Limited;
- (j) an amendment agreement dated 20 February 2010 entered into between Lincheng County Li Yuan Mining Co. Ltd. (臨城縣利源礦業有限公司) and Venca Investments Limited to amend the articles of association of Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司) to increase the registered capital of Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司) from US\$12,000,000 to US\$20,000,000;
- (k) an instrument of transfer and bought and sold notes dated 8 March 2010 entered into by Easytime Development Limited (as transferor) and Venca Investments Limited (as transferee) in respect of the transfer of 1 share in Jet Bright Limited at a consideration of HK\$1;
- (l) an equity transfer agreement dated 9 March 2010 entered into between Venca Investments Limited (as vendor), Lincheng County Li Yuan Mining Co. Ltd. (臨城縣利源礦業有限公司) (as the other joint venture party) and Jet Bright Limited (as purchaser) in respect of the transfer of 99.0% interest in Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司) from Venca Investments Limited to Jet Bright Limited at a consideration of US\$1;
- (m) an obligor counterpart security agency agreement dated 1 May 2010 executed by Jet Bright Limited under which Jet Bright Limited became an “obligor” under the security agency agreement dated 22 January 2010 (as described in paragraph (e) above);
- (n) a deed of security dated 1 May 2010 entered into by Jet Bright Limited (as chargor) and Citicorp International Limited (as security agent) in respect of the charge of all present and future assets of Jet Bright Limited that are the subject of the security created thereunder in favour of Citicorp International Limited;
- (o) a share mortgage dated 1 May 2010 entered into by Venca Investments Limited (as mortgagor) and Citicorp International Limited (as security agent) in respect of the mortgage of all the shares and related rights held by Venca Investments Limited in Jet Bright Limited in favour of Citicorp International Limited;
- (p) an equity pledge agreement dated 18 May 2010 entered into by Jet Bright Limited (as pledgor), Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司) (as company) and Citicorp International Limited (as security agent) in respect of the pledge of the equity interests held by Jet Bright Limited in Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司) to Citicorp International Limited;
- (q) an amendment agreement dated 20 July 2010 entered into between Lincheng County Li Yuan Mining Co. Ltd. (臨城縣利源礦業有限公司) and Jet Bright Limited to amend the articles of association and the agreement dated 28 November 2007 of Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司) to increase the registered capital of Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司) from US\$20,000,000, to US\$30,000,000;

- (r) a cornerstone investment agreement dated 30 May 2011 entered into among Citigroup Global Markets Asia Limited, Macquarie Capital Securities Limited, Plus All Holdings Limited and our Company in relation to the subscription by Plus All Holdings Limited for the maximum number of Shares (rounded down to the nearest board lot) as may be purchased with an amount of HK\$200 million at the Offer Price as part of the International Placing;
- (s) a deed of release dated 15 June 2011 entered into between Citicorp International Limited and our Company, pursuant to which all the security interests created by our Company under the deed of security dated 22 January 2010 as described in paragraph (f) above were released and discharged;
- (t) a deed of release dated 15 June 2011 entered into between Citicorp International Limited and Venca Investments Limited, pursuant to which all the security interests created by Venca Investments Limited under the deed of security and account charge dated 22 January 2010 as described in paragraph (g) above were released and discharged;
- (u) a deed of release dated 15 June 2011 entered into between Citicorp International Limited and our Company, pursuant to which all the security interests created by our Company under the share mortgage dated 22 January 2010 as described in paragraph (h) above were released and discharged;
- (v) a release of pledge dated 15 June 2011 entered into among Venca Investments Limited, Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司) and Citicorp International Limited, pursuant to which the pledge of all the equity interests created under the equity pledge agreement dated 22 January 2010 as described in paragraph (i) above was released and discharged;
- (w) a deed of release dated 15 June 2011 entered into between Citicorp International Limited and Jet Bright Limited, pursuant to which all the security interests created by Jet Bright Limited under the deed of security dated 1 May 2010 as described in paragraph (n) above were released and discharged;
- (x) a deed of release dated 15 June 2011 entered into between Citicorp International Limited and Venca Investments Limited, pursuant to which all the security interests created by Venca Investments Limited under the share mortgage dated 1 May 2010 as described in paragraph (o) above were released and discharged;
- (y) a release of pledge dated 15 June 2011 entered into among Jet Bright Limited, Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司) and Citicorp International Limited, pursuant to which the pledge of all the equity interests created under the equity pledge agreement dated 18 May 2010 as described in paragraph (p) above was released and discharged;
- (z) a cornerstone investment agreement dated 16 June 2011 entered into among Citigroup Global Markets Asia Limited, Macquarie Capital Securities Limited, Plus All Holdings Limited, Shougang Holding (Hong Kong) Limited and our Company in relation to the subscription by Shougang Holding (Hong Kong) Limited for the maximum number of Shares (rounded down to the nearest board lot) as may be purchased with an amount of HK\$400 million at the Offer Price as part of the International Placing and termination of the cornerstone investment agreement dated 30 May 2011 as described in paragraph (r) above, further details of which are set out in the section headed “Cornerstone Investor” in this Prospectus; and
- (aa) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

The following intellectual property rights are or may be material in relation to the Group's business:

(a) Trademarks

As at the Latest Practicable Date, the Group has registered the following trademark:

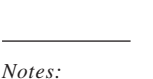
Trademark	Registered Owner	Place of Registration	Expiry Date	Class	Registration Number
 CHINA TIAN YUAN MINING LTD 中國天源礦業有限公司	The Company	Hong Kong	8 November 2019	37	301469971

**Note:*

Products or services covered under Class 37: mining extraction, mining services

As of the Latest Practicable Date, we have filed the following trademark applications in respect of our logo:

Trademark	Classes	Place of Application	Application Number	Date of Application/Filing
 NEWTON RESOURCES LTD	4, 6, 7, 35, 37, 39, 40, 42	Hong Kong	301818838	24 January 2011
 NEWTON RESOURCES LTD				
 新礦資源有限公司 NEWTON RESOURCES LTD	4, 6, 7, 35, 37, 39, 40, 42	Hong Kong	301818865	24 January 2011
 新礦資源有限公司 NEWTON RESOURCES LTD				
 新礦資源 NEWTON RESOURCES	4, 6, 7, 35, 37, 39, 40, 42	Hong Kong	301818883	24 January 2011
 新礦資源 NEWTON RESOURCES				
 新礦資源有限公司	4, 6, 7, 35, 37, 39, 40, 42	Hong Kong	301818829	24 January 2011

Trademark	Classes	Place of Application	Application Number	Date of Application/Filing
 新礦資源有限公司	4, 6, 7, 35, 37, 39, 40, 42	Hong Kong	301818856	24 January 2011
 NEWTON RESOURCES				
 NEWTON RESOURCES				
 新礦資源 NEWTON RESOURCES	4, 6, 7, 35, 37, 39, 40, 42	Hong Kong	301818892	24 January 2011
 新礦資源 NEWTON RESOURCES				
 新礦資源有限公司 NEWTON RESOURCES LTD				
 新礦資源有限公司 NEWTON RESOURCES LTD	4, 6, 7, 35, 37, 39, 40, 42	Hong Kong	301818847	24 January 2011
 新礦資源				
 新礦資源				
 新礦資源	4, 6, 7, 35, 37, 39, 40, 42	Hong Kong	301818900	24 January 2011
				
				

Notes:

Class 4: Industrial oils and greases; fuels; fuel gas; vaporized fuel mixtures; fuel oil; fuel with an alcoholic base; crude oil; natural gas; anthracite; combustible briquettes; coal; coal briquettes; coal dust (fuel); coal naphtha; coal tar oil; combustible oil; diesel oil; electrical energy; gas for lighting; gas oil; producer gas; solidified gas (fuel); gasoline; kerosene; lighting fuel; lignite; ligroin; oil for the preservation of masonry; mineral fuel; all included in Class 4

Class 6: Common metals and their alloys; alloys including iron alloys; iron ores; mineral ores; iron slabs; iron strip; ores of metal; iron, unwrought or semi-wrought; metallic powders; iron sheet, tubes and extrusions; ferrous and non ferrous matters and ores; ores; chrome ores; galena (ore); metals in powder form; chrome iron; molybdenum iron; silicon iron; nozzles of metal; all included in Class 6

- Class 7: Coalcutting machines; apparatus for dressing; extractors for mines; haulage apparatus (mining); mine borers; mining and drilling machines; machine tools and apparatus for geoexploration; mining and dressing; floatation engines; mine washing machines; mine windlass; mine drainage pumps; sound controlled spray devices; hauling apparatus (minery); mineworking machines; sifting machines; drill bits (parts of machines); drill chucks (parts of machines); drill chisels; drill buttons; drilling rigs; grinding machines; sharpening machines; grindstones (parts of machines); feeders (parts of machines); belt conveyors (parts of machines); pneumatic transporters; conveyors (machines); pulleys; hammers (parts of machines); pneumatic hammers; pneumatic controls for machines; motors and engines; pneumatic vibrators (machines) for industrial use; cutting machines; blades (parts of machines); blade holders (parts of machines); handling apparatus for loading and unloading; diggers (machines); excavators; loading machines; all included in Class 7
- Class 35: Retailing and wholesaling of common metals and their alloys; retailing and wholesaling of metals, titanium, iron, iron ore, ores of metal, metal powders, steel, rutile, zircon, sillimanite, aluminium and magnesium; promotion of environmental responsibility; marketing and business services such as sales services in the mining industry, including iron ore, base metals and common metals; price comparing services; import-export services; marketing analysis; public relations; marketing research; professional business consultancy; sales promotion (for others); all included in Class 35
- Class 37: Mining extraction services; mining services; information consultancy and advisory services relating to mining and mining extraction; construction and construction engineering services; quarrying services; drilling of wells; installation, maintenance and repair of machinery and equipment; furnace and smelter installation and repair; installation and repair of freezing equipment; rental of automotive machinery for use in mining; all included in Class 37
- Class 39: Transport; packaging and storage of goods; electricity distribution; distribution of energy; all included in Class 39
- Class 40: Treatment and processing of metals, minerals, iron and ores; generation of gas and liquefied gas; processing of fuels and of other sources of energy; gas processing services; refining services in relation to minerals, iron and ores; chemical and metal extraction and processing; metals casting, refining, recycling services; production of energy; metal plating; decontamination of hazardous materials; all included in Class 40
- Class 42: Scientific and technological services and research and design relating thereto; industrial analysis and research services; mineral and chemical analysis of iron ores and mineral ores; engineering services for exploration, mining, and treatment of iron ores and mineral ores; consultancy in the field of energy-saving; research in the field of environmental protection; surveying; technical research; material testing; quality control; geological surveys; ore and metals prospecting and mine exploitation; geophysical exploration for the mining industry; technological advisory services relating to mining machines; data mining services; all included in Class 42

As of the Latest Practicable Date, we have filed the following trademark applications in respect of our logo:

Trademark	Class	Place of Application	Application Number	Date of Application/Filing
	4	PRC	9112054	1 February 2011
	6	PRC	9112055	1 February 2011
	7	PRC	9111085	1 February 2011
	35	PRC	9111086	1 February 2011
	37	PRC	9111087	1 February 2011
	39	PRC	9111088	1 February 2011

Trademark	Class	Place of Application	Application Number	Date of Application/Filing
	40	PRC	9111089	1 February 2011
	42	PRC	9111090	1 February 2011
	4	PRC	9111091	1 February 2011
 新礦資源 NEWTON RESOURCES	6	PRC	9111092	1 February 2011
 新礦資源 NEWTON RESOURCES	7	PRC	9111093	1 February 2011
 新礦資源 NEWTON RESOURCES	35	PRC	9111094	1 February 2011
 新礦資源 NEWTON RESOURCES	37	PRC	9111075	1 February 2011
 新礦資源 NEWTON RESOURCES	39	PRC	9111076	1 February 2011
 新礦資源 NEWTON RESOURCES	40	PRC	9111077	1 February 2011
 新礦資源 NEWTON RESOURCES	42	PRC	9111078	1 February 2011
 新礦資源 NEWTON RESOURCES	4	PRC	9111079	1 February 2011
 新礦資源 NEWTON RESOURCES	6	PRC	9111080	1 February 2011
 新礦資源 NEWTON RESOURCES	7	PRC	9111081	1 February 2011

Trademark	Class	Place of Application	Application Number	Date of Application/Filing
 新礦資源 NEWTON RESOURCES	35	PRC	9111082	1 February 2011
 新礦資源 NEWTON RESOURCES	37	PRC	9111083	1 February 2011
 新礦資源 NEWTON RESOURCES	39	PRC	9111084	1 February 2011
 新礦資源 NEWTON RESOURCES	40	PRC	9111065	1 February 2011
 新礦資源 NEWTON RESOURCES	42	PRC	9111066	1 February 2011
 新礦資源	4	PRC	9111067	1 February 2011
 新礦資源	6	PRC	9111068	1 February 2011
 新礦資源	7	PRC	9111069	1 February 2011
 新礦資源	35	PRC	9111070	1 February 2011
 新礦資源	37	PRC	9111071	1 February 2011
 新礦資源	39	PRC	9111072	1 February 2011

Trademark	Class	Place of Application	Application Number	Date of Application/Filing
	40	PRC	9111073	1 February 2011
	42	PRC	9111074	1 February 2011
	4	PRC	9111055	1 February 2011
	6	PRC	9111056	1 February 2011
	7	PRC	9111057	1 February 2011
	35	PRC	9111058	1 February 2011
	37	PRC	9111059	1 February 2011
	39	PRC	9111060	1 February 2011
	40	PRC	9111061	1 February 2011
	42	PRC	9111062	1 February 2011
	4	PRC	9111063	1 February 2011

Trademark	Class	Place of Application	Application Number	Date of Application/Filing
	6	PRC	9111064	1 February 2011
	7	PRC	9111175	1 February 2011
	35	PRC	9111176	1 February 2011
	37	PRC	9111177	1 February 2011
	39	PRC	9111178	1 February 2011
	40	PRC	9111179	1 February 2011
	42	PRC	9111180	1 February 2011
	4	PRC	9111181	1 February 2011
	6	PRC	9111182	1 February 2011
	7	PRC	9111183	1 February 2011
	35	PRC	9111184	1 February 2011
	37	PRC	9111165	1 February 2011

Trademark	Class	Place of Application	Application Number	Date of Application/Filing
 新礦資源有限公司 NEWTON RESOURCES LTD	39	PRC	9111166	1 February 2011
 新礦資源有限公司 NEWTON RESOURCES LTD	40	PRC	9111167	1 February 2011
 新礦資源有限公司 NEWTON RESOURCES LTD	42	PRC	9111168	1 February 2011
 新礦資源有限公司	4	PRC	9111169	1 February 2011
 新礦資源有限公司	6	PRC	9111170	1 February 2011
 新礦資源有限公司	7	PRC	9111171	1 February 2011
 新礦資源有限公司	35	PRC	9111172	1 February 2011
 新礦資源有限公司	37	PRC	9111173	1 February 2011
 新礦資源有限公司	39	PRC	9111174	1 February 2011
 新礦資源有限公司	40	PRC	9111155	1 February 2011
 新礦資源有限公司	42	PRC	9111156	1 February 2011
 NEWTON RESOURCES LTD	4	PRC	9111157	1 February 2011

Trademark	Class	Place of Application	Application Number	Date of Application/Filing
 NEWTON RESOURCES LTD	6	PRC	9111158	1 February 2011
 NEWTON RESOURCES LTD	7	PRC	9111159	1 February 2011
 NEWTON RESOURCES LTD	35	PRC	9111160	1 February 2011
 NEWTON RESOURCES LTD	37	PRC	9111161	1 February 2011
 NEWTON RESOURCES LTD	39	PRC	9111162	1 February 2011
 NEWTON RESOURCES LTD	40	PRC	9111163	1 February 2011
 NEWTON RESOURCES LTD	42	PRC	9111164	1 February 2011

Notes:

- Class 4: Industrial oils and greases; fuels; vaporized fuel mixtures; crude oil; fuel gas; coal; electrical energy; gas oil; mineral fuel.
- Class 6: Steel, unwrought or semi-wrought; iron, unwrought or semi-wrought; cast iron, unwrought or semi-unwrought; ingots of common metal; common metals, unwrought or semi-unwrought; iron grit; laths of metal; sheets and plates of metal; chrome ores; iron ores; galena (ore); limonite; ores of metal.
- Class 7: Coalcutting machines; apparatus for dressing; extractors for mines; mining and drilling machines; machine tools and apparatus for geoexploration; floatation engines; mine washing machines; sound controlled spray devices; mineworking machines; sifting machines.
- Class 35: Commercial information agencies; professional business consultancy; business information; outsourcing service (business assistance); import-export agencies; procurement service for others (purchasing goods and services for other businesses).
- Class 37: Mining extraction; quarrying services; drilling of wells.
- Class 39: Transport; packaging and storage of goods; electricity distribution; distribution of energy.
- Class 40: Metal plating; blacksmithing; millworking; metal treating; metal tempering; laser scribing; refining services; metal casting.
- Class 42: Geological surveys; geological prospecting; geological research; underwater exploration.

(b) Domain Names

As at the Latest Practicable Date, the Group has registered the following domain names:

Domain name	Registered Owner	Expiry Date
www.ctymining.com	The Company	21 October 2016
www.newton-resources.com	The Company	1 February 2012
www.newton-resources.com.hk	The Company	7 February 2016
www.newton-resources.hk	The Company	7 February 2016
www.newtonresources.com.hk	The Company	7 February 2016
www.newtonresources.hk	The Company	7 February 2016

(c) Mining rights

Details of the Group's mining rights are set out in the section headed "Business – Our mining rights" in this Prospectus.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF**1. Directors****Disclosure of interests – interests and short positions of our Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations**

Immediately following the completion of the Global Offering and the Capitalization Issue, the interests or short positions of Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she 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 recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules are as follows:

Interest in Our Company

Name of Director	Capacity	Number of Shares	Number of Shares subject to Pre-IPO Share Option Scheme (Note)	Approximate percentage of shareholding held upon the exercise of the Options (Note)
Directors				
<i>Yao Zanzun</i>	Beneficial	–	8,000,000	0.2000%
<i>Yu Shuxian</i>	Beneficial	–	4,000,000	0.1000%
<i>Li Yuelin</i>	Beneficial	–	6,400,000	0.1600%
<i>Jing Zhiqing</i>	Beneficial	–	4,000,000	0.1000%
<i>Lin Zeshun</i>	Beneficial	–	4,000,000	0.1000%
<i>Liu Yongxin</i>	Beneficial	–	4,000,000	0.1000%
<i>Tsui King Fai</i>	Beneficial	–	800,000	0.0200%
<i>Lee Kwan Hung</i>	Beneficial	–	800,000	0.0200%
<i>Wu Wai Leung, Danny</i>	Beneficial	–	800,000	0.0200%

Note: Based on the share capital of the Company immediately after completion of the Global Offering and the Capitalization Issue but before the exercise of the options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme.

2. Substantial shareholders

Information on persons, not being Directors or chief executive of the Company, who will have, immediately following the Global Offering, an interest or short position in the Shares or underlying

Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO is set out in the section “Substantial Shareholders and Selling Shareholder” in this Prospectus.

3. *Particulars of Directors’ service contracts*

Save for Mr. Li Yuelin, Mr. Lin Zeshun and Mr. Liu Yongxin who have entered into a service contract with the Company for a term of three years commencing from 9 April 2010 (subject to termination in certain circumstances as stipulated in the relevant agreement), each of the remaining two executive Directors namely, Mr. Yao Zanzun and Mr. Jing Zhiqing has entered into a service contract with the Company on 13 December 2010 for a term of three years commencing from 13 December 2010. Ms. Yu Shuxian, who has been redesignated as an executive Director of the Group, entered into a letter of appointment with the Company on 1 March 2011. Our non-executive Directors, Mr. Tsang Yam Pui, Mr. Lam Wai Hon, Patrick and Mr. Cheng Chi Ming, Brian have each entered into a letter of appointment with the Company on 20 May 2011 for a term of three years commencing from the Listing Date. Our independent non-executive Directors Mr. Tsui King Fai and Mr. Lee Kwan Hung have each entered into a letter of appointment with the Company on 15 December 2010 for a term of three years commencing from the Listing Date. Mr. Wu Wai Leung, Danny, an independent non-executive Director, has entered into a letter of appointment with the Company on 25 January 2011 for a term of three years commencing from the Listing Date. Principal particulars of these contracts are summarized below:

- (a) Each service contract is for an initial term of three years. Under each agreement, either party may terminate the agreement at any time by giving the other not less than three months’ prior written notice
- (b) Under the current arrangements, the aggregate remuneration payable to the Directors shall be approved by shareholders’ meeting from time to time.
- (c) Each of the executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary or management bonus payable to him.

Under the current arrangement, the Directors are entitled to their respective fees set out below:

Executive Directors

Yao Zanzun	RMB180,000 per month
Yu Shuxian	RMB68,000 per month
Li Yuelin	RMB38,000 per month
Jing Zhiqing	RMB30,000 per month
Lin Zeshun	RMB20,000 per month
Liu Yongxin	RMB20,000 per month

Non-Executive Directors

Tsang Yam Pui	HK\$250,000 annually
Lam Wai Hon, Patrick	HK\$200,000 annually
Cheng Chi Ming, Brian	HK\$200,000 annually

Independent non-executive Directors

Tsui King Fai	HK\$200,000 annually
Lee Kwan Hung	HK\$200,000 annually
Wu Wai Leung, Danny	HK\$200,000 annually

4. *Directors’ remuneration*

The Company’s principal policies concerning remuneration of executive Directors are to enable the Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives. A director is not allowed to approve his own remuneration. The principal elements of the Group’s executive remuneration package include basic salary, discretionary bonus without capping and share option to be granted upon the Listing.

For each of the two years ended 31 December 2009:

- (i) no emoluments in any form including fees, salaries, and allowances, benefits in-kind and contribution to the pension scheme was paid to the Directors;
- (ii) none of the Directors waived any emoluments; and
- (iii) no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

For the year ended 31 December 2010:

- (i) aggregate remuneration in the sum of RMB1,021,000 was paid to the Directors;
- (ii) none of the Directors waived any emoluments; and
- (iii) no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Under the current arrangements, our Directors will be entitled to receive remuneration which, for the financial year ending 31 December 2011, is expected to amount to approximately RMB5,244,400, excluding the discretionary bonuses payable to our Directors.

The non-executive Directors and independent non-executive Directors have been appointed for an initial term of three years subject to early termination as stipulated in the Articles, including retirement by way of rotation at each annual general meeting. Save for director's fees and their eligibility to participate in the Pre-IPO Share Option Scheme and the Share Option Scheme, none of the non-executive Directors and independent non-executive Directors is expected to receive any other remuneration for holding their office as non-executive Directors and independent non-executive Directors.

The aggregate annual director's remuneration for executive Directors, the then non-executive Director and independent non-executive Directors for the year ended 31 December 2010 was approximately RMB1,021,000, nil and nil, respectively.

5. Agency fees or commissions

Save as disclosed in this Prospectus, within the two years preceding the date of this Prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries.

6. Disclaimers

Save as disclosed in this Prospectus,

- (a) none of our Directors and/or chief executive of the Company has any interest and/or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are 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 in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer in the Listing Rules, will be required to be notified to the Company and the Stock Exchange, in each case once the Shares are listed;

- (b) so far as is known to any of our Directors and/or chief executive of the Company, no person has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly interested in 10.0% 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 the Group;
- (c) none of our Directors or the experts named in the paragraph headed “F. Other Information – 7. Consents of experts” below in this Appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this Prospectus, acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (d) none of our Directors is materially interested in any contract or arrangement subsisting as at the date of this Prospectus which is unusual in its nature or conditions or which is significant in relation to the business of the Group taken as a whole;
- (e) save in connection with the Underwriting Agreements, none of the experts named in the paragraph headed “F. Other Information – 7. Consents of experts” below in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (f) save in connection with the Underwriting Agreements, none of the experts named in the paragraph headed “F. Other Information – 7. Consents of experts” below in this Appendix is materially interested in any contract or arrangement subsisting as at the date of this Prospectus which is significant in relation to the business of the Group taken as a whole;
- (g) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this Prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned in this Prospectus;
- (h) so far as is known to our Directors, none of our Directors or their associates, or the Shareholders who are expected to be interested in 5.0% or more of the issued shares capital of the Company has any interest in the five largest customers or the five largest suppliers of the Group; and
- (i) none of our Directors are interested in any business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the business of the Group.

D. PRE-IPO SHARE OPTION SCHEME

The purpose of the Pre-IPO Share Option Scheme is to recognize the contribution of certain employees, executives or officers of the Group made or may have made to the growth of the Group and/or the listing of Shares on the Stock Exchange. The principal terms of the Pre-IPO Share Option Scheme were approved by resolutions in writing of all the Shareholders passed on 25 January 2011.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in Shares to be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.

Outstanding options

As at the date of this Prospectus, options to subscribe for an aggregate of 133,300,000 Shares, representing approximately 3.3% of the issued share capital upon completion of the Global Offering and the Capitalization Issue taking no account of any Shares which may be issued upon exercise of any options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme, at an exercise price equivalent to the Offer Price have been granted by the Company under the Pre-IPO Share Option Scheme. A total of 50 eligible participants have been granted options under the Pre-IPO Share Option Scheme.

Below is a list of grantees under the Pre-IPO Share Option Scheme:

Name of Grantees	Address	Number of Shares under the Options Granted (Note)	Percentage of shareholding held upon the exercise of the Options (Note)
Directors			
Yao Zanzun	Room 5, 14/F, No. 51A, Xiaoguan Street Chaoyang District Beijing China	8,000,000	0.2000%
Yu Shuxian	Room 401, Unit 6, Block 22 Shenggubeili Chaoyang District Beijing China	4,000,000	0.1000%
Li Yuelin	Room 10, Unit 1, Block 66 No.18 Qianjin Street Fuxing District Handan City Hebei Province China	6,400,000	0.1600%
Jing Zhiqing	Room 502, Unit 1, Block 22 Kuangyuan Lane Harbour District Qinhuangdao City Hebei Province China	4,000,000	0.1000%

Note: Based on the share capital of the Company immediately after completion of the Global Offering and the Capitalization Issue but before the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme.

Name of Grantees	Address	Number of Shares under the Options Granted (Note)	Percentage of shareholding held upon the exercise of the Options (Note)
Lin Zeshun	Room 509, Unit 1, Block 12 Jiangxiang Lane Huanghe Sub-district Qiaoxi District Xingtai City Hebei Province China	4,000,000	0.1000%
Liu Yongxin	No. 102, Row 2 Qi Village Mining Area Residential District Qiaoxi District Xingtai City Hebei Province China	4,000,000	0.1000%
Tsui King Fai	6B, 21 Braemar Hill Road North Point Hong Kong	800,000	0.0200%
Lee Kwan Hung	Flat D, 26th Floor, Block 2 Ronsdale Garden 25 Tai Hang Drive Jardine's Lookout Hong Kong	800,000	0.0200%
Wu Wai Leung, Danny ...	Suite 11A, William Mansion 16-18 MacDonnell Road Mid-Levels Hong Kong	800,000	0.0200%
Senior Management of our Group			
Jiao Ying	No. 901, Bldg. 3 No. 19, Shidaihuayuan Nanlu Shijingshan District Beijing China	4,000,000	0.1000%

Note: Based on the share capital of the Company immediately after completion of the Global Offering and the Capitalization Issue but before the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme.

Name of Grantees	Address	Number of Shares under the Options Granted (Note)	Percentage of shareholding held upon the exercise of the Options (Note)
Ho Siu Mei	Flat A, 7/F, Tower 6 Parc Royale 8 Hin Tai Street Tai Wai, Shatin Hong Kong	3,000,000	0.0750%
Wang Jiangping	No. 1 Jiaohuachang Residential District Lincheng Town Lincheng County Xingtai City Hebei Province China	2,800,000	0.0700%
Ren Jianzhu	No. 203, Unit 1 Xiaowang Credit Union Guoshoujingda South Street Qiaoxi District Xingtai City Hebei Province China	2,800,000	0.0700%
Wang Xiaoxing	Room 9, Unit 1, Block 3 No. 20 Guoshoujingda Street Qiaoxi District Xingtai City Hebei Province China	4,000,000	0.1000%
Zhang Mingliang	No. 301, Gate 1, Block 5 Fengshun Apartments Dingziguwuai Road Hongqiao District Tianjin China	3,000,000	0.0750%
Other grantees who are connected persons of the Company			
Szeto Yat Kong	Flat 31C, Block 23 Park Island Ma Wan New Territories Hong Kong	5,200,000	0.1300%

Note: Based on the share capital of the Company immediately after completion of the Global Offering and the Capitalization Issue but before the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme.

Name of Grantees	Address	Number of Shares under the Options Granted (Note)	Percentage of shareholding held upon the exercise of the Options (Note)
Lam Tak Ming	Flat D, 16th Floor Block T32 Ko On Mansion 9 Tai Yue Ave. Tai Koo Shing Hong Kong	3,000,000	0.0750%
Gu Yanqing	Pingfang No. 1 No. 108 Xin Xi Street Qiao Dong District Xingtai City Hebei Province China	2,800,000	0.0700%
Wang Zhiyong	No. 24 San Zhong Yuan Shi Zhuan Street Qiao Dong District Xingtai City Hebei Province China	2,800,000	0.0700%
Wu Qiong	Flat A, 4th Floor Yee Shun Mansion 58-66 Second Street Sai Ying Pun Hong Kong	1,500,000	0.0375%
	Sub-Total:	<u>67,700,000</u>	<u>1.6925%</u>
Others			
Ng Tik Hong	Flat 8C, Tower A Hollywood Terrace 268 Queen's Road Central Hong Kong	5,200,000	0.1300%
Gu Xuewen	No. 7 Rochester Institute 15-4-8 Handan City, Hanshan District Hebei Province China	4,000,000	0.1000%

Note: Based on the share capital of the Company immediately after completion of the Global Offering and the Capitalization Issue but before the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme.

Name of Grantees	Address	Number of Shares under the Options Granted (Note)	Percentage of shareholding held upon the exercise of the Options (Note)
Li Yanling	3-6 West Households Yuangong Yu Apartment No. 128 Changjiang Middle Road District 27, Zhengzhou City China	4,000,000	0.1000%
An Jiankui	No. 46 Xinhua West Road Lunan District, Tangshan City Hebei Province China	2,800,000	0.0700%
Chen Zhimin	Room 1, Unit 6, Block 3 Jikang Hospital Family Residence Dahuoquan Road, Qiaoxi District, Xingtai City Hebei Province China	2,800,000	0.0700%
Guo Yujiang	No. 1, Shuini Factory Living Area District Lincheng Town Lincheng County, Xingtai City Hebei Province China	2,800,000	0.0700%
Hao Lujun	No. 203 Dongjie Village Lincheng Town Lincheng County, Xingtai City Hebei Province China	2,800,000	0.0700%
Liu Qingshu	No. 84 Old Town Street Metro Village, Xincheng Town Shahe City Hebei Province China	2,800,000	0.0700%
Pan Fengbiao	5-18 Xinggangnan Living Area District No. 223 Gangtiansan Road Qiaoxi District, Xingtai City Hebei Province China	2,800,000	0.0700%

Note: Based on the share capital of the Company immediately after completion of the Global Offering and the Capitalization Issue but before the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme.

Name of Grantees	Address	Number of Shares under the Options Granted (Note)	Percentage of shareholding held upon the exercise of the Options (Note)
Wang Hongbin	No. 415 Yanjiazhuang Village Haozhuang Town Lincheng County, Xingtai City Hebei Province China	2,800,000	0.0700%
Wang Pengkun	No. 26 Shiwo Pu Cun Village Haozhuang Town Lincheng County Xingtai City Hebei Province China	2,800,000	0.0700%
Wang Yanbin	No. 4 Yanjiazhuang Village Haozhuang Town Lincheng County Xingtai City Hebei Province China	2,800,000	0.0700%
Wang Zhenlin	No. 1, Shuini Factory Living Area District Lincheng Zhen Lincheng County, Xingtai City Hebei Province China	2,800,000	0.0700%
Wei Heping	No. 175 Baigejing Village Heicheng Village South Lincheng County, Xingtai City Hebei Province China	2,800,000	0.0700%
Xu Xihui	4-2-301 No. 137 Shengli East Road Gaocheng City Hebei Province China	2,800,000	0.0700%
Zhang Juncai	Unit 203, Block 1, Unit 1 Jinshu Huishou Company Family Residence Xinxing East Da Street, Xingtai City Hebei Province China	2,800,000	0.0700%

Note: Based on the share capital of the Company immediately after completion of the Global Offering and the Capitalization Issue but before the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme.

Name of Grantees	Address	Number of Shares under the Options Granted (Note)	Percentage of shareholding held upon the exercise of the Options (Note)
Feng Lei	No. 74, Gangtou Village Lincheng Zhen Lincheng County, Xingtai City Hebei Province China	2,000,000	0.0500%
Liu Huilin	No. 54 Xinhua East Road Lunan District, Tangshan City Hebei Province China	2,000,000	0.0500%
Zhao Guohua	No. 96, Beiguan Street Lincheng Town Lincheng County, Xingtai City Hebei Province China	2,000,000	0.0500%
Chow Tak Wing	Flat C, 15/F Skyview Cliff 49 Conduit Road Hong Kong	1,500,000	0.0375%
Chiu Wing See	4D, 4/F, Block 4 Richland Gardens Kowloon Bay Hong Kong	1,500,000	0.0375%
Lau Ho Fung	Flat G, 23F, Block 3 Kwai Fong Terrace Kwai Chung New Territories Hong Kong	1,500,000	0.0375%
Chan But Ping	Room 523, Tin Ming House Tin Ping Estate, Sheung Shui New Territories Hong Kong	1,000,000	0.0250%
Wong Chun Yin	Flat B, 22/F, Block 8 Belvedere Garden Ph.2 Tsuen Wan New Territories Hong Kong	1,000,000	0.0250%

Note: Based on the share capital of the Company immediately after completion of the Global Offering and the Capitalization Issue but before the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme.

Name of Grantees	Address	Number of Shares under the Options Granted (Note)	Percentage of shareholding held upon the exercise of the Options (Note)
Chung Cila	15C Caravan Court 141 Caine Road Central Hong Kong	800,000	0.0200%
Kwong Tin Chi	Room 2130, Leung Shui House Leung King Estate, Tuen Mun New Territories Hong Kong	600,000	0.0150%
Pang Kee Chau	Flat C, 18/F, Block 7 Laguna City Kwun Tong Kowloon Hong Kong	600,000	0.0150%
Chan Kar Yin Gary	Flat B1, 34/F, Block B Beverly Hill 6 Broadwood Road Happy Valley Hong Kong	500,000	0.0125%
Li Yuen Ming	Flat D, 1/F., Fook Yee Garden 278 Prince Edward Road West Kowloon Tong Hong Kong	500,000	0.0125%
William Keith Jacobsen ..	Flat G, 33rd Floor Tower 2, Robinson Place 70 Robinson Road Hong Kong	500,000	0.0125%
		<u>65,600,000</u>	<u>1.6400%</u>
	Total:	<u>133,300,000</u>	<u>3.3325%</u>

Save and except as set out above, no options have been granted or agreed to be granted by the Company to any connected persons, and no other options have been granted or agreed to be granted by the Company under the Pre-IPO Share Option Scheme.

Note: Based on the share capital of the Company immediately after completion of the Global Offering and the Capitalization Issue but before the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme.

The shareholding structure of the Company before and after the full exercise of all the options granted under the Pre-IPO Share Option Scheme will be as follows:

Shareholders	Shareholding structure immediately after completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme are not exercised)		Shareholding structure immediately after completion of the Global Offering and the Capitalization Issue (assuming the options granted under the Pre-IPO Share Option Scheme are exercised and assuming the Over-allotment Option is not exercised)	
	Shares	%	Shares	%
Faithful Boom	1,920,000,000	48.0	1,920,000,000	46.5
Fast Fortune	1,080,000,000	27.0	1,080,000,000	26.1
Grantees under the Pre-IPO Share Option Scheme (including the grantees who are not the connected persons)	—	—	133,300,000	3.2
Public shareholders	1,000,000,000	25.0	1,000,000,000	24.2
	<u>4,000,000,000</u>	<u>100.00</u>	<u>4,133,300,000</u>	<u>100.00</u>

The executive Directors have undertaken with the Company not to exercise any share options granted under the Pre-IPO Share Option Scheme to the extent that the Company's public float will be less than the minimum requirements under Rule 8.08 of the Listing Rules.

Effect on the earnings per share as a result of the Pre-IPO Share Options

Our shareholding immediately following completion of the Global Offering and Capitalization Issue would be diluted by 3.2% upon the exercise in full of the options granted under the Pre-IPO Share Options Scheme. Assuming that (i) the Company had been listed on the Stock Exchange since 1 January 2011, (ii) a total of 4,000,000,000 Shares had been in issue during the financial year ending 31 December 2011 and (iii) all the options granted under the Pre-IPO Share Option Scheme were exercised in full on 1 January 2011, without taking into account of any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, the earnings per Share on a pro forma fully diluted basis would decrease from RMB0.0024 (equivalent to HK\$0.0029) to RMB0.0023 (equivalent to HK\$0.0028) for the six months ending 30 June 2011.

Summary of the major terms of the Pre-IPO Share Option Scheme

(a) Purpose

The Pre-IPO Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions that the Eligible Participants (as set out in paragraph (b) below) have or may have made to the Group. The Pre-IPO Share Option Scheme will provide the Eligible Participants with an opportunity to have a personal stake in the Company with a view to achieving the following objectives:

- (i) recognize the contribution made by the Eligible Participants;
- (ii) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; or
- (iii) attract and retain or otherwise maintain relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price set out in paragraph (d) below to:

- (1) any full-time or part-time employees or potential employees, executives or officers of our Company or any Affiliates;
- (2) any directors (including non-executive Directors and independent non-executive Directors) of our Company or any Affiliates; or
- (3) any one who, in the sole opinion of the Board, have contributed or will contribute to our Company and/or any Affiliates.

“**Affiliate**” means a company that directly, indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, our Company and includes any company which is (a) the holding company of our Company; or (b) a subsidiary of the holding company of our Company; or (c) a subsidiary of our Company; or (d) a fellow subsidiary of our Company; or (e) the controlling shareholder of our Company; or (f) a company controlled by the controlling shareholder of our Company; or (g) a company controlled by our Company; or (h) an associated company of the holding company of our Company; or (i) an associated company of our Company; or (j) an associated company of controlling shareholder of our Company.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant.

(c) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme shall not exceed 400,000,000 Shares, representing approximately 10% of the issued share capital upon completion of the Global Offering and the Capitalization Issue (taking no account of any Shares which may be issued upon exercise of any options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme).

(d) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Pre-IPO Share Option Scheme shall be the equivalent of the Offer Price.

(e) Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

(f) Time of exercise of option and duration of the Pre-IPO Share Option Scheme

The grantees to whom an Option has been granted under this Scheme shall be entitled to exercise his/her option in the following manner:

- (i) Option for 40% of the Shares that are subject to the option so granted under the Pre-IPO Share Option Scheme shall vest on the date of the first anniversary of the Listing Date (if such anniversary date is not a Business Day, then on the Business Day immediately prior to such anniversary date) (“**First Vesting Date**”). The grantees may exercise all or part of such vested option at any time from the First Vesting Date until the Expiry Date (as defined below);

- (ii) Option for 30% of the Shares that are subject to the option so granted under the Pre-IPO Share Option Scheme shall vest on the date of the second anniversary of the Listing Date (if such anniversary date is not a Business Day, then on the Business Day immediately prior to such anniversary date) (“**Second Vesting Date**”). The grantees may exercise all or part of such vested option at any time from the Second Vesting Date until the Expiry Date (as defined below); and
- (iii) Option for 30% of the Shares that are subject to the option so granted under the Pre-IPO Share Option Scheme shall vest on date of the third anniversary of the Listing Date (if such anniversary date is not a Business Day, then on the Business Day immediately prior to such anniversary date) (“**Third Vesting Date**”). The grantees may exercise all or part of such vested option at any time from the Third Vesting Date until the Expiry Date (as defined below).

“**Expiry Date**” means, in respect of an option under the Pre-IPO Share Option Scheme, the date of the expiry of the option as may be determined by the Board which shall not be later than the first Business Day after the fourth anniversary of the Listing Date.

(g) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(h) Effect of alterations to capital

In the event of capitalization issue, rights issue, open offer, consolidation, subdivision or reduction of share capital of the Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option and/or the method of exercise of the option as the auditors of the Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to pre-IPO share option schemes (the “Supplemental Guidance”). Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of the Company (as interpreted in accordance with the Supplemental Guidance) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on the full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value.

The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations. Any adjustment to be made will comply with the Listing Rules, the Supplemental Guidance and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(i) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the end of the six-month period from the date of adoption of the pre-IPO Share Option Scheme if the Shares are not listed on the Main Board by that date;
- (ii) the date of expiry of the option as may be determined by the Board;
- (iii) the date of commencement of the winding-up of the Company in accordance with the Companies Law; or
- (iv) the date on which the grantee ceases to be an Eligible Participant for any reason. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive.

(j) Alteration of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme may be altered in any respect by resolution of the Board except that any material alteration to the terms and conditions of the Pre-IPO Share Option Scheme or any change to the terms of options granted, shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Pre-IPO Share Option Scheme.

(k) Cancellation of Options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options.

(l) Termination of the Pre-IPO Share Option Scheme

We may by resolution in general meeting or the Board at any time terminate the Pre-IPO Share Option Scheme and in such event no further option shall be offered but the provisions of the Pre-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

(m) Administration of the Board

The Pre-IPO Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Pre-IPO Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

E. SHARE OPTION SCHEME

The terms of the Share Option Scheme conditionally approved by the Company on 9 April 2010, subject to certain conditions as referred to in paragraph (n) in this section, are as follows:

(a) Purpose

The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of the Company's businesses; to provide additional incentives to the Qualifying Grantees

(as defined below); and to promote the long term financial success of the Company by aligning the interests of Option Holders (as defined below) to Shareholders.

(b) Who may join

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Board may offer to grant an option to any Qualifying Grantee as the Board may in its absolute discretion select. “**Qualifying Grantee**” means:

- (i) (1) any employee (whether full-time or part-time employee) of any member of the Group or any Affiliates and any person who is an officer of the Group or any Affiliates, provided that an Option Holder shall not cease to be an Employee in the case of (a) any leave of absence approved by the Company or the relevant Affiliate; or (b) transfers between the Company and any Affiliates or any successor (“**Employee**”);
- (2) any person who is seconded to work for any member of the Group or any Affiliates (“**Seconded**”);
- (3) any consultant, agent, representative, advisor, customer, contractor of the Group or any Affiliates; or
- (4) any business partner/ ally/ alliance, joint venture partner, supplier of goods or services to the Group or any Affiliates or any employee thereof

(collectively the “**Eligible Person**”); and

- (ii) any trust for the benefit of an Eligible Person or his immediate family members or any company controlled by an Eligible Person or his immediate family members (“**Related Trust and Company**”).

“**Affiliate**” means a company that directly, indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Company and includes any company which is (a) the holding company of the Company; or (b) a subsidiary of the holding company of the Company; or (c) a subsidiary of the Company; or (d) a fellow subsidiary of the Company; or (e) the controlling shareholder of the Company; or (f) a company controlled by the controlling shareholder of the Company; or (g) a company controlled by the Company; or (h) an Associated Company of the holding company of the Company; or (i) an Associated Company of the Company; or (j) an Associated Company of controlling shareholder of the Company;

“**Associated Company**” means a company in the equity share capital of which a company, directly or indirectly, has 20.0% or greater beneficial interest but excluding the subsidiaries of that company;

“**immediate family members**” means spouse or person co-habiting as the spouse of an Eligible person, and any child or step-child, parent or step-parent, brother, sister, step-brother, step-sister, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of an Eligible Person;

“**officer**” means company secretary or director (whether executive or non-executive); and

“**Option Holder**” means any Qualifying Grantee who accepts an offer of the grant of an option in accordance with the terms of the Share Option Scheme or (where the context so requires) the legal personal representatives of such Qualifying Grantee;

“**subsidiary**” has the meaning ascribed to it under the Listing Rules.

(c) Administration

The Share Option Scheme shall be subject to the administration of the Board. Subject to the provisions of the Listing Rules and applicable law and other regulations from time to time in force, the Board's administrative powers include the authority, in its discretion:

- (i) to select Qualifying Grantees to whom options may be granted under the Share Option Scheme;
- (ii) to determine, subject to the requirements of the Listing Rules and the law, the time of the grant of options;
- (iii) to determine the number of Shares to be covered by each option granted under the Share Option Scheme;
- (iv) to approve forms of option agreements;
- (v) to determine the terms and conditions of any option. Such terms and conditions may include:
 - the subscription price;
 - the option period, which shall be not greater than the period (if any) prescribed by the Listing Rules from time to time (which is, at the date of adoption of the Share Option Scheme), not be more than 10 years from the date of grant;
 - the minimum period, if any, for which an option must be held before it vests or becomes exercisable in whole or in part (the Share Option Scheme itself does not specify any minimum holding period);
 - the performance targets, if any, that must be achieved before the option can be exercised (the Share Option Scheme itself does not specify any performance targets);
 - the amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid; and
 - the period, if any, during which Shares allotted and issued upon exercise of option shall be subject to restrictions on dealings, and the terms of such restrictions;
- (vi) to construe and interpret the terms of the Share Option Scheme and options granted pursuant to the Share Option Scheme;
- (vii) to prescribe, amend and rescind rules and regulations relating to the Share Option Scheme, including rules and regulations relating to sub-schemes established for the purpose of qualifying for preferred treatment under foreign laws and for benefits intended solely for any particular type of Qualifying Grantees; and
- (viii) subject to the provisions relating to grant to substantial shareholders and independent non-executive directors and their respective associates in the Share Option Scheme, to vary the terms and conditions of any option agreement (provided that such variation is not inconsistent with the terms of the Listing Rules and the Share Option Scheme).

(d) Grant of options

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Board shall be entitled at any time within 10 years commencing on the Listing Date to make an offer for the grant of an option to any Qualifying Grantee as the Board may in its absolute discretion select.

(e) *Restriction on time of grant of option*

An offer of the grant of an option may not be made after a price sensitive event or a price sensitive matter in respect of the Group has been the subject of a decision, until such price sensitive information has been publicly disseminated in accordance with the Listing Rules. In particular, but only insofar as and for so long as the Listing Rules require, no option may be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange) for the approval of the Company's interim or annual results; and (ii) the deadline for the Company to publish its interim or annual results announcement, and ending on the date of the results announcement.

An offer of the grant of an option shall be deemed to have been made on the date such offer is approved by the Board, notwithstanding that the letter or any other document containing the offer is sent to and received by the Qualifying Grantee on a later date.

(f) *Acceptance and payment on acceptance of option offer*

An offer of the grant of an option shall remain open for acceptance by the Qualifying Grantee concerned for a period of 28 days from the date of the offer (or such longer period as the Board may specify in writing).

HK\$1 is payable by the grantee to the Company on acceptance of the option offer.

(g) *Subscription price*

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than whichever is the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

For the purpose of determining the subscription price, if the Shares have been listed for less than five business days immediately preceding the date of grant, the new issue price per Share under the public offering in connection with such listing (excluding brokerage fee, trading fee and transaction levy payable thereon) shall be deemed to be the closing price for any business day falling within the period before such listing.

(h) *Option period*

The period as the Board may in its absolute discretion determine and specify in relation to any particular option holder in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein), save that such period must not exceed 10 years from the date of grant of the relevant option.

(i) *Rights are personal to grantee*

An option shall be personal to the Option Holder and shall not be assignable or transferable and no Option Holder shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option, or enter into any agreement to do so.

(j) *Rights attaching to Shares allotted*

The Shares to be allotted upon the exercise of an option shall be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the date of allotment (or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members) and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment (or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members), other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment (or, if later, before the date of registration of the allotment in the register of members of the Company).

(k) *Rights on retirement, death or total permanent physical or mental disability*

If an Option Holder (or, in the case of an Option Holder which is a Related Trust and Company, the relevant Eligible Person) ceases to be a Qualifying Grantee attributable to the fact that he dies or becomes permanently physically or mentally disabled or in the case of an Option Holder being an Employee (or, in the case of an Option Holder which is a Related Trust and Company of an Employee, the relevant Employee), retires, unless otherwise provided in the option agreement, the option may be exercised within such period of time as is specified in the option agreement (but in no event later than the expiration of the term of such option as set forth in the option agreement).

In the absence of a specified time in the option agreement, the option shall remain exercisable for 12 months (or such longer period as the Board shall decide) following the relevant Option Holder's or Qualifying Grantee's or Employee's (as the case may be) retirement, death or permanent physical or mental disability. The option may be exercised within that period by the personal representatives of the Option Holder.

If the option is not so exercised within the time specified, the option shall lapse.

(l) *Termination for misconduct*

If an Option Holder being an Employee (or, in the event of an Option Holder which is a Related Trust and Company of the Employee, the relevant Employee) ceases to be an Employee for his misconduct based on which the relevant employer can terminate his contract of employment without notice or payment in lieu, or having been convicted of any criminal offence involving his integrity or honesty, the option shall immediately lapse.

(m) *Termination for cause*

If an Option Holder (or, in the event of an Option Holder which is a Related Trust and Company of an Eligible Person, the relevant Eligible Person) ceases to be a Qualifying Grantee for having committed any act of bankruptcy or having become insolvent or having made any arrangements or composition with his creditors generally, the option shall immediately lapse.

(n) *Rights on termination other than for retirement, death, permanent disability, termination resulting from misconduct or cause*

If an Option Holder (or, in the case of an Option Holder which is a Related Trust and Company of an Eligible Person the relevant Eligible Person) ceases to be a Qualifying Grantee other than in any of the circumstances described in paragraphs (k), (l) or (m), unless otherwise provided in the option agreement, an Option Holder may exercise his option within three months of such cessation (or such longer period as the Board may decide, but in no event later than the expiration of the term of such option as set forth in the option agreement).

If the option is not so exercised within the time specified, the option shall lapse.

(o) *Rights on takeover*

If a general offer by way of takeover 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), and the general offer becomes or is declared unconditional in all respects, the option holder shall be entitled to exercise the option (to the extent not already exercised) at any time within one month (or such longer period as the Board shall decide) after the date on which the general offer becomes or is declared unconditional.

If the option is not so exercised within the time specified, the option shall lapse.

(p) *Rights on compromise or arrangement*

If a compromise or arrangement between the Company and its members or creditors is proposed, the Company shall give notice to the Option Holder on the same date as it despatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Option Holder (or his personal representatives) may until the expiry of the period commencing with such date and ending with the earlier of the date two calendar months thereafter or the date on which such compromise or arrangement is sanctioned by the court exercise any of his options (to the extent not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective, and upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. The Company may require the Option Holder 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 Option Holder in the same position, as nearly as possible, as would have been the case had such Shares been subject to such compromise or arrangement.

If the option is not so exercised within the time specified, the option shall lapse.

(q) *Rights on voluntary winding-up of the Company*

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all Option Holders (together with a notice of the existence of the provisions of the Share Option Scheme relating to this paragraph (q)) and thereupon, each Option Holder (or his personal representatives) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the 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 whereupon the 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 Option Holder credited as fully paid.

If the option is not so exercised within the time specified, the option shall lapse.

(r) Lapse of option

Subject to the discretion of the Board to extend the option period as referred to in paragraphs (c), (k), (n) and (w), and without prejudice to the authority of the Board to provide for additional situations where an option shall lapse in any option agreement, an option shall lapse and not be exercisable (to the extent not already exercised) on the earliest of (i) the expiry of the option period; (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n), (o), (p) and (q); and (iii) the date on which the Board or the two executive directors of the Company duly authorized by the Board certify that for the reason of a breach of paragraph (i), the option should be terminated.

(s) Cancellation of options

Options granted but not exercised or lapsed in accordance with the terms of the Share Option Scheme may be cancelled by the Company with the consent of the Qualifying Grantee provided that such consent shall not be required where an option lapses in accordance with paragraph (r) above. Where the Company cancels options and offers to issue new ones to the same Qualifying Grantee, the issue of such new options may only be made under the Share Option Scheme with available unissued options (excluding the cancelled options) within the limits set out in paragraph (t) below.

(t) Maximum number of Shares available under the Share Option Scheme

(i) Overriding Limit

The 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 the Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded.

(ii) Mandate Limit

In addition to the limit set out in sub-paragraph (t)(i) above and prior to the approval of a Refreshed Mandate Limit as referred to in sub-paragraph (t)(iii) below, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10.0% of the Shares in issue immediately following the commencement of dealings in the Shares on the Stock Exchange, being 400,000,000 Shares (“**Initial Mandate Limit**”). Options lapsed in accordance with the terms of the Share Option Scheme or any other schemes will not be counted for the purpose of calculating the 10.0% limit.

(iii) Refreshing of Mandate Limit

The Company may by ordinary resolutions of the Shareholders refresh the Mandate Limit (being the Initial Mandate Limit or the Refreshed Mandate Limit, as the case may be) provided the Company shall issue a circular containing such information as required by the Listing Rules to Shareholders before such approval is sought. However, the total number of Shares which may be issued upon exercise of all options to be granted under all of the schemes of the Company under the limit as refreshed (“**Refreshed Mandate Limit**”) must not exceed 10% of the Shares in issue as at the date of approval of the Refreshed Mandate Limit. Options previously granted under the schemes (including those outstanding, cancelled, lapsed in accordance with the scheme or exercised options) will not be counted for the purpose of calculating the limit as refreshed.

(iv) Grant to specifically identified Qualifying Grantees

Specifically identified Qualifying Grantees may be granted options beyond the Mandate Limit. The Company may in addition seek separate approval by its Shareholders in general meeting for granting options beyond the Mandate Limit provided the options in excess of the limit are granted only to Qualifying Grantees specifically identified by the Company and a circular containing such information as required by the Listing Rules is issued to Shareholders before such approval is sought.

(v) Limit for each Qualifying Grantee

The total number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to each Qualifying Grantee must not exceed 1% of the Shares in issue. Where any further grant of options to a Qualifying Grantee would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1.0% of the Shares in issue, such further grant shall be subject to separate approval by Shareholders in general meeting with the relevant Qualifying Grantee and his associates abstaining from voting. Prior to seeking such approval, the Company shall issue a circular containing such information as required by the Listing Rules to Shareholders.

(u) Grant of option to connected persons

Insofar and for so long as the Listing Rules so require, where any offer of an option is proposed to be made to a director, chief executive or substantial shareholder of the Company or any of their respective associates, such offer must first be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is or whose associate is the Qualifying Grantee to whom the option is proposed to be granted). Insofar and for so long as the Listing Rules so requires, no option may be granted to any substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, which would result in the Shares issued and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other scheme(s) of the Company in the 12-month period up to and including the date of board meeting for proposing such further grant (i) representing in aggregate over 0.1% of the share capital of the Company in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of the board meeting for proposing such further grant, in excess of HK\$5 million, unless such further grant is approved by Shareholders in general meeting. Prior to seeking such approval, the Company shall issue a circular containing such information as required by the Listing Rules to Shareholders. At such general meeting, the grant of options to the substantial shareholder or independent non-executive director of the Company, or any of their respective associates shall, for so long and insofar as the Listing Rules so required, be approved by Shareholders by way of poll with all connected persons of the Company abstaining from voting, except that any connected person may vote against such resolution provided that he has informed the Company of his intention to do so and such intention has been stated in the relevant circular to Shareholders.

(v) Effects of reorganization of capital structure

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves (other than pursuant to a scrip dividend scheme), rights issue or other general offer of securities made by the Company to holders of its securities, consolidation, subdivision, reduction or similar reorganization of the share capital of the Company, such corresponding alterations (if any) shall be made to the number of nominal amount of Shares subject to the option so far as unexercised; and/or the subscription price; and/or the maximum number of Shares subject to the Share Option Scheme, as the auditors or independent financial advisor shall certify in writing to the Board to be in their opinion fair and reasonable (except in the case of a

capitalization issue where no such certification shall be required), provided that (i) any such alterations shall be made on the basis that the aggregate subscription price payable by an Option Holder on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; (ii) no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (iii) no such alterations shall be made the effect of which would be to increase proportion of the issued share capital of the Company for which any Option Holder is entitled to subscribe pursuant to the options held by him; and (iv) any such adjustments shall be made in compliance with Chapter 17 of the Listing Rules, the supplemental guidance issued by the Stock Exchange dated 5 September 2005 and such other guidelines or supplementary guidance as may be issued by the Stock Exchange from time to time.

For the avoidance of doubt only, the issue of securities by the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such alterations.

(w) *Alteration to the Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Share Option Scheme relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to the advantage of option holders or proposed option holders except with the prior sanction of a resolution of the Company in general meeting, provide that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the option holders as would be required of Shareholders under the Articles for the time being of the Company for a variation of the rights attached to the Shares. Any alterations to the terms and conditions of the Share Option Scheme, which are of a material nature and any change to the terms of the options granted, shall be approved by Shareholders, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall comply with the relevant requirements of Chapter 17 of the Listing Rules. Any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme shall be approved by Shareholders. Subject to the Listing Rules and the terms of the Share Option Scheme the Board may, at any time and in its absolute discretion, remove, waive or vary the conditions, restrictions or limitations imposed in an option agreement on compassionate or any other grounds.

(x) *Termination of Share Option Scheme*

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered after the Share Option Scheme is terminated but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All options granted prior to such termination and not then exercised shall remain valid.

(y) *Conditions of Share Option Scheme*

The Share Option Scheme is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued pursuant to the Share Option Scheme; and
- (ii) the commencement of dealings in the Shares on the Stock Exchange.

As at the date of this Prospectus, no option has been granted under the Share Option Scheme. Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued following the exercise of the options under the Share Option Scheme. Our Directors confirm that the Share Option Scheme is in full compliance with Chapter 17 of the Listing Rules.

F. OTHER INFORMATION**1. Tax**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in this Prospectus, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of the Group.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, including any Shares falling to be issued pursuant to the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Each of Macquarie and Citi have declared pursuant to Rule 3A.08 of the Listing Rules that it is independent pursuant to Rule 3A.07 of the Listing Rules. Pursuant to Rule 3A.07 of the Listing Rules, Rothschild is not independent because it acted as the sole financial adviser to VMS Investment Group (HK) Limited, a related company of VMS, in connection with the acquisition of a 57.3% equity interest in Perfect Move as well as the acquisition of all the Exchangeable Bonds issued by Faithful Boom. The acquisition of the equity stake in Perfect Move was completed in July 2010 while the acquisition of the Exchangeable Bonds was completed in June 2010.

4. Preliminary expenses

The estimated preliminary expenses of the Company are approximately US\$10,000 and are borne by the Company.

5. Promoter

The Company has no promoter.

6. Qualifications of experts

The qualifications of the experts who have given opinions in this Prospectus are as follows:

Name	Qualification
Citigroup Global Markets Asia Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities as defined in the SFO
Macquarie Capital Securities Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO

Name	Qualification
Rothschild (Hong Kong) Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO
Ernst & Young	Certified public accountants
Jones Lang LaSalle Sallmanns Limited	Property valuers
King & Wood	PRC lawyers
Walkers	Cayman Islands Attorneys-at-law
Behre Dolbear Asia, Inc.	Independent Technical Advisor
Hatch Project Consulting (Shanghai) Co., Ltd.	Market Research Consultant
AME Mineral Economics (Hong Kong) Limited	Market Research Consultant

7. Consents of experts

Each of the Joint Sponsors, Ernst & Young, Jones Lang LaSalle Sallmanns Limited, King & Wood, Walkers, Behre Dolbear Asia, Inc., Hatch Project Consulting (Shanghai) Co., Ltd. and AME Mineral Economics (Hong Kong) Limited has given and has not withdrawn their respective written consents to the issue of this Prospectus with inclusion of their reports, valuation report, letters and/or opinions or summaries of opinions (as the case may be) and/or the references to their names included herein in the form and context in which they respectively appear.

8. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on the Company's Hong Kong listed share register will be subject to Hong Kong stamp duty, the current ad valorem rate of which is 0.2% of the consideration or, if higher, the adjudicated value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance which came into effect on 11 February 2006.

(b) Cayman Islands

Under present Companies Law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. None of the Company, our Directors, the Joint Sponsors or the other parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, or dealing in, the Shares or exercise of any rights attaching to them.

9. Register of members and branch register of members

Subject to the provisions of the Companies Law, the register of members of the Company is maintained in the Cayman Islands by Butterfield Fulcrum Group (Cayman) Limited and a branch register of members of the Company is maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfers of and other documents of title of the Shares must be lodged for registration with, and registered by, the Company's share registrar in Hong Kong and may not be lodged in the Cayman Islands.

10. No material adverse change

Our Directors confirm that save as disclosed in this Prospectus, there has been no material adverse change in the financial position or trading position of the Group since 31 December 2010 (being the date to which the Company's latest audited consolidated financial statements were made up).

11. Binding effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance of Hong Kong so far as applicable.

12. Compliance advisor

Our Company will, pursuant to Rule 3A.19 of the Listing Rules, appoint Guotai Junan Capital Limited to act as its compliance advisor for the period commencing from the Listing Date and ending 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. Guotai Junan Capital Limited will, among other things, provide the Company with advice in relation to compliance with the Listing Rules and other applicable laws, regulations, rules, codes and guidelines in Hong Kong and will keep our Company informed on a timely basis of any changes in these laws, regulations, rules, codes and guidelines.

13. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

Name	Fast Fortune
Place of Incorporation :	British Virgin Islands
Date of Incorporation :	2 June 2010
Registered Office :	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Number of Shares offered for sale by the Selling Shareholder under the International Placing:	200,000,000
Number of Shares offered for sale by the Selling Shareholder pursuant to the exercise of the Over-allotment Option in full:	150,000,000

Number of Shares held by the Selling Shareholder 930,000,000
immediately after completion of the Global
Offering, the Capitalization Issue and the
exercise of the Over-allotment Option in full:

14. *Miscellaneous*

- (a) Save as disclosed in this Prospectus,
- (i) within the two years preceding the date of this Prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) none of our Directors or any of the persons whose names are listed in the paragraph headed “F. Other Information – 6. Qualifications of Experts” above 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 the Group within the two years preceding the date of this Prospectus;
 - (iii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iv) the Company has not issued nor agreed to issue any founder shares, management shares or deferred shares;
 - (v) none of the equity and debt securities of the Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
 - (vi) the Company has no outstanding convertible debt securities or debentures;
 - (vii) within the two years preceding the date of this Prospectus, no commission has been paid or payable (except commission to underwriters) to any persons for subscription or purchase, agreeing to subscribe or purchase, procuring subscription or purchase or agreeing to procure subscription or purchase of any Shares in the Company;
 - (viii) there has been no material adverse change in the financial or trading position of the Group since 31 December 2010 (being the date to which the latest audited consolidated financial statements of the Group were made up); and
 - (ix) there has not been any interruption in the business of the Company which may have or have had a significant effect on the financial position.
- (b) As at the Latest Practicable Date, there is no restriction in Hong Kong affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong.

15. *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).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE, YELLOW, BLUE, LIGHT ORANGE** and **GREEN** Application Forms, the written consents referred to in the section headed “Statutory and General Information – F. Other Information – 7. Consents of Experts” in Appendix VIII to this Prospectus, copies of the material contracts referred to in the section headed “Statutory and General Information – B. Further Information about the Business – 1. Summary of Material Contracts” in Appendix VIII to this Prospectus and statement of the name, description and address of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Jones Day, 29th Floor, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Accountants’ Report received from Ernst & Young, Certified Public Accountants, Hong Kong, the text of which is set out in Appendix I to this Prospectus and the audited consolidated financial statements of the Group for the three years ended 31 December 2010 prepared in accordance with IFRS;
- (c) the report on unaudited pro forma financial information relating to unaudited pro forma adjusted net tangible assets received from Ernst & Young, Certified Public Accountants, Hong Kong, the text of which is set out in the Appendix II to this Prospectus;
- (d) the letters related to the profit forecast as set out in Appendix III to this Prospectus;
- (e) the letter, summary of valuations and valuation certificate prepared by Jones Lang LaSalle Sallmanns, the texts of which are set out in the section headed “Property Valuation” in Appendix IV to this Prospectus;
- (f) the report prepared by the Independent Technical Advisor, Behre Dolbear, the text of which is set out in the section headed “Independent Technical Report” in Appendix V to this Prospectus;
- (g) the rules of the Pre-IPO Share Option Scheme;
- (h) the rules of the Share Option Scheme;
- (i) the letter of advice prepared by Walkers summarizing certain aspects of the Company Law;
- (j) the Companies Law;
- (k) the legal opinions issued by King & Wood, the PRC legal advisors to the Company;
- (l) the material contracts referred to in the section headed “Statutory and General Information – B. Further Information about the Business – 1. Summary of Material Contracts” in Appendix VIII to this Prospectus;
- (m) the service agreements and letters of appointment referred to in the section headed “Statutory and General Information – C. Further Information about Directors, Management and Staff-3. Particulars of Directors’ Service Agreements” in Appendix VIII to this Prospectus;
- (n) the written consents referred to in the section headed “Statutory and General Information – F. Other Information – 7. Consents of Experts” in Appendix VIII to this Prospectus; and
- (o) statement of particulars of the Selling Shareholder.



新礦資源有限公司
NEWTON RESOURCES LTD