恒實礦業投資有限公司

HENGSHI MINING INVESTMENTS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1370

GLOBAL OFFERING

Joint Global Coordinators

CREDIT SUISSE

BofA Merrill Lynch

Joint Sponsors

BofA Merrill Lynch

CREDIT SUISSE

Joint Bookrunners and Joint Lead Managers

CREDIT SUISSE

BofA Merrill Lynch

IMPORTANT

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

恒實礦業
HENGSHI MINING

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**375,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**37,500,000 Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**337,500,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$3.40 per Share plus brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.0001 per Share**
Stock code	**:**	**1370**

Joint Global Coordinators

CREDIT SUISSE   BofA Merrill Lynch

Joint Sponsors

BofA Merrill Lynch   CREDIT SUISSE

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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 "Appendix VII – Documents Delivered to the Registrar of Companies and Available for Inspection," has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this Prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date or such later date as may be agreed by our Company and the Joint Global Coordinators (on behalf of the Underwriters) but in any event no later than November 27, 2013. The Offer Price will be not more than HK$3.40 per Offer Share and is expected to be not less than HK$3.10 per Offer Share, unless otherwise announced.

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended ("U.S. Securities Act"), or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered (i) in the United States to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or (ii) outside the United States in offshore transactions in reliance on Regulation S.

Credit Suisse and Merrill Lynch Far East (for themselves and on behalf of the other Underwriters) may, with consent of the Company, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction of the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available at the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.hengshimining.com**. Further details are set out in "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this Prospectus.

If, for any reason, the Offer Price is not agreed between the Credit Suisse and Merrill Lynch Far East (for themselves and on behalf of the other Underwriters) and the Company on or before Wednesday, November 27, 2013, the Global Offering will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Prospectus, including the risk factors set out in "Risk Factors." The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination."

November 18, 2013

Hong Kong Public Offering and **WHITE** and **YELLOW** Application Forms available from .... 9:00 a.m. on Monday, November 18, 2013

Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2] .... 11:30 a.m. on Thursday, November 21, 2013

Application lists open[3] .... 11:45 a.m. on Thursday, November 21, 2013

Latest time for (i) lodging **WHITE** and **YELLOW** Application Forms, (ii) completing payment for **White Form eIPO** applications and (iii) giving **electronic application instructions** to HKSCC .... 12:00 noon on Thursday, November 21, 2013

Application lists close[3] .... 12:00 noon on Thursday, November 21, 2013

Expected Price Determination Date .... Thursday, November 21, 2013

(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before .... Wednesday, November 27, 2013

(2) Results of allocations in the Hong Kong Public Offering to be available through a variety of channels as described in "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" from .... Wednesday, November 27, 2013

(3) Announcement containing (1) and (2) above to be published on the websites of our Company and the Stock Exchange at **www.hengshimining.com** and **www.hkexnews.hk**, respectively, from .... Wednesday, November 27, 2013

Despatch of Share certificates and White Form e-Refund payment instructions/refund cheques on or before[4] .... Wednesday, November 27, 2013

Dealings in the Shares on the Stock Exchange expected to commence on .... Thursday, November 28, 2013

Notes:

(1) All dates and times refer to Hong Kong dates and times.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment 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 the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, November 21, 2013, the application lists will not open and close on that day. See "How to apply for Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists."

(4) Share certificates for the Hong Kong Offer Shares are expected to be issued on Wednesday, November 27, 2013 but will only become valid if the Global Offering has become unconditional in all respects at any time prior to 8:00 a.m. on the Listing Date, which is expected to be Thursday, November 28, 2013. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

For details of the structure of the Global Offering, its conditions and the procedures for Hong Kong Offer Shares, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares."

IMPORTANT NOTICE TO INVESTORS

This Prospectus is issued by Hengshi Mining Investments Limited, solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This Prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. 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 included in this Prospectus must not be relied on by you as having been authorized by us or any of the Relevant Persons. Information contained in our website, located at www.hengshimining.com, does not form part of this Prospectus.

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This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole Prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks associated with investing in the Offer Shares are set out in "Risk Factors" starting from page 35 in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are an iron ore mining and processing company based in Hebei Province, the province with the largest steel production and iron ore consumption volumes in China in 2012, according to the AME Report. We currently own and operate four iron ore mines, namely, Gufen Mine, Wang'ergou Mine, Shuanmazhuang Mine and Zhijiazhuang Mine, all of which are located in Laiyuan County, Hebei Province. Our mines are located near convenient road and rail transportation networks, providing easy access to regions in Hebei and Shanxi Provinces where demand for iron ore products is high. According to the CPR, as of June 30, 2013, our mines had approximately 413.6 Mt of total indicated resources and approximately 326.8 Mt of probable reserves, together with approximately 223.7 Mt of inferred resources. Prior to the commencement of trial or commercial production at our mines in early 2013, we focused on slope correction and waste rock stripping at our mines, during which we recovered iron ores and weakly mineralized wall rocks and processed them into iron ore products for sale. Zhijiazhuang Mine commenced commercial production in April 2013, while Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine commenced trial production in May 2013 and commercial production in October 2013.

During the Track Record Period, our products included iron ore concentrates processed at Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine and preliminary concentrates and iron ores processed at and recovered from Zhijiazhuang Mine. We believe that our iron ores have commercially attractive attributes, with a low content of impurities such as sulphur, phosphorus, silicon and titanium. In addition, iron ores recovered from Zhijiazhuang Mine are able to be processed into alkaline concentrates with a high content of MgO, which can function as a blending material to adjust the pH value of the component materials used in iron making so that no or minimal flux would be needed in the process, which prevents the grade decrease of the component materials. As a result, such iron ore concentrates could reduce coke consumption, improve furnace efficiency and lower iron making costs. We believe that these attributes appeal to steel mills and can generally command a pricing premium.

According to the AME Report, China had the highest demand for iron ores in the world in 2012. It had an estimated demand of approximately 1,071.1 Mt of iron ores in 2012, accounting for 57.3% of global demand. While iron ore output decreased in 2012 in Hebei Province due to certain producers ceasing or reducing production as a result of declining selling prices, as the largest steel producing province in China, Hebei Province still consumed an estimated 250.5 Mt of iron ores in 2012, which represented approximately 24.8% of the total iron ore consumption in China. In 2012, approximately 81.5 Mt, or 34.6%, of the total iron ores consumed in Hebei Province were supplied locally.

Leveraging our low cash operating costs, strategic location, experienced and stable management team, commercially attractive attributes of our products and strong growth potential through our expansion of mining and processing capacities, we believe that we are well-positioned to benefit from the significant shortage in domestically produced iron ore products in China, especially in Hebei and Shanxi Provinces.

MINERAL RESOURCES AND RESERVES AT OUR MINES

As of June 30, 2013, the total indicated and inferred resources in our mines were approximately 413.6 Mt at average grades of 14.31% TFe and 7.20% mFe, and approximately 223.7 Mt at average grades of 13.30% TFe and 6.46% mFe, respectively. Our probable reserves as of June 30, 2013 were approximately 326.8 Mt with average grades of 14.95% TFe and 7.88% mFe. We currently adopt open-pit mining at all of our four mines. Based on our existing defined mine sites, we may adopt underground mining at Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine in the future. According to the CPR, our reserves generally have geological conditions and characteristics favorable to low-cost mining and production. The following table sets forth certain information regarding our mines as of the Latest Practicable Date unless otherwise specified.

	Gufen Mine	Wang'ergou Mine	Shuanmazhuang Mine	Zhijiazhuang Mine
Background data:				
Operating subsidiary	Xinxin Mining	Jingyuancheng Mining	Jingyuancheng Mining	Jiheng Mining
Equity interest attributable to us	100%	100%	100%	90%
Current status[1]	Commercial production	Commercial production	Commercial production	Commercial production
Mining rights area (sq.km.)	1.3821	1.5287	2.1871	0.3337
Expiration date of mining permit (month/year)	January 2023	January 2023	January 2023	April 2022
Existing Mining Capacity (Mtpa)[2]	2.2	2.2	3.8	2.2
Planned Mining Capacity (Mtpa)	5.0	5.2	8.8	2.4
Resource data (as of June 30, 2013):				
Indicated resource (Mt)	158.8	76.4	155.3	23.1
Inferred resource (Mt)	101.1	39.3	73.9	9.4
Reserve data (as of June 30, 2013):				
Probable reserves (Mt)	114.9	63.2	128.9	19.8
– Open-pit mining	56.1	45.1	93.2	19.8
– Underground mining	58.8	18.1	35.7	N/A
Average iron grade (TFe)	14.11%	14.10%	14.24%	27.16%
Average iron grade (mFe)	7.43%	6.88%	5.99%	25.93%
Mine life (as of June 30, 2013)[3]	27	29	29	10
Current mining method	Open-pit	Open-pit	Open-pit	Open-pit
Iron ore output (Kt)				
– 2010	1,728	987	559	145
– 2011	1,464	1,167	628	1,350
– 2012	1,172	1,078	581	973
– Six months ended June 30, 2013	1,489	1,500	1,075	1,591

Notes:

(1) Zhijiazhuang Mine has been in commercial production since April 2013. The other three mines have commenced trial production in May 2013 and commenced commercial production in October 2013. See “Business – Relevant Rights and Permits.”

(2) As of June 30, 2013.

(3) According to the CPR, Gufen Mine is expected to be suitable for open-pit mining for 13 years, Wang’ergou Mine and Shuanmazhuang Mine are expected to be suitable for open-pit mining for 12 years and Zhijiazhuang Mine is designed for open-pit mining only and expected to be mined for ten years, in each case, from 2013. The mine life is calculated based on the residual reserves at the end of ramp-up period and the mining plan, see Tables 7–14, 7–15 and 7–16 of the CPR attached as Appendix IV to this Prospectus.

SRK is of the view that the description and use of the terms of “high grade” or “low grade” as set out in the CPR are only a relative description comparing the iron ore grades of the four iron ore mines in the region. Generally, iron ore with a TFe grade equal to or greater than 20% is defined as “high grade” iron ore, while those with a TFe grade below 20% is defined as “low grade” iron ore. Accordingly, SRK is of the view that the iron ores from Gufen Mine, Wang’ergou Mine and Shuanmazhuang Mine constitute low grade iron ores as their average TFe grade is less than 20%, and those from Zhijiazhuang Mine are high grade iron ores as their average TFe grade is greater than 27%. In addition, based on the processing test results reviewed by SRK, SRK is of the view that iron ore concentrates processed from the iron ores excavated from all of our mines are of good quality. See “Business – Products” starting from page 140 of this Prospectus and Section 8.1.3 of the CPR attached as Appendix IV to this Prospectus.

CONSOLIDATION AND CORRECTION WORK AT OUR MINES

To improve the efficiency of the mining industry, the PRC Government, including the Hebei provincial government, has issued various guidance and policies to promote the integration and consolidation of small-scale iron ore mines. The Hebei provincial government designated us as a consolidation principal in Laiyuan County to consolidate and integrate relevant mining resources within the area, which facilitated our acquisition and consolidation of relevant local small-scale iron ore mines in Laiyuan County that were previously operated by other entities. For details on the relevant mines that we have acquired and consolidated and their prior operators, see “History, Development and Reorganization – Historical Development of Our Mines” starting from page 98 of this Prospectus. In connection with the local government’s consolidation plan and as requested by the relevant PRC authorities, during the Track Record Period, we conducted the following work to consolidate and integrate the relevant mines and production facilities under our portfolio:

- To consolidate the relevant small-scale iron ore mines and apply for new mining permits, we conducted feasibility studies on the newly consolidated resources, re-evaluated the reserves, redesigned the mining plan to exploit the resources more efficiently, revamped or disposed of infrastructure construction and rehabilitated and restored the surrounding environment; and

- To mitigate against safety and environmental risks caused by disorderly mining operations conducted by prior operators of the relevant mines, we conducted a series of correction works, including slope correction and waste rock stripping.

Additionally, as a condition to obtaining the mining rights to Zhijiazhuang Mine, Jiheng Mining had been required by the People's Government of Laiyuan County to commit to bearing certain expenses relating to the settlement and re-employment of certain laid-off workers of several financially distressed local state-owned enterprises in Laiyuan County. From 2010 to April 2013, with respect to these laid-off workers, Jiheng Mining paid basic pension insurance, basic medical insurance and living expenses for staff pending for duties totalling RMB26.0 million. Based on a confirmation letter issued by the People's Government of Laiyuan County on May 23, 2013, Jiheng Mining has discharged all these obligations it had committed to in relation to the mining rights to Zhijiazhuang Mine.

As a part of the overall mining industry integration and consolidation initiated by the People's Government of Laiyuan County, the mining permits for our mines were suspended upon their expiration in 2008. After we completed the consolidation work, new mining permits and safety production permits were granted to our four mines. The Hebei Provincial Department of Land and Resources granted new mining permits to Zhijiazhuang Mine in April 2012 and to Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine in January 2013.

During the slope correction and waste rock stripping work described above, which helped correct the slope angles and further opened the mining pit, iron ores along with weakly mineralized wall rocks and waste rocks were inevitably removed. In order to better utilize resources and minimize waste discharge, we processed the iron ores and weakly mineralized wall rocks into iron ore products for sale during the Track Record Period. According to confirmation letters issued by the Hebei Provincial Department of Land and Resources, the Environmental Protection Bureau of Hebei Province and the Hebei Administration of Work Safety, we were authorized to recover, process and sell these iron ore products from such slope correction and waste rock stripping work. Our PRC legal counsel, Commerce & Finance Law Offices, is of the view that the Hebei Provincial Department of Land and Resources (i) is the competent authority for issuing the Mining Permits of our mines and for overseeing our relevant mining activities; and (ii) has the authority to issue the relevant confirmation letters, which will not be challenged by other government authorities. Our PRC legal counsel has also advised us that based on the confirmation letters issued by these competent government authorities, we were entitled to receive and retain the revenue from disposal of the iron ore products we recovered and processed during the course of the consolidation and correction work, and we will not be subject to any retrospective penalty solely for recovering, processing and selling the relevant iron ore products during our consolidation and correction work prior to obtaining relevant new mining permits and safety production permits.

Recognizing that we have successfully completed the consolidation work during the past years, improved the efficiency at our mines, contributed to the fiscal income of Laiyuan County and improved the local employment level, the People's Government of Laiyuan County designated us as a consolidation principal to further integrate mineral resources, such as iron, lead and zinc, in Laiyuan County, according to a confirmation letter issued on May 23, 2013.

OUR COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

We believe that we are able to compete successfully because of, among other things: (i) our low operating costs due to our favorable mine quality and geological conditions, well-designed mining plan and well-equipped processing facilities; (ii) our strategic location in Hebei Province, the province with the largest steel production and iron ore consumption volumes in China, with convenient road and rail transportation networks to transport our products to existing and target customers in China; (iii) an experienced and stable management team; and (iv) the commercially attractive attributes of our iron ore products, such as the low impurity content and high TFe grade of our iron ore concentrates. In particular, the iron ore concentrates from Zhijiazhuang Mine are alkaline concentrates with high content of MgO, which appeals to steel mills that produce high quality steel and generally command higher market prices than acidic iron ore concentrates with the same TFe grade.

To strengthen our market position and increase our market share, we intend to carry out, among other things, the following business strategies: (i) expand our mining and processing capacities to increase the production and sales of iron ore concentrates; (ii) continue to explore supply and cooperation arrangements with steel mills; and (iii) expand our resources and reserves through further exploration of our existing mines and surrounding mineralized zones, as well as pursue proprietary exploration or acquisitions of high quality mines by leveraging our consolidation principal status designated and supported by the relevant governmental authorities.

For further details of our competitive strengths and business strategies, see “Business – Our Competitive Strengths” and “Business – Our Business Strategies” starting from page 111 and page 115 of this Prospectus, respectively.

RISK FACTORS

There are certain risks involved in our operations, many of which are beyond our control and may have a material adverse effect on us. You are cautioned that you should carefully read “Risk Factors” starting from page 35 of this Prospectus.

SALES AND CUSTOMERS

We currently sell all of our iron ore products, including iron ore concentrates, preliminary concentrates and iron ores, in the PRC domestic market and primarily in Hebei Province. During the Track Record Period, iron ore concentrates were primarily sold to steel mills while preliminary concentrates and iron ores were all sold to local processing plants and trading companies.

During the Track Record Period, we sold preliminary concentrates and iron ores processed at and recovered from Zhijiazhuang Mine, as Jiheng Mining did not have wet processing capacity to process iron ores and preliminary concentrates into iron ore concentrates. Since March 2013, Jiheng Mining has utilized Xinxin Mining’s wet processing facilities to process a portion of its preliminary concentrates into iron ore concentrates. As a result, apart from iron ores and preliminary concentrates, Jiheng Mining has also been selling iron ore concentrates since April 2013. We also processed iron ores and weakly mineralized wall rocks recovered from Gufen Mine, Wang’ergou Mine and Shuanmazhuang Mine into iron ore concentrates for sale during the Track Record Period. In line with our production expansion plan, we plan to steadily increase our mining and processing capacities at all of our mines in order to increase output of iron ore concentrates. As a result, we expect revenue generated from sales of iron ore concentrates to increase both in terms of absolute amount and as a percentage of our total revenue. See "Financial Information – Factors Affecting Results of Operations and Financial Position – Product Mix" and "Financial Information – Cash Operating Costs" starting from pages 190 and 229 of this Prospectus, respectively.

In early 2013, we entered into supply and cooperation agreements with five steel mills for the sale of iron ore concentrates with an aggregate minimum sales volume of 1,150 Kt, which was subsequently reduced to 850 Kt based on our adjusted production plan for 2013. We adjusted our production plan because we did not secure a qualified third-party wet processing plant to outsource the processing of 300 Kt iron ore concentrates as originally planned. See "Business – Sales and Marketing" starting from page 142 of this Prospectus. Three of the five customers renewed such agreements with us for 2014. Together with the supply and cooperation agreement that we entered into with a new customer, the aggregate minimum sales volume of iron ore concentrates under such agreements will increase to 1,400 Kt in 2014. Although there is no certainty that the customers will continue to renew these agreements annually, we currently are not aware of any circumstances that would lead to such agreements not being renewed, as (i) iron ore concentrates produced by our mines are considered to be of good quality; (ii) we have maintained good relationships with our customers; (iii) our mines are conveniently located near transport networks and within close proximity to our existing iron ore concentrate customers; and (iv) despite a challenging global macroeconomic climate, the demand for iron ore products in China, including demand from our primary market in Hebei Province, remains resilient. In addition, as our production volume continues to grow, we will continue to explore and develop new cooperation arrangements with other customers, both within and outside of Hebei Province.

Moreover, we have entered into supply and cooperation agreements with local iron ore processing plants and trading companies for the sales of our iron ores and preliminary concentrates. These agreements are based on a template form similar to that of the supply and cooperation agreements for the sales of our iron ore concentrates, with an aggregated contracted minimum sales volume of 790 Kt to eight customers and 1,050 Kt to 13 customers for the period from June 1, 2013 to December 31, 2013 and the year of 2014, respectively. We currently do not intend to renew such agreements as the sales of iron ores and preliminary concentrates are expected to cease in 2015 after the wet processing capacity of Jiheng Mining is in place.

During the Track Record Period, all or a significant portion of our revenue was generated from the sales of iron ore products to a small number of major customers. Aoyu Steel, a company wholly owned by our Controlling Shareholders until March 2012, was our single largest customer in 2010, 2011 and 2012, contributing 97.6%, 49.6%, 44.6% and 3.8% of our total revenue in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. Our gross profits generated from the sales to Aoyu Steel was RMB167.8 million, RMB160.3 million, RMB40.8 million and RMB10.8 million in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively.

The following table sets forth the total sales volume and average selling price of each of our products during the Track Record Period. The average selling price was calculated by dividing the revenue (exclusive of VAT) by the corresponding sales volume.

	2010	2011	2012	1H 2013
Total sales volume (Kt)				
Iron ore concentrates	377	370	372	360
Preliminary concentrates	–	201	366	403
Iron ores	–	1,526	1,019	1,528
Average selling price (RMB/t)				
Iron ore concentrates	966	1,062	847	806
Preliminary concentrates	–	262	195	202
Iron ores	–	214	190	193

PROCUREMENT, SUPPLIERS AND CONTRACTORS

During the Track Record Period, we primarily purchased machinery, equipment, spare parts, diesel fuel, explosives and other ancillary materials from independent third-party suppliers for our mining and processing operations. Our employees are responsible for the majority of our mining and processing operations. We also engage independent third-party contractors with relevant qualifications and permits for certain services in our mining process, including blasting, loading and transportation services. By engaging skilled and experienced external service providers in our mining process, we believe that we are able to improve efficiency and reduce costs.

EXPANSION PLAN AND CAPITAL EXPENDITURE

To capitalize on the continuous demand for iron ore concentrates as China's economy continues to grow, as well as to achieve greater economies of scale, we plan to expand our mining and processing capacities through further stripping engineering, technical renovation and construction of new processing plants following the completion of the consolidation and correction work at our four mines. We will pursue our expansion plan in compliance with our mining permits and expect to complete the relevant expansion work by the end of 2015.

As of June 30, 2013, our total Existing Mining Capacity was 10.4 Mtpa, with a dry processing capacity of 15.5 Mtpa and a wet processing capacity of 3.8 Mtpa. Upon full completion of our ramp-up work by the end of 2015, we expect to have a total mining capacity of 21.4 Mtpa, with a dry processing capacity of 27.6 Mtpa and a wet processing capacity of 7.9 Mtpa. Our annual iron ore concentrate production is expected to reach 2.5 Mtpa by 2016. Our capital expenditures are expected to be RMB251.6 million, RMB390.6 million and RMB348.8 million for the second half of 2013, and the years of 2014 and 2015, respectively. See "Business – Production Expansion Plans" starting from page 134 of this Prospectus.

UNDERGROUND MINING

According to the CPR, as of June 30, 2013, the estimated mine life of Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine for open-pit mining was approximately 13, 12 and 12 years, respectively. Based on our existing defined mine sites, we may adopt underground mining after the open-pit has been mined out. A development plan utilizing main and auxiliary shaft-ramp development within the mining areas covered by the existing mining permits will be used for underground mining. See Table 7–8 and Table 7–9 of the CPR attached as Appendix IV to this Prospectus for the main development parameters. The construction work for the underground mining will begin three years before the end of open-pit mining and the total investment for underground mining from 2022 to 2025 is estimated to be approximately RMB739.0 million on new underground mining facilities and equipment. See Table 11–4 of the CPR attached as Appendix IV to this Prospectus. The funding is expected to be sourced from the net cash generated from operating activities in the future.

FINANCIAL PERFORMANCE

The brief review of our financial performance during the Track Record Period set forth below should be read in conjunction with our financial information included in the Accountants' Report, including the notes thereto, and "Financial Information" starting from page 189 of this Prospectus. Our summary financial information as of and for the years ended December 31, 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013 set forth in the tables below has been derived from the financial information included in the Accountants' Report attached as Appendix I to this Prospectus.

Summary of Consolidated Statements of Comprehensive Income

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
			(RMB in millions)		
Revenue	364.6	773.1	581.6	219.3	667.1
Gross profit	166.3	422.0	188.5	48.3	387.3
Profit from operations	120.4	311.1	85.0	0.7	342.4
Profit/(loss) before taxation	117.3	307.3	77.5	(2.2)	334.9
Profit/(loss) and total comprehensive income for the year/period	86.9	222.0	54.8	(3.0)	250.2
Attributable to:					
Equity shareholders of the Company	94.9	162.5	48.5	(4.8)	232.0
Non-controlling interests	(8.0)	59.5	6.3	1.8	18.2

The following table sets forth revenue contribution by product and their percentage of total revenue for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(RMB in millions, except percentages)									
Revenue										
Iron ore concentrates	364.2	99.9	393.1	50.8	315.2	54.2	120.2	54.8	290.0	43.5
Preliminary concentrates	–	–	52.6	6.8	71.4	12.3	39.8	18.1	81.3	12.2
Iron ores	–	–	327.1	42.3	193.9	33.3	58.5	26.7	295.5	44.3
Others(1)	0.4	0.1	0.3	0.1	1.1	0.2	0.8	0.4	0.3	*(2)
Total	364.6	100.0	773.1	100.0	581.6	100.0	219.3	100.0	667.1	100.0

Notes:

(1) Mainly include the sales or disposal of scrap steel, consumables and equipment used in the production of iron ore products.

(2) Less than 0.1.

The following table sets forth a breakdown of our gross profit and gross profit margin for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(RMB in millions, except percentages)				
Gross Profit					
Iron ore concentrates	171.8	164.4	49.5	2.7	123.7
Preliminary concentrates	–	15.3	4.8	5.0	18.3
Iron ores	–	242.0	133.7	40.3	245.0
Others	0.4	0.3	0.5	0.3	0.3
Total	**166.3(1)**	**422.0**	**188.5**	**48.3**	**387.3**
Gross Profit Margin (%)					
Iron ore concentrates	47.2	41.8	15.7	2.2	42.7
Preliminary concentrates	–	29.1	6.7	12.6	22.5
Iron ores	–	74.0	69.0	68.9	82.9
Others	N/M(2)	N/M(2)	N/M(2)	N/M(2)	N/M(2)
Overall	**45.6**	**54.6**	**32.4**	**22.0**	**58.1**

Notes:

(1) Inclusive of an allowance for diminution in value of inventories of RMB5.9 million made in 2010, which represents the write-down of our inventories to the net realizable value in the same year.

(2) "N/M" stands for not meaningful.

The following table sets forth the historical unit cash operating costs of iron ore concentrates of our mining subsidiaries for 2010 to 2012 and the forecasted unit cash operating costs for 2013 to 2017, respectively.

	2010	2011	2012	2013	2014	2015	2016	2017
				(RMB/t)				
Xinxin Mining	520.37	653.42	706.53	435.41	402.16	389.31	437.37(1)	437.37
Jingyuancheng Mining	485.85	691.54	685.85	405.57	345.39	332.93	388.28(1)	388.28
Jiheng Mining	–	–	–	457.49	154.93(2)	155.03	156.24	156.24

Notes:

(1) According to SRK, the unit cash operating costs of Xinxin Mining and Jingyuancheng Mining are forcasted to increase in 2016, primarily due to an increase in forecasted stripping ratios as a result of the expansion of the areas to be mined after the ramp-up period and the specific occurrence of orebodies of these mines.

(2) The iron ore concentrates of Jiheng Mining are expected to be processed primarily from high TFe grade iron ores in 2014, as compared to low TFe grade weakly mineralized wall rocks in 2013. Therefore, the unit cash operating costs in 2014 is expected to decrease substantially.

From 2010 to 2012, we mainly focused on conducting consolidation and correction works in connection with the consolidation of our mines and preparing them for commercial production. The iron ores removed and recovered during these works were low in both volume and TFe grade as compared to those of iron ores produced during our trial or commercial production. In addition, we also used weakly mineralized wall rocks recovered during the course of these works to produce a significant portion of our iron ore concentrates. As a result, the average unit cash operating costs of our iron ores and iron ore concentrates during these periods were high as compared to those during our trial or commercial production. Due to deteriorated market conditions, the average selling prices of all of our iron ore products decreased from 2011 to 2012. Furthermore, the suspension of mining operations caused by the flood in Hebei Province in July 2012 resulted in reductions in both our production and sales volumes of iron ores in 2012. As a result, compared to 2011, our revenue, gross profit and gross profit margin all decreased significantly in 2012. In addition, our gross profit margin in 2012 was also adversely affected by an increase in the prices of our key consumables.

With the on-going technological upgrade and the expected increase in our production volume and the TFe grade of our iron ores, the unit cash operating costs of iron ore concentrates after the commencement of trial or commercial production should decrease substantially as compared with those in 2010, 2011 and 2012. All of our mines commenced trial or commercial production in early 2013, and both the output and sales volume of our iron ore products increased significantly in the first half of 2013. See "Financial Information – Factors Affecting Results of Operations and Financial Position – Production Volume and Sales Volume of Our Iron Ore Products" starting from page 192 of this Prospectus. Meanwhile, with the increase of the TFe grade of iron ores extracted in our mines and the increase of the utilization rates of our processing plants, the unit cost for mining, the unit processing cost and unit off-site administration cost all decreased significantly in the first half of 2013 as compared to those in 2010, 2011 and 2012. Specifically, the unit cash operating costs per tonne of iron ore concentrates of Xinxin Mining and Jingyuancheng Mining decreased to RMB398.0 and RMB436.5 in the first half of 2013, with the forecasted costs for 2013 being RMB435.41 and RMB405.57, respectively, moving towards the level forecasted for 2014. See "Financial Information – Cash Operating Costs" starting from page 229 of this Prospectus. Therefore, while the average selling prices of our iron ore products decreased slightly in the first half of 2013, our gross profit and gross profit margin reached RMB387.3 million and 58.1%, respectively, in the six months ended June 30, 2013, compared to RMB48.3 million and 22.0%, respectively, in the same period of 2012.

Recently, there have been fluctuations in the output and the selling prices of iron ore products in China (including in Heibei Province). See "Industry Overview – Overview of the Iron Ore industry – PRC Iron Ore Industry" starting from page 79 of this Prospectus. We believe that operating at a low cash operating cost is critical to weathering any selling price fluctuations. As a result of our substantially reduced cash operating cost, our profitability improved significantly during the first half of 2013, despite a weak iron ore market in the same period in China. To mitigate against the potential further weakening of the selling prices of our iron ore products, we will continue our ramp-up plan to lower the unit cash operating cost as projected through (i) upgrading our technical capabilities, (ii) improving our economies of scale by expanding our mining and processing capacities and (iii) optimizing management and operation. In addition, we plan to, without undermining our liquidity, offer competitive credit terms to attract more state-owned steel mill customers who are generally more willing to pay higher prices. In the long term, we also plan to further improve the economies of scale by acquiring high quality mines. Given that Hebei Province consumed an estimated amount of 250.5 Mt of iron ores, or approximately 24.8% of the total iron ore consumption in China, in 2012, and only approximately 34.6% of that amount was supplied locally, we expect to continue generating a significant demand for our products from customers in Hebei Province. Coupled with our growing production scale and low unit cash operating costs of our products, we believe that we are well-positioned to withstand these and other market fluctuations and have a solid basis for future growth.

Summary of Consolidated Balance Sheets

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(RMB in millions)			
Current assets[1]	224.3	202.3	222.6	249.5
Current liabilities	(248.6)	(445.0)	(747.6)	(572.0)
Net current liabilities	(24.3)	(242.7)	(525.0)	(322.5)
Non-current assets	227.5	476.9	823.6	1,133.7
Non-current liabilities	(42.5)	(44.7)	(134.3)	(396.6)
Net assets	160.7	189.5	164.3	414.6
Total equity attributable to equity shareholders of the Company	143.6	131.8	138.7	370.7

Note:

(1) Included RMB9.9 million, RMB57.7 million, RMB116.9 million and RMB71.3 million in weakly mineralized wall rocks as of December 31, 2010, 2011, 2012 and June 30, 2013, respectively. Due to the increased output of weakly mineralized wall rocks and lack of dry processing capacity, the weakly mineralized wall rocks in the inventories increased from 2010 to 2012. However, along with the increase of our dry processing capacity, the inventory level of weakly mineralized wall rocks as of June 30, 2013 decreased compared with that as of December 31, 2012.

From 2010 to 2012, we mainly focused on the consolidation and correction work and heavily invested in, among other things, acquiring mining rights and land use rights, as well as building dry and wet processing facilities. As a result, our non-current assets continued to increase and reached RMB823.6 million as of December 31, 2012, which were mainly financed by the amounts due to related parties, that were, our Controlling Shareholders, which were accounted for as current liabilities. This partially contributed to our net current liabilities positions as of December 31, 2010, 2011 and 2012. Since the commencement of trial or commercial production at our mines in early 2013, our operating cash generation capability has significantly improved and, as such, we settled a portion of the amounts due to related parties with cash generated from operating activities during the first half of 2013, which contributed to the decrease of our net current liabilities to RMB322.5 million as of June 30, 2013. We fully repaid the remaining amounts due to related parties and expect to have a net current asset position by the end of 2013.

Summary of Consolidated Cash Flow Statements

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
			(RMB in millions)		
Net cash generated from operating activities	35.0	538.4	277.3	197.5	124.5
Net cash used in investing activities	(111.6)	(276.6)	(216.4)	(130.3)	(181.5)
Net cash generated from/(used in) financing activities	97.8	(243.6)	(80.0)	(80.0)	101.4
Net increase/(decrease) in cash and cash equivalents	21.2	18.2	(19.1)	(12.8)	44.4
Cash and cash equivalents at beginning of year/period	2.4	23.6	41.8	41.8	22.7
Effect of foreign exchange rate changes	–	*	–	–	–
Cash and cash equivalents at the end of year/period	23.6	41.8	22.7	29.0	67.1

* Less than 0.1.

Summary of Key Financial Ratios

The following table sets forth our key financial ratios for the periods or as of the dates indicated.

	Year ended/As of December 31,			Six months ended/ As of June 30,
	2010	2011	2012	2013
Return on equity(1)	66.1%	123.3%	34.9%	62.6%
Return on total assets(1)	19.2%	32.7%	5.2%	18.1%
Current ratio(1)	90.2%	45.5%	29.8%	43.6%
Quick ratio(1)	75.7%	21.6%	8.4%	22.3%

Note:

(1) See "Financial Information – Key Financial Ratios" for the methodology for the calculation of these ratios.

Sensitivity Analysis

For a sensitivity analysis of our revenue to the average selling prices of our iron ore products and that of our gross profit to the average cost of sales of our iron ore products, see "Financial Information – Factors Affecting Results of Operations and Financial Position – Selling Prices" and "Financial Information – Factors Affecting Results of Operations and Financial Position – Operating Costs" starting from page 190 and page 193 of this Prospectus, respectively.

RECENT DEVELOPMENTS

For the three months ended September 30, 2013, the production volume of our iron ores, preliminary concentrates and iron ore concentrates was 2,197 Kt, 989 Kt and 253 Kt, respectively. The sales volume of our iron ores, preliminary concentrates and iron ore concentrates was 261 Kt, 75 Kt and 269 Kt, respectively, generating total revenue of RMB298.7 million and gross profit of RMB147.3 million for the same period. The unit cash operating costs per tonne of iron ore concentrates at Xinxin Mining, Jingyuancheng Mining and Jiheng Mining were RMB491.2, RMB403.3 and RMB491.6, respectively, in the same period. Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since June 30, 2013, the date of our latest audited financial results as set out in the Accountants' Report attached as Appendix I to this Prospectus.

OFFERING STATISTICS

	Based on an Offer Price of HK$3.10 per Share	Based on an Offer Price of HK$3.40 per Share
Market capitalization of our Shares(1)	HK$4,650.0 million	HK$5,100.0 million
Unaudited pro forma adjusted net tangible asset value per Share(2).	HK$0.68 (RMB0.54)	HK$0.76 (RMB0.60)

Notes:

(1) The calculation of the market capitalization is based on the respective Offer Prices of HK$3.10 and HK$3.40 per Share and 1,500,000,000 Shares expected to be in issue immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised.

(2) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in "Financial Information – Unaudited Pro Forma Adjusted Net Tangible Assets/(Liabilities)" and on the basis of 1,500,000,000 Shares expected to be issued and outstanding immediately following the Global Offering and assuming that the Over-allotment Option is not exercised.

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting the underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering, are estimated to be approximately HK$1,129.0 million, assuming no exercise of the Over-allotment Option and an Offer Price of HK$3.25 per Share, being the mid-point of the estimated Offer Price range. We intend to use these net proceeds for the following purposes: (i) approximately 70% of net proceeds (approximately HK$790.3 million) will be used to finance our expansion plan; (ii) approximately 20% of net proceeds (approximately HK$225.8 million) will be used for repaying our bank loans from the China Construction Bank Corporation Rongcheng Sub-branch in the aggregate amount of RMB200.0 million; and (iii) approximately 10% of net proceeds (approximately HK$112.9 million) will be used for working capital and general corporate purposes.

If the Offer Price is finally determined to be lower or higher than HK$3.25 per Share, being the mid-point of the estimated Offer Price, and/or the Over-allotment Option is exercised, the net proceeds from the Global Offering may decrease or increase, compared with the amount set forth above. In such cases, we will reduce or increase the allocation of the net proceeds to the above purposes on a pro-rata basis.

LISTING EXPENSES

The total amount of listing expenses and commissions, together with the SFC transaction levy and Hong Kong Stock Exchange trading fee that will be borne by us in connection with the Global Offering, is estimated to be approximately RMB71.0 million (based on the mid-point of our indicative price range for the Global Offering), of which approximately RMB49.6 million is expected to be capitalized after the Listing. See “Financial Information – Listing Expenses” on page 237 of this Prospectus.

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

"AME Mineral Economics (Asia) Limited" or "AME"	AME Mineral Economics (Asia) Limited, a global research and consulting firm specialising in the metal and mineral industries and the independent market consultant
"AME Report"	an independent industry report published by AME dated September 29, 2013, to be used in whole or in part in this Prospectus
"Aowei Developments"	Aowei International Developments Limited (奧威國際發展有限公司), a company incorporated in the BVI as a limited liability company on September 21, 2012, which is wholly owned by Seven Limited
"Aowei Group"	Hebei Aowei Industrial Group Co., Ltd. (河北奧威實業集團有限公司), a company established in the PRC on December 4, 1996, which is owned by Mr. Li Yanjun and his wife, Ms. Yang Hongying, as to 89.2% and 10.8%, respectively
"Aowei Investments"	Aowei International Investments Limited (奧威國際投資有限公司), a company incorporated in the Cayman Islands as a limited liability company on September 21, 2012, which is wholly owned by Hengshi Holdings
"Aowei Mining"	Laiyuan County Aowei Mining Investments Co., Ltd. (淶源縣奧威礦業投資有限公司, previously known as Rongcheng County Jiuhengjiye Technology Co., Ltd. (容城縣久恒基業科技有限公司) since its incorporation and until April 12, 2012, and Laiyuan County Jiuhengjiye Technology Co., Ltd. (淶源縣久恒基業科技有限公司) from April 12, 2012 to June 12, 2012), a company established in the PRC on June 8, 2011 and an indirectly wholly owned subsidiary of our Company, principally as a subsidiary holding company
"Aoyu Steel"	Laiyuan County Aoyu Steel Co., Ltd. (淶源縣奧宇鋼鐵有限公司), a company established in the PRC in July 2001, which is held as to 80% by Delong and 20% by Aowei Group
"Application Form(s)"	**WHITE** application form(s) **YELLOW** application form(s) and **GREEN** application form(s), individually or collectively, as the context may require

"Articles of Association" or "Articles"	the articles of association of our Company, adopted on November 3, 2013 (as amended or supplemented from time to time)
"Audit Committee"	the audit committee of the Board
"Baoding Administration of Work Safety"	the Baoding Administration of Work Safety (保定市安全生產監督管理局)
"Baoding Environmental Protection Bureau"	the Baoding Environmental Protection Bureau (保定市環境保護局)
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Cayman Companies Law"	the Companies Law of the Cayman Islands (2012 Revision), as amended, supplemented, or otherwise modified
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant, who may be an individual, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CEO"	Chief Executive Officer of our Company
"CFO"	Chief Financial Officer of our Company
"CFR"	cost and freight; a CFR contract price covers freight charges from the point of shipping to the destination, but not insurance

"Chak Limited"	Chak Limited, a company incorporated in Guernsey on June 19, 2013, which is wholly owned by Credit Suisse Trust Limited as trustee of the Family Trust
"China" or "PRC"	the People's Republic of China. Unless the context otherwise requires, references in this Prospectus to the PRC or China do not include Hong Kong, Macau Special Administrative Region and Taiwan
"China Customs"	the General Administration of Customs of the People's Republic of China (中華人民共和國海關總署)
"CIS"	the Commonwealth of Independent States
"CISA"	China Iron and Steel Association (中國鋼鐵工業協會), a non-profit national association representing the Chinese iron and steel industry with a primary goal of serving as a liaison between the Chinese iron and steel industry and the PRC Government and an Independent Third Party
"Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended and supplemented from time to time)
"Company" or "our Company"	Hengshi Mining Investments Limited (恒實礦業投資有限公司), an exempted company originally incorporated in the BVI on January 14, 2011 and re-domiciled from the BVI to the Cayman Islands on May 23, 2013
"Competent Person's Report" or "CPR"	a competent person's report published by SRK dated November 18, 2013, details of which are set out in Appendix IV – Competent Person's Report
"Controlling Shareholders"	has the meaning ascribed in the Listing Rules and unless the context requires otherwise, refers to Mr. Li Ziwei, Mr. Li Yanjun, the Family Trust, the Management Trust, Chak Limited, Seven Limited, Hengshi Holdings, Hengshi Investment and Aowei Developments
"Credit Suisse"	Credit Suisse (Hong Kong) Limited
"Deed of Non-competition"	the deed of non-competition given by Mr. Li Ziwei, Mr. Li Yanjun, Hengshi Investments and Hengshi Holdings in favor of our Group and dated November 12, 2013
"Delong"	Delong Holdings Limited, a company listed on the Singapore Exchange Ltd. and an Independent Third Party
"Director(s)"	the director(s) of our Company

"EIT Law"	Enterprise Income Tax Law of the PRC, promulgated by the National People's Congress on March 16, 2007 and effective as of January 1, 2008
"Existing Mining Capacity"	the capacity to mine iron ores with a cut-off grade of 8% TFe as of June 30, 2013
"Family Trust"	a revocable discretionary trust settled by Mr. Li Ziwei as the settlor pursuant to a trust deed dated August 13, 2013 in respect to the shares in Chak Limited
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require); or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the material time
"Gufen Mine"	an iron ore mine located in Shuibao Village, Laiyuan County with an area of 1.3821 sq.km covered by the mining right of, and operated by, Xinxin Mining
"Hebei Provincial Department of Land and Resources"	the Hebei Provincial Department of Land and Resources (河北省國土資源廳)
"Hengshi HK"	Hengshi Development International Limited (恒實發展國際有限公司), a company incorporated in Hong Kong as a limited liability company on February 2, 2011, which is a wholly owned subsidiary of our Company
"Hengshi Holdings"	Hengshi Holdings Limited (恒實控股有限公司), a limited liability company incorporated in the BVI on January 14, 2011, which is wholly owned by Chak Limited
"Hengshi Investments"	Hengshi International Investments Limited (恒實國際投資有限公司), a limited liability company incorporated in the BVI on January 14, 2011, which is wholly owned by Hengshi Holdings
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong

"HKFRS"	the Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the new Shares offered by our Company for subscription in the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer by our Company of initially 37,500,000 new Shares for subscription by the public in Hong Kong for cash (subject to adjustment as described in "Structure of the Global Offering" in this Prospectus) at the Offer Price (plus brokerage fee, Stock Exchange trading fee, and SFC transaction levy) on the terms and subject to the conditions described in this Prospectus and the Application Forms. See "Structure of the Global Offering – the Hong Kong Public Offering"
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters listed as such in "Underwriting – Hong Kong Underwriters" in this Prospectus, being the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the underwriting agreement relating to the Hong Kong Public Offering, dated November 15, 2013, entered into by the Joint Global Coordinators, the Hong Kong Underwriters, the Relevant Shareholders and our Company. See "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering"
"IFRS"	the International Financial Reporting Standards, which include all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS") and related interpretations as issued by the International Accounting Standards Board ("IASB")
"Indebtedness Date"	September 30, 2013
"Independent Third Party"	an individual or a company who is not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial Shareholders of the Company or its subsidiaries or any of their respective associates

"International Offer Shares"	the initial 337,500,000 Shares, being offered by us for subscription or purchase under the International Offering, together, where relevant, with any additional Shares that may be allotted pursuant to any exercise of the Over-allotment Option
"International Offering"	the offering of the International Offer Shares at the Offer Price outside the United States (other than to retail investors in Hong Kong), and to QIBs in the United States. See "Structure of the Global Offering"
"International Underwriters"	the underwriters of the International Offering which are expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering, expected to be entered into by the Joint Global Coordinators, the International Underwriters, the Relevant Shareholders and our Company. See "Underwriting – International Offering"
"IPO"	the initial public offering and listing of our Shares which meet certain requirements
"Issuing Mandate"	the general unconditional mandate given to the Directors relating to the issue of new Shares. See "A. Further Information about Our Group – 3. Shareholders' Resolutions" in Appendix VI
"Jiantou Mining"	Laiyuan County Jiantou Mining Co., Ltd. (淶源縣建投礦業有限公司), a limited liability company established in the PRC and an indirectly non-wholly owned subsidiary of Aowei Group
"Jiheng Mining"	Laiyuan County Jiheng Mining Co., Ltd. (淶源縣冀恒礦業有限公司), a limited liability company established in the PRC on August 16, 2010 and an indirectly non-wholly owned subsidiary of our Company
"Jingyuancheng Mining"	Laiyuan County Jingyuancheng Mining Co., Ltd. (淶源縣京源城礦業有限公司), a limited liability company established in the PRC on October 18, 2001 and an indirectly wholly owned subsidiary of our Company
"Joint Bookrunners" and "Joint Global Coordinators"	Credit Suisse and Merrill Lynch International

"Joint Lead Managers"	Credit Suisse, Merrill Lynch Far East (for the Hong Kong Public Offering) and Merrill Lynch International (for the International Offering)
"Joint Sponsors"	Merrill Lynch Far East and Credit Suisse
"Laiyuan County Bureau of Land and Resources"	the Laiyuan County Bureau of Land and Resources (淶源縣國土資源局)
"Laiyuan County Forestry Administration Bureau"	the Laiyuan County Forestry Administration Bureau (淶源縣林業局)
"Laiyuan County Housing and Urban-Rural Construction Bureau"	the Laiyuan County Housing and Urban-Rural Construction Bureau (淶源縣住房和城鄉建設局)
"Laiyuan County Public Security Bureau"	the Laiyuan County Public Security Bureau (淶源縣公安局)
"Laiyuan County Urban and Rural Planning Administration Bureau"	the Laiyuan County Urban and Rural Planning Administration Bureau (淶源縣城鄉規劃管理局)
"Laiyuan Jiantou"	Laiyuan County Construction and Investment Co., Ltd. (淶源縣建設投資有限公司), a limited liability company established in the PRC, which is an Independent Third Party
"Laiyuan Nonferrous Metal"	Hebei Iron and Steel Group Laiyuan Nonferrous Metals Co., Ltd. (河北鋼鐵集團淶源有色金屬有限公司), a limited liability company established in the PRC, which is an Independent Third Party
"Latest Practicable Date"	November 8, 2013, being the latest practicable date for the purpose of ascertaining certain information contained in this Prospectus prior to its publication
"Li Ziwei" or "Mr. Li Ziwei"	a citizen of the Dominican Republic whose full name is Leung Hongying Li Ziwei, one of our Controlling Shareholders
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about November 28, 2013, on which the Shares are listed and from which dealings therein are permitted to take place on the Main Board

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Main Board"	the main board of the Stock Exchange
"Management Trust"	a revocable discretionary trust with Mr. Li Ziwei as the settlor for the purposes of recognizing and rewarding the contribution and performance of certain Directors and senior management of our Group. See "History, Development and Reorganization"
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company
"Merrill Lynch Far East"	Merrill Lynch Far East Limited
"Metso Corporation"	Metso Corporation, a global supplier of technology and services to customers in the process industries, including mining, and whose shares are listed on the NASDAQ OMX Helsinki Ltd. and an Independent Third Party
"MLR"	the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
"MMAC"	the Metallurgical Mines Association of China (中國冶金礦山企業協會)
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"NBSC"	the National Bureau of Statistics of China (中華人民共和國國家統計局)
"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)
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at which the Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and the International Offer Shares are to be offered pursuant to the International Offering. See "Structure of the Global Offering – Pricing and Allocation"
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares

"Over-allotment Option"	the option to be granted by our Company to the International Underwriters (exercisable by the Joint Global Coordinators on their behalf), pursuant to the International Underwriting Agreement, to require our Company to allot up to an aggregate of 56,250,000 additional Shares (representing in aggregate 15% of the Shares initially offered under the Global Offering) at the Offer Price, to cover, among other things, over-allocations in the International Offering, if any, as set out in "Structure of the Global Offering – Over-allotment Option"
"PBOC"	the People's Bank of China (中國人民銀行)
"Permit Applied Grade"	the TFe cut-off grades applied to the calculation of Permit Stated Mining Capacity, which is 15% for Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine and 25% for Zhijiazhuang Mine
"Permit Stated Mining Capacity"	mining capacity as stated on the mining permits for our four mines
"Planned Mining Capacity"	mining capacity designed based on the JORC Code compliant Ore Reserves of each iron mine with a TFe cut-off grade equals to 8%, which we plan to achieve upon completion of the ramp-up plan
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC Government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal or other regional and local government entities) and organisations thereof, or, as the context requires, any of them
"Price Determination Agreement"	the agreement to be entered into among us and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date to fix and record the Offer Price
"Price Determination Date"	on or about November 21, 2013 (Hong Kong time) at which time the Offer Price is determined, or such later time as our Company and the Joint Global Coordinators (on behalf of the Underwriters) may agree, but in any event not later than November 27, 2013
"Prospectus"	this Prospectus being issued in connection with the Hong Kong Public Offering
"Protiviti"	Protiviti Shanghai Co., Ltd., an independent internal control consultant

"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Register"	the principal register and, where applicable, any branch register of members of our Company to be maintained at such place within or outside the Cayman Islands as the Board shall determine
"Registrar"	Registrar of Companies in the Cayman Islands
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Persons"	the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, representatives or advisers, or any other person or party involved in the Global Offering
"Relevant Shareholders"	Mr. Li Ziwei (alias Mr. Leung Hongying Li Ziwei), Mr. Li Yanjun, Hengshi Investments, Aowei Developments and Hengshi Holdings
"Remuneration Committee"	the remuneration committee of the Board
"Reorganization"	the reorganization of the group of companies now comprising our Group in preparation for the Listing. See "History, Development and Reorganization"
"Repurchase Mandate"	the general unconditional mandate relating to the repurchase of the Shares granted to our Directors. See "A. Further Information about our Company – 4. Repurchases of our own Shares" in Appendix VI
"RMB" or "Renminbi"	Renminbi Yuan, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE" or "State Administration of Foreign Exchange"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"Seven Limited"	Seven Limited, a company incorporated in Guernsey on June 19, 2013, which is wholly owned by Credit Suisse Trust Limited as trustee of the Management Trust
"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 and supplemented from time to time)
"Share(s)"	ordinary share(s) in our Company with a nominal value of HK$0.0001 each
"Shareholder(s)"	holder(s) of Shares
"Shuanmazhuang Mine"	an iron ore mine located in Zoumayi Village, Laiyuan County with an area of 2.1871 sq.km covered by the mining right of, and operated by, Jingyuancheng Mining
"Sichuan Hengwen"	Sichuan Hengwen Industrial Co., Ltd. (四川恒穩實業有限公司), a company established in the PRC on June 9, 2011 and an indirectly wholly owned subsidiary of our Company, principally as a subsidiary holding company
"Sichuan Panshi"	Sichuan Panshi Industrial Co., Ltd. (四川盤實實業有限公司), a company established in the PRC on June 8, 2011 and an indirectly wholly owned subsidiary of our Company, principally as a subsidiary holding company
"SRK" or "Competent Person"	SRK Consulting China Limited, an independent mining and geological consultant which qualifies as a competent person and a competent evaluator as defined under Rule 18.01 of the Listing Rules
"Stabilizing Manager"	Credit Suisse
"State Administration of Taxation"	the State Administration of Taxation (國家稅務總局)
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Steelhome"	Shanghai Steelhome Information Technology Company Limited (上海鋼之家信息科技有限公司), which is an Independent Third Party
"Stock Borrowing Agreement"	the stock borrowing agreement entered into on November 13, 2013 between the Stabilizing Manager and Hengshi Investments, pursuant to which Hengshi Investments will agree to lend certain Shares to the Stabilizing Manager
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Repurchases, as approved by the SFC and as amended from time to time

"Tangshan Hengsheng"	Tangshan Hengsheng Blasting Engineering Co., Ltd. (唐山恒盛爆破工程有限公司), which is an Independent Third Party
"Track Record Period"	the period comprising the three years ended December 31, 2012 and the six months ended June 30, 2013
"U.S." or "United States"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"UNCTAD"	United Nations Conference on Trade and Development, a permanent intergovernmental body that releases information in relation to international trade, foreign direct investment and commodities statistics
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the International Underwriting Agreement and the Hong Kong Underwriting Agreement
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"USGS"	United States Geological Survey, a science organization that collects, monitors, analyzes and provides scientific understandings on natural resources conditions, issues and problems, and is an Independent Third Party
"VAT"	value-added tax
"Wang'ergou Mine"	an iron ore mine located in Zoumayi Village, Laiyuan County with an area of 1.5287 sq.km covered by the mining right of, and operated by, Jingyuancheng Mining
"Weihe Mining"	Laiyuan Weihe Mining Co., Ltd. (淶源為和礦業有限公司), a company established in the PRC, which is an Independent Third Party
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited

"Xinda Mining"	Laiyuan Xinda Mining Co., Ltd. (淶源縣信達礦業有限公司), the trade name under which an independent individual operated his business in Laiyuan County, Hebei Province
"Xinrui Mining"	Laiyuan County Xinrui Mining Co., Ltd. (淶源縣鑫瑞礦業有限公司), a company established in the PRC on July 17, 2007, which is an indirectly wholly owned subsidiary of Aowei Group
"Xinxin Mining"	Laiyuan Xinxin Mining Co., Ltd. (淶源鑫鑫礦業有限公司), a company established in the PRC on April 22, 2004 and an indirectly wholly owned subsidiary of our Company
"Zhijiazhuang Mine"	an iron ore mine located in Yangjia Village, Laiyuan County with an area of 0.3337 sq.km covered by the mining rights of, and operated by, Jiheng Mining

In this Prospectus, the terms "associate(s)," "connected person(s)," "connected transaction(s)," "controlling shareholder(s)," "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

In this Prospectus, if there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.

In this Prospectus, English names of our PRC subsidiaries are for identification purpose only.

This glossary contains definitions of certain technical terms used in this Prospectus. These terms and their given meanings may not correspond to industry standard definitions or usage of these terms.

"ball mill"	a rotating cylindrical mill that uses heavy steel balls to grind ore into fine particle powder
"Bt"	billion tonnes
"concentrates"	the product of ore processing plants that contain higher concentrations of the minerals and are suitable for smelting
"crusher"	a machine for crushing solids to smaller grain sizes
"DRI"	direct reduced iron, one of the three products produced through direct reduction process which is used to make solid or molten iron products by using natural gas or coking coal as a reductant
"drilling"	a technique or process of making a circular hole in the ground with a drilling machine, which typically occurs to obtain a cylindrical cone as a sample of ore. Alternatively, blasthole drilling is where the drilling technique is used to create a hole to house an explosive charge in preparation for blasting a zone of rock
"dry processing"	the process of ore dressing without water or other liquid medium. The bulk ore size is usually reduced by stages of crushing and target mineral is enriched by stages of magnetic separation in the process
"gangue"	rocks and minerals of no economic value that occur with valuable minerals in ore
"grade"	the concentration, commonly expressed as percentage or grams per tonne, of useful elements, minerals or their components in any ore or concentrate
"hanging wall"	the rock stratum overlying a vein or orebody
"indicated resource"	that part of a resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed

"inferred resource"	that part of a resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes which may be limited or of uncertain quality and reliability
"iron"	a silvery-white, lustrous, malleable, ductile, magnetic or magnetizable, metallic element 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 ore"	mineral bearing rock that can be mined and treated profitably under current or immediately foreseeable economic conditions whose main mineral content is iron
"iron ore concentrates"	concentrates whose main mineral content (by value) is iron
"JORC"	the Australasian Institute of Mining and Metallurgy's Joint Ore Reserves Committee
"JORC Code"	Joint Ore Reserves Committee Code
"km"	kilometer(s), a metric unit measure of distance
"Kt"	thousand tonnes
"Ktpa"	thousand tonnes per annum
"magnetic separation"	a mineral concentrating process to separate magnetic minerals from non-magnetic materials in ground ore
"measured resource"	mineral resource that has been intersected and tested by drill holes or sampling procedures at locations close enough to confirm continuity
"mFe"	magnetic iron
"MgO"	magnesium oxide
"mine life"	mine life is the sum of open-pit mine life and underground mine life and is based on the production plan and estimated ore reserves for each time
"mineral resource"	an identified in-situ mineral occurrence from which valuable or useful minerals may be recovered

"mining rights"	the rights to mine mineral resources and obtain mineral products
"Mt"	million tonnes
"Mtpa"	million tonnes per annum
"open-pit"	surface mining where the ore is extracted from a pit open to the surface
"ore"	mineral-bearing rock that contains one or more minerals
"ore processing" or "processing"	the process of separating the target mineral from gangue minerals
"ore reserve(s)" or "reserve(s)"	the part of a measured and/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 estimation
"ore resource(s)" or "resource(s)"	a concentration or occurrence of iron ores 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
"orebody"	a natural mineral accumulation which can be extracted for use under existing economic conditions and using existing extraction techniques
"pH"	a measure of the acidity or alkalinity of a solution, numerically equal to seven for neutral solutions, increasing with increasing alkalinity and decreasing with increasing acidity. The pH scale commonly in use ranges from zero to 14
"preliminary concentrates"	powder with a coarse particle size obtained after dry separation process (here refers to those whose main mineral content is iron)
"probable reserves"	the economically mineable part of an indicated, and in some circumstances measured, resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and government factors. These assessments demonstrates at the time of reporting that extraction could reasonably be justified

"reclamation"	in the context of mining, the process of returning the land to another productive use after mining has been completed or the restoration of land and environmental values to a surface mine site after extraction has been completed
"recovery rate"	the percentage of valuable mineral resource recovered from mining or processing activities, a measure of mining or processing efficiency
"sq.km."	square kilometer
"sq.m." or "m^2"	square meter
"stripping ratio"	the ratio of waste rock or overburden which must be removed to extract ore in an open-pit operation. For example, a 5:1 stripping ratio means that five tonnes of waste rock or overburden need to be removed to extract one tonne of ore
"tailings dam"	a storage facility for tailings
"tailings"	waste materials that are produced after ore wet processing
"TFe"	total iron
"tonne"	metric tonne
"underground mine"	a mine where the ore is mined from below the surface via shafts and tunnels without removing the overburden
"weakly mineralized wall rock"	part of the rocks on the periphery of the ore bodies is weakly mineralized, with TFe grades between 5% and 8%. It is possible that this weakly mineralized rock could be economically utilized after being mined out during stripping, given the Company's current costs and the market price situation
"wet processing"	the process of ore dressing with water as medium. Ore is usually ground into pulp for the liberation of target mineral granular and then the target mineral is separated from gangue minerals and enriched into concentrate in the process

This Prospectus contains forward-looking statements that state our intentions, beliefs, expectations or predictions for the future that are, by their nature, subject to significant risks and uncertainties.

These forward-looking statements include, without limitation, statements relating to:

- our business prospects, financial condition, and results of operations;
- future developments, trends and conditions in the PRC iron ore mining and processing industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- our capital expenditure plans;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- various business opportunities that we may pursue;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, and operations, margins, risk management and overall market trends.

When used herein, the words "aim," "anticipate," "believe," "can," "could," "estimate," "expect," "going forward," "intend," "may," "ought to," "plan," "potential," "project," "prospects," "seek," "should," "sustain," "will," "would" and similar expressions, as they relate to our Group, are intended to identify these forward looking statements. All statements (other than statements of historical facts included in this Prospectus), including statements regarding our strategy, plans and objectives of management for future operations, are forward-looking statements. These forward-looking statements reflect the current views of our management as of the date of this Prospectus with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described under "Risk Factors" and elsewhere in this Prospectus. One or more of these risks or uncertainties may materialize, or the underlying assumptions may prove to be incorrect. Actual results and events may differ materially from information contained in the forward-looking statements. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove to be incorrect, our results of operations and financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized.

Subject to the requirements of applicable laws, we undertake no obligation to update or otherwise revise any forward-looking statements contained 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 events and circumstances discussed in this Prospectus might not occur in the way we expect or at all. All forward-looking statements contained in this Prospectus are qualified by reference to this cautionary statement.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

INFORMATION AND REPRESENTATION

You should only rely on the information contained in this Prospectus and the Application Forms to make your investment decision. Neither our Company nor any of the Relevant Persons has authorized anyone to provide you with any information or to make any representation that is different from what is contained in this Prospectus. Our Company does not (i) represent there has been no change or development reasonably likely to involve a change in our Company's affairs since the date of this Prospectus or (ii) imply that the information contained in this Prospectus is correct as at any date subsequent to the date of this Prospectus.

You should carefully consider all the information in this Prospectus, including the risks and uncertainties described below and in "Appendix IV – Competent Person's Report – 14. Project Risk Assessment" before making an investment in the Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that all of our operations are conducted in the PRC and are governed by a legal and regulatory environment that differ, in some respects, from those that prevail in other countries. See "Regulatory Overview" and "Appendix V – Summary of the Constitution of Our Company and Summary of the Cayman Islands Company Law."

If any of the following risks actually occurs, our business, financial condition and results of operations could be materially and adversely affected. In that event, the trading price of our Shares could decline, and you may lose part or all of your investment. You should also refer to other information contained in this Prospectus, including the financial information and the related notes. This Prospectus also contains forward-looking statements that identify certain risks and uncertainties. For details, see "Forward-looking Statements."

There are certain risks involved in our operations and many of these risks are beyond our control. These risks can be characterized as: (i) risks related to our business; (ii) risks related to our industry; (iii) risks related to doing business in the PRC; and (iv) risks related to the Global Offering.

RISKS RELATED TO OUR BUSINESS

Our business and results of operations depend on the market prices of iron ore products, which are driven by factors beyond our control.

Our business is sensitive to fluctuations in the market prices of our iron ore products, namely, iron ore concentrates, preliminary concentrates and iron ores. In particular, we are sensitive to fluctuations in the market price of iron ore concentrates, our major product. Like many other producers in China, we price our iron ore concentrates primarily by reference to benchmark prices in the spot market. Consequently, fluctuations in the market price may affect the pricing of our iron ore concentrates and our results of operations. Any decrease in the price of iron ore products, in particular, iron ore concentrates, in the future may reduce our revenue and profits. Such fluctuations are subject to various factors beyond our control, including, but not limited to, the supply of and the demand for iron ore concentrates in China and global markets, global iron ore production levels, the demand for steel products, foreign exchange rates and general global and PRC economic conditions.

For example, in recent years, there have been significant fluctuations in the selling prices of our iron ore concentrates. In 2010, 2011, 2012 and the six months ended June 30, 2013, the average selling price per tonne of our iron ore concentrates was RMB966, RMB1,062, RMB847 and RMB806, respectively. The increase in the average selling price in 2011 and the declines in 2012 and the first half of 2013 were primarily due to the fluctuation of the prevailing market price.

Our failure or inability to obtain, retain or 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 (中華人民共和國礦產資源法), all mineral resources in China are owned by the state. Mining companies like us must obtain certain government approvals, permits and licenses for each mining or exploration project. Our ability to carry on our business is therefore subject to our ability to obtain and renew such requisite mining and exploration approvals, permits and licenses, which are generally subject to approval from the relevant PRC Government agencies.

In particular, under relevant PRC laws and regulations, mining companies are required to obtain mining permits to conduct mining activities. Before commencing commercial mining activities, the permit holder must also obtain the relevant safety production permits as well as approvals from the competent environmental protection authorities and other relevant authorities to satisfy all the PRC legal requirements.

We cannot assure you that we will be able to retain or 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. Moreover, the PRC Government may impose additional conditions on our approvals, permits and licenses that may be burdensome and costly to fulfill. Failure to obtain, retain or renew and ensure continued compliance with such approvals, permits and licenses as planned may cause us to experience delays in our production or expansion plans or result in administrative penalties and other government actions, thereby adversely affecting our business, financial condition and results of operations.

We may not be able to manage our growth and expansion effectively in the future.

In line with our development strategy, we expect to expand through both organic growth and acquisitions. The successful implementation of our expansion plan depends on various factors, many of which are beyond our control. For instance, we plan to expand our mining and processing capacities, in particular focusing on improving our iron ore concentrates output. In addition, to complement the production ramp-up, we plan to construct new tailings storage facilities and expand the capacity of certain tailings dams. See “Business – Production Expansion Plans.”

Our ramp-up schedule may be adversely impacted by various factors, many of which are beyond our control, including, but not limited to, (i) delay in delivery of major equipment or failure of equipment and machinery to perform according to specifications or our expectations; (ii) the failure of any of our contractors to fulfill their contractual obligations, which would require us to make alternative arrangements, and may cause delays and potentially increase the costs of our expansion plans; (iii) the failure of or delay in obtaining or renewing the required licenses, permits and approvals for our growth and expansion plans; (iv) difficulties in financing our capital expenditure and working capital requirements; and (v) unforeseen conditions or developments that could substantially delay our planned expansion, including difficult geological conditions, adverse weather conditions and equipment and machinery malfunctions once operations commence. In addition, 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. Should any delay happen to the technical upgrading and new construction plans or should we fail to manage our growth and the related increase in the scale of our operations, the planned mining or processing capacity may not be reached in accordance with the schedule and our future production and sales volumes may be impacted. As a result, our business, financial condition and results of operations may be materially and adversely affected. In addition, we may, from time to time, acquire additional mining assets to expand our resources and reserves base or to extend the period of our open-pit mining operations. We cannot assure you that we will be able to identify or acquire appropriate targets. See "– Our plan to acquire additional mineral reserves may not succeed."

Furthermore, while we intend to continue focusing on business development in Hebei Province, we may further explore other promising markets either in China or outside of China. We have limited knowledge of the conditions in the new markets we may enter in the future. As we enter new markets, we may not have the same level of familiarity with contractors, business practices, customer needs, regulatory requirements and other market factors as those in Hebei Province, where we are an established mining operator. In addition, when we enter new geographical areas, we may face intense competition from mining operators with an established presence and market share in those areas. As a result, we cannot assure you that we can successfully implement our expansion plan or that we will succeed in effectively integrating our expanded operations, or that the increase in the scale of our operations will generate adequate returns on our investments or positive operating cash flows. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our operating costs may be higher than expected.

Mining costs generally increase over the lifespan of a mine as pits become deeper. In addition, if and when we commence underground mining based on our mining plan set forth in the CPR, our operating costs could increase primarily due to additional expenses associated with underground mining infrastructure construction and equipment purchasing. According to the CPR, open-pit mining is more cost efficient than underground mining. Furthermore, labor costs and raw material and utilities costs in China are also generally expected to increase in the foreseeable future. If our mining costs, labor costs or other operating costs increase and we cannot increase our average selling price and our production efficiency to offset any such increase or pass any such increase on to our customers, our profitability, business, financial condition and results of operations may be materially and adversely affected.

Our business requires significant and continuous capital investment and we may incur capital expenditures beyond current estimates.

In line with our overall production and business expansion strategy, we will require a high level of capital expenditure in the foreseeable future to fund our ongoing operations and future growth. We expect our capital expenditures at our existing mines for the second half of 2013 and the years 2014 and 2015 to be RMB251.6 million, RMB390.6 million and RMB348.8 million, respectively. We intend to fund our capital expenditures, future acquisitions and additional exploration activities from internal resources and/or through access to additional financing from external sources. Our ability to obtain external financing in the future at a reasonable cost, or at all, is subject to various uncertainties, including, but not limited to:

- our future financial condition, results of operations and cash flows;
- the condition of the global and domestic financial markets; and
- changes in the monetary policy of the PRC Government with respect to bank interest rates and lending practices.

If we require additional funds and cannot obtain them on acceptable terms when required or at a reasonable financing cost or at all, we may not be able to meet our working capital needs, upgrade our existing facilities or expand our business. We may also be prevented from entering into transactions that would otherwise benefit our business or implementing our future strategies. Any of these factors may have a material adverse effect on our business, financial condition and results of operations.

Furthermore, we may overrun the estimated capital expenditures during our actual implementation of expansion strategies. Such overrun may require additional capital resources and in turn, affect our ability to maintain a reasonable level of working capital, upgrade our existing facilities or expand our business, and may have a material adverse effect on our business, financial condition and results of operations.

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

We base our production, expenditure and revenue plans on our resource and reserve data. The resource and reserve data are estimates based on the results of mineral exploration and have been reviewed and verified by SRK. Resource and reserve estimates involve professional judgment based on factors such as technical data, experience and industry practice. The accuracy of these estimates may be affected by many factors, including the quality of the results of exploration, drilling and sampling of the ore, as well as the quality of the analysis of ore samples and estimation procedures, and the experience of the persons making the estimates. There are also many assumptions and variables beyond our control that involve inherent uncertainties in the estimation of reserves. As a result, the resource and reserve data set forth in this Prospectus are only estimates and our actual volume of resources and reserves and rates of production may differ materially from these estimates.

In this Prospectus, our estimates of resources and reserves for our mines are inherently forward-looking statements, which, being projections of future performance, may differ from actual performance. The inaccuracy in such projections result from inherent uncertainties in the interpretation of geologic data, variations in the execution of mining and processing plans, the ability to meet construction and production schedules due to many factors including weather, availability of necessary equipment and supplies, fluctuating prices, and changes in regulations. In addition, resource and reserve estimates do not provide an analysis as to whether such resources can be mined or whether they can 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 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 and sell. A revision of our reserve estimates may result in the lowering of our estimated reserves as well as the expected mine life of our mines.

Fluctuations in the prices of our products, production costs and transportation costs, variations in recovery rates and unforeseen geological or geotechnical perils may require us to revise our resource and reserve data. If such revisions result in a substantial reduction in recoverable reserves at one or more of our mines, our prospects may be materially and adversely affected.

In addition, our production volume of iron ores at or above the Permit Applied Grade shall not exceed the Permit Stated Mining Capacity prescribed by the relevant mining permits and licenses. If the grade of the ores extracted in our mines differs from our expectation based on the resource and reserve estimates, the actual production might deviate from our production plan. In order to comply with the Permit Stated Mining Capacity, such deviation might in turn prevent us from achieving the planned production volume as set out in "Business – Production Expansion Plans" and the "Appendix IV – Competent Person's Report – 7. Mining Assessment – 7.5. Mine Production Plan," which may in turn materially and adversely impact our business operation, financial condition and results of operations.

We may not be able to obtain or renew our land use rights or temporary land use rights and building ownership rights for our mining sites and facilities. Our temporary buildings and constructions may be demolished if the relevant land use rights expire without successful extension.

As of the Latest Practicable Date, we operated our business on 25 parcels of land with a total site area of approximately 1,220,796 sq.m. and buildings and constructions with a total gross floor area of approximately 43,827 sq.m. We have obtained the relevant land use rights or temporary land use rights (whichever is applicable) for such land and building ownership rights or government confirmations (whichever is applicable) for such buildings and constructions, except for two parcels of land with a total site area of approximately 5,635 sq.m., and one building with a total aggregate gross floor area of approximately 3,548 sq.m. We are in the process of applying for the relevant land use right certificates and building ownership certificates, and we may move or renovate certain constructions and certain idle buildings in the future. We cannot assure you that we will be able to obtain or complete all of the necessary certificates, permits or procedures, or that we will be able to renew the title certificates or temporary land use rights for properties that are critical to our operations as they expire. Our rights as owner or occupier of these properties may be adversely affected as a result of the absence of necessary certificates, permits or procedures, and we may be subject to litigations or other actions taken against us and/or lose the right to continue to operate on these properties, which may materially and adversely affect our business, financial condition and results of operations. In particular, if we fail to renew the temporary land use rights in time, or if the competent authorities implement new land use plans regarding the land we are currently using, our temporary buildings and constructions may be demolished, which may have a material adverse impact on our business, financial condition and results of operations.

Additionally, we have also entered into land use agreements with relevant individuals, rural collective economic entities or village committees for the future use of 12,021,829 sq.m. of land on a temporary basis. We will apply for the approval of such temporary use rights provided in the agreements with the competent authorities once we need to use such land in the future. However, we cannot assure you that the relevant government authorities will grant such temporary use rights. If we fail to obtain such future temporary use rights, we may not be able to carry out our mining and related operations on such land, which may have a material adverse impact on our business, financial condition and results of operations. See "Business – Properties."

Our plan to acquire additional mineral reserves may not succeed.

We intend to expand our resources and reserves base by acquiring additional mining assets. In addition, as advised by SRK, we may acquire and consolidate adjacent iron ore mines so that we could extend the period available for open-pit mining at our mines. According to the CPR, open-pit mining is more cost efficient and safer than underground mining. However, we may encounter intense competition from other companies seeking to acquire the same assets and we may fail to select or value targets appropriately. One important factor we consider in selecting or valuing targets is the target's resource and reserve estimates. Resource and reserve estimates involve professional judgments based on factors such as technical data, experience and industry practices. 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 technical expertise and experience of the persons making the estimates. There are also many assumptions and variables beyond our control that may result in inherent uncertainties in estimating reserves. As a result, resource and reserve estimates may be inaccurate and may lead to a failure to select or value targets appropriately, which may in turn affect our ability to effectively implement our expansion plans at a reasonable cost, or at all.

Even if we discover or acquire a mining asset at a price that we believe is in our interests, depending on the development stage of the acquired mines, it may take several years from the acquisition until production is possible, during which the economic feasibility of production may change.

In addition, the costs of our expansion plans with respect to an acquired mine may exceed our investment budget. It takes substantial time and resources to:

- comprehensively establish mineral resources through drilling;
- determine an appropriate mining plan and production processes for optimizing the recovery of iron contained in ore;
- obtain required licenses and approvals for our expansion;
- construct mining and processing facilities for greenfield properties; and
- obtain the ore or extract iron content from the mines.

If a project does not prove to be economically feasible by the time we are able to exploit it, we may incur substantial losses or write-offs. In addition, potential changes or complications involving metallurgical and other technological processes arising during the life of a project may result in cost overruns that may render the project not economically feasible. We also face risks in relation to changes to applicable laws and regulations, compliance with which may make extracting the ore more expensive than estimated. Furthermore, even if our expansion plans are successful, we may have to allocate additional capital and human resources to integrate acquired businesses. We therefore cannot assure you that new mining assets will be successfully developed or integrated with our existing operations at a reasonable cost, within a reasonable period of time, or at all, or that they will generate the expected economic returns. If our expansion plans are delayed or fail to deliver the expected economic benefits, we would not be able to sustain our current level of production beyond the remaining life of our existing mines, and our business, financial condition and results of operations would be materially and adversely affected. As of the Latest Practicable Date, we had not entered into any agreement, nor did we have any definite plans, in relation to any potential acquisition of iron ore reserves.

We are dependent on a small number of major customers.

During the Track Record Period, all or a significant portion of our revenue was generated from the sales of iron ore products to a small number of major customers. In 2010, 2011, 2012 and the six months ended June 30, 2013, our revenue attributable to our five largest customers, in aggregate, accounted for 100%, 63.2%, 63.6% and 53.4% of our total revenue, respectively, while our single largest customer accounted for 97.6%, 49.6%, 44.6% and 32.7% of our total revenue, respectively, in the same periods. Aoyu Steel, a company wholly owned by our Controlling Shareholders until March 2012, was our single largest customer in 2010, 2011 and 2012, contributing RMB167.8 million, RMB160.3 million and RMB40.8 million to our gross profits in the same years, respectively. Although our customer concentration decreased significantly during the Track Record Period and we are planning to expand our customer base beyond Hebei Province, we anticipate that our dependence on a small number of customers will continue in the near future.

We cannot assure you that we will be able to retain our existing customers or that they will maintain the current level of business with us. If any of our major customers fails to meet its contractual obligations, encounters financial difficulty, or otherwise ceases or reduces its purchases from us for whatever reasons and we are unable to obtain orders of a comparable size from existing or new customers, or at all, our business, financial condition and results of operations may be materially and adversely affected.

We rely on independent third-party contractors for certain of our operations.

We engage independent third-party contractors to carry out blasting, loading and transportation for us. See "Business – Third-party Contractors." However, the performance of independent third-party contractors may be constrained by labor disputes or actions, equipment, facilities, services or materials, or damage to or failure of equipment and machinery or financial difficulties.

We cannot assure you that our monitoring of the work and performance of our independent third-party contractors will be sufficient to control the quality of their work or their safety or environmental standards. In the event that our independent third-party contractors fail to meet the quality, safety, environmental and other operating standards which are required by the relevant PRC laws and regulations, our operations may suffer and we may be liable to third parties. In particular, given the danger inherent in blasting activities, we cannot guarantee our current safety measures and monitoring activities could successfully prevent any accidents or casualties caused by the operation of our independent third-party contractors. Costs associated with rectifying any problems caused by our independent third-party contractors may have a material adverse effect on our business, financial condition and results of operations.

Furthermore, if we are unable to maintain a cooperative relationship with any of our independent third-party contractors or obtain alternative providers on comparable or more favorable terms in a timely manner, or at all, our production schedule may be delayed and we may breach our contracts with our customers, any or all of which may have a material adverse effect on our business, financial condition and results of operations.

In addition, although the allocation of liabilities between us and those third-party contractors for any accidents arising from the contracted operations is explicitly stated in our contracts with them, we cannot assure you that we will not be involved in any legal claims with respect to such outsourced activities or will not be liable to third parties for losses or damages caused by our independent third-party contractors. If a third party institutes legal action against us relating to outsourced activities, we may be required to devote funds and resources to defend ourselves. Costs and expenses incurred as a result of any acts or omissions of our independent third-party contractors or of any failure in the services they provided to us may have a material adverse effect on our business, financial condition and results of operations.

All of our mines are located in Laiyuan County, Hebei Province and are vulnerable to any disaster or accident in that region.

Gufen Mine, Wang’ergou Mine, Shuanmazhuang Mine and Zhijiazhuang Mine are all located in Laiyuan County, Hebei Province. These mines use overlapping road transportation networks in the region to deliver our products to customers. The occurrence of a disaster or an accident in the region could affect part or all such transportation networks and adversely affect our ability to produce and deliver our products. In addition, these mines use the same electricity supplier and thus face the same regional pricing and supply risks. Should any disaster or accident occur in the Laiyuan region, the operation at our mines may be interrupted or impacted and our business operation and financial performance and condition could be materially and adversely affected. For instance, there was a flood in July 2012 in Hebei Province, which caused interruption to our operations and a reduction in our output of iron ore products. There is no assurance that such incidents will not occur in the future or that we could successfully mitigate the impact of any such natural disasters. We may also be affected by any interim or permanent measures implemented by local government in respect of such disaster or accident, such as suspension of all iron ore mining operations in Hebei Province.

We may not be able to maintain an adequate and timely supply of electricity, water, equipment, auxiliary materials and other critical supplies at reasonable prices or at all.

Cost-effective operations of our mines depend, among other things, on the adequate and timely supply of electricity, water and auxiliary materials, such as grinding balls, diesel and explosives. Electricity and water are the main utilities used in our operations. Our utilities cost amounted to RMB29.8 million, RMB34.4 million, RMB35.6 million and RMB27.5 million in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively, representing 15.0%, 9.8%, 9.1% and 9.8% of our total cost of sales in those periods, respectively. See "Business – Procurement, Major Suppliers and Utilities." Any increase in the prices of electricity or water or disruption in their supply could materially and adversely affect our business, financial condition and results of operations. We expect our demand for electricity, water and auxiliary materials to increase as our production capabilities expand and our business grows. There can be no assurance that sufficient supply of electricity, water and auxiliary materials will be available to us in the future. We source our auxiliary materials and equipment from domestic suppliers in the PRC. If our supplies of auxiliary materials, equipment or spare parts are interrupted or their prices increase, or our existing suppliers cease to supply us on acceptable terms, our business, financial condition and results of operations could be materially and adversely affected.

We face certain risks and uncertainties associated with our operations.

Our mining and processing operations are subject to a number of operating risks and hazards, some of which are beyond our control. These operating risks and hazards include the need to carry out unscheduled maintenance; critical equipment failures in our mining or ore processing operations; industrial accidents; water, power or fuel supply interruptions; fires, inclement or hazardous weather conditions and natural disasters; and unusual or unexpected variations in the ore or the geological or mining conditions at our mines such as instability of the open-pit slopes and subsidence of the working areas. Any of these risks and hazards or any combination thereof may disrupt or result in a suspension of our operations and future plans, increase production costs, result in property damage, personal injuries and liability to us and harm our reputation. Such risks and hazards may also result in a breach of the conditions of our mining permits and safety production permits, or other consents, approvals or authorizations obtained from the relevant authorities, which may result in fines and penalties or even possible revocation of our mining and safety production permits.

Safety accidents may occur at our mines.

Mining is a hazardous activity and safety accidents may occur at our mines. We cannot assure you that the safety measures we currently implement in our mines are sufficient to prevent all possible accidents.

Currently, open-pit mining is adopted in all of our mines. Historical open-pit mining activities prior to our acquisition and consolidation have caused a certain amount of damage to the land and destabilized some slopes, which tend to trigger secondary geological disasters, such as landslides and subsidence.

In addition, Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine may carry out underground mining operations in the future. As with all underground mining operations, our operations are affected by certain inherent risks, such as a deterioration in the quality or variations in the thickness of faults and/or iron ore seams, pressure in mine openings, mine water discharge, weather, flooding and other natural disasters. Although our mechanized operation method may increase the level of safety, accidents such as roof falls and bracket damage under pressure may occur due to geologic structure or operational management reasons.

There can be no assurance that the occurrence of any adverse mining conditions would not endanger our workforce, increase our operating costs, reduce our iron ore output or temporarily suspend our operations and an accident at any of our mines may directly lead to a suspension of operations in one or more of our iron ore mines, which may have a material adverse effect on our business, financial condition and results of operations and harm our reputation.

Furthermore, we are exposed to operational risks associated with industrial or engineering activities, such as unexpected maintenance problems and equipment failure.

In addition, our mining operation may generate dust and the dust emission sources are from the boilers for heating and from the open-pit area, the waste rock dump area, and the processing plant during operation under dry and windy weather conditions. Such dust may adversely affect the health of our on-site employees and contractors and in the worst-case scenario may cause pneumoconiosis or other occupational diseases. Should any such occupational diseases or other occupational health problems occur, we may be responsible for any liabilities arising from the claims of those affected employees and contractors against us and our assumption of such liabilities, including any compensation arising therefrom may have a material adverse effect on our business, financial condition and results of operations and harm our reputation.

Our mines can only be mined for a set number of years, and eventual closure of these operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards.

Our existing mining operations can only be mined for a set number of years. The estimated number of years for which Gufen Mine, Wang'ergou Mine, Shuanmazhuang Mine and Zhijiazhuang Mine can be mined for ores was 27 years (including 14 years for underground mining), 29 years (including 17 years for underground mining), 29 years (including 17 years for underground mining) and ten years, respectively, as of June 30, 2013. Moreover, our mines contain a finite amount of recoverable resources and will eventually be depleted and closed. The closure of mines entails significant costs and risks, including among other things:

- long-term management of permanent engineered structures;
- compliance with environmental closure standards;
- orderly retrenchment of employees; and
- relinquishment of sites with associated permanent structures and community development infrastructure and programs to new owners.

The successful completion of these tasks depends on our ability to successfully implement negotiated agreements with the relevant governmental authorities, community organizations 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 desired outcomes cannot be achieved, which could materially and adversely affect our business and results of operations.

In addition, although we have made a provision for rehabilitation fees for all of our mines, the provision may not be sufficient for the actual rehabilitation cost and related costs incurred upon the closure of our mines. This could be due to stricter rehabilitation standards applicable to our Group at such time or significant changes in the assumptions based on which the provision of rehabilitation fees was made.

We will continue to be controlled by our Controlling Shareholders, whose interests may differ from those of our other Shareholders.

Immediately following the Global Offering, our Controlling Shareholders will be interested in a total of approximately 75.0% of our Shares, assuming that the Over-allotment Option is not exercised, or approximately 72.3%, assuming that the Over-allotment Option is exercised in full. Our Controlling Shareholders will, through their voting power at our Shareholders' meetings (including the right to vote to elect Directors into our Board), have significant influence over our business and affairs, including, but not limited to, 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 enter into or undertake certain corporate actions or transactions which might not be in, or may conflict with, 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. In the event of a potential conflict of interest, our Controlling Shareholders will be excused from the meeting in respect of such resolution, abstain from voting and not be counted in the quorum.

We have entered into a Non-competition Undertaking with Mr. Li Ziwei and Mr. Li Yanjun under which, among other things, we have been granted an option for new business opportunities and pre-emptive rights over certain interests owned by them that may compete with ours. See "Relationship with Controlling Shareholders." However, there can be no assurance that our Controlling Shareholders will not compete with us. Furthermore, if Mr. Li Ziwei or Mr. Li Yanjun breaches his undertakings and obligations under the Non-competition Undertaking for any reason or we are unable to enforce the terms of the Non-competition Undertaking, our business and results of operations may be materially and adversely affected.

We may be adversely impacted by changes in the level of Share ownership of our Controlling Shareholders.

As our Controlling Shareholders have significant influence over our business and operations, we may be materially and adversely affected by a change in our shareholding structure. For example, a reduction from the current level of share ownership of the Controlling Shareholders could result in less support for business initiatives proposed by key management, and changes in the composition of our key management and the Board. We cannot predict the impact, if any, on our business, results of operation and the market price of our Shares due to changes in the level of ownership of our Shares by, or a diminution in the level of support for our business provided by, our Controlling Shareholders.

Our future performance depends on our ability to attract and retain key personnel.

Our future performance depends to a significant extent upon our ability to continue to attract, retain and motivate senior management and other key employees in our business, particularly those individuals set out in the "Directors and Senior Management" section in this Prospectus. We cannot assure you that these key personnel will continue to provide services to us or will honor the agreed terms and conditions of their employment or service contracts. Any loss of key personnel or failure to recruit and retain personnel may have a material adverse effect on our business, financial condition and results of operations.

Our insurance coverage may be insufficient to cover our business risks.

We face various operational risks in connection with our business. However, in line with the industry standard, we are not insured against all the risks. For example, we do not maintain any business interruption insurance, key-man insurance or third-party liability insurance against claims for property damage, personal injury and environmental liabilities, other than third-party liability insurance for our vehicles. 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. Any losses and liabilities for which we are not insured or for which our insurance coverage is inadequate to cover the entire liability may have a material adverse effect on our business, financial condition and results of operations.

We may be subject to disputes with employees or other third parties and to labor shortages.

Our operations involve dealings with both permanent and temporary employees as well as numerous third parties, including third-party contractors providing blasting and mining services, land use rights holders, equipment suppliers and our customers, and we may be subject to claims or litigation involving such employees or third parties from time to time, including labor disputes and claims under business contracts with suppliers or customers. We may also be subject to labor shortages or other impositions on our business operations, such as supply shortages, if we are unable to amicably resolve disputes with any such parties. Issues with the local communities surrounding the areas where we operate might also arise from our operations, which may result in community protests, blocking of access to our operations and third-party claims. Our operations may be affected if we fail to successfully settle any such issues with local communities or groups. We cannot assure you that any such disputes will not arise in the future and that the occurrence of one or multiple disputes will not have a material adverse effect on our business and financial condition.

We had net current liabilities as of December 31, 2010, 2011 and 2012 and June 30, 2013 and we may continue to record net current liabilities in the future.

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 December 31, 2010, 2011 and 2012 and June 30, 2013, we had net current liabilities of approximately RMB24.3 million, RMB242.7 million, RMB525.0 million and RMB322.5 million, respectively. The increase in net current liabilities from December 31, 2010 to December 31, 2012 was primarily due to an increase in trade and other payables and amounts due to Aowei Group in line with our investment in non-current assets while we focused on consolidation and correction work and prepared our mines for commercial production. After commencing trial or commercial production at our mines in early 2013, we have been able to generate additional cash from operating activities. Through the cash generated from operating activities, and long-term loans that we have borrowed, we have fully repaid the remaining amounts due to related parties. As a result, the net current liabilities decreased to RMB83.3 million as of September 30, 2013.

A net current liability position may affect our ability to make necessary capital expenditures, settle trade and other payables, develop business opportunities or make strategic acquisitions. There is no assurance that our business will generate sufficient cash flow from operations to fulfill current and future debt obligations and cover necessary capital expenditures as planned, in which case we may seek additional financing, dispose of certain assets or seek to refinance some or all of our future debts. If we are unable to secure sufficient external funds on reasonable terms or at all when required, our capital structure, business, financial condition, results of operations and growth prospects may be materially and adversely affected.

Our historical results may not be adequate for you to evaluate our future prospects and results of operations.

From 2010 to 2012, we focused on performing consolidation and correction work in connection with the consolidation of our mines and preparing them for commercial production. Both the volume and the average TFe grade of iron ores removed and recovered during the course of these works were low compared with those of iron ores produced during commercial production. As a result, the unit cash operating costs of our iron ore products from 2010 to 2012 were high compared to those during trial or commercial production and negatively affected our profitability in those periods. In addition, from 2010 to 2012, we processed iron ores and weakly mineralized wall rocks recovered from Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine into iron ore concentrates for sales. We primarily sold iron ores and preliminary concentrates recovered from Zhijiazhuang Mine, which did not have wet processing capacities. Since March 2013, Jiheng Mining has utilized Xinxin Mining's wet processing facilities to process a portion of its preliminary concentrates into iron ore concentrates and, therefore, has also been selling iron ore concentrates since April 2013. In line with our production expansion plan, we intend to steadily increase our mining and processing capacity at all of our mines to increase output of iron ore concentrates. As a result, we expect revenue generated from sales of iron ore concentrates will increase both in terms of absolute amount and as a percentage of our total revenue in the future and our profitability may also be affected by this change in product mix and lower cash operating costs. In light of the foregoing and other factors, our historical results are not indicative of our future performance. See "Financial Information – Cash Operating Costs" and "Business – Mines, Mineral Resources and Mining Rights – Consolidation and Correction Work at Our Mines."

RISKS RELATED TO OUR INDUSTRY

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

Our business and prospects depend on the rate of economic growth in the PRC which, in turn, affects demand for iron and steel. If the PRC's economic growth slows down or if the PRC economy experiences a recession, the demand for our products may decrease and our business, financial condition and results of operations may be materially and adversely affected.

During the Track Record Period, we derived substantially all of our revenue from the sale of iron ore concentrates in the PRC. The growth in demand for iron ore concentrates is driven largely by the growth of the iron and steel industries. The demand for our iron ore concentrates is, in particular, heavily dependent on the production levels of major steel producers in Hebei Province and their demand for our products.

The demand for, and market prices of, iron ore concentrates in the PRC may decline significantly as a result of a slowdown in economic growth of the PRC or on a global basis. For example, in Hebei Province, where our mines are located and our primary market is, iron ore output decreased in 2012 compared to 2011 and the price of iron ore concentrates also decreased significantly in the third quarter of 2012, reflecting weaker demand from steel mills amid the overall economic slowdown in the PRC in 2012. Any prolonged slowdown of the global or PRC economy in the future could have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to extensive regulation and is affected by government policies in the PRC mining industry.

We are subject to extensive national, provincial and local government regulations, policies and controls in the PRC, which govern many aspects of our industry, including, but not limited to:

- limits on increases in iron ore output volume;
- grant and renewal of mining rights;
- grant and renewal of safety production permits;
- production safety and casualty ratings;
- taxes and fees;
- environmental, health and safety standards; and
- annual verification of mining permits and exploration permits.

The liabilities, costs, obligations and requirements associated with these laws and regulations may be significant and may delay or interrupt our operations. Failure to comply with the relevant laws and regulations in our mining operations or failure to pass the relevant regulatory examination or inspections may result in penalties or suspension of our operations. Additionally, we cannot assure you that the relevant government agencies will not alter these laws or regulations or impose additional or more stringent laws or regulations. For example, the Ministry of Finance and the State Administration of Taxation issued the Circular on Adjusting the Standard on Resource Tax of Stannum Ore and Other Resources (財政部、國家稅務總局關於調整錫礦石等資源稅適用稅率標準的通知) on February 1, 2012 to, among other things, increase the resource tax rate applicable to iron ores from a preferential 60% of the statutory rate to 80% of the statutory rate. Compliance with new laws or regulations may require us to incur significant costs, capital expenditures or other obligations and secure new sources of financing. More stringent laws or regulations may also restrict our business operations. The cost of compliance with regulations is and will continue to be substantial, and any increase in costs due to changes in laws or regulations or to our failure to comply may have a material adverse effect on our business, financial condition and results of operations. In particular, an increase of the resource tax rate will increase our cost of sales and reduce our gross profit.

In addition, the current PRC Government policies favor the acquisition and consolidation of mines by large mining companies. However, we cannot assure you that such policies will not change in the future. In the event that those policies favoring our expansion and potential acquisition plans change, the costs of carrying out our expansion and potential acquisition plans may increase substantially, the implementation of these plans may be delayed and our ability to effect such plans may decrease.

Our operations are exposed to risks in relation to environmental protection and rehabilitation and our business operations may be affected by current or future safety and environmental regulations.

Our operations are exposed to environmental risks and hazards and we are subject to extensive and increasingly stringent safety and environmental protection laws and regulations in the PRC. These laws and regulations:

- impose fees for the discharge of waste substances;
- require the establishment of reserves for reclamation and rehabilitation;
- impose fines for environmental offences; and
- authorize the government to close down facilities failing to comply with orders to correct or cease operations that have caused environmental damage.

Environmental hazards may occur in connection with our operations as a result of human negligence, force majeure or other causes. In particular, as disclosed in the CPR, our operations are exposed to risks associated with environmental protection and local communities, including, but not limited to: (i) disturbance and contamination to surrounding ecological environment as a result of surface stripping, waste rock and tailings storage, processing plant drainage, processing waste water, explosions, transportation, and associated buildings that are erected; (ii) contamination to, or failure to preserve, surface and groundwater resources as a result of insufficient facilities for water processing, storage and recycling, in particular, when we further expand our mining and processing capacity; (iii) damage to the environment caused by waste rock dumping or tailing storage facility, including leachate from waster rock dumping area or overflows from seepage and decant collection pools; (iv) damage to environment caused by dust or noise emissions generated from the boilers for heating, the open-pit area, the waste rock dumping area and the processing plants during operation; and (v) leakage of hazardous materials at sites. See "Business – Environmental Protection." If effective measures are not taken to manage and rehabilitate the disturbed areas, the surrounding land can become polluted, and the land utilization function will be changed, causing an increase in land degradation, water loss and soil erosion. Additionally, although such risk is low, the potential release of acid rock drainage from the waste rock dump area and tailings dams may pollute the environment. The occurrence of any environmental hazards may delay production, increase production costs, cause personal injuries or property damages, result in liabilities to us and/or damage our reputation. Claims may be made against us arising out of our operations in the normal course of business, including claims relating to land use, safety, health and environmental matters. Some incidents may also result in a breach of conditions of our mining permits and exploration permit, or other consents, approvals or authorizations, which may result in fines or penalties or even possible revocation of our mining permits and/or exploration permit. We are not insured against environmental liabilities and there can be no assurance that environmental liabilities would not materially and adversely affect our business and results of operations.

The PRC Government is currently moving towards more rigorous enforcement of applicable laws and regulations, as well as the adoption and enforcement of more stringent environmental standards. As a result, our capital expenditure budget for safety and environmental regulatory compliance may be insufficient and we may need to allocate additional funds. Moreover, we cannot assure you that we can comply with all applicable safety and environmental laws and regulations that may be adopted or amended in the future. If we fail to continuously comply with current or future safety or environmental laws and regulations, we may be required to cease production, pay penalties or fines and take corrective actions, any of which may have a material adverse effect on our business, financial condition and results of operations.

Competition in the PRC iron ore industry may increase and we may not be able to compete effectively.

We operate in a competitive market. Competition in the PRC iron ore industry is affected by factors such as price, production capacity, type and quality of iron ores, transportation capability and costs, processing capability and brand name recognition. The ongoing consolidation in the PRC iron ore industry has increased competition.

We face competition for customers from other domestic iron ore mining companies and iron ore traders. These competitors may have better access to financial resources, higher levels of integration, better operating efficiency, more advanced technologies, or longer operating histories. We also compete with them for iron ore reserves. Our competitors may have greater iron ore production capacities, lower transportation costs, and greater financial, marketing, distribution and other resources than we do. See "Industry Overview – PRC Iron Ore Industry." If we are unable to improve our product quality and pricing competitiveness, maintain our operating efficiency and control our costs in connection with our expansion, raw materials and energy usage, our growth opportunities may be limited and our revenue and profitability may be adversely affected. We cannot assure you that future increases in competition will not have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATED TO DOING BUSINESS IN THE PRC

Changes in China's economic, political and social conditions could adversely affect our financial condition and results of operations.

We conduct all of our operations in, and derive all of our revenue from, China. Accordingly, our business, financial condition and results of operations are affected to a significant degree by economic, political and social conditions in China. The PRC economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. The PRC economy has grown significantly in recent years; however, we cannot assure you that such growth will continue. In response to the global economic slowdown and market volatility that started in the second half of 2008, the PRC Government lowered interest rates and announced large fiscal stimulus packages to boost the domestic economy, which included a reported RMB4 trillion investments in, among other things, airports, highways, railways, power grids and other infrastructure developments. Recently, however, the PRC Government has taken measures to control bank lending into the PRC economy. Any adverse change in the economic, political and social conditions or government policies in China could slow down the overall economic growth, which in turn could lead to less demand for our products and reduce our revenue and profit.

PRC regulation of direct investment and loans by offshore holdings companies to PRC entities could restrict our ability to apply the proceeds of the Global Offering to make additional capital contribution or loans to our PRC subsidiaries.

Any capital contribution or loans that we, as an offshore entity, make to our PRC subsidiaries, including the proceeds of the Global Offering, are subject to PRC regulations. For example, any of our loans to Sichuan Panshi, one of our PRC subsidiaries, must not exceed the difference between the total amount of investment of Sichuan Panshi and its registered capital, and any such loans must be registered with the local branch of SAFE. In addition, our additional capital contributions to our PRC subsidiaries must be approved by the Ministry of Commerce of the PRC or its local counterpart. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals or make such registrations, our ability to make capital contribution or provide loans to our PRC subsidiaries may be adversely affected, which could harm our PRC subsidiaries' liquidity and our ability to fund working capital, expansion projects, and meet our obligations and commitments.

In addition, in August 2008, SAFE promulgated the Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (國家外匯局綜合司關於完善外商投資企業外匯資本金支付結匯有關業務操作問題的通知, or "Circular 142"), a notice regulating the conversion by a foreign-invested company of foreign currency into Renminbi by restricting how the converted Renminbi may be used. Circular 142 requires that Renminbi converted from the foreign currency-denominated capital of a foreign-invested company may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC unless otherwise specifically provided for. In addition, SAFE has strengthened its oversight over the flow and use of Renminbi funds converted from the foreign currency-denominated capital of a foreign-invested company. The purpose of such Renminbi may not be changed without approval from SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used. Violations of Circular 142 may result in severe penalties, including substantial fines. This may restrict our ability to implement our acquisition strategy and could adversely affect our business, financial condition, results of operations and prospects.

The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange businesses. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by or be registered with the SAFE.

Under existing foreign exchange regulations, we are able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements.

Any failure by our Shareholders or beneficial owners who are PRC citizens or residents to comply with certain PRC foreign exchange regulations could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities or subject us to liability under PRC laws.

The "*Notice of SAFE on Issues Relating to Foreign Exchange Control on Fund Raisings by Domestic Residents Through Offshore Special Purpose Vehicles and Round-trip Investments*" (國家外匯管理局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) ("Circular 75") states that PRC residents must register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas equity financing involving a roundtrip investment whereby the offshore entity acquires or controls onshore assets or equity interests held by the PRC residents. In addition, such PRC residents must update their SAFE registrations when the offshore special purpose vehicle undergoes material events, such as increases or decreases in investment amount, transfers or exchanges of shares, mergers or divisions, long-term equity or debt investments, external guarantees, or other material events that do not involve roundtrip investments. If any PRC shareholder of the offshore special purpose vehicle fails to make or update the required registration, the PRC subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the offshore special purpose vehicle. Furthermore, failure to comply with the foregoing requirements could result in liability under the PRC laws for evasion of applicable foreign exchange restrictions.

Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that Circular 75 currently does not apply to us because none of the existing Shareholders of our Shares is regarded as a PRC resident under Circular 75 by the relevant SAFE authority. However, we cannot assure you that any PRC resident who becomes our Shareholder or the beneficial owner of our Shares in the future will be able to comply with Circular 75 in a timely manner or at all. A failure by any of our Shareholders or beneficial owners of our Shares who are PRC residents to comply with these regulations and rules in the future could subject us to fines or legal sanctions, including restrictions on our PRC subsidiaries' ability to pay dividends or make distributions to us. As a result, our business and results of operations and our ability to distribute profits to you could be materially and adversely affected.

We cannot assure you that we will declare dividends in the future.

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Under PRC law and the constitutional documents of our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refers 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 subsidiaries may not be able to pay a dividend in a given year if they do not have distributable profits as determined under PRC GAAP even if they have profits as determined under IFRS. Accordingly, since we derive all of our earnings and cash flows from dividends paid to us by our PRC operating subsidiaries in the PRC, we may not have sufficient distributable profits to pay dividends to our Shareholders.

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

Under the EIT Law and its implementation rules issued by the State Council, PRC income tax at the rate of up to 10% is generally applicable to dividends paid to investors who are non-PRC resident enterprises to the extent that such dividends are sourced from the PRC. Similarly, any gain realized on the transfer of Shares by such investors is also subject to PRC income tax of up to 10% if such gain is regarded as income derived from sources within the PRC. We currently intend to take the position that we are not a PRC resident enterprise for purposes of the EIT Law. However, if we were considered a PRC resident enterprise, dividends we pay with respect to our Shares, or the gain our Shareholders may realize from the transfer of our Shares, may be treated as income derived from sources within the PRC and be subject to PRC tax. In such case, we may be required under the EIT Law to withhold PRC income tax on dividends payable to our investors that are non-PRC resident enterprises, and our Shareholders would be required to pay PRC income tax on the transfer of our Shares. The value of our Shareholders' investment in our Shares would be reduced as a result.

The EIT 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 subsidiaries. Pursuant to the EIT Law, which became effective on January 1, 2008, and its relevant implemental rules, if any of our overseas members is deemed to be a non-PRC resident enterprise for tax purposes without an office or premises in the PRC, it will be subject to a withholding tax rate of 10% on any dividends paid by our PRC operating subsidiaries 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 January 1, 2007 (the "Tax Arrangement"), the withholding tax rate for dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise may be reduced to 5% if the Hong Kong enterprise owns at least 25% of the PRC enterprise and relevant approvals from competent local PRC tax authorities are obtained; if otherwise, the dividend withholding tax rate is 10%. According to the Notice of the SAT 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 February 20, 2009, the corporate recipients of dividends distributed by PRC enterprises must satisfy the direct ownership thresholds at all times during the twelve consecutive months preceding receipt of the dividends and satisfy certain other requirements.

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 EIT Law provides that if an enterprise incorporated outside China has its "de facto management organization" within the PRC, 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. We currently intend to take the position that we are not a PRC resident enterprise for purposes of the EIT Law. However, as most members of our Group are located in the PRC and, if they remain there, our overseas members as well as our 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 the future and the value of our Shares may be materially and adversely affected.

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

Although the EIT Law took effect on January 1, 2008, there is still uncertainty about how it will be implemented by PRC tax authorities. If dividend payments from our PRC operating subsidiaries to us are subject to the PRC withholding tax, it may have a material and 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 and adverse effect on your investment return and the value of your investment with us.

In addition, as provided by the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprise (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) (Circular Guoshuihan [2009] No.698) ("**Circular 698**") issued by the State Administration of Taxation on December 10, 2009, where a foreign investor transfers the equity of a PRC resident enterprise indirectly via disposing the equity of an overseas holding company ("**Indirect Transfer**") and such overseas holding company locates in a tax jurisdiction that: (i) is of an effective tax rate less than 12.5% or (ii) does not tax foreign incomes of its residents, the foreign investor shall report to the competent tax authority of the PRC resident enterprise of this Indirect Transfer. The PRC tax authority will examine the true nature of the Indirect Transfer, if they consider the foreign investor adopts an abusive arrangement in order to avoid PRC tax, they will disregard the existence of the overseas holding company and re-characterize the Indirect Transfer and as the result, gains derived from such Indirect Transfer may be subject to the PRC withholding tax at the rate of 10%. Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties of a price lower than the fair market value, the competent tax authority has the power to adjust the taxable income under this transaction reasonably. There is uncertainty as to the application of Circular 698. For example, while the term "indirect transfer" is not defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. In addition, there are not any formal declarations with regard to what constitutes "abuse of form of organization" and "reasonable commercial purpose," which can be utilized by us to balance if our company complies with the Circular 698. As a result, we may become at risk of being taxed under Circular 698 and we may be required to expend valuable resources to comply with Circular 698 or to establish that we should not be taxed under Circular 698, which could have a material adverse effect on our financial condition and results of operations. Furthermore, if our Shareholders are required to pay PRC income tax on the transfer of our Shares according to Circular 698, the value of your investment in our Shares may be reduced.

We face foreign exchange and conversion risks, and fluctuation of the value of the Renminbi may have a material adverse effect on your investment.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The PBOC issued a public notice on July 21, 2005, increasing the exchange rate of the Renminbi against the U.S. dollar by approximately 2% to RMB8.11 per US$1.00. Since the date of this notice, the PRC Government has reformed its exchange rate regime by adopting a managed floating exchange rate regime based on market supply and demand with reference to a portfolio of currencies. Under this regime, the Renminbi is no longer pegged to the U.S. dollar. In August 2008, China revised the PRC Foreign Exchange Administration Regulations (中華人民共和國外匯管理條例) to promote the reform of its exchange rate regime. On June 19, 2010, the PBOC announced that the PRC Government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. We cannot predict how and to what extent the exchange rate of the Renminbi will fluctuate in the future. To the extent that we need to convert Hong Kong dollars we receive from the Global Offering into Renminbi for our operations, appreciation of the Renminbi against the Hong Kong dollar could have a material adverse effect on our business, financial condition and results of operations. Conversely, as we rely entirely on dividends paid to us by Xinxin Mining, Jingyuancheng Mining and Jiheng Mining, any depreciation of the Renminbi may materially and adversely affect our cash flows, revenue and financial condition, and the value of, and any dividends payable on, our Shares in foreign currency terms. See "Financial Information – Dividend Policy."

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

We conduct all of our operations through our operating subsidiaries in China and, accordingly, we and our Shareholders are subject to certain risks due to the unpredictability of outcomes in connection with matters that are subject to the PRC legal system.

The PRC legal system is based on written statutes, rules and regulations. In the PRC legal system, prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit the legal protections available to us and also may subject us to unexpected consequences. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention, and the outcome of any such litigation may be unpredictable.

In addition, there are several levels of government with influence over our mineral exploration, development and production activities. A loss of support for one or more of our mines by the government authority at any level could result in substantial disruption in our ability to continue operations. Such a loss of support could occur at a state level, including, for example, a change in government policy to discourage foreign investments. It may also occur at a provincial or local level. As a result, our ability to conduct operations could be hindered by aggressive or capricious application of jurisdiction within the control of a particular level of government.

It may be difficult to effect service of process upon, or to enforce judgments obtained outside the PRC against us, our Directors or our senior management members who reside in the PRC.

We are incorporated in the Cayman Islands. The vast majority of our assets, our subsidiaries and their assets are located in the PRC. In addition, substantially all of our Directors and our officers reside within the PRC and most assets of our Directors and officers are also located within the PRC. As a result, it may be difficult for investors to effect service of process outside the PRC upon most of our Directors and officers, including matters arising under applicable securities laws. Moreover, a judgment of a court of another jurisdiction may only be reciprocally recognized or enforced if the jurisdiction has a treaty with the PRC or if there are reciprocal relationships between the PRC and such jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the Cayman Islands, Japan, the United Kingdom, the United States and most other western countries. Although Hong Kong and the PRC entered into an agreement on reciprocal recognition of judgments, enforcement of judgments is predicated on a written choice of court agreement that gives a PRC or Hong Kong court exclusive jurisdiction. As a result, it may be difficult or impossible for investors to effect service of process against our assets, management members or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

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

In the PRC, foreign companies have, in the past, been, and are currently, required to operate within a framework different from that imposed on domestic PRC companies. However, the PRC Government has been opening up opportunities for foreign investment in mining projects and this process is expected to continue, especially following the PRC's accession to the WTO. Iron ore mining is an encouraged industry for foreign investment in China. However, if the PRC Government should reverse this trend, or impose greater restrictions on foreign companies, or seek to nationalize our PRC operations, our business and results of operations could be materially and adversely affected. See "Regulatory Overview."

We face risks related to occurrences of epidemics in China and other places around the world, which could have a material adverse effect on our business and results of operations.

Our business is subject to the general economic, environmental and social conditions in China. In particular, it is possible for our business to be materially and adversely affected by the occurrence of epidemics in China. Over the past few decades, the PRC has suffered health epidemics related to the outbreak of avian influenza A (H1N1 and H7N9) virus, influenza A (H1N1) virus and severe acute respiratory syndrome, or SARS. Any prolonged recurrence of avian influenza A, influenza A, SARS or other adverse public health developments in China may have a material and adverse effect on our business operations. These could include restrictions on our ability to travel or ship products within China, as well as temporary closure of our mines and processing facilities. Such closures and/or travel or shipment restrictions would severely disrupt our business operations and adversely affect our results of operations.

Similarly, war, terrorist activity, threats of war or terrorist activity, social unrest and the corresponding heightened travel security measures instituted in response to such events, as well as geopolitical uncertainty and international conflict and tension, would affect economic development and construction projects. In turn, there could be a material adverse effect on our business, financial condition and results of operations. In addition, we may not be adequately prepared in terms of contingency planning or have recovery capabilities in place to deal with a major incident or crisis. As a result, our operational continuity may be adversely and materially affected and our reputation seriously harmed.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile.

Prior to the Global Offering, there has been no public market for our Shares. The Offer Price for our Shares will be determined based on negotiations between the Joint Global Coordinators (on behalf of the Underwriters) and us and may differ from the market prices for our Shares after the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, our Shares. However, there is no assurance that the Global Offering will result in the development of an active and liquid public trading market for our Shares. The market price, liquidity and trading volume of our Shares may be volatile. We cannot assure you that Shareholders will be able to sell their Shares or achieve their desired price. As a result, Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares under the Global Offering. Factors that may affect the volume and price at which our Shares will be traded include, among other things, variations in our sales, earnings, cash flows and costs, announcements of new investments and changes in laws and regulations in China. We cannot assure you that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

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

The market price of our Shares could decline as a result of future sales of substantial amounts of the Shares or other securities relating to the Shares in the public market or the perception that such sales or issuances may occur. The Shares held by certain Shareholders are subject to certain lock-up periods after the date on which trading in our Shares commences on the Stock Exchange. See "Underwriting." There can be no assurance that, after such restrictions expire, our Shareholders will not dispose of any Shares. Future sales, or perceived possible sales, of substantial amounts of the Shares could also materially and adversely affect the market price of our Shares and our ability to raise capital in the future at a time and at a price favorable to us, and our Shareholders may experience dilution in their holdings upon issuance or sale of additional Shares or other securities in the future.

Investors will experience immediate dilution to their attributable net tangible book value as the Offer Price of our Shares is higher than our net tangible book value per Share.

On the assumption that the Over-allotment Option will not be exercised and without taking into account any changes in our net tangible assets after the Global Offering, other than to give effect to the sale of our Shares pursuant to the Global Offering, assuming an Offer Price of HK$3.10 to HK$3.40 per Share (being the indicative Offer Price range), and after deduction of estimated underwriting fees and expenses, the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to our equity holders as of June 30, 2013 would have been approximately RMB814.2 million (assuming an Offer Price of HK$3.10) or RMB900.2 million (assuming an Offer Price of HK$3.40), or an unaudited pro forma adjusted consolidated net tangible assets value per Share of HK$0.68 (assuming an Offer Price of HK$3.10) or HK$0.76 (assuming an Offer Price of HK$3.40). Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution of HK$2.42 (assuming an Offer Price of HK$3.10) or HK$2.64 (assuming an Offer Price of HK$3.40) per Share, representing the difference between the Offer Price and the unaudited pro forma adjusted net tangible assets per Share. If we issue additional Shares in the future, purchasers of our Shares may experience further dilution.

The market price of our Shares when trading begins could be lower than the Offer Price as a result of, among other things, adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The Offer Price will be determined on the Price Determination Date. However, the Offer Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be the fifth Business Day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of the Offer Shares are subject to the risk that the price of the Offer 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.

Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from executing our growth strategy successfully.

If our capital resources are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity securities, debt securities or obtain debt financing. The sale of additional equity securities or convertible debt securities could result in additional dilution to our Shareholders. Additional debt would result in increased expenses and could result in covenants that would restrict our operations.

Certain facts and other statistics in this Prospectus with respect to China, the PRC economy and the global and PRC iron and steel industries are derived from various official government sources and may not be reliable.

Certain facts and other statistics in this Prospectus relating to China, the PRC economy and the global and PRC iron and steel industries and related markets have been derived from various official PRC government publications. We believe that these publications 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. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Relevant Persons or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies or in other markets and should not be unduly relied upon. Furthermore, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, except as otherwise permitted by the Stock Exchange at its discretion, our Company must have sufficient management presence in Hong Kong, and this normally means that at least two of the new applicant's executive Directors must be ordinarily resident in Hong Kong.

Our Group's business and operations are all located in the PRC. Substantially all of the executive Directors and senior management of our Company principally reside in the PRC. For the purpose of the proposed Listing, our Company has established a place of business in Hong Kong and has registered as a non-Hong Kong company under Part XI of the Companies Ordinance.

Based on the above, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We have made the following arrangements in order to maintain effective communication between the Stock Exchange and us:

A. Authorized representatives

Pursuant to Rules 3.05 of the Listing Rules, our Company has designated Mr. Li Yanjun, an executive Director, and Ms. Kwong Yin Ping, Yvonne, the joint company secretary (who is ordinarily resident in Hong Kong), as its authorized representatives. The authorized representative will act as our principal channel of communication with the Stock Exchange and would be available to meet with the Stock Exchange. The authorized representatives have provided their usual contact details to the Stock Exchange and will be readily contactable by the Stock Exchange if necessary.

As an executive Director and the joint company secretary of our Company respectively, Mr. Li Yanjun and Ms. Kwong Yin Ping, Yvonne have means for contacting all Directors (including the independent non-executive Directors) and senior management promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters.

Ms. Kwong Yin Ping, Yvonne, one of the authorized representatives and the joint company secretary of our Company, is a Hong Kong resident. Accordingly, she will be able to meet with the relevant members of the Stock Exchange on short notice. Our Company will also inform the Stock Exchange as soon as practicable in respect of any change in our Company's authorized representatives.

B. Directors

To facilitate communication with the Stock Exchange, our Company has provided the authorized representatives of our Company and the Stock Exchange with the contact details of each Director, including mobile phone numbers, office phone numbers, e-mail addresses and fax numbers.

In the event that any Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his/her accommodation to the authorized representatives.

To the best of our Company's knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after requests from the Stock Exchange.

C. Compliance advisor

Our Company will retain the services of Somerley Limited to act as our compliance adviser (the "Compliance Adviser") in compliance with Rule 3A.19 of the Listing Rules. The Compliance Adviser will, among other things and in addition to our Company's authorized representatives, act as an additional channel of communication of our Company with the Stock Exchange and be available to answer enquiries from the Stock Exchange. Our Company will ensure that there are adequate and efficient means of communication among itself, its authorized representatives, Directors, other officers, and the Compliance Adviser.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that an issue must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. Rule 3.28 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a company secretary who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary.

The Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

In assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company was originally incorporated in the BVI with limited liability and subsequently redomiciled to the Cayman Islands on May 2, 2013, and is primarily engaged in iron ore mining, processing and the sale of iron ore products in the PRC. The Directors believe that its company secretary should, apart from being able to meet the professional qualifications or the relevant experience requirements under the Listing Rules, have sufficient knowledge about (a) our Group's business, operations and corporate culture; and (b) the regulatory requirements in the PRC.

All members of the senior management of our Company who are familiar with the activities of our Company and who have acquired knowledge of the relevant Hong Kong regulatory requirements during the preparation of the Listing Application, including Mr. Meng Ziheng, lack the requisite professional qualifications required under Rule 3.28 of the Listing Rules. Our Company has made efforts to search for suitable candidates in the open market since commencement of the listing preparation, but so far has been unable to find a professionally qualified candidate with sufficient understanding of the business and operations of our Group who would be suitable for the position of the company secretary. Accordingly, our Company proposes to appoint Mr. Meng Ziheng and Ms. Kwong Yin Ping, Yvonne as the joint company secretaries to jointly discharge the duties and responsibilities of the company secretary of our Company with reference to their work experience and qualifications.

For biographical details of Mr. Meng Ziheng, see "Directors and Senior Management." Although Mr. Meng Ziheng does not possess the qualifications set out in Rule 3.28 of the Listing Rules, our Company would like to appoint him as one of the joint company secretaries due to his past management experience within our Group and his thorough understanding of the internal administration and business operations of our Group. The term of the appointment of Ms. Kwong Yin Ping, Yvonne as one of the joint company secretaries will be three years commencing from the date of the listing of our Company's Shares.

Our Company proposes to appoint Ms. Kwong Yin Ping, Yvonne as one of the joint company secretaries of our Company to assist Mr. Meng Ziheng in discharging the duties of a company secretary of our Company. Ms. Kwong Yin Ping, Yvonne is currently a vice president of SW Corporate Services Group Limited, a professional services provider specializing in corporate services. Ms. Kwong Yin Ping, Yvonne is qualified to act as our company secretary as required in Rule 3.28 of the Listing Rules. Ms. Kwong Yin Ping, Yvonne is a fellow member of The Hong Kong Institute of Chartered Secretaries and a fellow member of The Institute of Chartered Secretaries and Administrators. Ms. Kwong Yin Ping, Yvonne has extensive experience in the corporate secretarial and compliance areas, and is currently the company secretary of Chengdu Putian Telecommunications Cable Company Limited (stock code: 01202), HC International, Inc. (stock code: 08292) and Xinhua News Media Holdings Limited (stock code: 00309) and a joint company secretary of China Tianrui Group Cement Company Limited (stock code: 01252) and IGG Inc (stock code: 08002). See "Directors and Senior Management – Joint Company Secretaries."

Based on the above, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 3.28 and 8.17 of the Listing Rules. The following arrangements have been, or will be, put in place to assist Mr. Meng Ziheng to acquire all qualifications and experience as the company secretary of our Company as required under Rule 3.28 of the Listing Rules:

(a) **Work Arrangement between the Joint Companies Secretaries**. Apart from discharging her functions in her role as one of the joint company secretaries, Ms. Kwong Yin Ping, Yvonne will assist Mr. Meng Ziheng to enable Mr. Meng Ziheng to acquire the relevant company secretary experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules. Given Ms. Kwong Yin Ping, Yvonne's relevant experience as a company secretary, she will be able to explain to both Mr. Meng Ziheng and our Company the relevant requirements under the Listing Rules and other applicable Hong Kong laws and regulations. She will also assist Mr. Meng Ziheng in organizing board meetings and Shareholders' meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Kwong Yin Ping, Yvonne is expected to work closely with Mr. Meng Ziheng, and will maintain regular contact with Mr. Meng Ziheng and the Directors and senior management of our Company. The waiver will be revoked immediately when Ms. Kwong Yin Ping, during the three-year period, ceases to provide assistance to Mr. Meng Ziheng.

(b) **Training and Legal Advice**. In the course of preparing for our Company's proposed Listing on the Stock Exchange, Mr. Meng Ziheng has received a memorandum and has attended a training seminar on the respective obligations of Directors, senior management and our Company under the relevant Hong Kong laws and the Listing Rules, both provided by our Company's Hong Kong legal advisors Clifford Chance. Our Company will ensure that Mr. Meng Ziheng continues to have access to relevant training and support to familiarize himself with the Listing Rules and the duties required of a company secretary of an issuer listed on the Stock Exchange, and to receive updates on the latest changes to the applicable Hong Kong laws, regulations and the Listing Rules. Furthermore, both Mr. Meng Ziheng and Ms. Kwong Yin Ping, Yvonne will seek advice from our Company's Hong Kong legal and other professional advisors as and when required.

(c) **Compliance Advisor**. Our Company has appointed Somerley Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules, which will act as our Company's additional channel of communication with the Stock Exchange, and provide professional guidance and advice to our Company and its joint company secretaries as to compliance with the Listing Rules and all other applicable laws and regulations.

(d) **Review of Qualifications and Experience**. At the end of the three-year period, the Company has to liaise with the Stock Exchange. The Stock Exchange will re-visit the situation in the expectation that the Company should then be able to demonstrate to the satisfaction of the Stock Exchange that Mr. Meng Ziheng, having had the benefit of Ms. Kwong Yin Ping's assistance for three years, would have acquired relevant experience within the meaning of Rule 3.28 so that a further waiver would not be necessary.

Issuer	Hengshi Mining Investments Limited
The Offering	Global Offering of initially 375,000,000 Shares (excluding the Shares to be offered pursuant to the exercise of the Over-allotment Option) comprising (i) the Hong Kong Public Offering of initially 37,500,000 Shares (subject to reallocation) and (ii) the International Offering of initially 337,500,000 Shares (subject to reallocation and excluding the Shares to be offered pursuant to the exercise of the Over-allotment Option)
Over-allotment Option	Up to 56,250,000 additional Shares to be issued by our Company
Offer price range	HK$3.10 to HK$3.40
Shares outstanding immediately following the completion of the Global Offering	1,500,000,000 Shares (assuming the Over-allotment Option is not exercised) 1,556,250,000 Shares (assuming the Over-allotment Option is exercised in full)
Share borrowing arrangements in connection with settlement	The Stabilizing Manager (or any person acting for it) may borrow from Hengshi Investments up to 56,250,000 Shares
Lock-up undertakings by our Company and the Controlling Shareholders	See "Underwriting"
Dividend policy	The Company may, through a general meeting, declare final dividend in any currency but no dividend shall be declared in excess of the amount recommended by the Board, subject to the requirements of the Articles of Association and the Cayman Companies Law The Board may declare interim and special dividend after taking into account the Company's operations, earnings, financial position, cash requirements and other factors as it may deem relevant at such time, subject to the requirements of the Articles of Association and the Cayman Companies Law. See "Financial Information – Dividend Policy"

Voting rights

Each Share entitles its holder to one vote at meetings of Shareholders. See "Appendix V – Summary of the Constitution of our Company and Summary of Cayman Islands Company Law"

Stamp duty

Dealings in the Shares registered in our Company's Hong Kong register of members will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares

Application for listing on the Stock Exchange

Our Company has applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering. No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange nor is there at present any proposal to do so

Restrictions on offers and offers for sale

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this Prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. The distribution of this Prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom

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

Shares will be eligible for admission into CCASS	Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS
Procedure for application for Hong Kong Offer Shares	The procedures for applying for Hong Kong Offer Shares are set forth under the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus and on the relevant Application Forms
Structure of the Global Offering	Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering" in this Prospectus
Commencement of dealings in the Shares	Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on November 28, 2013, it is expected that dealings in our Shares on the Stock Exchange will commence on November 28, 2013. The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares will be 1370
Consequences of holding an interest in Shares	Holders and beneficial owners of our Shares should be aware that they may be subject to certain legal requirements under Hong Kong law and the Listing Rules, including, for example, reporting obligations upon reaching certain specified ownership thresholds. You should consult your own legal adviser as to the Hong Kong legal consequences of investing in the Shares

Rounding

Any discrepancies in any table or chart between the total shown and the sum of the amounts listed thereon are due to rounding. Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments, or have been rounded to one decimal place

Language

If there is any inconsistency between this Prospectus and the Chinese translation of this Prospectus, this Prospectus shall prevail. The translated English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations, natural persons or other entities (including certain of our subsidiaries) and the like included in this Prospectus and for which no official English translation exists are unofficial translations for your reference only

Exchange rate conversion

Solely for your convenience, this Prospectus contains translations of certain Renminbi amounts into Hong Kong dollars and of Renminbi into U.S. dollars at specified rates. We make no representations and none should be construed as being made, that any of the Renminbi, Hong Kong dollar or U.S. dollar amounts contained in this Prospectus could have been or could be converted into amounts of any other currencies at any particular rate or at all on such date or any other date. Unless indicated otherwise, the translation of Renminbi into Hong Kong dollars was made at the rate of RMB0.79151 to HK$1.00, the exchange rate prevailing on the Latest Practicable Date, set by PBOC for foreign exchange transactions. The translation of Renminbi into U.S. dollars was made at the rate of RMB6.1355 to US$1.00, the exchange rate prevailing on the Latest Practicable Date

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Li Yanjun (李豔軍)	No. 72 Aowei Road Chengguan Town Rongcheng County Baoding City Hebei Province PRC	Chinese
Mr. Li Ziwei (李子威)	Flat C, 51th Floor, No. 2 Building No. 1 The Harbour Side Austin Road West Kowloon, Hong Kong	Dominican
Mr. Xia Guoan (夏國安)	Room 301, Unit 2, North Building No. 2 Baohua Street, South Avenue Heping Community Rongcheng County Baoding City Hebei Province PRC	Chinese
Mr. Sun Jianhua (孫建華)	Room 803, Unit 3, No. 1 Building Shijialiyuan Community North Jianhua Street Nanshi District Baoding City Hebei Province PRC	Chinese
Mr. Huang Kai (黃凱)	Room 202, Unit 2, No. 1 Building Jinyuan Community Caizheng Street, Aowei Road Chengguan Town Rongcheng County Baoding City Hebei Province PRC	Chinese
Mr. Tu Quanping (塗全平)	No. 302, Unit 3, No. 1 Building 117 Qiaoxi Street Xinshi District Baoding City Hebei Province PRC	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Mr. Ge Xinjian (葛新建)	No. 123, Unit 3 Zhenzhu West Community Yushan District Ma'anshan City Anhui Province PRC	Chinese
Mr. Meng Likun (孟立坤)	No. 22 Xiangshanqingqin Bing Community Qingqin Road Haidian District Beijing PRC	Chinese
Mr. Kong Chi Mo (江智武)	Flat 5, 3/F 43 Tung Chau Street, Tai Kok Tsui Kowloon Hong Kong	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	Merrill Lynch Far East Limited 15/F, Citibank Tower 3 Garden Road Central, Hong Kong
	Credit Suisse (Hong Kong) Limited Level 88, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong
Joint Global Coordinators	Credit Suisse (Hong Kong) Limited Level 88, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong
	Merrill Lynch International Merrill Lynch Financial Centre 2 King Edward Street London EC1A 1HQ United Kingdom

Joint Bookrunners	Credit Suisse (Hong Kong) Limited Level 88, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong
	Merrill Lynch International Merrill Lynch Financial Centre 2 King Edward Street London EC1A 1HQ United Kingdom
Joint Lead Managers	Credit Suisse (Hong Kong) Limited Level 88, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong
	Merrill Lynch International (for the International Offering) Merrill Lynch Financial Centre 2 King Edward Street London EC1A 1HQ United Kingdom
	Merrill Lynch Far East Limited (for the Hong Kong Public Offering) 15/F, Citibank Tower 3 Garden Road Central, Hong Kong
Reporting accountants	KPMG *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Legal advisers to our Company	*as to Hong Kong and United States law* Clifford Chance 28th Floor, Jardine House One Connaught Place Central Hong Kong

	as to PRC law Commerce & Finance Law Offices 6/F NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing 100022 PRC
	as to Cayman Islands and BVI law Maples and Calder 53th Floor, The Center 99 Queen's Road Central Hong Kong
Legal advisers to the Underwriters	*as to Hong Kong and United States law* Freshfields Bruckhaus Deringer 11/F, Two Exchange Square 8 Connaught Place Central Hong Kong
	as to PRC law Jingtian & Gongcheng 34th Floor, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing 100025 PRC
Competent Person	SRK Consulting China Limited B1205 COFCO Plaza 8 Jianguomenwai Dajie Dongcheng District Beijing 100005 PRC
Independent property valuer	Savills Valuation and Professional Services Limited 23/F Two Exchange Square Central Hong Kong
Independent industry consultant	AME Mineral Economics (Asia) Limited 403, 4/F Lucky Building 39 Wellington Street Central, Hong Kong
Receiving bank	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong

Registered office	P.O. Box 309 Ugland House Grand Cayman KY1–1104 Cayman Islands
Headquarters	No. 91 Guangping Avenue Laiyuan County Baoding City Hebei Province PRC
Principal place of business in Hong Kong	3907–08, 39/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Company's website	**www.hengshimining.com** (The information on the website does not form part of this Prospectus)
Joint Company secretaries	Mr. Meng Ziheng No. 202, Unit 1, 29–39 Yuhuaxi Road Nanshi District Baoding City Hebei Province PRC Ms. Kwong Yin Ping, Yvonne *(a member of the Hong Kong Institute of Chartered Secretaries)* Flat A 15/F Block 2 7 Tai Hang Road Causeway Bay Hong Kong
Authorized representatives	Mr. Li Yanjun No. 72 Aowei Road Chengguan Town Rongcheng County Baoding City Hebei Province PRC Ms. Kwong Ying Ping, Yvonne Flat A 15/F Block 2 7 Tai Hang Road Causeway Bay Hong Kong

Audit Committee	Mr. Ge Xinjian *(Chairman and an Independent Non-executive Director)* Mr. Meng Likun *(Independent Non-executive Director)* Mr. Kong Chi Mo *(Independent Non-executive Director)*
Remuneration Committee	Mr. Meng Likun *(Chairman and an Independent Non-executive Director)* Mr. Li Ziwei *(Executive Director)* Mr. Ge Xinjian *(Independent Non-executive Director)*
Nomination Committee	Mr. Li Yanjun *(Chairman and Executive Director)* Mr. Meng Likun *(Independent Non-executive Director)* Mr. Kong Chi Mo *(Independent Non-executive Director)*
Principal Share Registrar	Maples Fund Services (Cayman) Limited P.O. Box 1093 Boundary Hall, Cricket Square Grand Cayman KY1–1102 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shop 1712–1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance adviser	Somerley Limited 20/F Aon China Building 29 Queen's Road Central Hong Kong
Principal banks	Industrial and Commercial Bank of China, Laiyuan Branch Shahe Avenue Laiyuan County Baoding City Hebei Province PRC Agricultural Bank of China, Laiyuan Branch Kaiyuan Road Laiyuan County Baoding City Hebei Province PRC

The information presented in this section is derived from various official government publications, industry sources such as industry publications, and survey or studies conducted by AME, an Independent Third Party. We believe that the sources of such information are appropriate sources and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Our Directors confirm, after taking reasonable care, that there is no adverse change in the market information since the date of the AME Report which may qualify, contradict or have an impact on the information in this section. The information has not been independently verified by us or any of the Relevant Persons, and no representation is given as to its accuracy, completeness or fairness.

INFORMATION ON THE AME REPORT

Overview

We commissioned AME, an independent industry consultant specialized in market and strategic analysis for the global energy, steel, metals and mining industries, to provide the AME Report. AME is a global firm of engineering and resource economists. AME's head office is in Hong Kong with offices in Sydney, London and New York. AME specialises in detailed commodity market analysis and advisory for resource industries.

The AME Report is used in whole or in part in the Prospectus. In particular, unless otherwise specified, all of the industry data presented in the "Summary," "Industry Overview" and "Business" sections have been based on or derived from the AME Report. The main objectives of the AME Report include providing supply and demand analysis of the industry in which we operate in, cost and production analysis, and market trend analysis.

The information contained herein has been obtained from the official government and non-official sources AME believes to be reliable. As certain economic data is collected on a sample basis or estimated by AME, each table and figure should be assumed to include estimated information.

Basis upon Which Statistics are Considered Reliable

AME's research is undertaken through both primary and secondary research from various sources. AME prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. However, since such information is unavoidably subject to certain assumptions and estimates made by third parties, there can be no assurance as to the accuracy or completeness of included information. AME did not carry out any independent verification on any facts or statistics that are directly or indirectly obtained from official and non-official sources. AME applied its own professional judgment and analysis in processing the data from third-party sources to generate the statistics and data used in the AME Report.

The AME Report was researched for and drafted by AME professionals who have in-depth knowledge of the iron ore sector. AME believes that the sources of the information in the AME Report are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. To the best of AME's knowledge after making all due and reasonable inquiries, AME has no reason to believe that such information is false, inaccurate or misleading or that any part has been so omitted that would render such information false, inaccurate or misleading.

Key Assumptions and Parameters

Forecasts and assumptions included in the AME Report are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including, without limitation, actions of governments, individuals, third parties and competitors. As such, there can be no assurance that forward-looking statements, forecasts and assumptions will prove to be accurate. Specific factors that could cause actual results to differ materially include, among others, iron ore prices, risks inherent in the mining industry, financing risks, labor risks, uncertainty of mineral reserve and resource estimates, equipment and supply risks, regulatory risks and environmental concerns. Most of the factors are outside the control of our Company. Investors are cautioned not to put undue reliance on forecast and forward-looking information.

The following assumptions were made in preparing the AME Report:

First, AME has assumed there will not be catastrophic events such as natural disasters in key iron ore producing and consuming regions.

Second, it is assumed that future global and country-level economic growth will be consistent with the forecasts of the International Monetary Fund.

The following parameters were considered in determining historical and forecast iron ore demand and supply:

- Global and country-level GDP growth rates from 2005 to 2015;
- The nature and outlook of individual economies as well as their stage of industrial development;
- Historical and forecast steel consumption per capita growth trends in developed and developing economies;
- Country-level growth in key consumer sectors, including construction, transport and consumer durables;
- Global and country-level crude steel, pig iron and DRI output from 2005 to 2015;
- The iron ore production guidance reported by companies;
- Current and scheduled greenfield and brownfield expansion plans; and
- The development stage and an assessed probability of each major project coming on line.

Fees

A total fee of US$84,000 has been incurred for the preparation and update of the AME Report.

OVERVIEW OF THE IRON ORE INDUSTRY

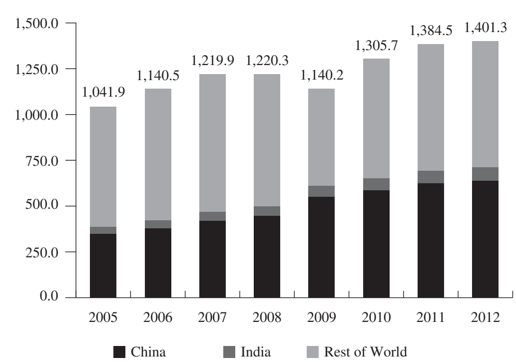
Global Iron Ore Industry

Iron Ore Demand

Demand for iron ore is driven by global steel demand and, in turn, steel production. Construction, transportation and consumer durables are the main drivers of steel demand, and growth in these sectors is generally correlated with growth in GDP and industrial production of a particular country or region.

According to the AME Report, global steel demand grew from approximately 1,041.9 Mt in 2005 to approximately 1,401.3 Mt in 2012, representing a CAGR of 4.3%, largely driven by strong economic growth in emerging countries, in particular China. In 2012, steel demand from China accounted for 45.6% of the total global steel demand, compared to 33.4% in 2005. In 2009, the global steel demand decreased by approximately 6.6% to 1,140.2 Mt amid the global economic crisis. Since then, the global steel market has made a strong recovery, led by growth in emerging markets such as China and India. China continues to be the key driver for global steel demand as the country continues its modernization initiatives with pro-growth policies and continuing investments in transportation and power infrastructure.

Global Apparent Steel Demand 2005–2012 (in Mt)

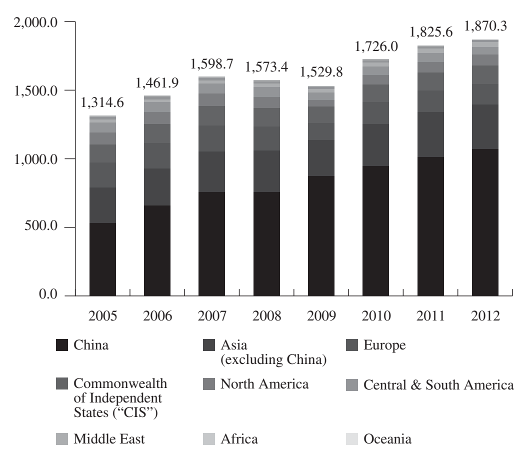


Source: World Steel Association

Global crude steel production grew from 1,143.2 Mt in 2005 to approximately 1,547.2 Mt in 2012, representing a CAGR of 4.4%, driven by growing global steel demand. According to the AME Report, the incremental crude steel output is largely from rapid growth in production in emerging countries, including China, India, South Korea and Turkey, offset by reduced production in Japan, the CIS and North America and capacity closures in Europe. By 2007, China, as a result of the rapid growth in domestic production capacity, had become the largest net exporter of steel. China has also emerged as the world's leading producer of steel, consistently accounting for around 45% of global production since 2009. On top of the growing crude steel output, according to the AME Report, limited scrap supply means that much of the growth is likely to be via the basic oxygen furnace steel making route rather than the electric arc furnace and this is expected to support continued demand for iron ore as a blast furnace feedstock.

As a result of the growing global steel production, global iron ore demand experienced strong growth, from approximately 1,314.6 Mt in 2005 to approximately 1,870.3 Mt in 2012, representing a CAGR of 5.2% over the period. China and the rest of Asia accounted for the majority of global iron ore demand growth and this was driven by relatively strong growth in steel output.

World Iron Ore Demand by Region 2005–2012 (Dry, in Mt)



Source: the AME Report

Note: Iron ore demand has been calculated from country-level pig iron and DRI production. End composition of the iron products as well as the grade and quality of average feed materials are considered on a country-level basis.

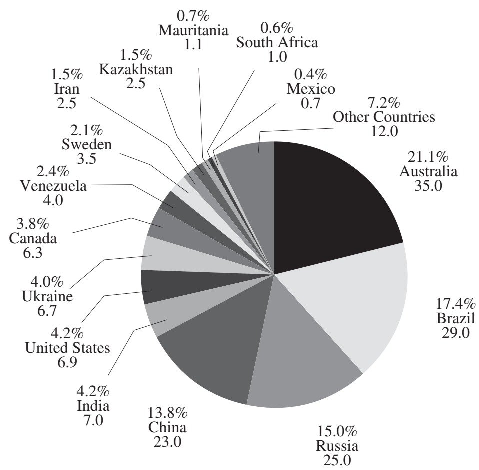
Global Iron Ore Supply

Global Iron Ore Reserves

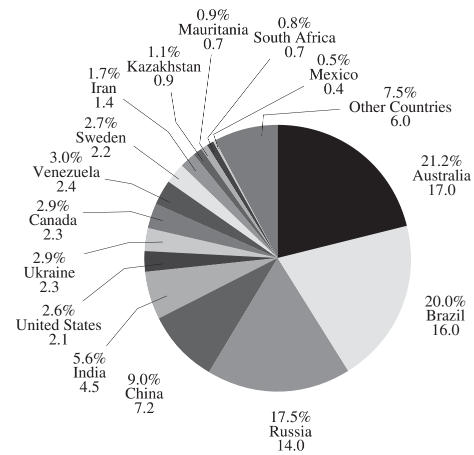
According to the USGS (2013) and the AME Report, world crude iron ore reserves were estimated to be approximately 166.2 Bt. The world's iron ore reserves are highly concentrated, and the top four countries with the most iron ore reserves, namely Australia, Brazil, Russia and China, collectively hold approximately 67.4% of the world's crude iron ore reserves. The following chart sets forth the distribution of world's crude iron ore reserves as estimated by USGS in 2013.

World Iron Ore Reserves by Country (in Bt)

Crude Ores



Iron Content



Source: the AME Report, USGS (2013)

China's share of world reserves of crude ore was approximately 13.8% on a crude ore basis, but only approximately 9.0% on an iron content basis, due to the lower grades of the iron ore deposits in China. In contrast, the share of reserves on an iron content basis for countries such as Australia and Brazil were higher, due to the higher grades of the iron ore deposits in those countries.

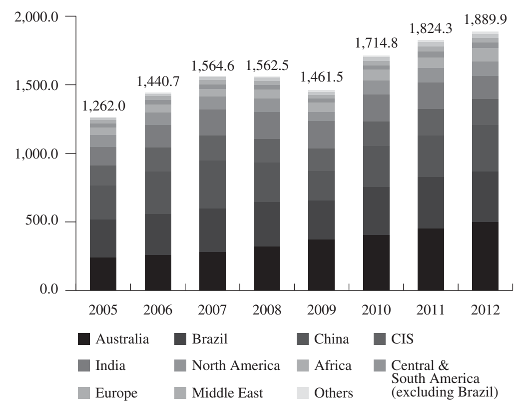
Iron Ore Production

According to the AME Report, world iron ore supply volume (on a dry metric tonne basis) grew from an estimated 1,262.0 Mt in 2005 to 1,889.9 Mt in 2012 (compared to a global iron ore demand of 1,870.3 Mt in 2012), representing a CAGR of 5.9%.

The world's iron ore production is highly concentrated in four countries or regions, namely Australia, Brazil, China and the CIS, due to the concentrated location of global iron ore reserves. Meanwhile, the world's iron ore production is primarily dominated by Vale, Rio Tinto, BHP and Fortescue Metals Group, which together accounted for approximately 60% of global iron ore exports. In recent years, relatively positive global iron ore market conditions and higher iron ore prices prompted iron ore companies worldwide to increase supply through the development of greenfield and brownfield projects.

The following chart sets forth the world iron ore supply of major iron ore producing regions from 2005 to 2012.

World Estimated Iron Ore Supply by Region 2005–2012 (Dry, in Mt)



Source: the AME Report

International Iron Ore Trade

Since most iron ore deposits are not located in close proximity to major steel production regions, a large proportion of the world's iron ores is traded internationally by sea. China, while being the country with the fourth largest iron ore deposits, continues to be a major importing country of iron ore because of its sustained economic growth and relatively robust steel production industry. These factors, combined with a lack of high quality domestic deposits, have led China to experience an iron ore supply shortage of 745.5 Mt in 2012.

Australia and Brazil are the two largest exporters of iron ore products. Collectively, the two countries are estimated to have accounted for approximately 69% of the global iron ore export market in 2011.

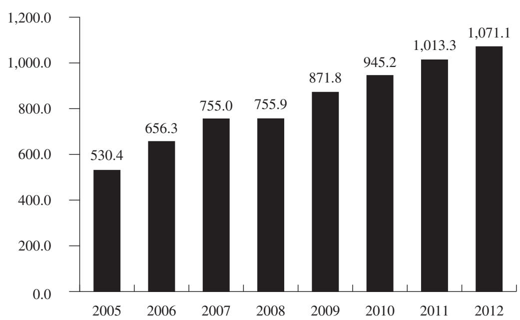
PRC Iron Ore Industry

Iron Ore Demand in China

The demand for iron ore in China has been growing continuously over the past decade, driven by growing demand for steel in China on the back of the country's strong economic development. Construction, transportation and consumer durables are the three major drivers of steel demand. Therefore, relatively strong growth in these end-use sectors in previous years has supported higher steel output and increasing iron ore demand in China.

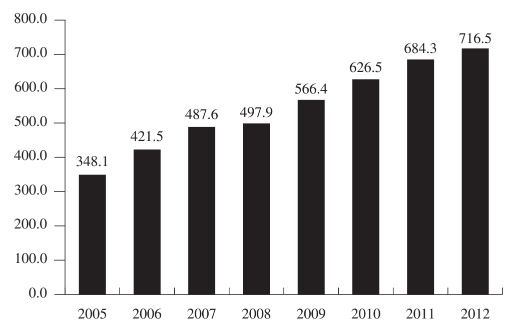
According to the AME Report, China is the largest steel producing country in the world, consistently accounting for around 45.0% of global steel production since 2009. The crude steel production in China increased from approximately 348.1 Mt in 2005 to approximately 716.5 Mt in 2012, representing a CAGR of 10.9%. As a result of the large-scale crude steel production in China, China has become the world's largest source of demand for iron ore, accounting for approximately 57.3% of the global iron ore demand in 2012. Iron ore demand in China increased from approximately 530.4 Mt in 2005 to approximately 1,071.1 Mt in 2012, representing a CAGR of 10.6%.

PRC Iron Ore Demand 2005–2012 (Dry, in Mt)



Source: the AME Report

PRC Crude Steel Output 2005–2012 (in Mt)



Source: the AME Report

On the back of strong demand for steel products driven by its strong economic growth, China has invested heavily to increase its steel production capacity over the past decade. In 2012, the total steel production capacity in China was estimated at approximately 970 Mtpa. As a result of the global economic downturn, China's economy has also shown signs of slower economic growth, resulting in a decrease in steel demand which, combined with excess capacity in the domestic steel market, led to steel prices being relatively weak in the first half of 2013.

The PRC Government has taken initiatives to reduce steel production capacity in China. According to the Ministry of Industry and Information Technology of the PRC, 6.98 Mt of crude steel capacity will be phased out in 2013, which have been nominated for closure as they typically have less pollution control, lower energy efficiency and outdated technologies. Currently, the utilization rate of steel capacity is estimated to be approximately 70%–75% in China and Hebei Province. According to AME, the impact of capacity closure on steel production and iron ore consumption is likely to be minimal as current utilization rates in China are relatively low. With the removal of steel capacity, the utilization rate of the remaining capacity is expected to improve. Therefore, closing excess steel capacity is not expected to result in lower steel production or in turn, lower demand for iron ore products, as it is the crude steel production and the required pig iron feed, rather than capacity, that drives iron ore consumption.

Despite the widely reported overcapacity in China and announcements by the Government of mandated capacity closures, there has been no decrease in steel output in China or Hebei Province in 2013. According to NBSC, from January to July 2013, China's crude steel production increased by approximately 8.7% to approximately 455.8 Mt compared to the same period of 2012, while the crude steel output in Hebei Province increased by approximately 10.0% to approximately 120.0 Mt during the same period.

Going forward, construction, transportation and consumer durables will remain the main drivers for the steel demand. Growth in China's real estate sector showed signs of slowdown as a result of the government's austerity measures to control surging property prices in 2012. However, according to AME, growth in the area of buildings under construction (on a square meter basis) picked up towards the end of 2012 and early 2013 following a period of slower growth. AME expects continued growth in China's property market in 2013, although construction growth currently remains below the growth rates between 2010 and 2011. In addition to property construction, fixed asset investment in China will receive a boost over the short to medium term from the infrastructure spending package of approximately RMB1 trillion that was approved by the NDRC in September 2012, which involves the construction of highway, railway, subway, port and channel projects. According to NBSC, in the first seven months of 2013, China's fixed asset investments in transportation and infrastructure construction expanded by 10% and 21%, respectively, as compared with the same period of 2012. In August, China Railway Corporation announced it was increasing fixed asset investments in railway projects from RMB650 billion in 2012 to RMB660 billion in 2013, of which a total of RMB262 billion has been invested in the first seven months of 2013.

China has overtaken the US as the world's largest car market, with car sales reaching 15.5 million units in 2012. However, on a per capita basis, car sales in China are still low compared to developed countries. Rising incomes in China and the large population means Chinese drivers may become an important part of the future automotive demand.

According to the AME Report, although the growth in Chinese household appliance (consumer durables) sales slowed down over the past few years, future demand should be supported by the state directive to shift growth towards domestic consumption. In addition, the rural households, which constitute half of China's total households, remain low in terms of ownership of consumer durables and are expected to continue to support growth in demand for consumer durables when demand in urban areas slows down.

Iron Ore Supply in China

Iron Ore Reserves in China

According to MMAC, China had approximately 19.3 Bt of iron ore reserves in 2011, and ranked fourth globally in terms of crude iron ore reserves based on USGS estimates. According to MMAC and the AME Report, Liaoning Province, Sichuan Province and Hebei Province have the largest iron ore reserves, which collectively represented approximately 56.0% of the total crude iron ore reserves in China in 2011. The following map sets forth the Chinese national iron ore reserves distribution by province.

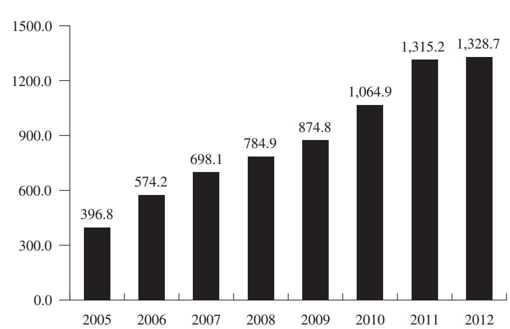
Distribution of China's Domestic Iron Ore Reserves in 2011

Source: MMAC, the AME Report

Iron Ore Production in China

According to NBSC, crude iron ore production in China increased from approximately 396.8 Mt in 2005 to approximately 1,328.5 Mt in 2012, representing a CAGR of 18.8%. The majority of crude iron ore production in China is in the provinces of Hebei, Sichuan, Liaoning and Shanxi, which are in close proximity to the key steel production hubs in China, namely Hebei Province and Liaoning Province.

China's Crude Iron Ore Production 2005–2012 (in Mt)

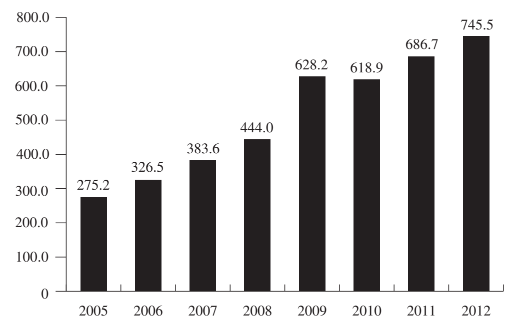


Source: NBSC, the AME Report

Iron Ore Import to China

China remains a major importing country in the seaborne iron ore market as a result of relatively strong demand for iron ore, which has been driven by robust steel production growth. Although China ranks fourth globally in terms of iron ore reserves and iron ore production has experienced strong growth, China's ore grades have declined rapidly and hence this has resulted in a greater reliance on the seaborne market for imported iron ores. According to China Customs, except for a mild pull back in 2010, iron ore imports of China have grown steadily in the past decade, from approximately 275.2 Mt in 2005 to approximately 745.5 Mt in 2012, representing a CAGR of 15.3%. The following chart sets forth the volumes of iron ores imported by China from 2005 to 2012.

PRC Iron Ore Imports 2009–2012 (in Mt)



Source: China Customs, the AME Report

Iron ore imports from Australia, Brazil and South Africa represented approximately 74.8% of the total iron imports of China in 2012. Other countries from which China imports iron ores include India, Iran, Ukraine, Canada and CIS.

According to the AME Report, China is expected to continue to rely on seaborne iron ore imports, particularly as the grades of its domestically mined iron ores continue to fall. China's growing demand for imported iron ores is expected to be the strongest over the short term as an accelerated decline in domestic concentrate production makes it necessary to source for a greater portion of feed from the international market.

Iron Ore Industry in Hebei Province and Shanxi Province

Our mines and processing plants are located in the mid-west of Hebei Province, and we are primarily supplying our customers located in Hebei Province, with an aim to expand into Shanxi Province, a neighboring province to our operation.

Iron Ore Demand in Hebei Province and Shanxi Province

According to NBSC, Hebei Province is the largest steel producing province in China, accounting for approximately 25.2% of China's total steel output in 2012. The crude steel production in Hebei Province grew from approximately 74.2 Mt in 2005 to approximately 180.5 Mt in 2012, representing a CAGR of around 13.5% over the period. Concurrently, in 2012, Hebei Province had the largest demand for iron ores in China, accounting for approximately 24.8% of China's total iron ore demand. According to the AME Report, although there will be steel capacity closures in Hebei Province to eliminate smaller steel mills and outdated capacities, Hebei Province is likely to remain the largest steel production base in China, and may remain the largest market for China's iron ore demand in the future.

According to NBSC, Shanxi Province ranked 5th in terms of total steel output in China in 2012, accounting for 5.5% of the national output. The crude steel production in Shanxi Province grew from approximately 16.5 Mt in 2005 to approximately 39.5 Mt in 2012, representing a CAGR of 13.2% over the period.

Iron Ore Supply in Hebei Province and Shanxi Province

Iron Ore Reserve in Hebei Province and Shanxi Province

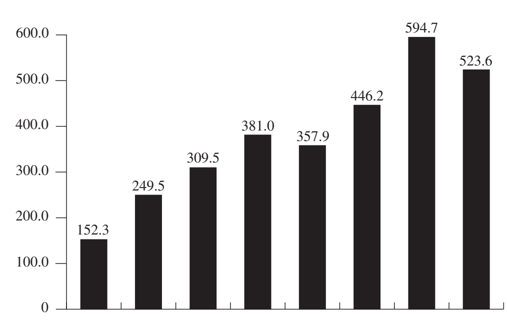
According to MMAC, Hebei Province had approximately 2.7 Bt of iron ore reserves as of December 31, 2011, representing approximately 14.0% of the national reserves and ranking third behind Liaoning Province and Sichuan Province.

Shanxi Province had approximately 1.3 Bt of iron ore reserves as of December 31, 2011, representing approximately 6.7% of the national reserves.

Iron Ore Supply in Hebei Province and Shanxi Province: Production and Import

According to NBSC, for the year ended December 31, 2012, Hebei Province was the largest producer of iron ore in terms of crude iron ore production in China, with a crude iron ore production of approximately 523.6 Mt, representing approximately 40.0% of the total iron ore supply in China, and a concentrate production of an estimated 157.6 Mt, accounting for approximately 47% of China total concentrate production of the year. It is largely driven by the relatively abundant irons ores resource in Hebei Province compared to other provinces in China. The output of crude iron ores in Hebei Province increased from approximately 152.3 Mt in 2005 to approximately 523.6 Mt in 2012, representing a CAGR of 19.3%. Domestic concentrate prices fell significantly during the third quarter of 2012 as Chinese steel mills undertook a massive destock of iron ore inventories amid weaker steel demand. As a result of lower prices, some of China's high cost marginal producers, most of which are small in capacity, were forced into closure as prices fell below the cost of production. The concentration of steel mills in Hebei Province encouraged the startup of many low-grade higher-cost mines in the region to meet strong demand in previous years. AME believes that a number of these producers closed in the third quarter amid the price drop and as a result Hebei Province's crude iron ore output decreased in 2012 compared to 2011. AME believes relatively higher concentrate prices in 2013 may have prompted some of these small capacity mines to restart.

Hebei Province Crude Iron Ore Output



Source: NBSC

Given the relatively abundant iron resources and large-scale production of iron ores, Hebei Province has traditionally been a net exporter of iron ore to neighbouring provinces.

However, China has relied greatly on iron ore imports due to relatively strong growth in steel production, which contributed to an increase in total iron ore consumption, and the decline in the average grade of China's mined iron ore. Hebei Province has also relied heavily on iron ore imports. As China relies extensively on the sintering process, the importation of coarser grained fines has been necessary from countries such as Australia, in order to improve sintering and blast furnace operations. According to the AME Report, Hebei Province consumed approximately 163.7 Mt of imported iron ore, accounting for approximately 65.3% of its iron ore consumption requirements in 2012. For the same year, Shanxi Province consumed approximately 37.8 Mt of imported iron ores, accounting for approximately 61.7% of its iron ore consumption requirements.

Competition

The Chinese iron ore industry is fragmented and includes numerous small-scale producers operating at high costs. According to MMAC, in 2011, total crude iron ore production in China was approximately 1.3 Bt, of which approximately 55% was supplied by small-scale producers with crude iron ore capacities of less than 3 Mtpa. In addition, Hebei Province has the largest number of iron ore mines in China. According to the AME Report, state-owned steel mills often have captive integrated sources of iron ore supply. However, captive sources of supply are often insufficient to meet the total iron ore demand of such state-owned steel mills. This captive integrated business model means that the supply of captive mines generally does not compete with those of other commercial producers in the local market.

The PRC Government encourages state-owned and large private producers to consolidate the industry through mergers and acquisitions of small-scale production. According to the AME Report, as many small-scale mines lack beneficiation capacity, industry consolidation is feasible.

Iron Ore Prices

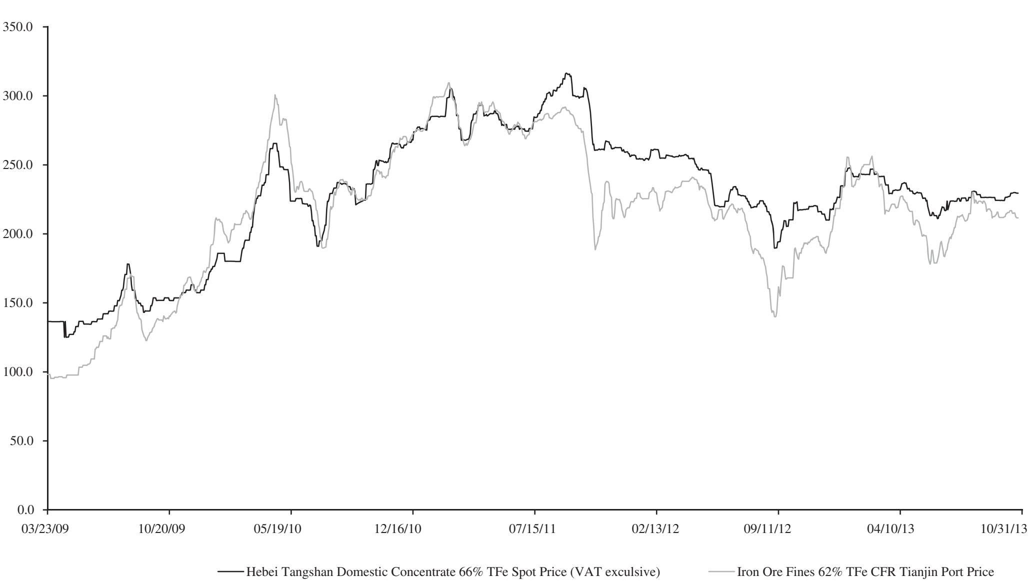
Steel mills pay more for higher grade iron ore, but penalise producers for concentrations of impurities (such as phosphorus, aluminium and silica) exceeding a certain specified range. In addition to quality standards and penalties, consistencies in quality and delivery volumes are other key factors considered when negotiating iron ore product prices. Balancing the blend of charge used in a blast furnace can be delicate and time-consuming; therefore, steel mills generally prefer stable and reliable sources of supply.

Chinese Domestic Iron Ore Concentrate Prices in Hebei Province

The domestic iron ore product prices and concentrated iron ore product spot prices are generally correlated with each other. In both instances, the decrease in the Chinese domestic prices was smaller than the decrease in the prices of imported iron ore. In 2011 and 2012, there were periods when domestic concentrate in Hebei Province was traded at a significant premium to seaborne imports, as economic conditions in Europe deteriorated and concerns of its possible impact on the Asian market led to weaker demand for imported iron ore. Domestic concentrate prices weakened in the third quarter of 2012 as a result of weak underlying demand, due to a significant destock of raw materials by Chinese steel mills. Steel market fundamentals continued to weaken in the third quarter of 2012, particularly as downstream demand for both long and flat products failed to show signs of improvement.

According to the AME Report, from January to July 2013, the monthly average of Hebei Tangshan Domestic Concentrate 66% TFe Spot Price (dry metric tonne, exclusive of VAT) was approximately RMB997.4 per tonne, RMB1,004.3 per tonne, RMB969.9 per tonne, RMB953.0 per tonne, RMB916.8 per tonne, RMB870.9 per tonne and 906.7 per tonne, respectively. From the fourth quarter of 2012 to February 2013, domestic concentrate prices experienced a relatively strong uplift on the back of increased purchasing activities, as Chinese steel mills restocked and traders looked to take positions ahead of the Chinese Lunar New Year. This restocking activity has generally provided price support to iron ore in previous years. Domestic concentrate prices began to weaken in late February, following signals from the Chinese government that the stringent curbs on the real estate market to prevent speculation would remain. The average monthly iron ore product spot price further decreased in March and April 2013. Domestic concentrate prices lifted slightly in mid-April as relatively high steel production rates and iron ore destocking at Chinese steel mills resulted in the Chinese steel mills purchasing from the iron ore product spot market. However, this was short-lived and prices dropped over the remainder of the month. Iron ore product spot prices fell in May as demand for iron ore purchases decreased. Steel mills broadly undertook destocking activities of imported iron ore in May as steel prices continued to weaken and steel inventories remained burdened by overcapacity. Instead, steel mills placed a greater emphasis on domestic concentrate iron ore restocking to sustain levels of production due to shorter lead-time and flexibility in low volume trading. Domestic concentrate prices fell in June 2013 before rising in July 2013 on the back of increased iron ore restocking and trading activities of iron ore as the steel demand outlook improved with the Chinese government announcing initiatives such as the opening of more financing channels, an acceleration in railway construction and a reduction in export administrative fees. The following chart sets forth the spot prices of iron ore concentrates in Hebei Province and the CFR Tianjin port prices of imported iron ore from late March 2009 to late October 2013.

Hebei Province Concentrate Spot Price and Imported Iron Ore Price 2009–2013
(in US cents/dmtu)



Source: AME, Steelhome, Bloomberg

According to the AME Report, import and Chinese domestic prices are forecast to weaken over the short term. This is expected to be supply side driven with the commissioning of new export supply capacities, mainly in Australia and Brazil. However, Chinese domestic concentrate prices may be more resilient than import prices as a result of a recovery in steel markets, which may be prompted by the forced closures of excess capacity. With stronger steel prices, preference may shift towards higher productivity which often comes from the use of high-value products, such as pellets which are typically agglomerated from domestic concentrate ores, giving domestic concentrate a slight advantage.

PRC LAWS RELATING TO FOREIGN INVESTMENT IN THE MINERAL INDUSTRY

Pursuant to the Catalogue for the Guidance of Foreign Investment Industries (amended in 2011) (《外商投資產業指導目錄(2011年修訂)》), which became effective on January 30, 2012, foreign investment in the exploration, exploitation and design of iron mines is categorized as an encouraged investment. According to the Comments Regarding Further Encouraging Foreign Investment (《關於當前進一步鼓勵外商投資的意見》), which became effective on August 3, 1999 and the Provisions on Guiding the Foreign Investment Direction (《指導外商投資方向規定》), which became effective on April 1, 2002, an encouraged foreign investment is entitled to receive certain benefits and incentives from the PRC Government.

PRC LAWS RELATING TO THE MINERAL INDUSTRY

Pursuant to the Mineral Resource Law (《礦產資源法》) promulgated on March 19, 1986, which became effective on October 1, 1986 and amended on August 29, 1996, and the related implementation rules promulgated on March 26, 1994, (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 exploitation of mineral resources nationwide. The department in charge of geology and mineral resources, of each province, autonomous region or municipality directly under the PRC Government is responsible for the supervision and administration of the exploration and exploitation of mineral resources within its respective administrative regions; and (c) an enterprise that intends to explore and exploit mineral resources shall apply for each exploration and mining rights separately according to the relevant PRC laws, regulations and policies, and is required to undergo the registration process for each of the exploration and mining rights, unless the mining enterprise which intends to conduct exploration operations for its own production within the defined mining areas has previously obtained mining rights.

Pursuant to the Provisions on the Administration of the Collection of Mineral Resources Compensation (《礦產資源補償費徵收管理規定》) promulgated on February 27, 1994, which became effective on April 1, 1994 and amended on July 3, 1997, mineral resources compensation shall be paid by the holder of the mining right if such holder decides to exploit mineral resources within the PRC territory, unless such PRC laws or administrative regulations provide otherwise.

The Procedures for the Registration of Mining of Mineral Resources (《礦產資源開採登記管理辦法》) ("State Council Circular No. 241") was promulgated by the State Council and became effective on February 12, 1998. Under the State Council Circular No. 241, anyone with mining rights shall file an application for registration of change(s) with the appropriate registration administration authority within the duration of the mining license term if there is any change in the scope of the mining area, the main-exploited mineral categories, the exploitation mode, the name of the mining enterprise and/or the transfer of the mining right according to the relevant laws. If continuation of mining is necessary after the expiration of the mining licence, 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 license. If the mining right holder fails to apply for an extension prior to the expiration of the term, the mining license shall terminate automatically.

In order to encourage the integration and reform of local iron ore industry to resolve problems arising from small-scale or disordered production, such as low resource utilization and the lack of adequate environmental protection and safety measures, from 2005, the relevant PRC Government authorities have promulgated a number of policies and regulations. Such polices and regulations include but are not limited to the Circular of the State Council on Comprehensive Rectifying and Regulating the Order of Mineral Resources Development (《國務院關於全面整頓和規範礦產資源開發秩序的通知》) promulgated and implemented on August 18, 2005, the Notice of the General Office of the State Council on Forwarding the Opinions Ministry of Land and Resources and Other Departments to Integrate the Mineral Resources Development (《國務院辦公廳轉發國土資源部等部門對礦產資源開發進行整合意見的通知》) promulgated and implemented on December 31, 2006, and the Notice on Further Advancing the Integrate Work of the Mineral Resource Development (《關於進一步推進礦產資源開發整合工作的通知》) promulgated on September 28, 2009. These policies and regulations encourage enterprises with comparative advantages to acquire or cooperate with those small-scale enterprises to optimize local mining activities, and relevant government authorities at county, city, district and provincial level shall make and/or implement the mine consolidation plans.

PRC LAWS RELATING TO FOREIGN EXCHANGE

Pursuant to the Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) promulgated on January 29, 1996, which became effective on April 1, 1996 and amended on August 5, 2008 and its relevant implemental regulations, including the Regulations on the Sale, Purchase of and Payment In Foreign Exchange (《結匯、售匯及付匯管理暫行規定》), Renminbi payments under current account items, such as trade related payments, and interest and dividend payment, can be converted into foreign currencies through providing valid documents to relevant financial institutions engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the PRC. Foreign exchange proceeds under the current account items may either be retained or sold to financial institutions engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the PRC. For foreign exchange proceeds under the capital account items, the conversion of foreign currencies into Renminbi and remittance of the converted foreign currency outside the PRC under capital account items, such as direct equity investments, loans and repatriation of investments, requires the prior approval from the SAFE or its local office, except where such approval is not required under the rules and regulations of the PRC. Payments for transactions that take place within the PRC must be made in Renminbi, except otherwise stipulated by the state. Unless otherwise approved, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by the SAFE or its local office.

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》) ("Circular 75"), promulgated on October 21, 2005 and became effective on November 1, 2005, (a) a PRC individual or legal person (a "PRC Resident") must register with the local SAFE branch for his or her or its establishment or control of an overseas special purpose vehicle ("SPV") for the purpose of conducting overseas equity financing; (b) when a PRC Resident contributes assets or equity interests 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 or its interest in the overseas SPV or any change to his or her or its interest in the overseas SPV with the local SAFE branch; and (c) when the overseas SPV undergoes a material change in capital 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 Circular 75, failure to comply with these registration procedures may result in penalties, including the imposition of restrictions on a PRC subsidiary's ability to distribute any dividends to the overseas SPV.

On July 21, 2005 the People's Bank of China (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 Government 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 US Dollar.

PRC LAWS RELATING TO QUALITY

The revised Product Quality Law of the PRC (《中華人民共和國產品質量法》) was promulgated on July 8, 2000 and became effective on September 1, 2000. The State Council's product quality supervision authority is in charge of the nationwide supervision of product quality, while the local product quality supervision authority at or above the county level is responsible for supervising the product quality within its respective administrative region. Producers and sellers shall establish internal quality management systems; implement strict job quality specifications and corresponding quality evaluation procedures. The PRC Government encourages the enterprises to ensure that the quality of their products achieve and surpass the industrial, national and international standards.

PRC LAWS RELATING TO ENVIRONMENTAL PROTECTION

The PRC laws and regulations on environmental protection include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated and became effective on December 26, 1989; the Air Pollution Prevention of the PRC (《中華人民共和國大氣污染防治法》) revised on April 29, 2000 and became effective on September 1, 2000; the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) revised on February 28, 2008 and became effective on June 1, 2008 and the related implementing regulations (《中華人民共和國水污染防治法實施細則》) promulgated and became effective on March 20, 2000; the Law of the PRC on Prevention and Control of Environmental Pollution Caused by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) amended on December 29, 2004 and with effect from April 1, 2005; the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated on October 28, 2002 and with effect from September 1, 2003; the Rule on Classification for Environmental Impact Assessment of Construction Projects (《建設項目環境影響評價文件分級審批規定》) promulgated by the Ministry of Environmental Protection of the PRC on January 16, 2009, and with effect from March 1, 2009; the Rules on the Administration concerning Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated and became effective on November 29, 1998 and the Regulations on Administration concerning the Environmental Protection Acceptance Check on Construction Projects (《建設項目竣工環境保護驗收管理辦法》) promulgated on December 27, 2001 and became effective on February 1, 2002.

Pursuant to the laws and regulations stated above, an enterprise that discharges and dispenses toxic and hazardous materials including waste water, solid waste and waste gases, shall comply with the applicable national and local standards, as well as report to and register with the applicable environmental protection authority. Failure to comply can result in a warning, an order, or a penalty against the enterprise. Before commencing a construction project, an environmental impact assessment report must be submitted by an enterprise to the relevant environmental protection authority for approval. Relevant projects may be put into trial production once they obtain the approval for trial production from relevant authorities. An acceptance inspection by the relevant environmental protection authority is required before the completed project can commence its formal operations.

Pursuant to Regulation on the Administration of the License for Water Drawing and the Levy of Water Resource Fees (《取水許可和水資源費徵收管理條例》) promulgated on February 21, 2006, became effective on April 15, 2006. Any entity or individual that draws water resources shall, except for the circumstances prescribed in the Regulation, apply for a license certificate for water drawing, and pay water resource fees. The water administrative departments of the people's governments at the county level or above shall, in light of the powers for graded administration, take charge of organizing, implementing, supervising and administering the institution of license for water drawing. The valid term of a license certificate for water drawing shall generally be 5 years, and shall not exceed 10 years. If, at expiry of the valid term, the license certificate needs to be renewed, the water drawing entity or individual shall file an application to the original approval organ 45 days prior to the expiry of the valid term. The original approval organ shall, prior to the expiry of the valid term, make a decision on whether or not to approve the renewal.

PRC LAWS RELATING TO GEOLOGICAL ENVIRONMENT PROTECTION

Pursuant to the Hebei Province Interim Regulations on the Management of Security Deposits for the Restoration of the Ecological Environment of Mines (《河北省礦山生態環境恢復治理保證金管理暫行辦法》) promulgated on December 25, 2006 and became effective on January 1, 2007 and other relevant regulations, (a) a holder of mining rights shall pay a security deposit to guarantee performance of its obligations to restore the ecological environment of the relevant mines; (b) the amount of the first installment of the security deposit shall not be less than 30% of the total amount, provided that the effective term of the relevant mining permit is more than three years and the remainder of the security deposit shall be paid every two years in an amount that in each case shall not be less than 50% of the remaining amount of the security deposit provided further that the remaining amount of the security deposit shall be fully paid at least one year prior to the expiration of the relevant mining permit; (c) the entire amount of security deposit collected shall be placed in a special account; (d) prior to the closure of a mine, the holder of the relevant mining rights shall complete the restoration of the ecological environment of the mine, apply for an inspection of the mine and submit a report regarding the restoration of the mine; and (e) the security deposit together with interest shall be refunded if the inspection is satisfactory, otherwise, the relevant land and resources authority shall organize the restoration using the security deposit and the relevant mine owner shall be liable for any shortfall if the security deposit is insufficient.

PRC LAWS RELATING TO PRODUCTION SAFETY

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) promulgated on June 29, 2002 and became effective on November 1, 2002 and the Law of the PRC on Safety in Mines (《中華人民共和國礦山安全法》) and its related implementation rules (《實施條例》) promulgated on November 7, 1992 and October 30, 1996 and became effective on May 1, 1993 and October 30, 1996, respectively, (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 authorities; and (c) such mines may start commercial production or operations only after they have passed the safety check and approval process as required by the relevant PRC laws and administrative regulations.

The Regulation on The Provisions on the Supervision and Management of Tailings Dams (《尾礦庫安全監督管理規定》) became effective on July 1, 2011. Pursuant to the regulation, (a) safety facilities in the tailings dam 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 tailings dam shall comply with the safety rules and technological standards of the mining industry and shall be approved by the relevant authorities; and (c) such tailings dam may start trial production after the relevant filing has been made with relevant safety administrative authorities and may commence production only after they have passed the safety check and approval process as required by the relevant PRC laws and administrative regulations.

The Regulation on Work Safety Licenses (《安全生產許可證條例》) was promulgated and became effective on January 13, 2004. Pursuant to the regulation, (a) the work safety licensing system is applicable to any enterprise engaging in mining and such enterprise may not produce any products without obtaining a work safety license; (b) prior to producing any products, the mining enterprise shall apply for a work safety license, which is valid for three years; and (c) if a work safety license needs to be extended, the enterprise must apply for an extension with the administrative authority who issued the original license three months prior to the expiration of the original license.

Pursuant to the Administration Rules on Extraction and Usage of Enterprise Safety Expenses (《企業安全生產費用提取和使用管理辦法》), promulgated and became effective on February 14, 2012, the non-coal mining enterprises should extract enterprise safety expenses monthly in accordance with the standards prescribed in such rules, for metal mines, the enterprises safety expenses shall be extracted at RMB5 per tonne based on its production amount of ores. The extracted enterprise safety expenses shall be used for costs that are directly related to safe production, such as perfection, renovation and maintenance of safe protection facilities, conduct safe production examination and consultation, propagating and providing safe production training.

PRC LAWS RELATING TO LABOR

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》) promulgated on July 5, 1994 and became effective on January 1, 1995 and the PRC Labor Contract Law (《中華人民共和國勞動合同法》) promulgated on June 29, 2007 and became effective on January 1, 2008, if an employment relationship is established between an entity and its employees, written labor contracts shall be prepared. The relevant laws stipulate the maximum number of working hours per day and per week, respectively. Furthermore, the relevant laws also set forth the minimum wages. The entities shall establish and develop systems for occupational safety and sanitation, implement the rules and standards of the PRC on 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 became effective on January 22, 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 became effective on March 19, 1999, basic pension insurance, medical insurance and unemployment insurance are collectively referred to as social insurance. Each of the PRC companies and their employees are required to contribute to the social insurance plan.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010 and with effect from July 1, 2011, employees shall participate in basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance schemes. Basic pension, medical insurance and unemployment insurance contributions shall be paid by both employers and employees while work-related injury insurance and maternity insurance contributions shall be solely paid by employers.

Pursuant to the Regulations on the Administration of Housing Fund (《住房公積金管理條例》) promulgated and became effective on April 3, 1999, as amended on March 24, 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.

PRC LAWS RELATING TO TAXATION

Enterprise Income Tax

The New Tax Law became effective on January 1, 2008, replacing 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 New Tax Law imposes a single uniform tax rate of 25% for most domestic enterprises and foreign-invested enterprises and contemplates various transitional periods and procedures. The Notification of the State Council on Carrying out the Transitional Preferential Policies concerning 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 "Notification") which was promulgated and became effective on December 26, 2007 further clarifies that from January 1, 2008, the enterprises that enjoyed a "Two year exemption and three year half payment" of enterprise income tax and other preferential treatments in the form of periodic tax deductions and exemptions according to the then applicable tax laws, administrative regulations and relevant documents may, after the enactment of the Enterprise Income Tax Law, continue to enjoy such benefits until the expiration of the applicable period. Enterprises whose preferential treatment period has not commenced due to the fact that no profits had been generated in previous years will enjoy such preferential tax treatment beginning January 1, 2008 until the expiry of such period.

Resources 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》) promulgated on December 25, 1993 and became effective on January 1, 1994, any enterprise or individuals engaged in the exploitation of mineral products within the PRC is subject to pay resource taxes.

Pursuant to the Measures for the Administration of the Usage Fee and Purchase Price of Mineral Exploration and Mining Rights (《探礦權採礦權使用費和價款管理辦法》) promulgated by the Ministry of Finance and the Ministry of Land and Resources on June 7, 1999 and became effective on June 7, 1999, any party which conducts mining activities for mineral resources in the PRC is required to pay a usage fee and purchase price to the State. The usage fee is calculated with reference to the area of land subject to mining activity and the purchase price calculated based on an evaluation conducted by the geological and mineral administrative authorities under the State Council.

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 December 12, 2005 and became effective on January 1, 2006, the resource tax rate on iron ores shall temporarily be adjusted to 60% of the standard rate.

Pursuant to the Circular of the Ministry of Finance and the State Administration of the Taxation on Adjusting the Policy on Resource Tax of Tin Ore and Other Resources (財政部、國家稅務總局關於調整錫礦石等資源稅適用稅率標準的通知) promulgated and became effective on February 1, 2012, the resource tax rate on iron ores are further adjusted to 80% of the standard rate.

Value-added Tax

The Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) were promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994 and were amended on November 10, 2008. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) were promulgated by the Ministry of Finance on December 25, 1993 and were amended and came into effect on January 1, 2009. According to the Provisional VAT Regulations and the Provisional VAT Implementation Rules, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax. For taxpayers selling or importing goods other than those specifically listed in the Provisional VAT Implementation Rules, or for taxpayers providing processing, repairs and replacement services, the value-added tax rate is 17%.

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

Land Use Tax

On September 27, 1988 the State Council promulgated the Provisional Regulations of the PRC on Land Use Tax in Cities and Towns (《中華人民共和國城鎮土地使用稅暫行條例》) which came into effect on November 1, 1988 and were amended on December 31, 2006. From January 1, 2007, foreign invested enterprises and foreign enterprises became subject to the payment of land use tax. According to such regulation, all enterprises and individuals who use land within the territories of cities, county towns, villages operated under an organizational system and industrial and mining districts, shall be subject to the payment of land use tax. The annual rates for land use tax per square meter of land is: (i) between RMB1.5 and RMB30 in large cities; (ii) between RMB1.2 and RMB24 in medium sized cities; (iii) between RMB0.9 and RMB18 in small cities; (iv) between RMB0.6 and RMB12 in county towns, villages operated under an organizational system and industrial and mining districts.

PRC LAWS RELATING TO DIVIDEND DECLARATION

Pursuant to the Implementation Rules on the Foreign-invested Enterprises Law (《中華人民共和國外資企業法實施細則》) promulgated and became effective on September 20, 1983 and amended on April 12, 2001, the foreign-invested enterprise shall pay certain taxes and allocate portions of its profits to the reserve funds, and welfare funds, prior to the declaration of its dividends. The allocation proportion of reserve funds shall be no less than 10% of its after-tax profits, and the welfare funds will be decided by the enterprise.

PRC LAWS RELATING TO LAND

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated on June 25, 1986 and became effective on January 1, 1987 and amended on August 28, 2004, land owned by the State and land collectively-owned by collective economic entities may be allocated and used by units or individuals according to law. The ownership of land and land use rights registered according to the relevant laws shall be protected by law. In the case of temporary use of state-owned land or land collectively-owned by farmers for construction projects or by geological survey teams, approval shall be obtained from the land administrative department of the government at or above the county level. Land users shall sign contracts with relevant land administrative department or rural collective organizations or village committees for the temporary use of land, depending on the ownership of land and shall pay land compensation fees as stipulated in the contracts for the temporary use of land. The term for the temporary use of land shall generally not exceed two years.

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 became effective on March 26, 1994, a mining rights holder shall have the right to obtain the land use rights according to the relevant PRC laws for the production and construction.

According to Regulation on Land Reclamation (《土地復墾條例》) promulgated and became effective on March 5, 2011, mining enterprise shall perform land reclamation work pursuant to relevant planning rules and land reclamation procedures after finishing using of the relevant land which was damaged during the mining operations.

HISTORY AND DEVELOPMENT

Our Company

Our Company was originally incorporated in the BVI on January 14, 2011. In anticipation of the listing of its Shares on the Stock Exchange, our Company re-domiciled from the BVI to the Cayman Islands on May 23, 2013. As of the Latest Practicable Date, our Company had an authorized share capital of HK$1,000,000 divided into 10,000,000,000 Shares of HK$0.0001 each, of which 1,125,000,000 shares had been issued and outstanding and were indirectly owned as to 97% and 3% by the Family Trust and the Management Trust, respectively.

Our Business Milestones

The key milestones of the development of our Group are as follows:

Year	Events
2004	Mr. Li Yanjun established Xinxin Mining
2009	Aowei Group acquired 100% equity interest of Jingyuancheng Mining
2010	Mr. Li Yanjun, through Jiantou Mining and Xinrui Mining, established Jiheng Mining
	Jingyuancheng Mining consolidated Laiyuan County Guangyuan Mining Co., Ltd. and Baoding Longmao Mining Co., Ltd.
2011	Our Company was originally incorporated in the BVI
2011	Jingyuancheng Mining consolidated Weihe Mining and Xinda Mining
2012	Jiheng Mining became a 90% owned subsidiary of our Company after a series of reorganization
	Jiheng Mining obtained the consolidated mining right certificate for Zhijiazhuang Mine
2013	Jingyuancheng Mining obtained mining right certificates for Wang'ergou Mine and Shuanmazhuang Mine after the consolidation

Year	Events
	Zhijiazhuang Mine commenced commercial production in April 2013
	Wang'ergou Mine and Shuanmazhuang Mine commenced trial production in May 2013 after obtaining the consolidated mining right certificate
	Xinxin Mining obtained consolidated mining right certificate of Gufen Mine after the consolidation
	Gufen Mine commenced trial production in May 2013 after obtaining the consolidated mining right certificate
	Our Company re-domiciled from the BVI to the Cayman Islands on May 23, 2013
	Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine commenced commercial production in October 2013

Our Corporate History

Mr. Li Yanjun first started his iron ore business by engaging in the trading of iron ore, iron ore concentrates and iron and steel products in December 1996. Since December 1996, Mr. Li Yanjun has gained knowledge of the mining and steel business and attained additional financial resources. To expand his business and capitalize on his experience and expertise in the mining and steel business, Mr. Li Yanjun established Aoyu Steel in July 2001, which engaged in the production and sale of steel products. After working in both the trading and production aspects of steel, Mr. Li Yanjun saw the potential in the upstream iron ore mining business and subsequently expanded his business to include the exploration, mining and production of iron ore and iron ore concentrates. In 2004, Mr. Li Yanjun established Xinxin Mining, then acquired Jingyuancheng Mining in 2009 and indirectly established Jiheng Mining in 2010. Xinxin Mining, Jingyuancheng Mining and Jihang Mining were acquired by our Group through the onshore reorganization as set out below in the subsection headed "Onshore Reorganization." In order to focus on the upstream iron ore mining business, Mr. Li Yanjun gradually reduced his involvement in the iron ore, iron ores concentrates, iron and steel trading business since 2006. In March 2012, Mr. Li Yanjun sold 80% of the equity interest in Aoyu Steel to Delong at a consideration of RMB264 million, which was determined based on the net asset value of Aoyu Steel on the effective date of the equity transfer agreement plus the net profit/minus the net loss of Aoyu Steel from such effective date to the completion date of the transaction. Upon the completion of the disposal, Mr. Li Yanjun indirectly holds a minority interest of 20% in Aoyu Steel. Within three years from March 2012, Delong is under an obligation to acquire the remaining 20% of the equity interest in Aoyu Steel from Mr. Li Yanjun pursuant to the equity acquisition agreement between the two parties. According to the annual report of Delong Holdings Limited for 2012, Aoyu Steel is principally engaged in the manufacture and sale of pig iron, steel billets and trading of steel materials, with production capacity of 1.2 Mtpa. The main customers of Aoyu Steel are located in the Tianjin Municipality and Hebei Province areas.

Concert Party Arrangements

Pursuant to a confirmation letter dated March 4, 2013 and a supplemental confirmation letter dated June 27, 2013 ("Confirmation Letters"), each jointly issued by Mr. Li Ziwei, the settlor, protector and a beneficiary of the Family Trust and the Management Trust, and Mr. Li Yanjun, the father of Mr. Li Ziwei, Mr. Li Ziwei and Mr. Li Yanjun confirmed that (1) they had been acting in concert in respect of the management and operations of the business of our Group prior to the establishment of the Family Trust and the Management Trust and throughout the Track Record Period; (2) the shareholder decisions in respect of our Group made by Mr. Li Ziwei prior to the establishment of the Family Trust and the Management Trust had been deemed decisions jointly made by Mr. Li Ziwei and Mr. Li Yanjun in consensus; (3) after the establishment of the Family Trust and the Management Trust, Mr. Li Ziwei and Mr. Li Yanjun will continue to act in concert to make decisions and exercise discretions in respect of the matters of the Family Trust and the Management Trust and exercise all voting rights attached to the shares of Hengshi Investments and Aowei Developments, respectively; and (4) whether the Group was indirectly held by Mr. Li Yanjun prior to the reorganization of the Company or was indirectly held by Mr. Li Ziwei following the reorganization of the Company, the shareholder interests in respect of the Group had been, and will continue to be, deemed to be jointly entitled to by Mr. Li Yanjun and Mr. Li Ziwei. Mr. Li Yanjun has been intending to hand over the family business to the next generation. To formalise such arrangement, he transferred the interest in the Group to his only son, Mr. Li Ziwei, and ceased to hold any direct interest in the Group upon the completion of the reorganization. Throughout the development of the Group, Mr. Li Yanjun (i) has had a long-standing business presence in Laiyuan County; (ii) possesses extensive experience in the iron ore and steel production business; (iii) has deep understanding of the Group's operations; and (iv) is recognized and trusted upon by his business partners and the relevant industry groups as the head of the Group from years of working and developing the relationship with the Group's customers, suppliers and local government authorities. Therefore, in order to ensure a smooth handover process, and to guide Mr. Li Ziwei to gradually (i) take full control of the Group, and (ii) build up business networks and establish his reputation in the business community, Mr. Li Yanjun continues to maintain joint control in the Group through the concert party arrangements and participates in the management of the Group. Both Mr. Li Yanjun and Mr. Li Ziwei believe that such arrangements would ensure minimal disruption to the management of the Group and would greatly contribute to the Group's future growth in a steady, smooth and sustainable manner. As a result, notwithstanding that Mr. Li Ziwei was the sole registered holder of shares of Hengshi Holdings (which currently indirectly holds 97% of our Company) and the indirect sole shareholder of Aowei Developments before the establishment of the two trusts, and is the sole protector, settlor and a beneficiary of each of the Family Trust and the Management Trust, Mr. Li Ziwei and Mr. Li Yanjun have been, throughout the Track Record Period, and will continue going forward to be acting in concert in respect of all voting rights attached to the shares of our Company indirectly held by the Family Trust and the Management Trust. As a result, both Mr. Li Ziwei and Mr. Li Yanjun are our ultimate controlling shareholders. See "Relationship with Controlling Shareholders."

Historical Development of Our Mines

From 2004 to the date of the consolidation as set out below, our iron ore mines were originally owned by different entities and operated separately. Prior to the consolidation, each of the iron ore mines operated under its original mining right certificates, governmental approvals or development agreements entered into with the relevant local governments. Since 2005, to improve the efficiency of the mining industry and to address various irregularities in the operation of the small-scale mines, the PRC Government has issued various guidance and policies to promote large-scale iron ore mine operators to consolidate adjacent small-scale iron ore mines.

Our Company is designated by the local government as a consolidating principal to consolidate adjacent small-scale iron ore mines because of the following: (i) Aowei Group and Mr. Li Yanjun have maintained a presence in Laiyuan County and extensive experience in the trading and manufacturing of iron and steel products; (ii) there has been a proven track record of successful management, operation, internal control, production safety and environmental protection at Gufen Mine, Wang'erguo Mine and Shuanmazhuang Mine; and (iii) Xinxin Mining and Jingyuancheng Mining have made significant contributions to the incomes of Laiyuan County and Baoding City while promoting local employment.

The general background of our consolidation principal status was introduced in the *Meeting Minutes for Special Discussion of the Provincial Government (No. 49)* issued by the General Office of the People's Government of Hebei Province on March 4, 2009. Our consolidation principal status for the consolidation of iron ore resources in the Dushancheng and Zhijiazhuang mining areas was evidenced by the *Meeting Minutes for Special Discussion of the Provincial Government (No. 88)* issued by the same government authority on July 9, 2010. There are other government documents or notifications issued by the relevant local governments in relation to the "consolidation principal" status of the Group for the consolidating iron ore sources in the Dushancheng and Zhijiazhuang mining areas. These documents are correspondences between lower government authorities and their corresponding superior authorities for nomination and seeking final approval regarding the consolidation principal status approved at the provincial level.

The consolidation principal status is in itself a privilege, as no parties other than the designated consolidation principals is allowed to acquire or consolidate mines in the Dushancheng and Zhijianzhuang mining areas.

Since 2008, to consolidate the relevant small-scale iron ore mines and apply for new mining permits, we have conducted feasibility studies on the newly consolidated resources, re-evaluated the reserves, redesigned the mining plan to exploit the resources more efficiently, revamped or disposed of infrastructure construction and rehabilitated and restored the surrounding environment. By leveraging our expertise and experience, we strategically acquired and integrated various adjacent small-scale iron ore mines to expand our mine zone and improved production capacity. Xinxin Mining consolidated the business of Laiyuan Xinghuo Mining Co., Ltd. (淶源縣星火礦業有限公司). In January 2013, Xinxin obtained the mining rights of Gufen Mine. Jingyuancheng Mining acquired the mining assets and interest in Laiyuan County Guangyuan Mining Co., Ltd. (淶源縣廣源礦業有限責任公司), Xinda Mining, Baoding Longmao Mining Co., Ltd. (保定隆茂礦業有限公司) and Weihe Mining by the end of 2011. Jiheng Mining acquired the mining rights of Zhijiazhuang Mine from Laiyuan Steel Plant (淶源鋼鐵廠) in September 2010. To consolidate these mines and associated processing facilities and to avoid risks arising out of previous disorderly mining operation, we conducted a series of correction work, including but not limited to, slope correction, waste rock stripping and revamping and disposing of outdated processing facilities. The consolidation and integration was completed by early 2013 and each of our three principal operating subsidiaries, namely Jiheng Mining, Jingyuancheng Mining and Xinxin Mining, was granted new mining right certificates in April 2012, January 2013 and January 2013, respectively. For details of the consolidation and correction work at the relevant mines, see "Business – Mines, Mineral Resources and Mining Rights – Consolidation and Correction Work at Our Mines."

OFFSHORE REORGANIZATION

From January 2011 to May 2013, a number of offshore entities were incorporated and certain intra-group offshore restructuring steps were taken in order to establish our offshore shareholding structure.

Incorporation of Hengshi Holdings

On January 14, 2011, Hengshi Holdings was incorporated in the BVI as a limited liability company authorized to issue a maximum of 50,000 shares of US$1.00 each, of which 100 shares had been issued to Mr. Li Ziwei on January 18, 2011 and had been fully paid up. Since its establishment, Hengshi Holdings had been wholly owned by Mr. Li Ziwei. Since the establishment of the Family Trust, Hengshi Holdings has been wholly owned by Chak Limited, which was incorporated in Guernsey and is held by the trustee of the Family Trust. Hengshi Holdings is principally engaged in investment holding.

Incorporation of Hengshi Investments

On January 14, 2011, Hengshi Investments was incorporated in the BVI as a limited liability company authorized to issue a maximum of 50,000 Shares of US$1.00 each, of which, 100 Shares had been issued to Hengshi Holdings on January 18, 2011 and fully paid. Since its establishment, Hengshi Investments has been wholly owned by Hengshi Holdings. Hengshi Investments is principally engaged in investment holding.

Incorporation of Our Company

Our Company was originally incorporated in the BVI on January 14, 2011 as a limited liability company authorized to issue a maximum of 50,000 shares of US$1.00 each, of which 100 shares had been issued to Hengshi Investments on January 18, 2011 and had been fully paid up. In anticipation of the listing of its Shares on the Stock Exchange, our Company re-domiciled from the BVI to the Cayman Islands on May 23, 2013. In anticipation of setting up the Management Trust (details of which are set out below), on August 20, 2013, Hengshi Investments transferred three Shares in our Company to Aowei Developments.

Incorporation of Aowei Developments

On September 21, 2012, Aowei Developments was incorporated in the BVI as a limited liability company authorized to issue a maximum of 50,000 shares of US$1.00 each, of which one share had been issued to Aowei Investments on September 25, 2012 and fully paid up. As at its incorporation, Aowei Developments was indirectly wholly owned by Mr. Li Ziwei. In anticipation of setting up the Management Trust (details of which are set out below), Aowei Investments transferred the entire equity interest in Aowei Developments to Mr. Li Ziwei. On August 19, 2013, Mr. Li Ziwei transferred its entire equity interest in Aowei Developments to Seven Limited, which was incorporated in Guernsey and is held by the trustee of the Management Trust. Aowei Developments is principally engaged in investment holding.

Incorporation of Hengshi HK

On February 2, 2011, Hengshi HK was incorporated in Hong Kong as a limited liability company with an authorized share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each, of which 100 shares had been issued to our Company on February 2, 2011 and fully paid up. Since its establishment, Hengshi HK has been wholly owned by our Company. Hengshi HK is principally engaged in investment holding.

Establishment of the Family Trust

On August 13, 2013, Mr. Li Ziwei, as the settlor, established the Family Trust, which is a revocable discretionary trust with Credit Suisse Trust Limited as the trustee, and transferred his entire interests in Hengshi Holdings to Chak Limited, an entity incorporated in Guernsey and held by Credit Suisse Trust Limited, the trustee of the Family Trusts, for the benefit of Mr. Li Ziwei and his children. As of the Latest Practicable Date, Credit Suisse Trust Limited acts as the trustee and has the powers customary granted to a trustee, including:

(i) applying all or any part of the trust fund and the income thereof to and for the maintenance, education, advancement or otherwise for the benefit of any of the beneficiaries;

(ii) paying out of or transferring from the trust fund and the income thereof to the trustees of any other trust for the benefit of the beneficiaries; and

(iii) holding the trust fund and the income for the benefit of the beneficiaries.

The proper law of the Family Trust is the law of Guernsey and the provisions of the Family Trust are subject to, and enforceable under, the laws of Guernsey. Under the Family Trust, certain discretions of the trustee are only exercisable by the trustee with the consent of the protector, Mr. Li Ziwei, and such discretions includes: (i) determining the date of termination of the Family Trust; (ii) changing the proper law of the Family Trust; (iii) application of income to beneficiaries; (iv) application of capital and income to beneficiaries on termination of the Family Trust; (v) general powers of appointment and advancement; (vi) removal or exclusion of beneficiaries; (vii) addition of beneficiaries; (viii) variation of the trust powers and provisions of the Family Trust; and (ix) appointment of new or additional trustees.

In addition, so long as the settlor is and, after the death of the settlor, the protector is in office, the trustee shall not interfere in the management of the business of Hengshi Holdings and the voting rights attached to the shares of Hengshi Holdings. The protector also has the power to appoint or remove trustees.

Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that such trust arrangement does not violate PRC laws or regulations.

Establishment of the Management Trust

On August 13, 2013, Mr. Li Ziwei, as the settlor, established the Management Trust, which is a revocable discretionary trust with Credit Suisse Trust Limited as the trustee, for the purposes of recognizing and rewarding the contributions of certain executive Directors and senior management of our Group.

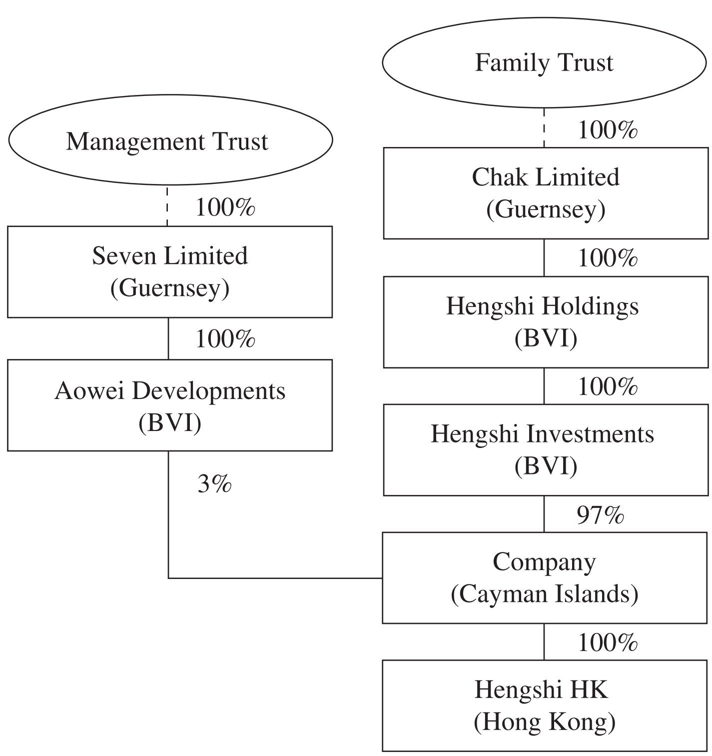
On August 20, 2013, Hengshi Investments transferred three Shares in our Company, representing approximately 3% of the issued share capital of our Company at the time of transfer, to Aowei Developments, which was directly held by Seven Limited, an entity incorporated in Guernsey and held by Credit Suisse Trust Limited, the trustee of the Management Trust. The Management Trust beneficiaries might be one or more members of the executive Directors, namely Mr. Li Yanjun, Mr. Li Ziwei, Mr. Xia Guoan, Mr. Sun Jianhua, Mr. Huang Kai and Mr. Tu Quanping and senior management members of our Group. The executive Directors and the senior management may hold up to approximately 2.25% of the issued share capital of our Company after the Listing (on a fully diluted basis assuming no exercise of Over-allotment Option). As of the Latest Practicable Date, none of the executive Directors and members of the senior manager had become a beneficiary of the Management Trust and none had made a filing with SAFE in this regard. However, if any of the executive Directors and members of the senior management becomes a beneficiary of the Management Trust pursuant to the terms of the Management Trust and has an obligation to make a filing with SAFE by virtue of his PRC citizenship, he will be required to fully comply with the relevant requirement for SAFE registration.

The proper law of the Management Trust is the law of Guernsey and the provisions of the Management Trust are subject to, and enforceable under, the laws of Guernsey.

As of the Latest Practicable Date, no decision has been made by Mr. Li Ziwei or the trustee with respect to any distribution by the Management Trust. There is currently no plan to make any distribution to the beneficiaries of the management trust prior to the Listing.

Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that such trust arrangement does not violate PRC laws or regulations, and if any of the executive Directors and the senior management actually becomes the beneficiaries of the Management Trust, he/she should duly register with the SAFE in this regard.

Our offshore shareholding structure immediately after the incorporation of our offshore entities is set out below:



ONSHORE REORGANIZATION

We conduct our business primarily through our PRC operating subsidiaries, namely Jingyuancheng Mining, Xinxin Mining and Jiheng Mining. Prior to our reorganization, our PRC operating subsidiaries and PRC intermediate holding companies were held by Aowei Group, which was founded and controlled by Mr. Li Yanjun, one of our Controlling Shareholders and our founder. In preparation for the Global Offering, our Company acquired the PRC intermediate holding companies and the PRC operating subsidiaries from Aowei Group. See "Relationship with Controlling Shareholders."

Acquisition of Our PRC Intermediate Holding Companies

We hold our PRC operating subsidiaries through our PRC intermediate holding companies, namely Sichuan Panshi, Sichuan Hengwen and Aowei Mining as detailed below.

Sichuan Panshi

Sichuan Panshi was established in the PRC in June 2011 with a registered capital of RMB120 million. Upon its establishment, Sichuan Panshi was wholly owned by Aowei Group.

In preparation for the Global Offering and pursuant to an equity transfer agreement dated June 15, 2011, Aowei Group transferred its entire equity interest in Sichuan Panshi to Hengshi HK at a consideration of RMB120 million, which was determined with reference to an assets appraisal report issued by Hebei Hengyu Assets Appraisal Co., Ltd., an Independent Third Party. The consideration has been paid in full. After such share transfer, Sichuan Panshi became wholly owned by Hengshi HK, which in turn was wholly owned by our Company. At the time of the share transfer, Sichuan Panshi indirectly held the entire equity interest in Jingyuancheng Mining and Xinxin Mining, and 50% equity interest in Jiheng Mining. Upon the completion of such share transfer, Mr. Li Ziwei indirectly held 100%, 100% and 50% equity interest in Jingyuancheng Mining, Xinxin Mining and Jiheng Mining, respectively.

Sichuan Panshi is principally a holding company. In September 2011, Hengshi HK increased the registered capital of Sichuan Panshi from RMB120 million to RMB150 million.

Sichuan Hengwen

Sichuan Hengwen was established in the PRC in June 2011 with a registered capital of RMB120 million. Upon its establishment, Sichuan Hengwen was wholly owned by Aowei Group.

In preparation for the Global Offering and pursuant to an equity transfer agreement dated June 12, 2011, Aowei Group transferred its entire equity interest in Sichuan Hengwen to Sichuan Panshi at a consideration of RMB120 million, which was determined with reference to the registered capital at the time. The consideration has been fully paid up. After such share transfer, Sichuan Hengwen became wholly owned by Sichuan Panshi, which was in turn indirectly wholly owned by our Company through Hengshi HK and Sichuan Panshi.

Sichuan Hengwen is principally a holding company.

Aowei Mining

Aowei Mining was established in the PRC in June 2011 with a registered capital of RMB120 million. Upon its establishment, Aowei Mining was wholly owned by Aowei Group.

In preparation for the Global Offering and pursuant to an equity transfer agreement dated June 9, 2011, Aowei Group transferred its entire equity interest in Aowei Mining to Sichuan Hengwen at a consideration of RMB120 million, which was determined with reference to the registered capital at the time. The consideration has been paid in full. After such share transfer, Aowei Mining became wholly owned by Sichuan Hengwen, which was in turn indirectly wholly owned by our Company through Hengshi HK, Sichuan Panshi and Sichuan Hengwen.

Aowei Mining is principally engaged in holding and managing Jingyuancheng Mining, Xinxin Mining and Jiheng Mining.

The original company name of Aowei Mining was Rongcheng County Jiuhengjiye Technology Co., Ltd. (容城縣久恒基業科技有限公司) since its incorporation. On April 12, 2012, the company name was changed to Laiyuan County Jiuhengjiye Technology Co., Ltd. (淶源縣久恒基業科技有限公司) due to change of registered address. On June 12, 2012, Aowei Mining was renamed to its current name which is Laiyuan County Aowei Mining Investments Co., Ltd. (淶源縣奧威礦業投資有限公司) and remained unchanged.

Acquisition of Our PRC Operating Subsidiaries

Jingyuancheng Mining

Jingyuancheng Mining was established in the PRC in October 2001 with a registered capital of RMB0.5 million. Upon its establishment, 70%, 25% and 5% of Jianyuancheng Mining was owned as to by Mr. Ding Hui, Mr. Shi Gui and Mr. Sun Haitao, respectively, who were and remain to be Independent Third Parties.

Jingyuancheng Mining experienced a series of changes in the shareholding structure after its establishment. In November 2009, the then four individual shareholders of Jingyuancheng Mining sold in aggregate 100% of the equity interest in Jingyuancheng Mining to Aowei Group based on arm's length negotiations. Although the four individuals transferred the 100% of the equity interest in Jingyuancheng Mining to Aowei Group, and Aowei Group paid the consideration in full in November 2009, the parties did not complete the registration of the change of shareholders with the relevant authorities until June 1, 2011. Since the local industrial and commerce authority did not accept the registration application for the change of Jingyuancheng Mining's shareholding due to the local resource consolidation arrangement, the four individuals held the equity interest in Jingyuancheng Mining on trust for Aowei Group until the relevant change of registration was completed. Our PRC legal counsel, Commerce & Finance Law Offices, is of the view that the trust arrangements are not in violation of the PRC laws or regulations. After the change of registration, Jingyuancheng Mining became wholly owned by Aowei Group.

In preparation for the Global Offering and pursuant to an equity transfer agreement dated June 9, 2011, Aowei Group transferred its entire equity interest in Jingyuancheng Mining to Aowei Mining at a consideration of RMB65 million, which was determined based on arm's length negotiations with reference to the net assets of Jingyuancheng Mining at the end of 2010. The consideration has been fully paid up. After such share transfer, Jingyuancheng Mining became wholly owned by Aowei Mining, which was then and remains to be indirectly wholly owned by our Company through Hengshi HK and the PRC intermediate holding entities.

Jingyuancheng Mining is principally engaged in iron ore mining, processing and production of iron ore and iron ore concentrates. In May 2012, Aowei Mining increased the registered capital of Jingyuancheng Mining from RMB15 million to RMB80 million.

Xinxin Mining

Xinxin Mining was established in the PRC in April 2004 with a registered capital of RMB3 million. Upon its establishment, 80%, 10% and 10% of Xinxin Mining was owned by Aowei Group, Mr. Wang Jianjun and Mr. Zhang Fuqing, respectively. Mr. Wang Jianjun is a manager of Xinxin Mining, and Mr. Zhang Fuqing is a director of Xinxin Mining. Aowei Group entered into an agreement with Mr. Wang Jianjun and Mr. Zhang Fuqing dated April 24, 2004, pursuant to which Mr. Wang Jianjun and Mr. Zhang Fuqing held the 20% equity interest in Xinxin Mining under their names on trust for Aowei Group since the establishment of Xinxin Mining, to facilitate the management of Xinxin Mining and the application of relevant government formalities. Commerce & Finance Law Offices, our PRC legal counsel, is of the view that the trust arrangement is not in violation of the PRC laws and regulations.

In June 2011, Mr. Wang Jianjun and Mr. Zhang Fuqing each transferred 10% of the equity interest in Xinxin Mining to Aowei Group at nil consideration. After such share transfer, Xinxin Mining became wholly owned by Aowei Group.

In preparation for the Global Offering and pursuant to an equity transfer agreement dated June 9, 2011, Aowei Group transferred its entire equity interest in Xinxin Mining to Aowei Mining at a consideration of RMB55 million, which was determined based on arm's length negotiations with reference to the amount of iron ore advised by Hebei Baoding Institute of Geological and Prospecting Engineering (河北保定地質工程勘查院). The consideration has been paid in full. After such share transfer, Xinxin Mining became wholly owned by Aowei Mining, which in turn was and remains to be indirectly wholly owned by our Company through Hengshi HK and the PRC intermediate holding entities.

Xinxin Mining is principally engaged in iron ore mining, processing and production of iron ore and iron ore concentrates. In May 2012, Aowei Mining increased the registered capital of Xinxin Mining from RMB3 million to RMB50 million.

Jiheng Mining

Jiheng Mining was established in the PRC in August 2010 with a registered capital of RMB50 million. Upon its establishment, 50%, 30% and 20% of Jiheng Mining was owned by Jiantou Mining, Laiyuan Nonferrous Metal and Xinrui Mining, respectively. Upon the establishment of Jiheng Mining, 72% of Jiantou Mining and 70% of Xinrui Mining were indirectly owned by Aowei Group, and the remaining 28% and 30% of Jiantou Mining and Xinrui Mining were held by Independent Third Parties. Aowei Group subsequently acquired the remaining 30% of Xinrui Mining from the Independent Third Parties in August 2011. Laiyuan Nonferrous Metal was and remains an Independent Third Party.

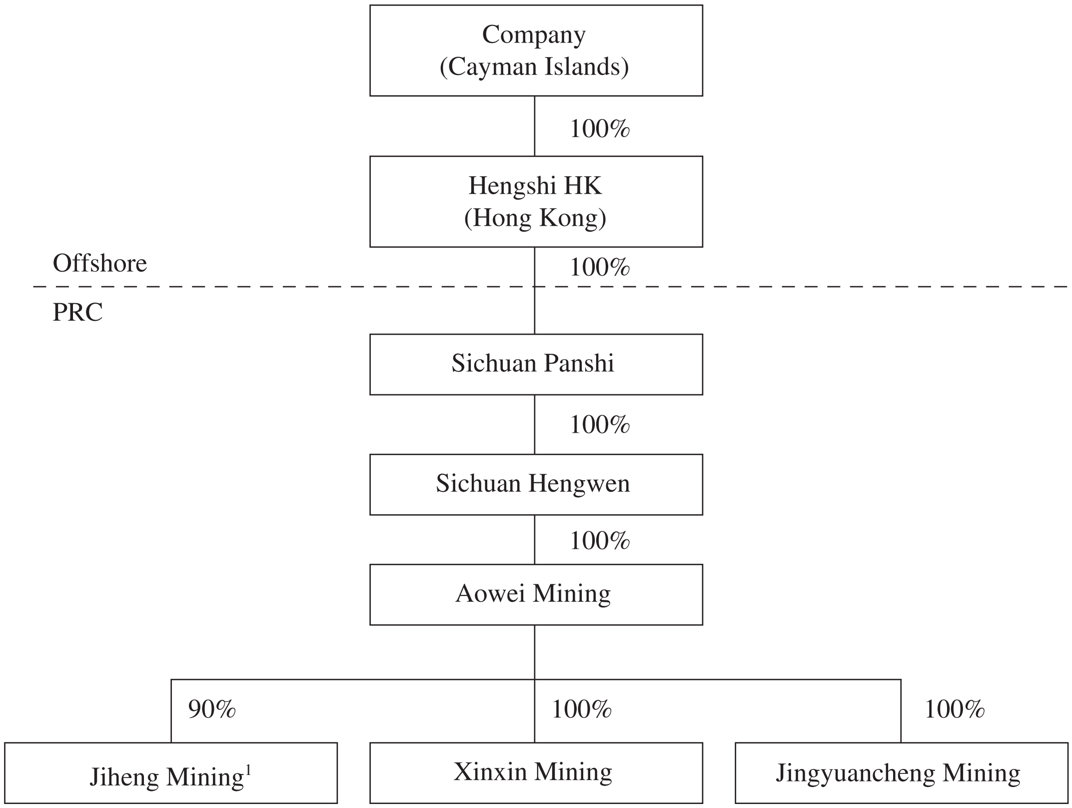
In July 2011, Jiantou Mining transferred its 50% equity interest in Jiheng Mining to Aowei Mining at a consideration of approximately RMB40.71 million. The amount of the consideration was determined on the basis of an independent valuation report prepared by Hebei Hengyu Assets Valuation Limited Company, an independent professional assets valuation firm. Through reorganizations between Aowei Group and us in December 2011, we effectively obtained 20% equity interest in Jiheng Mining at a consideration of RMB90 million from Xinrui Mining. The consideration of RMB90 million was orally determined by the parties and not provided for in any written agreement, and the consideration was fully paid by Aowei Mining pursuant to such oral agreement. Upon the completion of the reorganizations, Xinrui Mining remained a wholly owned subsidiary of Aowei Group. After such transfers, Jiantou Mining and Xinrui Mining ceased to be shareholders of Jiheng Mining. Jiheng Mining was then owned as to 70% and 30% by Aowei Mining and Laiyuan Nonferrous Metal, respectively.

In January 2012, Laiyuan Nonferrous Metal transferred its 20% equity interest in Jiheng Mining to Laiyuan Jiantou at a consideration of RMB80 million. In April 2012, Laiyuan Jiantou transferred its 20% equity interest in Jiheng Mining to Aowei Mining at a consideration of RMB80 million. The amount of the consideration was determined with reference to an independent valuation report prepared by Hebei Hengyu Assets Valuation Limited Company, an independent professional assets valuation firm. The consideration has been paid in full. After such transfer, Laiyuan Jiantou ceased to be a shareholder of Jiheng Mining, Aowei Mining's equity interest in Jiheng Mining increased from 70% to 90% and Laiyuan Nonferrous Metal held the remaining 10% equity interest in Jiheng Mining.

Jiheng Mining is principally engaged in iron ore mining, processing and production of iron ore and iron ore concentrates.

Our PRC legal counsel, Commerce & Finance Law Offices, has confirmed that we have obtained the relevant PRC approvals for our reorganizations in accordance with the M&A Rules and other relevant PRC Laws, and there are no other approvals required under the PRC laws and regulations for our reorganizations. Our PRC legal counsel has also advised us that Hengshi HK is not a company established or controlled by a "domestic individual" under Article 11 of the M&A Rules, and the acquisition of Sichuan Panshi by Hengshi HK should not be governed by Article 11 of the M&A Rules, on the basis that when Aowei Group transferred its entire equity interest in Sichuan Panshi to Hengshi HK, (i) Mr. Li Ziwei held a Dominican passport, and (ii) Mr. Li Yanjun did not hold any equity interest in Hengshi HK, despite that he acted in concert with Mr. Li Ziwei.

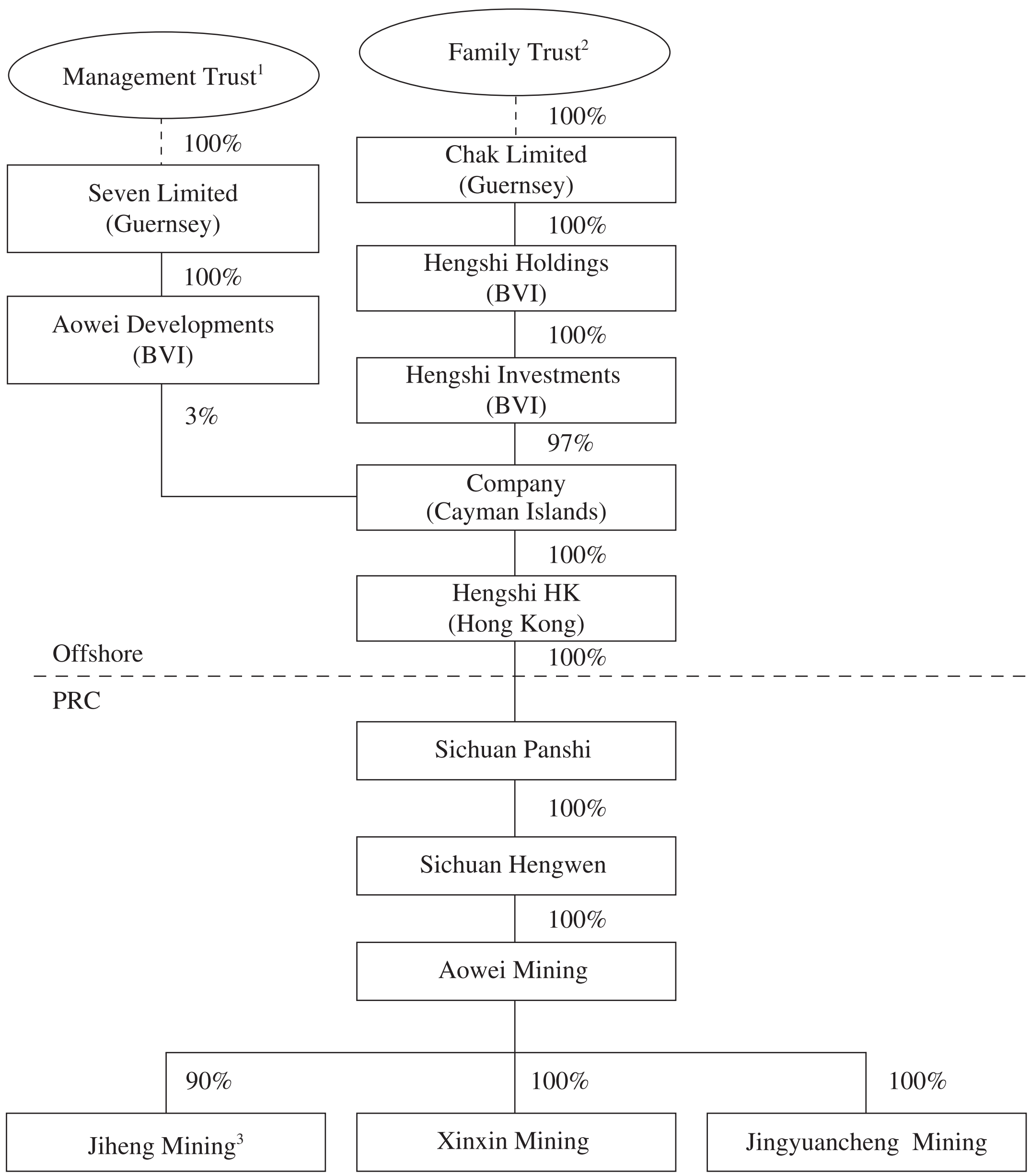
Our shareholding structure immediately after the preceding onshore reorganizations is set out below:



[1] The remaining 10% equity interest is held by Laiyuan Nonferrous Metal, an Independent Third Party.

CORPORATE STRUCTURE

The following chart sets out our corporate structure immediately before the Global Offering:

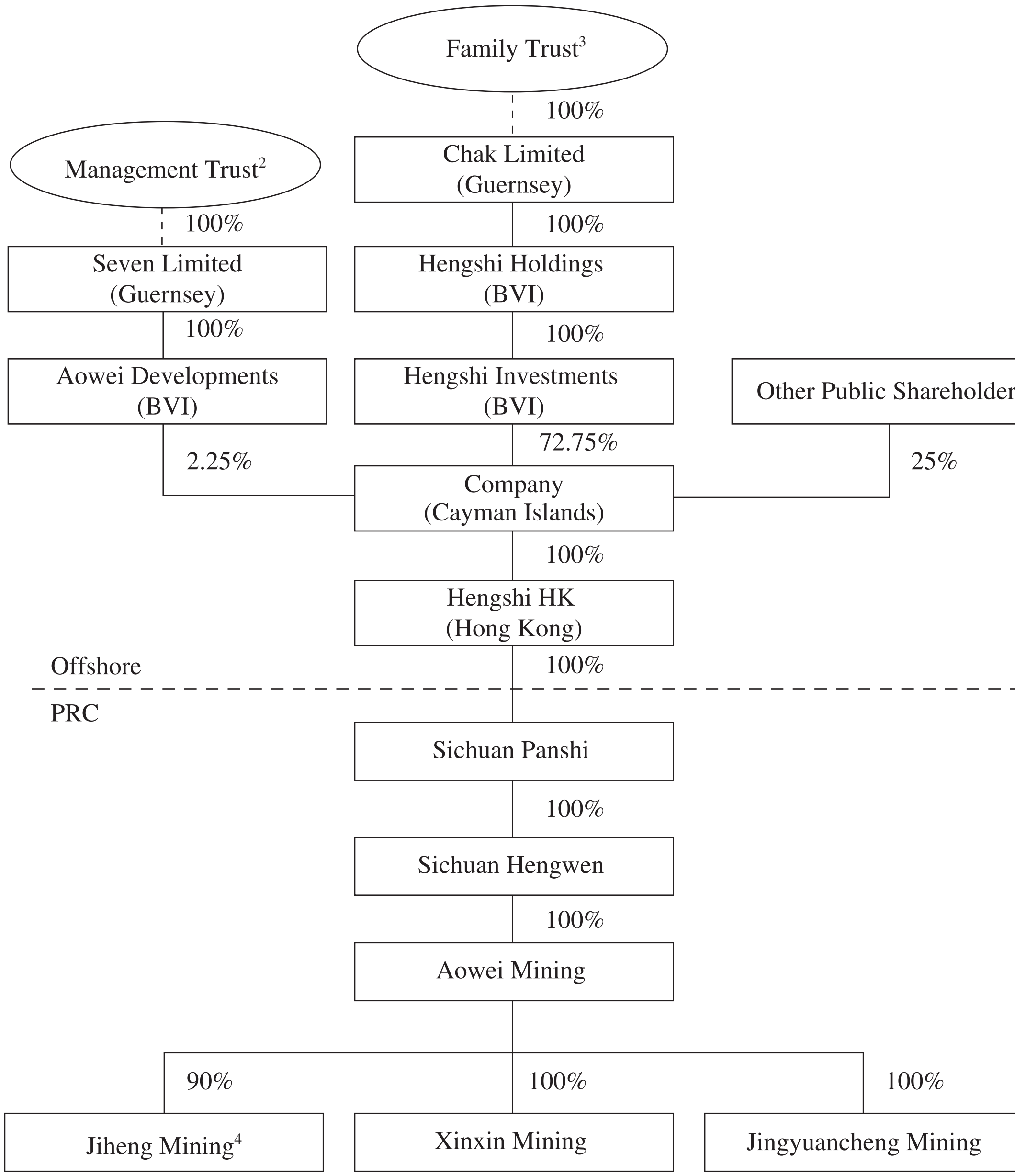


1 The Management Trust is a revocable discretionary trust established by Mr. Li Ziwei as the settlor and protector of the trust, with Credit Suisse Trust Limited as the trustee, for the purposes of recognizing and rewarding the contributions of certain executive Directors and the senior management. See "– Onshore Reorganization – Establishment of the Management Trust."

2 The Family Trust is a revocable discretionary trust established by Mr. Li Ziwei as the settlor and protector of the trust, with Credit Suisse Trust Limited as the trustee, for the benefits of Mr. Li Ziwei and his children. See "– Onshore Reorganization – Establishment of the Family Trust."

3 The remaining 10% equity interest is held by Laiyuan Nonferrous Metal, an Independent Third Party.

The following chart sets out our corporate structure immediately after the Global Offering (assuming the Over-allotment Option is not exercised[1]):



1 In the event that the Over-allotment Option is exercised in full, the shareholding of Hengshi Investments and public Shareholders will be 70.12% and 2.17%, respectively.

2 The Management Trust is a revocable discretionary trust established by Mr. Li Ziwei as the settlor and the protector of the trust, with Credit Suisse Trust Limited as the trustee, for the purposes of recognizing and rewarding the contributions of certain executive Directors and the senior management. See "– Onshore Reorganization – Establishment of the Management Trust."

3 The Family Trust is a revocable discretionary trust established by Mr. Li Ziwei as the settlor and the protector of the trust, with Credit Suisse Trust Limited as the trustee, for the benefits of himself and his children. See "– Onshore Reorganization – Establishment of the Family Trust."

4 The remaining 10% equity interest is held by Laiyuan Nonferrous Metal, an Independent Third Party.

OVERVIEW

We are an iron ore mining and processing company based in Hebei Province, the province with the largest steel production and iron ore consumption volumes in China. We currently own and operate four iron ore mines, namely, Gufen Mine, Wang'ergou Mine, Shuanmazhuang Mine and Zhijiazhuang Mine, all of which are located in Laiyuan County, Hebei Province. Our mines are located near convenient road and rail transportation networks, providing easy access to regions in Hebei and Shanxi Provinces where demand for iron ore products is high. According to the CPR, as of June 30, 2013, our mines had approximately 413.6 Mt of total indicated resources and approximately 326.8 Mt of probable reserves, together with approximately 223.7 Mt of inferred resources.

During the Track Record Period, our products included 66% TFe iron ore concentrates processed at Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine, and preliminary concentrates and iron ores processed at and recovered from Zhijiazhuang Mine. Our operations involve recovering iron ores and weakly mineralized wall rocks through open-pit mining and processing them into preliminary concentrates through dry processing, which could be further processed into iron ore concentrates through wet processing. Dry processing is adopted to remove impurities through crushing and dry magnetic separations. Wet processing allows us to further grind the preliminary concentrates and remove impurities through milling and magnetic separations where water is applied during the entire process. For further details of our production, see "– Mining Operations and Processing Facilities." We believe that our iron ores have commercially attractive attributes, with low content of impurities such as sulphur, phosphorus, silicon and titanium. In addition, iron ores recovered from Zhijiazhuang Mine are able to be processed into alkaline iron ore concentrates with a high content of MgO, which can function as a blending material to adjust the pH value of the component materials used in iron making so that no or minimal flux would be needed in the process, which prevents the grade decrease of the component materials. As a result, such iron ore concentrates could reduce coke consumption, improve the furnace efficiency and lower iron making costs. We believe that these attributes appeal to steel mills and can generally command a pricing premium.

According to the AME Report, China has the highest demand for iron ores in the world. It had a demand of approximately 1,071.1 Mt of iron ores in 2012, accounting for approximately 57.3% of the global iron ores demand. As the largest steel producing province in China, Hebei Province consumed approximately 250.5 Mt of iron ores in 2012, accounting for approximately 24.8% of the total iron ore consumption in China. Out of the total iron ores consumed in Hebei Province in 2012, only approximately 81.5 Mt, or 34.6%, were supplied locally.

By leveraging our low cash operating costs, strategic location, experienced and stable management team, commercially attractive attributes of our products and strong growth potential through expansion of our mining and processing capacities, we believe that we are well-positioned to benefit from the continuous growth in steel production and significant shortage in domestically produced iron ore products in China, especially in Hebei and Shanxi Provinces.

OUR COMPETITIVE STRENGTHS

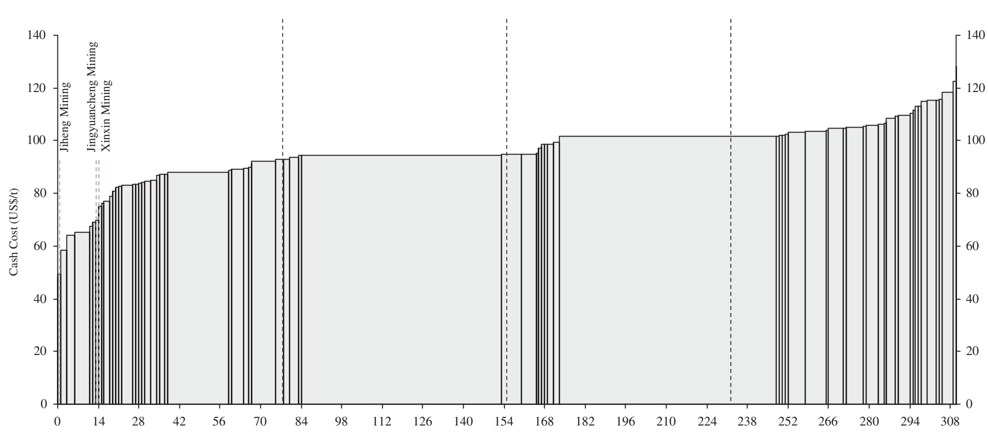
Our favorable mine quality and geological conditions, well-designed mining plan and well-equipped processing facilities enable us to achieve market leading low cost production

Our reserves are primarily located in areas with geological conditions favorable for low cost mining, low cost processing and high processing recovery rate. Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine are located in the Dushancheng mining area and possess similar conditions in mineralization genesis, ore type and structure. The magnetite deposit in the Dushancheng mining area is distributed with straight contact boundaries to separate the fine grains from the gangue minerals, making it easy to dissociate and recover. In addition, the large scale of these mines enables us to achieve economies of scale in mining and processing operations, which we expect to allow us to control mining costs as we continue to ramp up our production capacity. According to the CPR, our Zhijiazhuang Mine contains relatively high grade iron ore reserves at an average mFe grade of 25.93%, which could be extracted and processed into iron ore concentrates at a high recovery rate.

In addition, we have well integrated and managed operations and advanced processing facilities. We have built on-site dry processing plants for all of our mines and associated wet processing plants within approximately six to 11 km of Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine, which could significantly reduce the transportation costs. Moreover, all of our dry processing plants have been equipped with advanced and customized equipment manufactured by Metso Corporation. Using a three-staged closed circuit crushing and separating system, our dry processing enables us to grind iron ores into optimal particle size for preliminary concentrates, significantly reduce the transportation load to wet processing plants and increase the efficiency of the subsequent wet processing with reduced tailings.

We expect the factors described above to enable us to achieve low cost production at our mines. According to the CPR, the unit cash operating costs per tonne of iron ore concentrates for Jiheng Mining, Jingyuancheng Mining and Xinxin Mining are estimated to be RMB154.9, RMB345.4 and RMB402.2 in 2014, respectively. As indicated by the cost curve shown below, the estimated cash costs of our mines in 2014 are expected to be among the lowest quartile of the PRC iron ore concentrates producers.

2014 China Cost Curve



Source: The AME Report

Notes:

(1) Miners are arranged in order from lowest cost producer on the left to the highest cost producer on the right. Estimated unit cash costs are shown on the vertical axis and are represented by the height of each bar. The width of the bars indicate the quantity each miner is forecasted to produce for 2014. AME aggregates smaller privately owned Chinese mines by province, which are unfeasible to track on an individual basis. As such, many smaller scale domestic Chinese mine operators with higher cost which generally dominate China's iron ore supply are not reflected individually on AME's China cost curve as these are averaged out at the provincial level. As a result, the width of the relevant bars are wider than the bars for individual miners. The cumulative production of the miners are shown and cumulated along the horizontal axis on a dry metric tonne basis, such that the cumulative production volume for the miners in 2014 is forecasted to be approximately 310.9 Mt. The forecasted 2014 production volume of Jiheng Mining is 454.86 Kt or 0.5 Mt, Jingyuancheng Mining is 647.92 Kt or 0.6 Mt and Xinxin Mining is 243.97 Kt or 0.2 Mt, and such production volume has been cumulated with other PRC miners on the horizontal axis. The production volumes for Jiheng Mining, Jingyuancheng Mining and Xinxin Mining have been taken from the designed production plan in stage one (open-pit mining) as set out in the CPR.

(2) The main purpose of AME's cost estimation work is to identify the cash operating costs of iron ore mines and to analyze the relative cash cost competitiveness of individual operations. Examples of the cost components taken into account include the cost of mining, processing, labor, energy, supplies, maintenance, royalties, transportation and loading. These costs are calculated to reflect the overall efficiency of each operation in terms of mining, processing and beneficiating the ore, transporting it to the port and port handling costs. AME's costing model calculates costs using a wide range of mine-specific data which may include labor rates, production capacities, waste-to-ore ratios, transport distances, port costs, product recoveries, and state and country-specific royalty formulae. The China cost curve above is prepared for Chinese domestic mines for comparability purposes. The cash costs used in the cash cost curve include estimated mine cash operating costs and transportation costs from the Chinese domestic mines to the primary steel mill customers or the main offtakers to which products are delivered to rather than to a port for export. This analysis also includes the captive mines of state-owned steel mills, where the ores produced are to satisfy the needs of state-owned steel mills other than for open market sales. The costs forecasted may be derived from offtake agreements, publicly available information or discussions with individual iron ore producers in the PRC.

(3) The 2014 cash costs per tonne of concentrates for Jiheng Mining, Xinxin Mining and Jingyuancheng Mining are estimated to be approximately US$39.2, US$72.3 and US$69.9. The Company's mine cash operating costs are taken from the total cash operating cost per concentrate disclosed in the CPR. Transportation costs have been estimated assuming product is delivered to the following steel mill and pelletising plant customers located within Hebei: Hebei Jingye Group (河北敬業集團), Xinji Aosen Steel Co., Ltd. (辛集市奧森鋼鐵有限公司), Laiyuan Aoyu Steel Co., Ltd. (淶源奧宇鋼鐵有限公司) and Hengchang Pellet Plant (恒昌球團廠), with whom the Company has entered into supply and cooperation agreements. The transportation costs were calculated based on the freight rate associated with the sales volume-weighted road-haulage distance which is based on off-take information provided by the Company. For Jingyuancheng Mining, the estimated volume-weighted road haulage distance is 143km and this corresponds to a freight cost of approximately RMB80 per wet metric tonne. For Jiheng Mining, the estimated volume-weighted road haulage distance is 146km which also corresponds to a freight cost of around RMB80 per wet metric tonne. The assumed volume-weighted road haulage distance for Xinxin Mining is 107km which amounts to a freight cost of RMB42 per wet metric tonne. In all the calculations, USD:RMB exchange rate of 6.2 is applied.

(4) To construct cost curves and undertake industry analysis, AME compiles information from a variety of sources, including reports made available by producers, direct contact and trade publications, which may not be updated on a timely basis to the latest by the sources. In addition, through the data validation process, AME inevitably made assumptions and judgement with respect to data that such analyst is unable to obtain. Thus, AME's work uses a wide range of public domain and industry data sources upon which AME considers reasonable to rely for the purpose of compiling the cost estimation database but for which it is not responsible. AME then compiles, interprets and analyzes these data to make estimates of producing mines and plants. AME believes that the sources of the information in the AME Report are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. To the best of AME's knowledge after making all due and reasonable inquiries, AME has no reason to believe that such information is false, inaccurate or misleading or that any part has been so omitted that would render such information false, inaccurate or misleading. However, there can be no assurance as to the accuracy or completeness of the included information. Investors are cautioned not to put undue reliance on forecast and forward-looking information. Moreover, all cost curves embody a number of significant assumptions with respect to exchange rates and other market variables. Thus, the manner in which cost curves are constructed means that they have limitations.

We are well positioned to benefit from the continued shortage of iron ore supply in China, in particular in Hebei Province, the largest steel producing province in China

Driven by the continuous economic growth and increasing urbanization, the demand for steel in China has significantly increased in the past decade. According to the AME Report, China has been the largest steel producer in the world since 2005, consistently accounting for approximately 45.0% of global steel production since 2009.

According to the AME Report, crude steel production in China increased from approximately 348.1 Mt in 2005 to approximately 716.5 Mt in 2012, representing a CAGR of 10.9%. However, over 60% of iron ores consumed in China in 2012 were imported and the shortage of domestically produced iron ores is expected to continue. According to the AME Report, China is likely to remain the largest iron ore importer in the world in the near term.

Hebei Province is the largest steel producing province, accounting for approximately 25.2% of the total steel output in China in 2012. It also has the highest demand for iron ores in China, accounting for approximately 24.8% of China's total iron ores demand in 2012, according to the AME Report. To meet its demand, Hebei Province imported approximately 163.7 Mt of iron ores, or approximately 65.3% of its iron ore consumption, in 2012.

The national and regional shortage of iron ore supply offers significant potential markets for iron ore producers like us. We believe our location in Hebei Province, combined with our expected low production costs and other advantages as disclosed in this section would place us favorably in seizing such opportunities compared to many other iron ore producers in the PRC.

Our management team is experienced and stable, with extensive industry knowledge and in-depth understanding of our operations

Our operation is led by an experienced and stable management team, comprising Directors and senior executives, the majority of whom have more than ten years of experience in the mining industry. In particular, our core management members, including the chairman of the Board and executive Directors in charge of technical and administrative management for mining and processing operations, have been working together since 2005, and each of them has acquired an in-depth understanding of the history, current status and expansion plans of our mines and operations.

Moreover, we have engaged industry specialists and experienced professionals at the middle management level of our Group to carry out key functions within our Group and to support our senior management team. Our management members and key personnel have appropriate education, training and/or work experience in their respective fields.

We believe that the stable management team with broad industry knowledge and extensive managerial expertise in the iron ore industry would allow us to successfully implement our expansion and production plans, effectively control our operating costs, identify and seize market opportunities, formulate sound business strategies, assess and manage risks, and increase our overall profit to maximize our shareholder value. See "Directors and Senior Management."

Our iron ore products have commercially attractive attributes

According to the CPR, iron ores from all of our mines have a relatively low content of impurities, such as sulphur, phosphorus, silicon and titanium compared to other PRC mines, which contributes to the production of high quality iron ore concentrates that are appealing to steel mills, especially steel mills which produce high quality steel.

In addition, the iron ore resource in Zhijiazhuang Mine generally has a mFe grade of between 30% and 50%. The iron ore concentrates produced from Zhijiazhuang Mine are alkaline iron ore concentrates with a high content of MgO, which can function as a blending material to adjust the pH value of the component materials used in iron making so that no or minimal flux would be needed in the process, which prevents the grade decrease of the component materials. As a result, it reduces coke consumption, improves the furnace efficiency and lowers iron making costs. According to the AME Report, currently, alkaline iron ores can generally charge a premium market price over acidic iron ores with the same TFe grade in Hebei Province. Therefore, we believe that, with such desirable characteristics, the iron ore concentrates produced from Zhijiazhuang Mine are able to command higher market prices than acidic iron ore concentrates with the same TFe grade.

Our mines are strategically located with convenient road and rail connectivity to major iron ore demand regions in Hebei Province and Shanxi Province, which helps us control transportation costs

All of our mines and associated processing plants are located along the main roads in Laiyuan County. Gufen Mine and its associated processing plants are within 0.5 km from Tian-zou Road (天走綫), a provincial highway. Wang'ergou Mine, Shuanmazhuang Mine and their associated processing plants are located only approximately six km west of Tian-zou Road (天走綫). Zhijiazhuang Mine and its associated processing plants are located only approximately 12 km south of G112 Highway (112國道). In addition, Tian-zou Road (天走綫) and G112 Highway (112國道) further connect our mines and processing plants to our target customers in major iron ore demand areas in Hebei Province and Shanxi Province through Jing-Yuan Railway Line (京原綫) and G4 Highway (京港澳高速公路), along which many steel mills are located, such as Xuanhua Steel Group Co., Ltd. (宣化鋼鐵集團有限責任公司), Hebei Jingye Steel and Iron Limited Company (河北敬業鋼鐵有限公司), Xingtai Iron & Steel Corp., Ltd. (邢台鋼鐵有限責任公司), TISCO Linfen Iron & Steel Co., Ltd. (太鋼集團臨汾鋼鐵有限公司) and Handan Iron & Steel Group Co., Ltd. (邯鄲鋼鐵集團有限責任公司), which are among our target customers.

Due to the weight and bulky volume of the iron ores, it is generally difficult to transport them cost-efficiently. However, we believe that the favorable locations of our mines and processing plants in Hebei Province, with easy access to the road and rail transportation networks, allow us to significantly enhance the price competitiveness of our iron ore concentrates compared to other domestic mining companies located outside of major iron ore demand areas. This in turn will help us to capture growth opportunities by expanding our customer base to more steel mills with high iron ore concentrates demand in this region.

We are a designated iron ore mine consolidation principal in Laiyuan County, Hebei Province, benefiting from the PRC Government's mining industry integration and reform policies

Since 2005, the PRC Government has introduced a number of policies and regulations to encourage the integration and reform of the domestic iron ore industry to address issues associated with small scale or disorderly mining and production operations, such as low resource utilization and the lack of adequate environmental protection and safety measures. Those policies encourage enterprises with competitive advantages to acquire or cooperate with small-scale enterprises to optimize mining activities, and the relevant government authorities at the provincial, municipal and county level shall promulgate consolidation plans. According to the *Meeting Minutes for Special Discussion of the Provincial Government (No. 49*) dated March 4, 2009 and the *Meeting Minutes for Special Discussion of the Provincial Government (No. 88*) dated July 9, 2010, both of which were circulated by the General Office of the People's Governance of Hebei Province, we were designated by the People's Government of Hebei Province as an iron ore mine consolidation principal in Laiyuan County.

We have successfully completed the integration of the iron ore mining rights, interests and assets as part of our consolidation process and each of our four mines has commenced trial production or commercial production by May 2013. Recognizing that we have improved the efficiency at our mines, contributed to the increase of the fiscal income of Laiyuan County and improved the local employment level, the People's Government of Laiyuan County designated us as a consolidation principal with respect to further integration of the other mineral resources, such as iron, lead and zinc, in Laiyuan County. We will also be entitled to enjoy a series of supporting measures in the future, such as the allocation of mineral resources, governmental approval and access to financing.

As such, we believe that we are well positioned to leverage the favorable government policies to further expand and optimize our iron ore mining business and take the lead in any future consolidation of iron ore mines and potentially other non-ferrous metal mines in Laiyuan County.

OUR BUSINESS STRATEGIES

Increase mining and processing capacities and optimize our Company's vertically-integrated operations by ramping up processing capacity

To increase our mining and iron ore concentrate processing capacities, we intend to:

- Increase mining capacity through on-going slope correction and stripping engineering. Our target is to increase our mining capacity from 10.4 Mtpa in 2013 to 21.4 Mtpa by the end of 2015; and

- Increase processing capacity through technical upgrades and building new processing plants and tailings dams to complement the mining production ramp-up:

    - ***Technical upgrades*** – We plan to (i) upgrade the existing dry processing plants of Xinxin Mining by, among other things, increasing the conveying speed of belt conveyors, adding high-press roller crushers and dry magnetic separators and (ii) renovate certain dry processing facilities of Jingyuancheng Mining in the second half of 2013 to reduce the grain size and increase the grade of the preliminary concentrates and, hence, increase the efficiency of the wet processing;

- ***Integrate and expand processing plants*** – We plan to (i) build a new dry processing plant for Jingyuancheng Mining with a designed processing capacity of approximately 8.0 Mtpa by September 2014 and a new wet processing plant with a designed production capacity of approximately 0.4 Mtpa by October 2015 and (ii) build a wet processing plant for Jiheng Mining with a production capacity of approximately 1.0 Mtpa by June 2014; and

- ***Build and upgrade associated tailings dams*** – We plan to construct tailings storage facility for Jiheng Mining and Jingyuancheng Mining in 2014 and expand the capacity of certain tailings dams to complement the production ramp-up.

Continue to improve operational efficiency and reduce costs

Efficiency and cost control are critical to maximizing our profitability and maintaining our long-term competitiveness. In order to further improve operational efficiency and reduce costs, we intend to:

- Expand our mining and processing capacities to enhance economies of scale;

- Increase investment in upgrading dry processing technology to reduce the grain size and increase the grade of the preliminary concentrates, which would in turn lead to higher recovery and grinding efficiency, reduce tailings and waste, lower operation costs during wet processing and extend the life of tailings dams;

- Improve our mining and processing efficiency, reduce the consumption of raw materials and utilities, and reduce the labor inputs and costs, through innovations in processing and equipment upgrades;

- Provide regular training to our employees to improve productivity;

- Improve our internal controls; and

- Improve our business planning and budgeting.

Expand our customer base and continue to explore strategic relationships with steel mills

According to the CPR, through our expansion plans, we intend to increase our total iron ore concentrate production capacity to 2.8 Mtpa by the end of 2015. Along with the expansion of our production capacity expansion, we intend to further expand our customer base into areas of Hebei Province and Shanxi Province with high iron ore concentrate demand along the transportation networks located near our mines. According to the AME Report, the iron ore consumption in Shanxi Province amounted to approximately 61.3 Mt in 2012, of which only around 22.1 Mt were sourced locally.

We will continue to explore more supply and cooperation arrangements with steel mill customers to solidify our relationships with them. As of the Latest Practicable Date, we have entered into supply and cooperation agreements with reputable steel mills in Hebei Province, such as Hebei Steel and Iron Group Longhai Co., Ltd. (河北鋼鐵集團龍海鋼鐵有限公司), Xinji Aosen Steel Co., Ltd. (辛集市澳森鋼鐵有限公司) and Laiyuan Aoyu Steel Co., Ltd. (淶源奧宇鋼鐵有限公司).

According to AME, within the key iron ore demand areas of Hebei Province, there is a sizable portion of privately-owned capacity. Private steel mills generally rely more on contractual agreements than spot markets while state-owned steel mills often have captive iron ore supply. Therefore, there may be more off-take opportunities with private steel mills than state-owned steel mills.

Expand our resources and reserves through exploration and acquisitions

Resources and reserves are the foundation of our business growth. In order to expand our resources and reserves, we intend to conduct further exploration work at existing mines and surrounding mineralized zones, as well as to selectively acquire high quality mines in China and overseas when we deem appropriate. We will take various factors into account when we identify a viable acquisition target, including, among other things, quality, grade and size of resource and reserve, location and transportation conditions, complexity of the geology conditions, stage of the development, relationship with local communities and integration of the target with our overall development strategy.

Our existing mines are located in the Dushancheng mining area and the Zhijiazhuang mining area. According to the CPR, there is potential to identify more geological resources and reserves at these mines through further exploration because the current drilling indicates further downward extension of orebodies at these mines. As there is evidence of iron mineralization surrounding the main mineralized zones of Zhijiazhuang Mine, more drilling around the mineralization anomaly zones may increase the mineral resources. We plan to conduct exploration in 2014 and 2015 within the areas stated on our relevant permits. Leveraging our status as a consolidation principal in Laiyuan County, we believe that we are well-positioned to acquire resources adjacent to our existing mines to optimize the integration and maximize the value of our existing operating facilities.

Such acquisitions and integration will be executed by a management team with substantial experience in identifying mine areas with iron ore reserves and resources and navigating through the approval process.

Continue to adhere to high health and safety, environmental and corporate responsibility standards

Workers' health and production safety will remain paramount to us. We will continue to focus on preventive measures and take a comprehensive approach to ensure workers' health and safety, including continuous investments in production safety and the construction of production safety facilities; strict implementation of safety rules and policies; safety training for our employees to promote awareness; and strict implementation of on-site control and process management.

We believe in sustainable development and regard environmental sustainability as a major responsibility. We will continue to (i) recycle and decontaminate waste materials more effectively; (ii) implement preservation planning and construct environmental protection facilities in relation to project construction; (iii) strengthen protection of ecosystem and water resources; (iv) build additional tailings dams at Zhijiazhuang Mine; (v) further increase resources utilization rate; and (vi) rehabilitate land at our mines.

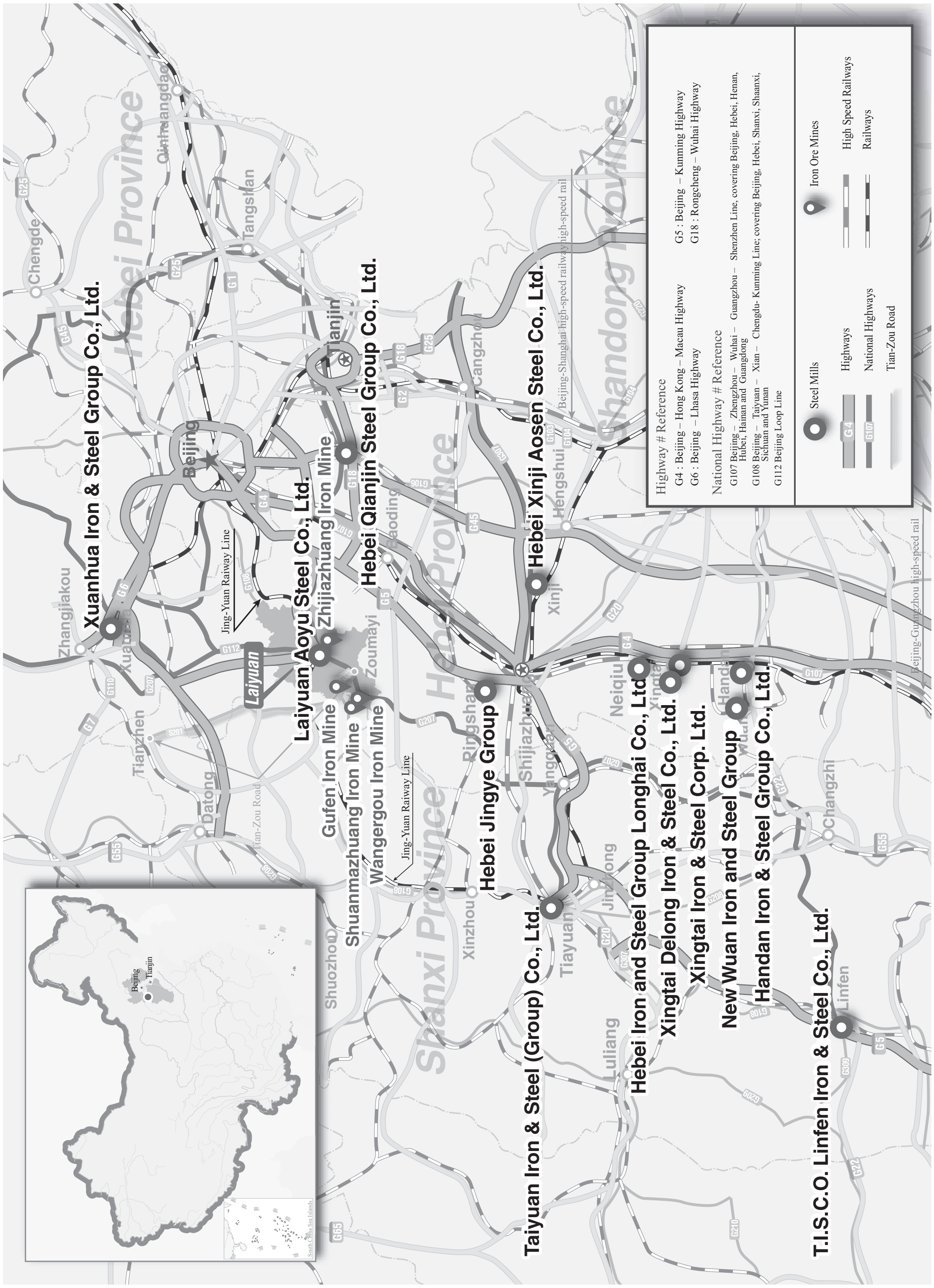
Moreover, our recycling and recovery of the preliminary concentrates from the weakly mineralized wall rocks is also environmentally friendly as it will make the most of the excavated wall rocks and reduce waste.

MINES, MINERAL RESOURCES AND MINING RIGHTS

Overview

We currently own and operate four iron ore mines, namely, Gufen Mine, Wang'ergou Mine, Shuanmazhuang Mine and Zhijiazhuang Mine. Each of the four mines is equipped with on-site dry processing plants and, other than the Zhijiazhuang Mine, associated wet processing plants in its vicinities. We operate these mines through three subsidiaries. Gufen Mine is wholly owned by Xinxin Mining. Wang'ergou Mine and Shuanmazhuang Mine are wholly owned by Jingyuancheng Mining. We own a 90% equity interest of Jiheng Mining, which in turn owns 100% of Zhijiazhuang Mine; the remaining 10% of Jiheng Mining is held by an Independent Third Party, Laiyuan Nonferrous Metal. All of our four mines are located in Laiyuan County, Hebei Province, within the vicinity of transportation networks. Gufen Mine and its associated processing plants are within 0.5 km from Tian-zou Road (天走綫). Wang'ergou Mine, Shuanmazhuang Mine and their associated processing plants are only six km west of Tian-zou Road (天走綫). Zhijiazhuang Mine and its associated processing plants are only 12 km south of G112 Highway. In addition, Tian-zou Road and G112 Highway further connect our mines and processing plants to our target customers through Jing-Yuan Railway Line (京原綫) and G4 Highway (京港澳高速公路), along which many steel mills are located, such as Xuanhua Steel Group Co., Ltd. (宣化鋼鐵集團有限責任公司), Hebei Jingye Steel and Iron Limited Company (河北敬業鋼鐵有限公司), Xingtai Iron & Steel Corp., Ltd. (邢台鋼鐵有限責任公司), TISCO Linfen Iron & Steel Co., Ltd. (太鋼集團臨汾鋼鐵有限公司) and Handan Iron & Steel Group Co., Ltd. (邯鄲鋼鐵集團有限責任公司).

The map below shows the approximate geographical locations of our mines, associated processing plants and the locations of certain of our existing and target customers.



According to the CPR, our reserves generally have geological conditions and characteristics favorable to low-cost mining and production. In particular, the Dushancheng mining area, in which our Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine are located, comprises bedded rock deposits with simple engineering geological conditions. Currently, open-pit mining is adopted by all of our mines as stage one. According to the CPR, Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine may adopt underground mining as stage two after stage one, which is expected in 13 years for Gufen Mine and in 12 years for Wang'ergou Mine and Shuanmazhuang Mine, respectively, in each case, from June 30, 2013.

Our Mineral Resources and Reserves

According to the CPR, as of June 30, 2013, the total indicated resources in our mines were approximately 413.6 Mt, which could be converted into approximately 326.8 Mt of probable reserves. In addition, as of June 30, 2013, our mines had inferred resources of approximately 223.7 Mt, which through further exploration, could expand our resources base. Gufen Mine, Wang'ergou Mine and Shuanmzhuang Mine are located in Dushancheng mining area and are characterized as sedimentary-metamorphic low grade iron deposits. Zhijiazhuang Mine is located in the western part of the Wang'anzhen complex.

The following table summarizes certain information regarding our mines.

	Gufen Mine	Wang'ergou Mine	Shuanmazhuang Mine	Zhijiazhuang Mine
Background data:				
Operating subsidiary	Xinxin Mining	Jingyuancheng Mining	Jingyuancheng Mining	Jiheng Mining
Equity interest attributable to us	100%	100%	100%	90%
Current status[(1)]	Commercial production	Commercial production	Commercial production	Commercial production
Mining rights area (sq.km.)	1.3821	1.5287	2.1871	0.3337
Expiration date of mining permit (month/year)	January 2023	January 2023	January 2023	April 2022
Existing Mining Capacity (Mtpa)	2.2	2.2	3.8	2.2
Planned Mining Capacity (Mtpa)	5.0	5.2	8.8	2.4
Resource data (as of June 30, 2013):				
Indicated resource (Mt)	158.8	76.4	155.3	23.1
Inferred resource (Mt)	101.1	39.3	73.9	9.4
Reserve data (as of June 30, 2013):				
Probable reserves (Mt)	114.9	63.2	128.9	19.8
– Open-pit mining	56.1	45.1	93.2	19.8
– Underground mining	58.8	18.1	35.7	N/A
Average iron grade (TFe)	14.11%	14.10%	14.24%	27.16%
Average iron grade (mFe)	7.43%	6.88%	5.99%	25.93%
Mine life (as of June 30, 2013)[(2)]	27	29	29	10

	Gufen Mine	Wang'ergou Mine	Shuanmazhuang Mine	Zhijiazhuang Mine
Current mining method	Open-pit	Open-pit	Open-pit	Open-pit
Iron ore output (Kt)				
– 2010	1,728	987	559	145
– 2011	1,464	1,167	628	1,350
– 2012	1,172	1,078	581	973
– Six months ended June 30, 2013	1,489	1,500	1,075	1,591
Stripping ratios[(3)]				
– 2010	3.04	1.76	1.74	18.12
– 2011	3.88	2.91	2.18	8.44
– 2012	4.89	4.32	4.85	14.41
– Six months ended June 30, 2013	0.72	0.67	0.81	1.48

Notes:

(1) Zhijiazhuang Mine has been in commercial production since April 2013. The other three mines commenced trial production in May 2013 and commenced commercial production in October 2013. See "– Relevant Rights and Permits."

(2) According to the CPR, Gufen Mine is expected to be suitable for open-pit mining for 13 years, Wang'ergou Mine and Shuanmazhuang Mine are expected to be suitable for open-pit mining for 12 years and Zhijiazhuang Mine is designed for open-pit mining only and is expected to be mined for ten years, in each case, from 2013. The mine life is calculated based on the residual reserves at the end of ramp-up period and the mining plan, see Tables 7–14, 7–15 and 7–16 of the CPR attached as Appendix IV to this Prospectus.

(3) The ratio of waste rock or overburden which must be removed to extract ore in an open-pit operation. For example, a 5:1 stripping ratio means that five tonnes of waste rock or overburden need to be removed to extract one tonne of ore. Historically, our actual stripping ratios were relatively high during the years from 2010 to 2012 as we focused on slope correction and waste rock stripping and preparing for commercial production, see "– Consolidation and Correction Work at Our Mines." All of our mines commenced trial or commercial production in early 2013. In the first half of 2013, the volume of iron ores extracted increased significantly, while the volume of waste rocks removed largely remained stable. As a result, the stripping ratios decreased substantially in the first half of 2013 compared with those from 2010 to 2012. The stripping ratios of Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine are expected to increase in 2016 primarily due to the expansion of the areas to be mined after the ramp-up period and the specific occurrence of the orebodies of these mines. The following table sets forth the forecasted stripping ratios of our mines from the second half of 2013 to 2017.

	Gufen Mine	Wang'ergou Mine and Shuanmazhuang Mine	Zhijiazhuang Mine
2H 2013	0.65	0.54	1.37
2014	0.70	0.50	1.30
2015	0.68	0.50	1.30
2016	1.30	1.14	1.30
2017	1.30	1.14	1.30

We substantially completed feasibility studies on the newly consolidated resources, re-evaluation of reserves and re-designing the mining plan and other related work in early 2013, by which we did not capitalize costs of removal of overburden and waste materials given the fact that the recognition criteria have not been met prior to early 2013. During the six months ended June 30, 2013, stripping costs of RMB77.8 million incurred in developing our mines were capitalized; no capitalization of stripping costs was made in 2010, 2011 and 2012. Stripping costs mainly include transportation, fuel, mining contracting and related costs. Stripping costs incurred to develop mines are eligible for capitalization as part of the cost of the mining structures when proven and probable reserves have been determined. As of June 30, 2013, RMB77.8 million has been capitalized in construction in progress as part of non-current assets. In accounting for the production stripping costs, unless the relevant stripping activity can be demonstrated to give rise to future economic benefits (in which case the stripping costs incurred are capitalized as stripping activity assets), stripping costs incurred during the production phase are included in the costs of inventory produced during the period. We incurred and expensed stripping costs of RMB70.0 million, RMB211.6 million, RMB246.2 million and RMB136.2 million in 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively, which form part of our cost of inventories.

Our Directors confirm that no material change has occurred in our mining resources and reserves since the effective date of the CPR.

Gufen Mine

Gufen Mine, which is owned and operated by our wholly owned subsidiary, Xinxin Mining, is located in Shuibao Village, Laiyuan County. The area covered by the mining right for Gufen Mine is 1.3821 sq.km. As of June 30, 2013, the total probable reserves of Gufen Mine were 114,853 Kt (including both the open-pit and underground probable reserves) with an average iron grade of 14.11% TFe. As of the same date, the estimated mine life of Gufen Mine for open-pit mining was approximately 13 years and for underground mining thereafter was approximately 14 years.

As of June 30, 2013, we had three on-site dry processing plants and two associated wet processing plants in operation or trial operation (as the case may be) within approximately 10 km of Gufen Mine, which used the magnetic separation method to process iron ore output from Gufen Mine. Through the sequential dry and wet magnetic separation processing, the iron ore concentrates produced by us at Gufen Mine could reach the grade of 66% TFe. See "– Mining Operations and Processing Facilities – Processing Facilities."

Wang'ergou Mine and Shuanmazhuang Mine

Wang'ergou Mine and Shuanmazhuang Mine are both wholly owned and operated by our wholly owned subsidiary, Jingyuancheng Mining.

Wang'ergou Mine is located in Zoumayi Village, Laiyuan County. The area covered by the mining right for Wang'ergou Mine is 1.5287 sq.km. As of June 30, 2013, the total probable reserves of Wang'ergou Mine were 63,222 Kt (including both the open-pit and underground probable reserves) with an average iron grade of 14.10% TFe. As of the same date, the estimated mine life of Wang'ergou Mine for open-pit mining was approximately 12 years and for underground mining thereafter was approximately 17 years.

Shuanmazhuang Mine is located in Zoumayi Village, Laiyuan County. The area covered by the mining right for Shuanmazhuang Mine is 2.1871 sq.km. As of June 30, 2013, the total probable reserves of Shuanmazhuang Mine were 128,922 Kt (including both the open-pit and underground probable reserves) with an average iron grade of 14.24% TFe. As of the same date, the estimated mine life of Shuanmazhuang Mine for open-pit mining was approximately 12 years and for underground mining thereafter was approximately 17 years.

As of June 30, 2013, Wang'ergou Mine and Shuanmazhuang Mine shared two on-site dry processing plants and one associated wet processing plant in trial operation, which used the magnetic separation method to process iron ore output from these two mines. Through the sequential dry and wet magnetic separation processing, the iron ore concentrates produced by us at these mines could reach the grade of 66% TFe. See "– Mining Operations and Processing Facilities – Processing Facilities."

Zhijiazhuang Mine

Zhijiazhuang Mine, which is wholly owned and operated by Jiheng Mining, a 90% equity interest of which is held by us with the remaining 10% equity interest owned by an Independent Third Party, Laiyuan Nonferrous Metal, is located in Yangjia Village, Laiyuan County. The mining rights of Zhijiazhuang Mine cover an area of 0.3337 sq.km. As of June 30, 2013, the total probable reserves of our Zhijiazhuang Mine were 19,794 Kt with an average iron grade of 27.16% TFe. Zhijiazhuang Mine is designed for open-pit mining only and the estimated mine life of Zhijiazhuang Mine was approximately ten years as of June 30, 2013.

As of June 30, 2013, Zhijiazhuang Mine had two on-site dry processing plants with one in trial operation and the other one temporarily closed. While Jiheng Mining currently does not have any associated wet processing plant, we plan to build one wet processing plant which is expected to be completed by mid-2014. See "– Mining Operations and Processing Facilities – Processing Facilities."

Consolidation and Correction Work at Our Mines

To improve the efficiency of its mining industry, the PRC Government, including the Hebei provincial government, has issued various guidance and policies to promote the integration and consolidation of small-scale iron ore mines. Hebei provincial government had designated us as a designated consolidation principal in Laiyuan County, which facilitated our acquisition and consolidation of local small-scale iron ore mines in Laiyuan County that were previously operated by other entities. For details on the relevant mines we have acquired and consolidated and prior operators, see "History, Development and Reorganization – Historical Development of Our Mines."

In order to act as the consolidation principal and obtain the consolidated mining rights to Gufen Mine, Wang'ergou Mine, Shuanmazhuang Mine and Zhijiazhuang Mine, we were requested by the relevant PRC authorities to conduct the following work to consolidate the relevant mines and production facilities under our portfolio:

- To consolidate the relevant small-scale iron ore mines and apply for new mining permits, we conducted feasibility studies on the newly consolidated resources, re-evaluated the reserves, redesigned the mining plan to exploit the resources more efficiently, revamped or disposed of infrastructure constructions, and rehabilitated and restored the surrounding environment; and

- To mitigate against safety risks caused by disorderly mining operations conducted by prior operators of the relevant mines, we conducted multiple series of correction work, including slope correction and waste rock stripping.

Additionally, as a condition to obtaining the mining rights to Zhijiazhuang Mine, Jiheng Mining had been required by the People's Government of Laiyuan County to also commit to bearing certain expenses relating to the settlement and reemployment of certain laid-off workers of several financially distressed local state-owned enterprises in Laiyuan County. From 2010 to the end of April 2013, with respect to these laid-off workers, Jiheng Mining had paid basic pension insurance, basic medical insurance and the living expenses of such laid-off workers while seeking re-employment totaling approximately RMB26.0 million. Based on a confirmation letter issued by the People's Government of Laiyuan County on May 23, 2013, Jiheng Mining has discharged all such obligations it had committed to in relation to the mining rights to Zhijiazhuang Mine.

Due to the mining industry integration and consolidation initiated by the People's Government of Laiyuan County, the extension of mining permits for our mines was suspended since their expirations in 2008. After we had completed the consolidation work, new mining permits and safety production permits were granted to our four mines. The Hebei Provincial Department of Land and Resources granted new mining permits to our Zhijiazhuang Mine in April 2012 and to our Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine in January 2013. See "– Relevant Rights and Permits."

During the slope correction and waste rock stripping work described above, which helped correct the slope angles and further opened the pit, iron ores along with weakly mineralized wall rocks and waste rocks were inevitably removed. In order to better utilize resources and minimize waste discharge, we recovered these iron ores and weakly mineralized wall rocks and further processed them into iron ore products during the Track Record Period. According to the relevant confirmation letters issued by the Hebei Provincial Department of Land and Resources, the Environmental Protection Bureau of Hebei Province and Hebei Administration of Work Safety, we were authorized to recover, process and sell these iron ore products resulting from such slope correction and waste rock stripping work. Our PRC legal counsel is of the view that, (i) the Hebei Provincial Department of Land and Resources is the competent authority for issuing the Mining Permits of our mines and in charge of our relevant mining activities; (ii) it has the authority to issue the relevant confirmation letters; and (iii) its confirmation letters will not be challenged by other government authorities. Commerce & Finance Law Offices has also advised us that, based on the confirmation letters issued by these competent governmental authorities, we were entitled to receive and retain the revenue from disposal of the iron ore products we recovered and processed during the consolidation and correction work and we will not be subject to any retrospective penalty solely for recovering, processing and selling the relevant iron ore products during our consolidation and correction work prior to obtaining relevant new mining permits and safety production permits.

Recognizing that our Company has successfully completed the consolidation work during the past years, improved the efficiency at our mines, contributed to the increase of the fiscal income of Laiyuan County and improved the local employment level, the People's Government of Laiyuan County designated our Group as a consolidation principal to further integrate the mineral resources, such as iron, lead and zinc, in Laiyuan County, according to a confirmation letter it issued on May 23, 2013.

Relevant Rights and Permits

According to our PRC legal counsel, Commercial & Finance Law Offices, iron ore mining enterprises in China must obtain a mining permit and a safety production permit for each mine to conduct iron ore mining activities. When a mine includes any tailings dam, a separate safety production permit must also be obtained for the tailings dam. The following table summarizes information about our mining permits, safety production permits and waste discharge permits for mining.

Mine	Registered owner of mining permit	Expiration Date of mining permit	Expiration date of safety production permit for mining	Expiration date of safety production permit for tailings dams	Expiration date of waste discharge permit for mining
Gufen Mine	Xinxin Mining	January 23, 2023	September 9, 2016	January 7, 2016/ June 6, 2016[1]	October 23, 2014
Wang'ergou Mine	Jingyuancheng Mining	January 23, 2023	September 9, 2016	March 3, 2016	October 23, 2014
Shuanmazhuang Mine	Jingyuancheng Mining	January 23, 2023	September 9, 2016	March 3, 2016	October 23, 2014
Zhijiazhuang Mine	Jiheng Mining	April 12, 2022	December 4, 2015	N/A	April 26, 2014

Note:

(1) Xinxin Mining currently has two tailings dams in use, namely, Xiaomazong and Taohuazui tailings dams. The safety production permit for Taohuazui tailings dam will expire on January 7, 2016, and that for Xiaomazong tailings dam will expire on June 6, 2016.

The following table sets out the respective Existing Mining Capacity, Permit Stated Mining Capacity and Planned Mining Capacity of our mines.

	Gufen Mine	Wang'ergou Mine	Shuanmazhuang Mine	Zhijiazhuang Mine
Existing Mining Capacity (Mtpa)[1]	2.2	2.2	3.8	2.2
Planned Mining Capacity (Mtpa)[1]	5.0	5.2	8.8	2.4
Permit Stated Mining Capacity (Mtpa)[2]	3.0	2.4	4.0	1.0

Notes:

(1) Based on JORC Code compliant reserves with a cut-off grade of 8%.

(2) Based on Permit Applied Grade, which is 15% TFe for Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine and 25% TFe for Zhijiazhuang Mine. Our production volume of iron ores at or above the Permit Applied Grade shall not exceed the Permit Stated Mining Capacity prescribed in the relevant mining permits.

The Existing Mining Capacity and the Planned Mining Capacity for each of our mines were calculated based on the JORC Code compliant cut-off grade of 8% to maximize the recovery of iron ore resources that have economic value. This cut-off grade has been confirmed by SRK as reasonable. The Permit Stated Mining Capacity for each of our mines, in contrast, reflects the fact that the mining capacity stated in the mining permit for each of our mines only limits our capacity to mine iron resources with grades above the applicable Permit Applied Grade (which, as confirmed by Hebei Provincial Department of Land and Resources, is 15% for the Dushancheng mining area and 25% for the Zhijiazhuang mining area). We may mine, and utilize, iron resources with grades that are below the relevant Permit Applied Grade without having such iron ore resources counted towards the Permit Stated Mining Capacity for the relevant mine by the authorities. Therefore, the Planned Mining Capacity at each of our mines (and the Existing Mining Capacity at our Zhijiazhuang Mine) are higher than the relevant Permits Stated Mining Capacity, as they reflect all reserves above the cut-off grade of 8% (and not only those above the relevant Permit Applied Grade). Based on the above, our PRC legal counsel, Commerce & Finance Law Offices, is of the view that we (i) will not be considered as over producing as long as the total amount of iron ores at or above the Permit Applied Grade recovered is not more than the Permit Stated Mining Capacity; and (ii) will not be penalized for the utilization or sales of the iron ores of a grade below the Permit Applied Grade, provided that the amount of the iron ores at or above the Permit Applied Grade recovered during the mining process is within the Permit Stated Mining Capacity.

We have implemented internal control measures to closely monitor the production volume during trial and commercial production periods. Such internal control measures require our production and technology department to carefully establish a monthly production plan based on the target annual production volume set out by our operation and strategy department in an annual production plan at the end of the immediately preceding year. The annual production plan includes the planned production volume for both iron ores above and below Permit Applied Grade for the following year with reference to current year's production record, mine geology and market conditions for each of our four mines. The managing director of each of our three subsidiaries will submit daily and monthly production volume reports to our production and technology department which is responsible for monitoring production volume. If the accumulated annual actual volume at the end of a month exceeds the planned volume, our production and technology department will adjust the production plan accordingly in the subsequent months within the same year to ensure the actual volume within the year will not exceed the annual production plan. Our Directors believe that strict adherence to the execution of such production plan will ensure our production volume of iron ores above Permit Applied Grade will not exceed the Permit Stated Mining Capacity prescribed in the relevant mining permits and licenses. Based on the review conducted in June 2013, Protiviti, an independent control consultant, is of the view that our internal control design is adequate and sufficient to prevent over-production. Based on the review conducted in September 2013, Protiviti also noted that the above-mentioned controls have been implemented according to the design. Protiviti considers that the operation of the enhanced internal controls related to the production volume monitoring should be effective if the designed controls are carried out on an ongoing basis till year end.

Under PRC laws, if residual reserves, which have been recorded with the relevant land and resource authority and are located in the original mining area, remain after a mining permit has expired, the holder of such mining permit has a pre-emptive right to apply for renewal for an additional term. There is no minimum residual reserve requirement for the renewal of mining rights, provided that any residual reserves remain. Apart from the residual proved and probable reserves within a mining area, there are also other conditions affecting the application for extension for additional terms, including but not limited to, the timely application for extension, the submission of all necessary materials, the timely and sufficient payment of the deposit to guarantee the performance of obligations to restore the environment of the relevant mines by the holder of such mining rights, and no disputes regarding the mining right. If any of our mines has any residual proved and probable reserves when its mining permit has expired, we intend to apply to renew the mining permit. Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that if the current relevant PRC laws and regulations, as well as the current mining industry policy, remain unchanged at the time of our extension application and we have fulfilled all the substantive and procedural conditions required by the relevant PRC laws, rules and regulations and other requests of the competent authorities at that time, there would be no material legal impediments to renewing our mining permits for our mines when they expire. In addition, both the safety production permit and waste discharge permit are renewable upon expiration in accordance with relevant laws and regulations and requirements of competent authorities. See "Risk Factors – Our failure or inability to obtain, retain or 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."

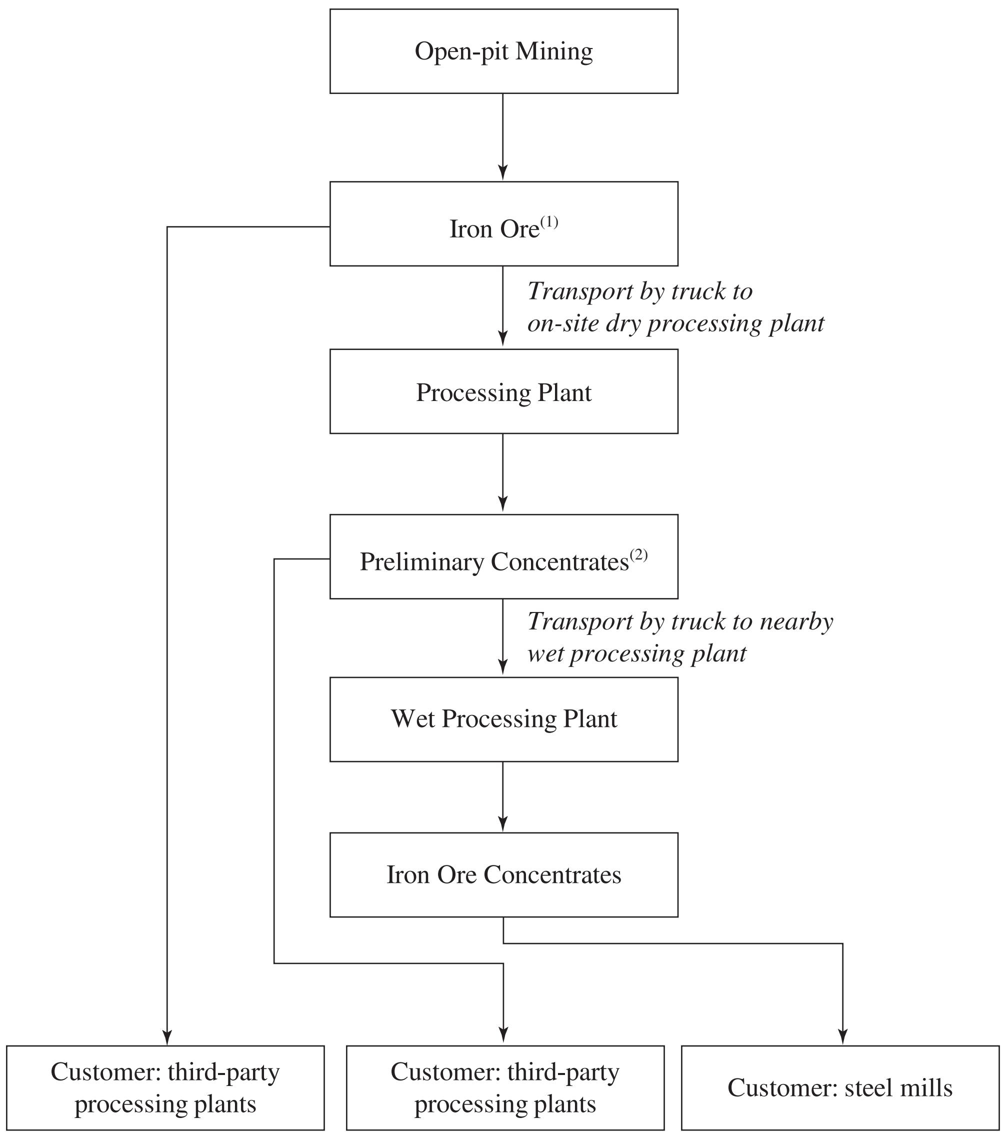
In addition, registered holders of mining permits are required to pay, among other things, mining right fees and premium and resources tax to the government. The registered holders are required to submit production reports and annual financial reports in this verification process. In 2010, 2011, 2012 and the six months ended June 30, 2013, the mining right fees and premium incurred amounted to RMB42.1 million, RMB43.8 million, RMB142.3 million and RMB223.2 million, respectively. The resources tax incurred amounted to RMB14.3 million, RMB25.9 million, RMB30.2 million and RMB27.5 million, respectively, in the same periods.

Moreover, pursuant to the relevant rules and regulations of the PRC, we have the obligation to provide rehabilitation fees for all of our mines. We estimate that our liabilities for final rehabilitation fees based upon detailed calculations of the amount and timing of the future cash spending to perform the required work, with reference to a third-party evaluation report. Estimated rehabilitation fees are increased for inflation, then discounted at a 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. We record a corresponding asset associated with the liability for final rehabilitation fees, which is based on an independent third-party report with necessary adjustments. The obligation and corresponding asset are recognized in the period in which the liability is incurred. The asset is depreciated using the units-of-production method over its expected life and the liability is credited on the projected spending date. The Directors believe that the approach adopted by us for rehabilitation costs as described above is in line with the industry norm and in accordance with accounting standards. As of December 31, 2010, 2011, 2012 and June 30, 2013, the carrying value of obligations for rehabilitation fees (inclusive of current portion) provided for by us was RMB41.1 million, RMB43.8 million, RMB46.7 million and RMB47.3 million, respectively. We amortized RMB0.8 million, RMB1.3 million, RMB1.1 million and RMB1.0 million as the rehabilitation fee in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively, with an average rehabilitation cost per tonne of iron ore mined of RMB0.23, RMB0.28, RMB0.29 and RMB0.18 in the same periods. Based on the above, the Directors believe that our provision for rehabilitation was adequate during the Track Record Period.

MINING OPERATIONS AND PROCESSING FACILITIES

Overview

Our manufacturing process involves mining and processing. The following chart summarizes and illustrates the standard workflow from iron ores to iron ore concentrates production at our mines and processing facilities.



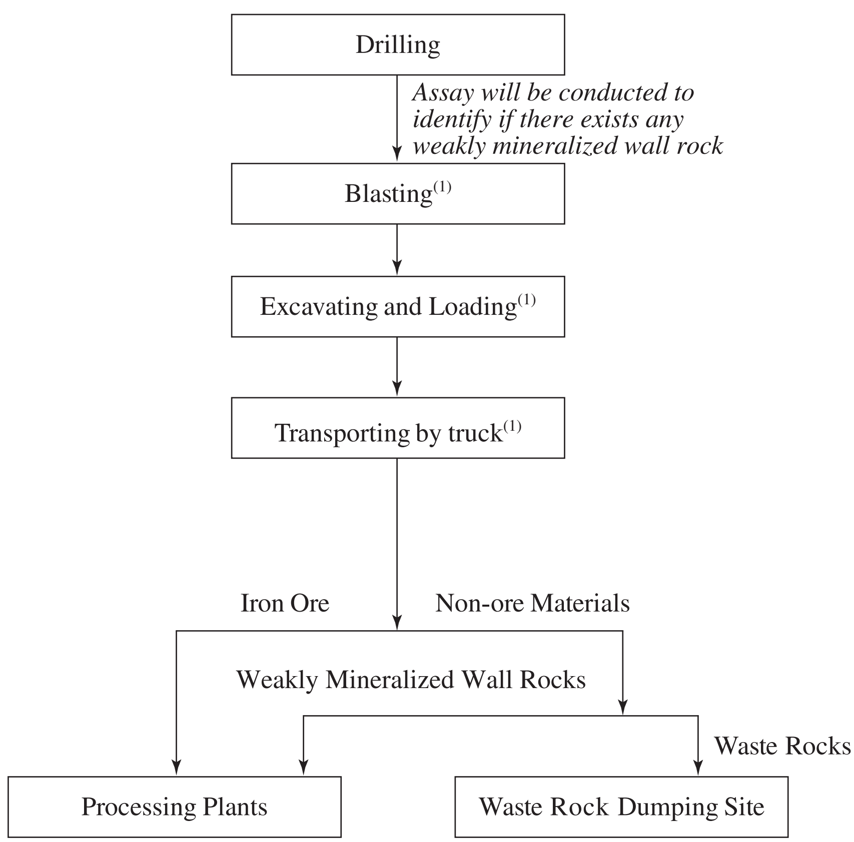
Notes:

(1) During the Track Record Period, all iron ores sold were produced by Jiheng Mining.

(2) During the Track Record Period, all preliminary concentrates sold were produced by Jiheng Mining.

Mining

We adopt open-pit mining at all our mines. Our reserves generally have geological conditions and characteristics favorable to low-cost mining and processing. In particular, Dushancheng mining area, in which Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine are located, comprises bedded rock deposits with simple engineering geological conditions. In addition, the boundaries between most of the ore bodies and wall rocks are clear. Open-pit mining is undertaken using conventional truck and shovel mining techniques. Waste rocks on the surface are first removed, and then the ore underneath is extracted by drilling, blasting and excavation. The extracted iron ores are separated from wastes and sorted ores are transported by truck to processing plants. The equipment we use includes down-hole drill rigs, mobile air compressors, hydraulic excavators and dump trucks. The following chart demonstrates the general mining process at our mines.



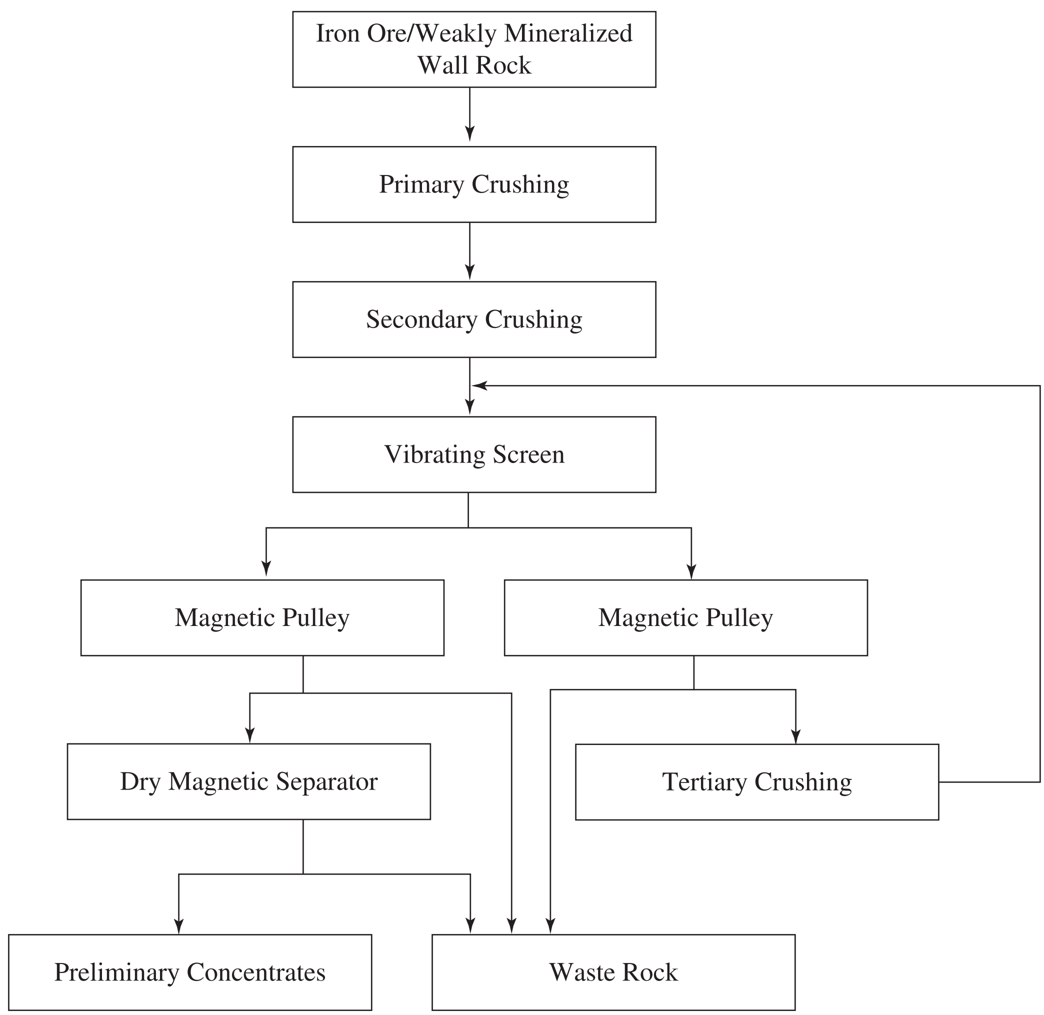
Note:

(1) The blasting, excavating and loading and transportation are outsourced to independent third-party service providers.

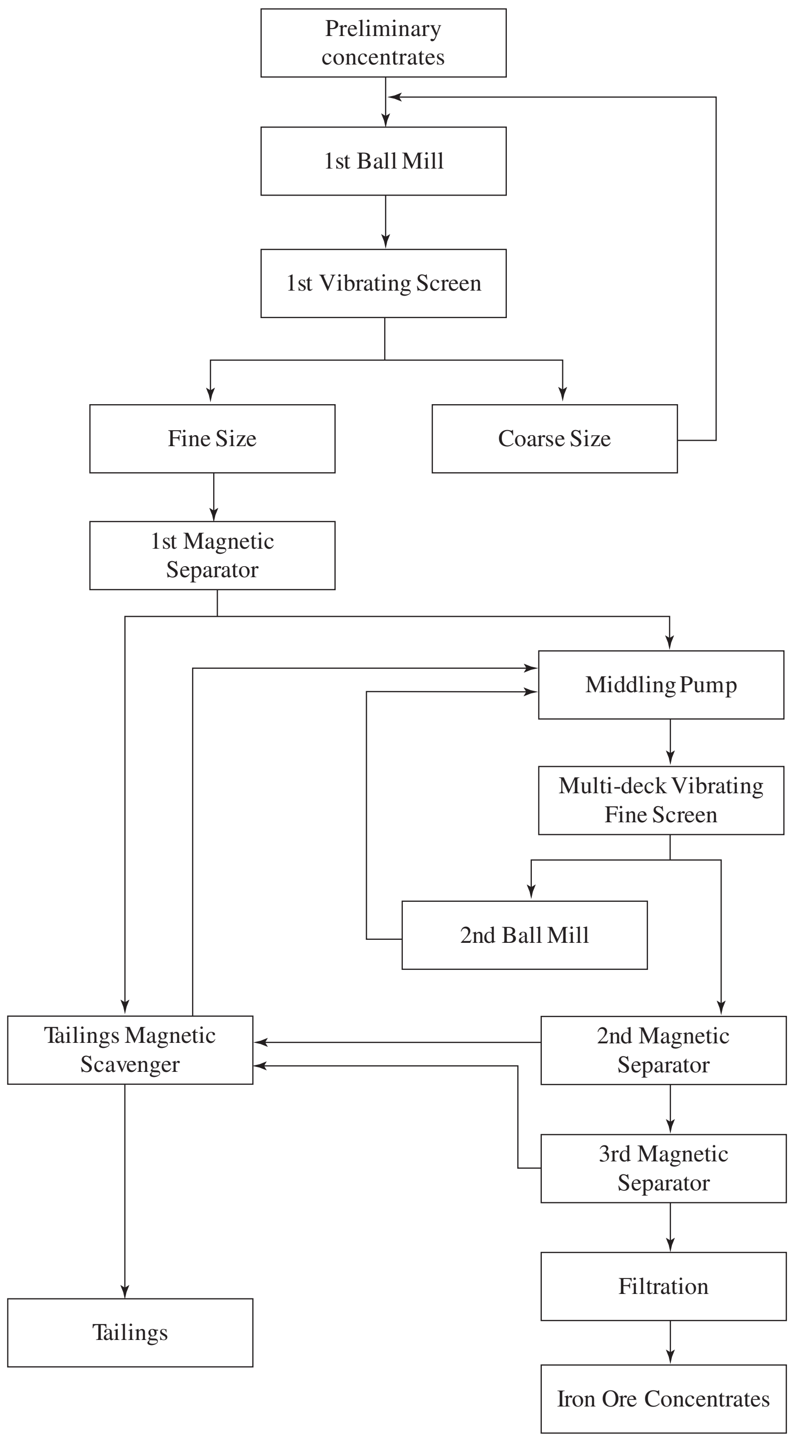
According to the CPR, Xinxin Mining and Jingyuancheng Mining may adopt underground mining for stage two after stage one, which, as of June 30, 2013, was expected to be 13 years later for Xinxin Mining and 12 years later for Jingyuancheng Mining.

Dry Processing and Wet Processing

We use magnetic separation methods in the production of iron ore concentrates. The extracted ores, transported by truck to the dry processing plants, are crushed and then separated by using dry magnetic separation. Dry magnetic separation is designed to prediscard waste rocks in the iron ores and improve the feed grade for grinding to an appropriate level. The following flowchart demonstrates the key stages of the dry magnetic separation process.



After dry magnetic separation process, preliminary concentrates will be further processed by wet magnetic separation. Our methods are environmentally friendly because they do not require any use of chemical additives and result in only a limited quantity of waste water, which is recycled and reused. Iron ores are further crushed and screened to remove gangue and then undergo wet ball-milling and magnetic separation processes to separate iron ore concentrates, with tailings disposed in tailings reservoirs. To maximize the separation of iron ore concentrates and enhance their iron content, the iron ore concentrates undergo the magnetic separation process three times. The following chart demonstrates the key stages of the wet magnetic separation process.



Processing Facilities

As of June 30, 2013, we owned and operated seven on-site dry processing plants and three associated wet processing plants to process iron ores and weakly mineralized wall rocks extracted from our mines. The following table sets forth the processing capacity and utilization rate of processing plants of each mining subsidiary for the periods indicated.

		Year ended December 31,						Six months ended June 30,	
		2010		2011		2012		2013	
Associated Company	Processing Facility	Processing Capacity (Kt)	Utilization Rate (%) (1)	Processing Capacity (Kt)	Utilization Rate (%) (1)	Processing Capacity (Kt)	Utilization Rate (%) (1)	Processing Capacity (Kt)	Utilization Rate (%) (1)
Xinxin Mining . . .	Dry Processing Plant(s)	4,500	86.63	5,650	60.28	4,550	60.61	2,250	61.82%
	Wet Processing Plant(s)	1,360	68.59	1,360	57.08	1,360	45.88	680	62.55% (2)
Jingyuancheng	Dry Processing Plant(s)	6,252	64.74	8,235	61.34	9,218	56.38	5,270	53.81%
Mining	Wet Processing Plant(s)	1,540	71.87	2,163	65.76	2,090	56.51	1,268	81.23% (3)
Jiheng Mining . . .	Dry Processing Plant(s)	200	36.60	1,200	46.23	1,200	96.28 (4)	1,650	109.40% (5)

Notes:

(1) The utilization rate of a processing plant is calculated by dividing the volume of feed material (iron ore or weakly mineralized wall rock for dry processing plant and preliminary concentrates for wet processing plant) processed during the period with the designed processing capacity.

(2) The utilization rate of the wet processing plant(s) of Xinxin Mining increased from 45.88% in 2012 to 62.55% in the six months ended June 30, 2013, primarily due to the increase of feed preliminary concentrates. Since March 2013, Jiheng Mining has utilized Xinxin Mining's wet processing facilities to process a portion of its preliminary concentrates into iron ore concentrates. See Section 8.4.5 of the CPR attached as Appendix IV to this Prospectus.

(3) The utilization rate of the wet processing plant(s) of Jingyuancheng Mining increased from 56.51% in 2012 to 81.23% in the six months ended June 30, 2013, primarily due to the increase of feed preliminary concentrates. Since April 2013, Xinxin Mining has utilized Jingyuancheng Mining's wet processing facilities to process a portion of its preliminary concentrates into iron ore concentrates. See Section 8.4.5 of the CPR attached as Appendix IV to this Prospectus.

(4) The utilization rate of the dry processing plant(s) of Jiheng Mining increased from 46.23% in 2011 to 96.82% in 2012, primarily due to the increase of feed weakly mineralized wall rocks.

(5) During the six months ended June 30, 2013, the actual volume of feed material exceeded the designed processing capacity as the actual operating days of the dry processing plant of Jiheng Mining exceeded the initial designed operating days of 300-day per year; after months of testing and operations, the performance of the plant exceeded the expectations and our Group confirmed that the plant can be operated safely and effectively over the designed operating days.

The volatility of our utilization rate was due to the fact that during the Track Record Period, we primarily focused on performing consolidation and correction work in connection with the consolidation of mines we had acquired, including slope correction, waste rock stripping and revamping or disposing outdated iron ore processing facilities. See "– Mines, Mineral Resources and Mining Rights – Consolidation and Correction Work at our Mines." With a focus on performing consolidation and correction work, the volume of weakly mineralized wall rocks or iron ores recovered and processed during the Track Record Period were below the level during trial or commercial production, leading to the low utilization rate of our processing plants. In addition, we ceased operations of certain acquired processing plants temporarily for inspection, integration or relocation. As a result, the actual feed volume of weakly mineralized wall rocks or iron ores were lower than the annual designed processing capacity, which also contributed to the low utilization rate of our processing plants.

We believe that if all of our mines reach their Planned Mining Capacity, our current processing capacity will not meet our business needs. In line with our mining and processing plan, we expect to upgrade and resume the operations of certain closed processing plants as well as build new ones to increase our iron ore concentrates production. See "– Production Expansion Plans" and "Future Plans and Use of Proceeds – Use of Proceeds."

Tailings Facilities

As of June 30, 2013, we had three tailings dams, two of which are owned by Xinxin Mining, namely, Xiaomazong Tailings Dam and Taohuazui Tailings Dam and one owned by Jingyuancheng Mining, namely, Chengzigou Tailings Dam. In addition, Jingyuancheng Mining plans to build two new tailings dams, Dabugou Tailings Dam and Xiaobugou Tailings Dam, and Jiheng Mining plans to build a new tailings dam by June 2014. The table below sets forth certain designed parameters of our tailings dams*.

	Xinxin Mining		Jingyuancheng Mining		
Tailings Dams	**Xiaomazong**	**Taohuazui**	**Chengzigou**	**Dabugou[(1)]**	**Xiaobugou[(2)]**
Storage (1,000 m^3)	5,400	6,200	4,490	8,000	6,000
Effective Storage (1,000 m^3)	3,800	4,300	4,250	7,500	4,900
Initial Dam Height (m)	25	21	24	22	23
Accumulated Dam Height (m)	64	64	68	77	75
Total Height (m)	89	85	92	99	98
Total Tailings Output from 2013 (1,000 m^3) [(3)]	16,128		24,890		
Remaining Life (Year) (as of December 31, 2012)	13.4		11.4		

Notes:

(1) Dabugou Tailings Dam is expected to be constructed from the second half of 2013.

(2) The construction time for Xiaobugou Tailings Dam has not been determined yet.

(3) The total amount of tailings output during the mine life for Xinxin Mining and Jingyuancheng Mining, respectively.

* The new tailings dam at Jiheng Mining is still being designed and its design parameters are not yet available.

Major Equipment

Our major mining equipment includes, among other things, drills, excavators, dump trucks, air compressors, front end loaders, and explosive bulk trucks. Major equipment for processing includes, among other things, crushers, magnetic pulleys, vibrating screens, feeders, ball mills, magnetic separators, slurry pumps and cylinder type inner vacuum filters. Except for the equipment necessary for blasting, loading and transportation, such as heavy dump trucks and excavators, which are supplied by the relevant contractors for such operations, we own all other major equipment for mining and processing operations. See "– Third-party Contractors."

Transportation

On our mining sites, we engage third-party transportation teams to deliver the iron ores and weakly mineralized wall rocks to on-site dry processing plants and preliminary concentrates to our wet processing plants. During the Track Record Period, the majority of our preliminary concentrates produced were transferred to our wet processing plants for processing into high-grade iron ore concentrates. All the on-site dry processing plants of our mines are within 0.5 km of the corresponding mining site, and the associated wet processing plants for Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine are within approximately six to 11 km of their respective mining sites.

Our iron ore concentrates are primarily sold to steel mills in Hebei Province. All of our current iron ore concentrates customers are in Hebei Province and within 500 km of our mines. Under most of the sales agreements with these customers, it is our customers' responsibility to arrange the transportation of the products by contracting with third-party transporting companies. Nevertheless, with respect to our largest customer historically, Aoyu Steel, we were responsible for arranging the transportation by contracting third-party transporting companies to deliver the products for Aoyu Steel in 2010 and 2011. See "– Third-party Contractors."

Our iron ores and preliminary iron ore concentrates are sold to local iron ore processing companies. According to the sales agreements with these customers, the customer is responsible for arranging the collection of the products at our mining sites or processing plants themselves.

PRODUCTION EXPANSION PLANS

To capitalize on the strong demand for iron ore concentrates, we plan to expand our iron ore mining capacity and iron ore concentrates processing capacity. We are implementing or will implement the following plans to increase our mining and iron ore concentrates processing capacities.

- ***Expand mining capacity by stripping engineering and slope correction***

  We plan to increase our mining capacity through on-going slope correction and stripping engineering. Our target is to expand our mining capacity based on JORC Code compliant reserves with a cut-off grade of 8% from 10.4 Mtpa in 2013 to 21.4 Mtpa by the end of 2015. According to the confirmation letters issued by the Hebei Provincial Department of Land and Resources, the Permit Applied Grade adopted by the Hebei Provincial Department of Land and Resources in granting the relevant mining permits with

Permit Stated Mining Capacity is 15% for the Dushancheng mining area and 25% for the Zhijiazhuang mining area. Based on these confirmation letters and confirmation by the Environmental Protection Bureau of Hebei Province and the Hebei Administration of Work Safety, we are entitled to utilize the iron ores with a TFe grade below the Permit Applied Grade, which are not recognized as ores extracted under the Permit Stated Mining Capacity by such relevant authorities. Therefore, although our aggregate Planned Mining Capacity exceeds the aggregate Permit Stated Mining Capacity, which is 10.4 Mtpa, the excess will not be regarded as over-production. In order to prevent over-production, we have implemented internal control measures to closely monitor the production volume of iron ores both above and below the Permit Applied Grade, see "– Relevant Rights and Permits." As a result, we are currently not required, and we do not have the intention, to obtain new mining permits and licences in order to meet our projected business plan and production schedule. In the event that we have to obtain new mining permits and licenses, we will spare sufficient time for the application process to avoid inadvertent over-production. Our internal control measures closely monitor the production volume of iron ores both above and below the Permit Applied Grade on a regular basis, and therefore we will have advance notice if there is a need to apply for new mining permits and licenses in order to increase our Permit Stated Mining Capacity. According to our PRC legal counsel, Commerce & Finance Law Offices, as long as our Company has fulfilled all the substantive and procedural conditions required by the relevant PRC laws, rules and regulations, and other requests of the competent authorities at that time, there would be no material legal impediments to our Company obtaining such new mining permits. In order to achieve the Planned Mining Capacity, the total estimated investment required will be approximately RMB346.4 million. In the first half of 2013, we had incurred RMB77.8 million for the project. See Tables 7–14, 7–15, 7–16 and 11–3 of the CPR attached as Appendix IV to this Prospectus.

- ***Expand processing capacity by technical renovation and construction of new processing plants***

For Xinxin Mining, we plan to spend RMB9.8 million to renovate the processing plants at Gufen Mine, such as replacing the belt conveyer's waste rock electrical roller and building a high-press roller crusher for three dry processing plants, adding certain processing equipment such as a high-press roller crusher and magnetic separators. We expect to complete these upgrades by the end of 2013. As of June 30, 2013, we had not incurred any costs for these projects.

For Jingyuancheng Mining, we plan to spend RMB11.38 million to renovate two existing dry processing plants in 2013 to reduce the product's grain size and increase the grade. In addition, we plan to invest RMB52.0 million and RMB40.7 million to build the third dry processing plant and the second wet processing plant, respectively, which are expected to be completed in September 2014 and October 2015, respectively. Furthermore, we plan to spend RMB7.0 million to build a new tailings dam, which is expected to be completed by the end of 2014. As of June 30, 2013, we had not incurred any costs for these projects.

For Jiheng Mining, we plan to invest RMB84.4 million to build a wet processing plant with an annual production capacity of 1.0 Mtpa of iron ore concentrates, which is expected to be completed in June 2014, and RMB14.4 million to construct an associated tailings storage facility by June 2014. The wet processing plant is proposed to be built in Muji Village, Yangjiazhuang Town, Laiyuan County. The chosen location has favorable access to local power supply. It is around eight km away from Zhijiazhuang Mine and is around three km from National Highway No. 108. As of June 30, 2013, we had not incurred any costs for these projects.

The following table sets forth the total mining and iron ore concentrates processing capacity before and after the implementation of these expansion plans.

Operation	Existing capacity (Ktpa)(1)	Planned capacity (Ktpa)(2)		
	(as of June 30, 2013)	(as of December 31, 2013)	(as of December 31, 2014)	(as of December 31, 2015)
Mining Capacity				
Gufen Mine	2,200	2,900	3,900	5,000
Wang'ergou Mine and Shuanmazhuang Mine	6,000	8,000	11,000	14,000
Zhijiazhuang Mine	2,150	2,300	2,400	2,400
Total	**10,350**	**13,200**	**17,300**	**21,400**
Dry Processing Capacity				
Gufen Mine	4,500	5,750	5,750	5,750
Wang'ergou Mine and Shuanmazhuang Mine	7,300	9,600	17,600	17,600
Zhijiazhuang Mine	3,700	4,200	4,200	4,200
Total	**15,500**	**19,550**	**27,550**	**27,550**
Wet Processing Capacity				
Gufen Mine	1,360	1,600	1,600	1,600
Wang'ergou Mine and Shuanmazhuang Mine	2,400	2,400	3,500	4,700
Zhijiazhuang Mine	N/A	N/A	1,600	1,600
Total	**3,760**	**4,000**	**6,700**	**7,900**

Notes:

(1) "Existing capacity" refers to the existing mining or processing capacity, as the case may be, as of June 30, 2013.

(2) "Planned capacity" refers to the expanded mining or processing capacity that may be achieved in line with our mining and processing capacity expansion plan.

Planned technical renovation and new construction at our operating processing plants are expected to be completed by the end of 2015. By then, our total annual mining capacity is expected to reach approximately 21.4 Mtpa, our dry processing capacity is expected to reach approximately 27.6 Mtpa and our wet processing capacity is expected to reach approximately 7.9 Mtpa. The total estimated capital expenditures for the expansion plan (excluding loan interest) is expected to be RMB1,952.8 million for the three years from 2013 to 2015. As of June 30, 2013, we had incurred RMB961.8 million for the projects.

The table below sets forth details of our capital expenditures by mine for the periods indicated.

	2H 2013	2014	2015
	(RMB in millions)		
Gufen Mine	64.3	73.6	85.3
Wang'ergou Mine and Shuanmazhuang Mine	138.4	170.5	196.8
Zhijiazhuang Mine	48.9	146.5	66.7
Total	**251.6**	**390.6**	**348.8**

The table below sets forth details of our capital expenditures by usage for the periods indicated.

	2H 2013	2014	2015
	(RMB in millions)		
Engineering	183.6	267.7	142.6
Including: Development Engineering	76.7	101.8	90.1
Construction	64.7	79.5	20.1
Facility Purchase	39.8	73.4	27.2
Installation	2.5	13.0	5.3
Other Expenditures	14.4	22.4	57.6
Contingency Allowance	16.1	12.8	7.7
Intangible Assets	–	–	–
Mining Right	20.0	48.0	105.3
Working Capital	17.5	39.7	35.6
Total	**251.6**	**390.6**	**348.8**

See Table 11–3 of the CPR attached as Appendix IV to this Prospectus.

We intend to finance our capital expenditures to be invested from July 1, 2013 to the end of 2015 with an aggregate amount of RMB991.0 million through a combination of funds generated from our operations and net proceeds of the Global Offering, among which, approximately RMB625.5 million is expected to be funded by the net proceeds of the Global Offering and the remaining amount is expected to be funded by the net cash generated from our operating activities.

THIRD-PARTY CONTRACTORS

We engage several independent third-party service providers to provide certain services in our production process, including blasting, loading and transportation services.

With respect to the blasting operation, we have engaged two third-party service providers, Tangshan Hengsheng and Blasting Service Team of Laiyuan County Civil Explosive Equipment Sales Company (淶源縣民用爆破器材專營公司爆破服務大隊), both of which have been Independent Third Parties. The services we procure from these blasting companies generally include blasting planning, drilling and execution, and the transportation and storage of explosives. The term of such agreements that we entered into with the blasting companies is typically one year but could be extended as agreed by both parties. Prior to 2012, we engaged several individuals conducting blasting services. See "– Regulatory Compliance." We usually pay the service providers service fees in consideration for their services based on the total volume of the blasted area and the unit price is determined by the geological features of the blasted area. The aggregate fees to our providers for blasting services incurred in 2010, 2011, 2012 and the six months ended June 30, 2013 were RMB37.6 million, RMB80.2 million, RMB87.0 million and RMB53.7 million, respectively. Furthermore, the service contracts specify that the service providers shall be responsible for ensuring the safety of the relevant parties and bear all the potential liabilities arising from the operation of blasting activities.

During the Track Record Period, we outsourced the loading and transportation of iron ores to an independent transportation company, Laiyuan Ao Tong Transportation Co., Ltd. (淶源縣奧通運輸有限公司). According to the relevant transportation agreement, we mainly outsourced the on-site transportation of iron ores to such contractor except historically we also engaged Laiyuan Ao Tong Transportation Co., Ltd. to deliver products to Aoyu Steel. In each case of on-site transportation and product delivery, Laiyuan Ao Tong Transportation Co., Ltd. was responsible for providing vehicles and competent drivers to carry out the services. The term of such agreement with the transportation company is typically one year. In relation to the transportation fees, we usually pay the service provider based on the total weight of iron ore products to be delivered and the price per tonne is determined by various factors including the slope of the route, conditions of the road and the distance. The aggregate fees to these service providers incurred in 2010, 2011, 2012 and the six months ended June 30, 2013 were RMB11.2 million, RMB79.2 million, RMB105.9 million and RMB61.6 million, respectively. The service agreements typically provide that any liabilities arising from traffic accidents or personal injuries during the transportation shall be entirely borne by the transportation companies.

All above-mentioned third-party service providers currently engaged by us have obtained all material licenses and permits that are statutorily required to conduct their activities. We have stringent selection processes to determine the engagement of qualified third-party service providers and certain key factors we would consider when selecting third-party service providers include whether such service providers hold the required licenses and possess the appropriate qualifications, and the terms and scope of their services including price. Additionally, we usually adopt a bidding process to select the qualified third-party service provider from eligible candidates. Furthermore, on-going inspections are also carried out to ensure such contractors comply with all applicable rules and the contractual terms. We do not expect any significant difficulties in replacing these service providers on the market if such needs arise.

We believe these third-party service arrangements provide several benefits. First, we not only reduce our operating costs as most of the workers of these service providers are experienced in mining or related services and highly productive, but also get immediate access to skilled labor, which would be time-consuming to train in-house. In addition, we are able to reduce our capital expenditures as certain major equipment used in our operating process is supplied by the contractors themselves. By retaining such service providers, we may also mitigate and transfer our exposures to high-risk operations. Moreover, we believe that we will maintain operational flexibility because we will not need to maintain these arrangements once the economic lives of our mines run out.

PROCUREMENT, MAJOR SUPPLIERS AND UTILITIES

We have a procurement department and an equipment administration department which coordinate the purchase, usage and maintenance of mining equipment. Each of our mines has dedicated maintenance personnel responsible for periodic inspections, maintenance and repair. We have daily and regular maintenance schedules in our mines to monitor mining conditions. Our major suppliers include suppliers of machinery and equipment, spare parts, diesel fuel, explosives and other production-related materials.

During the Track Record Period, we generally purchased processing equipment from Metso Minerals (Tianjin) International Trade Co., Ltd. (美卓礦機(天津)國際貿易有限公司), diesel fuel through Guangtai Gas Station in Yangjiazhuang Town, Laiyuan County (淶源縣楊家莊鎮廣泰加油站), explosive materials from Laiyuan County Civil Explosive Equipment Sales Company (淶源縣民用爆破器材專營公司), and certain auxiliary materials, such as spare parts and steel grinding balls used in our iron ore processing, through CNBM Ningguo Xinma Wear-resistant Material Co., Ltd. (中建材寧國新馬耐磨材料有限公司). The purchase prices are determined based on prevailing market prices. For machinery and equipment, we generally prepay a portion of the prices within seven days after the signing of the contract and pay the remaining balances no later than five working days before the delivery. For diesel fuel, explosives and other production-related consumables, we typically settle the purchase prices monthly in three installments.

We had 72, 69, 77 and 76 third-party suppliers in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. In the same periods, our purchases of supplies from our five largest suppliers amounted to RMB72.7 million, RMB216.8 million, RMB260.1 million and RMB156.1 million, respectively, representing 32.8%, 42.6%, 37.9% and 42.2% of our total purchases in the relevant period. During the same periods, our purchases of supplies from our single largest supplier amounted to RMB25.9 million, RMB79.2 million, RMB105.9 million and RMB61.6 million, respectively, representing 11.7%, 15.5%, 15.4% and 16.6% of our total purchases in the relevant period.

Certain key factors that we would consider in selecting third-party suppliers include whether such service providers hold the required licenses and possess the appropriate qualifications, and the terms and scope of their services, such as price. Additionally, we usually adopt a bidding process to select the qualified third-party supplier from multiple eligible candidates. On-going inspections are also carried out to ensure such suppliers comply with all applicable rules and the contractual terms. We do not expect any significant difficulties in replacing these suppliers on the market if such needs arise.

As of the Latest Practicable Date, none of our Directors, their respective associates or any Shareholders owning more than 5.0% of our issued Shares, to the knowledge of our Directors, had any interest in any of our five largest suppliers during the Track Record Period.

Our operations use electricity supplied by the state power grid. The price of electricity is under government control. During the Track Record Period up to the Latest Practicable Date, we did not experience any power supply suspensions or shortages that resulted in a material interruption to our operations. SRK is of the view that the power supply is adequate to satisfy our operational needs and usage both at the present and in the future, taking into account our planned expansion of capacity. Water supplies for both Xinxin Mining and Jingyuancheng Mining are sourced from Tanghe River. For Jiheng Mining, the drainage water from the open-pit is used to supply water. SRK is of the view that the available water supply is sufficient to support our mining and processing operations both at the present and in the future, taking into account our planned expansion of capacity. We also recycle and reuse water. Our total costs for electricity and water supplies amounted to RMB30.2 million, RMB40.6 million, RMB38.7 million and RMB29.0 million in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively.

QUALITY CONTROL

We believe maintaining a high product quality standard is key to our success. As of June 30, 2013, our quality control department had a total staff of 24 persons, including one senior engineer and seven additional engineers with years of experience in the field. Our quality control department performs on-site inspections of our mines and processing plants. We monitor our production processes closely by taking samples at different stages and examining them at our laboratories. During the Track Record Period, we did not receive any complaints regarding the quality of our products that had a material adverse effect on our business, financial condition or results of operations.

PRODUCTS

Our main products during the Track Record Period were iron ore concentrates, preliminary concentrates and iron ores. During the Track Record Period, we sold iron ore concentrates produced at Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine. With respect to Zhijiazhuang Mine, we mainly sold preliminary concentrates and iron ores during the Track Record Period. However, since March 2013, Jiheng Mining has utilized Xinxin Mining's wet processing facilities to process a portion of its preliminary concentrates into iron ore concentrates. See Section 8.4.5 of the CPR attached as Appendix IV to this Prospectus. As a result, apart from iron ores and preliminary concentrates, Jiheng Mining has also been selling iron ore concentrates since April 2013.

According to the CPR, our iron ore concentrates have a number of commercially attractive attributes, including relatively high iron content and low levels of impurities, such as sulphur, phosphorus, silicon and titanium; and are therefore more attractive to steel mills than those with high levels of impurities. Iron ore concentrates produced at Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine were all acidic iron ore concentrates, with an average grade of more than 66% TFe during the Track Record Period.

According to the CPR, iron ores recovered from Zhijiazhuang Mine are known as alkaline iron ores and have a relatively high grade. The iron ore concentrates processed from alkaline iron ores have certain commercially attractive attributes, including a high content of MgO, which can function as a blending material to adjust the pH value of the component materials used in iron making so that no or minimal flux would be needed in the process, which prevents the grade decrease of the component materials. Therefore, they reduce coke consumption, improve furnace efficiency and lower iron making costs. In addition, we also sold preliminary concentrates processed from the iron ore mined at Zhijiazhuang Mine. The preliminary concentrates produced at Zhijiazhuang Mine have the same commercially attractive attributes as described above.

During the Track Record Period, the weakly mineralized wall rocks from Zhijiazhuang Mine were processed into preliminary concentrates for sale and the iron ores mined at Zhijiazhuang Mine were sold without processing. However, upon completion of the proposed expansion of dry processing capacity, and construction of a wet processing plant for Zhijiazhuang Mine expected in June 2014, the preliminary concentrates and iron ores from Zhijiazhuang Mine are planned to be further processed into iron ore concentrates for sale.

The quality of iron ores and iron ore products could be determined by many criteria, such as the level of impurities, TFe grade and mFe grade. SRK is of the view that the description and use of the terms of "high grade" or "low grade" as set out in the CPR are only a relative description comparing the iron ore grades of the four iron mines in this region. Generally iron ore with a TFe grade equal or more than 20% is defined as "high grade" iron ore, while iron ore with a TFe grade below 20% is defined as "low grade" iron ore. Accordingly, the iron ores from Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine are referred to as low grade iron ores as the average TFe grade of iron ores from these mines are less than 20%, and the iron ores from Zhijiazhuang Mine are referred to as high grade iron ores as the average TFe grade of iron ores from this mine is more than 27%.

According to a quality standard used in the metallurgical industry of China, the quality of iron ore concentrates could be determined by its TFe grade and impurity level. Generally, the quality of iron ore concentrates is divided into four classes, namely C60, C63, C65 and C67, which requires a TFe grade of not less than 60%, 63%, 65% and 67%, respectively. Each class is also divided into two sub-classes based on the impurity content. Sub-class I requires that the contents of sulphur and phosphorus shall be less than 0.19% and 0.09%, respectively, while sub-class II requires that the contents of sulphur and phosphorus shall be less than 0.40% and 0.30%, respectively. Based on the processing test results reviewed by SRK, the average impurities of sulphur and phosphorus of all our mines are less than the limit of sub-class I. In addition, the TFe grade of iron ore concentrates from Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine are between 66.14% and 66.73%. While the TFe grade of iron ore concentrates from Zhijiazhuang Mine are between 62.38% and 63.45%, such iron ore concentrates are alkaline concentrates with certain characteristics that are attractive to steel mills and can generally command higher pricing as compared with acidic iron ore concentrates with the same TFe grade. SRK is of the view that the iron ore concentrates produced in all of our mines are of good quality in the PRC. See Section 8.1.3 of the CPR attached as Appendix IV to this Prospectus. In addition, processing cost for lower grade iron ores will be higher than that for higher grade iron ores and iron ore concentrates with a higher TFe grade generally could be sold at a higher price.

The following table sets forth information regarding our output and sales volume of, and revenues generated from iron ore concentrates, preliminary concentrates and iron ores for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Output (Kt)				
Iron ore concentrates	421	443	393	345
Preliminary concentrates(1)	2,024	2,332	2,194	2,007
Iron ores(2)	3,419	4,609	3,804	5,655
Total sales volume (Kt)				
Iron ore concentrates	377	370	372	360
Preliminary concentrates	–	201	366	403
Iron ores	–	1,526	1,019	1,528
Total revenue generated (RMB in thousand)				
Iron ore concentrates	364,209	393,118	315,180	289,972
Preliminary concentrates	–	52,594	71,445	81,281
Iron ores	–	327,144	193,856	295,476

Notes:

(1) Jiheng Mining produced 19 Kt, 188 Kt, 360 Kt and 601 Kt of preliminary concentrates in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively.

(2) Jiheng Mining recovered 145 Kt, 1,350 Kt, 973 Kt and 1,591 Kt of iron ore in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively.

The output of iron ores in the above table refers to the amount of all the iron ores recovered during the Track Record Period, including those that have been further processed into preliminary concentrates. The output of preliminary concentrates in the above table refers to the amount of all preliminary concentrates produced from dry processing, including those that have been further processed into iron ore concentrates. In addition, during the Track Record Period, we focused on performing consolidation and correction work in connection with consolidation of our mines and preparing them for commercial production. As a result, the output of iron ore concentrates, preliminary concentrates and iron ores is not indicative of our mining operation during the commercial production. See "– Mines, Mineral Resources and Mining Rights – Consolidation and Correction Work at Our Mines."

SALES AND MARKETING

We currently sell all of our products in the PRC domestic market, particularly Hebei Province. Our sales are primarily carried out by our centralized sales forces at our headquarters in Laiyuan County. As of June 30, 2013, we had 16 employees in our sales and marketing department responsible for processing customer orders, collecting marketing information and developing and maintaining customer relationships.

We entered into supply and cooperation agreements with five steel mills, including Aoyu Steel, in early 2013 with respect to sales of our iron ore concentrates in 2013. In the six months ended June 30, 2013, the iron ore concentrates sold under these supply and cooperation agreements accounted for 86.4% of our total sales volume of iron ore concentrates. We have adopted a template form for our supply and cooperation agreements in which both parties need to provide and agree upon certain information and commercial terms such as the name and details of the parties, term and minimum sales volume. The selling price, quality, transportation, payment and other terms are usually specified in the order for each shipment placed under these agreements. Our PRC legal counsel, Commerce & Finance Law Offices, is of the view that the supply and cooperation agreements (as amended) are legally binding sales framework agreements. These agreements typically contain the following salient terms:

- *Term and renewal*: In most cases, the term is one year and is automatically renewable for another year upon expiration unless either party gives prior notice one month before the expiration date.

- *Pricing*: The price of each order is generally determined by reference to prevailing market prices and is subject to adjustment based on the quality of the iron ore concentrates. Iron ore concentrates with higher grade and lower silicon, sulphur and phosphorus content generally have higher selling prices.

- *Minimum annual sales volume*: The minimum annual sales volume is usually discussed and negotiated on a case-by-case basis.

- *Termination*: Apart from the termination right of the non-breaching party in the case of a breach of contract, no early termination right is provided for.

- *Key obligations of a buyer*: Among other things, a buyer is obligated to procure the minimum volume of iron ore concentrates specified in the agreement, provided that such minimum volume shall be subject to adjustment by us depending on our actual production capacity. The buyer shall give us preferential treatment over other suppliers for iron ore concentrates. Additionally, the buyer shall allow a reasonable lead time for us to stock up and deliver the iron ore concentrates.

- *Our key obligations*: Among other things, we are obligated to use best efforts to supply iron ore concentrates to the buyer in accordance with the volume specified in the order. Nevertheless, such obligation is subject to force majeure, a change in market conditions and our production capacity. In the event we reasonably believe that we may not be able to meet the buyer's need, we may, at our sole discretion, determine the final and binding volume to be supplied to the buyer in our written confirmation to the buyer's order.

- *Breach of contract*: Any default of obligations (including a buyer's failure to procure the minimum purchase volume) or undertakings, or any untrue or misleading representations and warranties will constitute a breach of the contract. In the event of breach, the non-breaching party is entitled to request the breaching party to remedy the breach within 30 business days following its occurrence, and failure to do so by the breaching party will entitle the non-breaching party to terminate the contract and the breaching party will be liable for any direct and consequential losses suffered by the non-breaching party.

We believe the salient terms of these agreements are in line with market practice.

The aggregate minimum annual sales volume, being 1,150 Kt for iron ore concentrates as set out in the original supply and cooperation agreements, was determined based on our production plan at the beginning of 2013. According to the original production plan, out of the 1,150 Kt of iron ore concentrates, 850 Kt would be produced by us, with the remaining 300 Kt processed using a third-party wet processing plant with iron ores or preliminary concentrates supplied by us. However, as we did not secure a qualified third-party wet processing plant as originally planned in the first half of 2013, we would have a 300 Kt shortfall in iron ore concentrates to meet the aggregate annual sales volume as provided in the original supply and cooperation agreements. In light of the above, we notified and discussed with some of the counterparties of these agreements, and entered into supplemental agreements with them to amend the aggregate minimum annual sales volume by our Group to these customers. Accordingly, the aggregate minimum annual sales volume for our Group in 2013 was reduced from 1,150 Kt to 850 Kt to be consistent with the adjusted production plan. Our PRC legal counsel, Commerce & Finance Law Offices, is of the view that we are entitled under the supply and cooperation agreements (as amended) to adjust the final sales volume based on our actual production volume and such adjustment will not constitute a breach of contract.

Adopting a similar template form of supply and cooperation agreements for 2013, we have continued the supply and cooperation agreements with three of our existing strategic customers and entered into a similar supply and cooperation agreement with a new steel mill as of the Latest Practicable Date for the sales of iron ore concentrates in 2014, with an aggregate minimum annual sales volume of 1,400 Kt. We did not continue the supply and cooperation agreements with the other two existing strategic customers because of the uncertainties in their purchase volume with us caused by their planned furnace overhauls in 2014. However, we expect to enter into supply and cooperation agreements with them once they have resumed normal production following the completion of their furnace overhauls.

Moreover, we have entered into supply and cooperation agreements with local iron ore processing plants and trading companies for the sales of our iron ores and preliminary concentrates. These agreements are based on a template form similar to that of the supply and cooperation agreements for the sales of our iron ore concentrates as described above, with an aggregated contracted minimum sales volume of 790 Kt to eight customers and 1,050 Kt to 13 customers for the period from June 1, 2013 to December 31, 2013 and the year of 2014, respectively. We currently do not intend to renew such agreements as the sales of iron ores and preliminary concentrates are expected to cease in 2015 after the wet processing capacity of Jiheng Mining is in place.

We generally do not offer a credit period to our customers. Our customers are generally required to make full payment before delivery of the products. During the Track Record Period, we provided a credit period of up to 90 days to Aoyu Steel. For iron ores and preliminary concentrates, our customers are responsible for collecting the products at our mine or dry processing plants. As for the iron ore concentrates, buyers are generally responsible for collecting the products at our wet processing plants. However, we sometimes assist our customers in arranging the delivery of our iron ore concentrates. Under this arrangement, we generally recoup the transportation costs by adding the costs to our sales prices. We primarily engaged Laiyuan Ao Tong Transportation Co., Ltd. during the Track Record Period for such deliveries. This company is generally responsible for losses of, or damages to, our products during delivery pursuant to the relevant service agreements. In addition, we had not experienced any shortage of transportation capacity for our products during the Track Record Period and up to the Latest Practicable Date.

Along with our expansion plan, especially for the production of iron ore concentrates, we intend to expand our customer base outside of Hebei Province. As all of our targeting customers are located near the transportation networks adjacent to our mines, we believe that the existing transportation infrastructure is sufficient to enable us to implement our expansion plan.

CUSTOMERS

During the Track Record Period, our iron ore concentrates were mainly sold to steel mills in Hebei Province, and preliminary concentrates and iron ores were mainly sold to local processing plants. We benefit from the lower transportation costs and the stable demand for our products within Hebei Province.

Taking into account all the products, including iron ore concentrates, preliminary concentrates and iron ores, we had 2, 39, 46 and 36 customers in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. Our revenue attributable to our five largest customers amounted to RMB364.6 million, RMB488.5 million, RMB369.9 million and RMB356.5 million, in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively, representing 100%, 63.2%, 63.6% and 53.4% of our total revenue, respectively, for the same periods. Our revenue attributable to our single largest customer amounted to RMB355.8 million, RMB383.1 million, RMB259.6 million and RMB218.1 million, in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively, representing 97.6%, 49.6%, 44.6% and 32.7% of our total revenue, respectively, for the same periods.

Aoyu Steel was our largest customer from 2010 to 2012, but ceased to be our largest customer in the six months ended June 30, 2013. It engaged in the production and sale of steel products and was wholly owned by Mr. Li Yanjun, one of our Controlling Shareholders through Aowei Group, before Aowei Group transferred 80% of its equity interest in Aoyu Steel to Delong, an Independent Third Party, in March 2012. The transactions between Aoyu Steel and us during the Track Record Period were on normal commercial terms and comparable to the terms with other customers. In particular, the selling price for each transaction was determined based on the prevailing market price at the time of the transaction. However, we had provided credit terms of up to 90 days to Aoyu Steel before it was sold to Delong, which were not generally provided to other customers during the Track Record Period. Except for Aoyu Steel, no other customer was our related party during the Track Record Period.

The table below sets out the revenue generated from Aoyu Steel and other customers during the Track Record Period.

	Years ended December 31,						Six months ended June 30,	
	2010		2011		2012		2013	
	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total
	(RMB in millions)							
Aoyu Steel	355.8	97.6	383.1	49.6	259.6	44.6	25.2	3.8
Other customers	8.8	2.4	390.0	50.4	322.0	55.4	641.9	96.2
Total	364.6	100.0	773.1	100.0	581.6	100.0	667.1	100.0

The table below sets out the gross profit margins in relation to sales of iron ore concentrates to Aoyu Steel and other customers.

	Years ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Aoyu Steel	47.2%	41.8%	15.7%	42.9%
Other customers	47.6%	41.0%	15.5%	42.6%
Average of our Group – iron ore concentrates	47.2%	41.8%	15.7%	42.7%

Except as disclosed above, none of our Directors, their respective associates or any Shareholders, to the knowledge of our Directors, owning more than 5.0% of our issued Shares, had any interest in any of our five largest customers during the Track Record Period. None of our major customers is our supplier.

COMPETITION

We primarily sell iron ore concentrates in Hebei Province. A number of factors affect the markets in which we sell our iron ore concentrates. Iron ore concentrate prices in China depend primarily on the consumption patterns of the steel industry in China as well as the availability, location and cost of transportation and price of competing iron ore sources, including imported iron ores.

We face competition from local iron ore concentrate producers in our primary market, Hebei Province. However, we believe that we can effectively compete against competitors mainly because of, among other things, (i) low unit cash operating costs; (ii) the high grade and quality of our iron ore concentrates; (iii) our close proximity to our major customers; and (iv) large scale reserves and steady production and supplies.

OCCUPATIONAL HEALTH AND SAFETY

We are subject to PRC safety laws and regulations, which set out the legal standards for health and safety measures with which our operations must comply. We regard occupational health and safety as one of our prime responsibilities and have implemented a number of measures to ensure compliance with the stringent regulatory requirements in PRC. As of June 30, 2013, we had a dedicated team of 40 full-time employees responsible for monitoring and ensuring occupational health and safety.

We actively implement and enforce Safety Inspection Measures (《公司安全檢查制度》), Safe Production Regular Meeting Measures (《安全生產例會制度》), Administration Measures for Industrial Accident (《工傷事故管理制度》) and other relevant measures to prevent and reduce the occurrence of dangers and risks related to our operations. SRK has confirmed during its on-site visits that safety signs were in place, safety provisions and rules were displayed within the work areas, moving machinery parts were appropriately guarded and covered, guard railings were installed on all gantries, and proper personal protection equipment, such as hardhats, traffic vests, and steel toed shoes, was provided and was being used by the workers. SRK has confirmed that the above site occupational health and safety management measures are generally in line with recognized PRC industry practices and PRC safety regulations. See the CPR attached as Appendix IV to this Prospectus. We provide regular occupational training to our employees and special safety technical training to our technical staff.

In addition, as of the Latest Practicable Date, we also had arranged health check-ups for our employees and provided social insurance to all of our employees as required under the applicable PRC laws and regulations. However, historically, there was a shortage of housing fund and social insurance contribution before May 2013. The relevant local social insurance and housing fund administrative authorities of Laiyuan County issued confirmation letters which confirmed that we would not be penalised for the aforesaid shortage of housing fund and social insurance contribution. Based on the confirmation letters issued by relevant local social insurance and housing fund administrative authorities of Laiyuan County, our PRC legal counsel, Commerce & Finance Law Offices, has advised us that the possibility we would be subject to any penalty by the said authorities is remote. As of the Latest Practicable Date, we believe that we had adequate insurance coverage for our employees in accordance with PRC laws and regulations.

Each of our mines and processing plants maintains its own safety reporting system. We conduct internal inspections on safety compliance at each of our production sites on a monthly basis. There had been two minor injuries but no serious injuries or fatalities during the Track Record Period. Our incident analysis reports for these two minor injuries have been provided to SRK for review. These two reports analyzed the cause of injuries and identified measures to prevent a recurrence, which are in line with international recognized OHS accident monitoring practice. Our Directors confirm that we have not been subject to any claims arising from any accidents involving personal injury or property damage during the Track Record Period that had a material adverse effect on our business, financial condition or results of operation. However, we cannot provide any guarantee that accidents will not happen in the future, which may disrupt our operations and divert our management's attention. See "Risk Factors – Risks Relating to Our Businesses – Safety accidents may occur at our mines."

INTERNAL CONTROL AND RISK MANAGEMENT

We have engaged an independent internal controls consultant, Protiviti, to review our internal control systems. Protiviti is a global business consulting and internal audit firm.

Protiviti performed a series of review beginning in March 2013, focusing on various areas, including (i) entity level controls, such as control environment, risk assessment, information and communication, monitoring, anti-fraud procedures and IT general controls; and (ii) process level controls related to financial reporting, such as sales, procurement, inventory, fixed-assets, payroll, financial closing and reporting, treasury and tax management.

Following its review, Protiviti identified a number of control deficiencies and weaknesses, including primarily the lack of independent non-executive Directors on the Board, absence of an audit committee and a remuneration committee, insufficient independence of the internal audit function as well as lack of certain financial and business operation policies or procedures.

Since mid-March of 2013, as recommended and confirmed by Protiviti, we have taken various measures to address these internal control deficiencies and weaknesses, including the appointment of independent non-executive Directors, establishment of an audit committee and a remuneration committee and establishment of direct reporting channels between our internal auditors and the audit committee. In addition, we have enhanced our internal control procedures by updating our regulatory policies with rules governing various aspects of our business, mainly including financial management, sales management, procurement management, contractor management, fixed-assets management, license/certificate management and human resources management.

In May and June 2013, Protiviti performed a follow-up review of the newly designed policies and procedures, and a walk-through of the samples (if available) after the new policies and procedures were adopted. Protiviti noted that the draft Board committee charters and disclosure management related policies, being Administrative Measures on Information Disclosure, Provisions on the Management of Inside Information Disclosure and Administrative Measures on Disclosure of Material Transactions, are pending Board approval, and the Internal Audit Charter and working plans are pending Audit Committee approval. Protiviti has reviewed these draft policies and plans pending approval and confirmed that they are in line with the Listing Rules and general practice. These draft policies and working plans were approved on November 3, 2013. Except for that, the aforementioned control deficiencies have been remedied.

Mr. Huang Kai, our executive Director, is responsible for overseeing the proper implementation of the internal control measures. For the experience and qualifications of Mr. Huang Kai, see "Directors and Senior Management – Directors." Currently, Mr. Huang Kai reports to the board of Aowei Mining and Mr. Xia Guoan, the chief executive officer, executive Director and general manager of Aowei Mining. After the Listing, Mr. Huang Kai will report to Mr. Xia Guoan and the Board.

In addition, our PRC legal counsel, Commerce & Finance Law Offices, also provided training on June 7, 2013 to the Directors on various PRC laws and regulations, with an emphasis on our past non-compliances in order to reinforce the management's knowledge of relevant laws and regulations applicable to us. The training included topics on corporate law and corporate governance, obligations and liabilities of management, production capacity and land use, social insurance and housing fund contributions, and operation of iron ore mines.

ENVIRONMENTAL PROTECTION

We are subject to various PRC environmental laws and regulations, as well as local environmental regulations promulgated by local authorities. These laws and regulations cover a broad range of environmental matters, such as mining control, land reclamation, air emissions, noise control, discharge of wastewater and pollutants, waste disposal and radioactive element disposal control. Our costs for compliance with applicable environmental rules and regulations in 2010, 2011, 2012 and the six months ended June 30, 2013 were RMB4.1 million, RMB21.5 million, RMB22.6 million and RMB1.8 million, respectively. These costs mainly comprised of expenditures and charges associated with the following environmental matters: (i) water resources treatment, (ii) sewage treatment, (iii) greening of urban spaces/industrial environments, (iv) environmental assessment and protection, (v) vegetation restoration, (vi) soil and water conservation and (vii) water conservation project preparation. The costs for compliance with applicable environmental rules and regulations in each of 2011 and 2012 were significantly higher than the costs in 2010 primarily because we started paying soil and water conservation fees and land reservation fees from 2011. Taking into account the mineral resources compensation fees and the waste discharge fees to be paid by the end of 2013, and the potential waiver or reduction of soil and water conservation fees and land reservation fees, we expect that our costs for compliance with applicable environmental rules and regulations in 2013 will be approximately RMB12.8 million.

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any penalties for breach of environmental laws or regulations. We have not been presented with any specific demands or requirements by our customers in complying with relevant environmental protection rules in the areas in which they operate. However, the PRC Government is moving toward more rigorous enforcement of environmental laws and regulations and the adoption of more stringent environmental standards, which could have a material adverse effect on our financial condition and results of operations. See "Risk Factors – Risks Relating to Our Business – Our mines can only be mined for a set number of years, and eventual closure of these operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards" and " Risk Factors – Risks Relating to Our Industry – Our operations are exposed to risks in relation to environmental protection and rehabilitation and our business operations may be affected by current or future safety and environmental regulations."

Our operations may have the following effects on the environment: (1) our mining operations may cause soil erosion and deforestation and (2) our processing plants may generate waste water, solid waste and cause noise pollution. SRK has identified certain moderate/tolerable risks associated with our operations which are considered as generally manageable, including the following risks:

- Land disturbance, rehabilitation and site closure;
- Water management (i.e., tailings and mine water);
- Waste rock management;
- Tailings storage (i.e., TSF design, construction, and operation);
- Dust management; and
- Land contamination (hazardous substances storage and handling),

and also provided recommendations for us to improve the risk management measures to address the abovementioned issues. See the CPR attached as Appendix IV to this Prospectus. We have strengthened the implementation of PRC environmental standards and regulatory requirements as recommended by SRK to manage such environmental risks.

In order to minimize our impact on the environment and manage the potential risks relating to environmental protection matters, we have implemented a set of Environmental Protection Measures (《環境保護管理制度》). It sets forth our environmental protection controls and measures. In particular, it provides for the methods of handling different types of pollutants and the standards we should achieve in ash emissions and noise control. As of June 30, 2013, we had 40 employees who conduct regular inspections at our mines and processing plants.

In addition, we have adopted a number of environmentally responsible practices in our operations to minimize the damage caused by our operations to the environment and manage the potential risks relating to environmental protection matters. We plant trees to compensate for the deforestation caused by our mining operations and near the mining areas after the completion of our mining operations. We recycle and reuse waste water at our processing plants and tailings dams. We also recycle gangue and use it as paving materials and construction materials. We monitor our noise level by adopting various noise control measures including the use of silencers. We also have internal rules on the management of our tailings storage facilities. We will continue to explore other means to further improve resource optimization and efficiency.

Prior to the launching of new production or expansion activities, we engage qualified experts to conduct environmental impact assessments. The environmental impact of our new production, expansion or other projects is assessed with a view to minimizing the negative impact on the environment. The experts that have conducted the environmental impact assessment for our projects mainly include Hebei Province Zhonglian Energy Environmental Protection Technology Limited Company (河北省眾聯能源環保科技有限公司) and Zhong Kan Metallurgical Investigation Design & Research Institute Co., Ltd. (中勘冶金勘察設計研究院有限責任公司). We also submit environmental assessment reports to the relevant local environmental protection bureau for its approval pursuant to PRC laws and regulations. We have been in compliance with the requirements and recommendations set forth in the approved assessment reports in all material aspects. The relevant local environmental protection bureau also conducts regular inspection of our production sites.

We are required by the applicable PRC laws to reclaim and restore mining sites to their prior condition after completion of mining operations and a sufficient amount of funds should be set aside and deposited into the designated bank account under the supervision of the local land and resource authority as the reclamation reserve to carry out future reclamation activities. Reclamation activity typically involves the removal of buildings, equipment, machinery and other physical remnants of mining, restoration of land features in mined-out areas, dumping sites and other mining areas and contouring, covering and revegetation of waste rock piles and other disturbed areas. We confirm that the operations of all of our mines are in compliance with environmental and reclamation requirements in all material aspects.

As of the Latest Practicable Date, we have not received any reports of local community concerns in relation to the potential pollution of the local environment as a result of our mining operations.

INSURANCE

We currently maintain certain insurance, including pension insurance, medical insurance, labor injury insurance, maternity insurance and unemployment insurance, for our employees in accordance with applicable PRC laws and regulations.

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. We do not maintain any fire, earthquake, liability or other property insurance with respect to our properties, equipment or inventories, with the exception of insurance coverage for our vehicles. Consistent with customary industry practice, we do not maintain any business interruption insurance or third-party liability insurance against claims for property damage, personal injury and environmental liabilities other than third-party liability insurance for our vehicles. During the Track Record Period and up to the Latest Practicable Date, we had not made any material insurance claims.

Subject to the relevant disclosure in "Risk Factors – Risks Relating to Our Business – Our insurance coverage may be insufficient to cover our business risks," our Directors consider the insurance coverage on our assets to be adequate. We will continue to review and assess our risks and make necessary adjustments to our insurance practice to meet our needs and comply with applicable PRC laws or regulations and to keep up with industry practices in the PRC.

PROPERTIES

As of the Latest Practicable Date, we occupied (i) 25 parcels of land with a total site area of approximately 1,220,796 sq.m.; and (ii) buildings and constructions with an aggregate gross floor area of approximately 43,827 sq.m.

We have also entered into land use agreements with certain individuals, rural collective economic entities or village committees for the future use of approximately 12,021,829 sq.m. of land on a temporary basis. Most of these agreements have a term of 15 to 20 years. We will apply for the approval of such temporary land use rights provided for in the agreements with the competent authorities once we need to use such land in the future. We have obtained confirmation letters from relevant governmental authorities which confirmed that they will grant relevant temporary land use rights for the land we plan to use upon our application in the future. Our PRC legal counsel, Commerce & Finance Law Offices, has advised that we can apply for the extension of our temporary land use rights, and if we have fulfilled all of the substantive and procedural conditions required by the relevant PRC law, rules and requirements of competent authorities, there would be no material legal impediments for us to obtain the temporary land use rights for these lands in accordance with our mining plan before the expiration of our mining permits and land use agreements, whichever is earlier.

While we may obtain long-term land use right certificates, we believe that it is not economically advisable for us to do so for our open-pit mining operations because acquisition of long-term land use rights of 50 years is subject to time-consuming government approval procedures and would incur substantial costs. The Directors believe that it is in the best interests of our Company to obtain only temporary land use right certificates, which is also in line with the industry practice of open-pit mining companies in the PRC.

All abovementioned land, buildings and constructions, except two office blocks with an aggregate gross floor area of approximately 80 sq.m. in Sichuan, are all located in Laiyuan County, Hebei Province.

Land

As of the Latest Practicable Date, we occupied 25 parcels of land with a total site area of approximately 1,220,796 sq.m., among which (i) we have obtained land use rights certificate for four parcels of land with a total site area of approximately 55,333 sq.m.; (ii) we have obtained temporary land use rights for 19 parcels of land with a total site area of approximately 1,159,828 sq.m. (including 150,245 sq.m. of woodland); and (iii) we are under the application process to obtain land use right certificates for the remaining two parcels of land with a total site area of approximately 5,635 sq.m.

Land with Temporary Land Use Rights

With respect to all of our mines, we are currently carrying out mining operations and using dry processing plants, tailings dams and waste rock dump sites located on 19 parcels of collectively-owned land with a total site area of approximately 1,159,828 sq.m. (including 150,245 sq.m. of collectively-owned woodland). Pursuant to Article 57 of the *Land Administration Law of the PRC*, we may use collectively-owned land for no more than two years, if we (i) have entered into land use agreements with the relevant rural collective economic entity or village committee; and (ii) have been granted temporary land use rights by the competent government authority. As of the Latest Practicable Date, we have entered into land use agreements with relevant parties for 19 parcels of land. According to the confirmation letters issued by Laiyuan County Bureau of Land and Resources and Laiyuan County Forestry Administration Bureau (as the case may be) from February to May 2013, we have been approved to use such 19 parcels of land (including woodland) with a term of two years starting from the issuance date of the relevant confirmation letter and, once such two-year term expires, renewal of term will be granted by the relevant authorities upon our application. Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that (i) Laiyuan County Bureau of Land and Resources and Laiyuan County Forestry Administration Bureau are the competent authorities for issuing the above confirmation; (ii) we are entitled to use such parcels of land in accordance with the confirmation letters as well as the underlying land use agreements; and (iii) such land use agreements are legal, binding and enforceable.

According to the relevant confirmation letters issued by Laiyuan County Bureau of Land and Resources and Laiyuan County Forestry Administration Bureau (as the case may be) upon the expiration of the existing temporary land use rights, renewal of term will be granted by the relevant authorities upon our application. Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that there would be no material legal impediments for us to extend these temporary land use rights upon their expiry if we have fulfilled all of the substantive and procedural condition required by the relevant PRC laws, rules and requirements of competent authorities.

Land under Application for Land Use Right Certificates

Two of our subsidiaries, namely Jingyuancheng Mining and Jiheng Mining, are in the process of obtaining land use right certificates for two parcels of land with a total site area of 5,635 sq.m., on which the Gemengou substation of Jingyuancheng Mining and the office building of Jiheng Mining have been built. According to the Notice of Establishing The Land Management Committee of Laiyuan County issued by the People's Government of Laiyuan County (《淶源縣人民政府關於成立淶源縣土地管理委員會的通知》, on May 23, 2013, a meeting shall be held by the Land Management Committee of Laiyuan County (comprised of heads of relevant local authorities, such as the Land and Resource Bureau of Laiyuan County and the Urban and Rural Planning Bureau of Laiyuan County) before the relevant authorities can proceed to subsequent steps in relation to the issuance of land use right certificates. We have duly prepared and submitted all the documents currently required to be submitted in relation to the applications for land use right certificates for the said two parcels of land. Currently, these two parcels of land are going through land auction procedures based on the decisions of relevant meetings. We expect to complete all the relevant procedures and obtain the land use rights certificates by the end of 2013. According to the confirmation letters issued by Laiyuan County Bureau of Land and Resources dated April 8, 2013, no disciplinary action will be imposed on Jingyuancheng Mining or Jiheng Mining and there is no legal impediment for Jingyuancheng Mining and Jiheng Mining to obtain the land use right certificates to such underlying land. Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that based on the confirmation letter issued by the Laiyuan County Bureau of Land and Resources, which is the competent authority for issuing such confirmation letter, the possibility that Jingyuancheng Mining or Jiheng Mining will be subject to any administrative penalty for using the land before obtaining the land use right certificates by the Laiyuan County Bureau of Land and Resources is remote. Our PRC legal counsel, Commerce & Finance Law Offices, has also advised us that in accordance with the current relevant PRC laws and regulations, once we have obtained all necessary construction land use planning permits and fulfilled all of the substantive and procedural conditions required by the relevant PRC laws, rules and regulations and requirements of the competent authorities at that time, there would be no material legal impediments in obtaining the land use right certificate for the land in question. Given that Jingyuancheng Mining has a standby power supply and the office building of Jiheng Mining is replaceable by other buildings owned by us, our Directors believe that the aforesaid substation and office building are not crucial to our operations.

Buildings and Constructions

As of the Latest Practicable Date, we have built and occupied buildings and constructions with an aggregate gross floor area of approximately 43,827 sq.m., including (i) two buildings that we have obtained the ownership certificates for, with an aggregate gross floor area of approximately 12,792 sq.m.; (ii) temporary constructions built on land with temporary use rights or land use right certificates, with an aggregate floor area of approximately 19,445 sq.m.; (iii) one building, for which we are applying for the ownership certificate, with an aggregate gross floor area of approximately 3,548 sq.m.; (iv) idle constructions built on land with land use right certificates but without ownership certificates, with an aggregate gross floor area of approximately 4,159 sq.m.; and (v) three leased office buildings with an aggregate gross floor area of approximately 3,884 sq.m.

Temporary Buildings and Constructions

We have built temporary buildings and constructions, such as the canteen, dormitory buildings, warehouse, dry processing plants, tailings dams and office buildings, with an aggregate gross floor area of approximately 19,445 sq.m., on the land with only temporary land use rights. According to the confirmation letters issued by Laiyuan County Urban and Rural Planning Administration Bureau and Laiyuan County Housing and Urban-Rural Construction Bureau, respectively, such temporary constructions do not require any planning permits or construction permits or acceptance inspections and we can continue to use such temporary buildings and constructions in their current state. Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that (i) the aforesaid governmental authorities are the competent authorities for issuing relevant confirmation letters, and (ii) given the confirmation letters, there is no need for us to apply to the Laiyuan County Urban and Rural Planning Administration Bureau or Laiyuan County Housing and Urban-Rural Construction Bureau for such permits or conduct acceptance inspections for our temporary constructions, we can use such temporary buildings and constructions in their current state as long as we are in compliance with the relevant land and construction plans before the expiration of the relevant temporary land use rights and no notice from any competent authorities requesting the demolition of such temporary buildings has been received. See "Risk Factors – We may not be able to obtain or renew our land use rights or temporary land use rights and building ownership rights for our mining sites and facilities. Our temporary buildings and constructions may be demolished if the relevant land use rights expire without successful extension."

Buildings under Application for Ownership Certificates

As of the Latest Practicable Date, one of our subsidiaries, Jiheng Mining, occupied one building with an aggregate gross floor area of approximately 3,548 sq.m., for which we are applying for the building ownership certificate. Such building was used as an office building. According to the confirmation letter dated April 15, 2013, issued by the Laiyuan County Housing and Urban-Rural Construction Bureau, it will not impose any administrative penalty against Jiheng Mining for lack of relevant construction permits and inspection procedures and will issue the construction work permit and complete the checking and acceptance inspection filing procedures in due course. Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that (i) the Laiyuan County Housing and Urban-Rural Construction Bureau is the competent authority for issuing the relevant confirmation letter, and (ii) given the confirmation letter, the possibility that Jiheng Mining will be subject to any future administrative penalty by the Laiyuan County Housing and Urban-Rural Construction Bureau is remote. Our PRC legal counsel, Commerce & Finance Law Offices, has also advised us that in accordance with the current relevant PRC laws and regulations, once we have obtained all necessary land use right, planning and construction permits, filed the checking and acceptance inspection report, and fulfilled all the other substantive and procedural conditions required by the relevant PRC laws, rules and regulations and requirements of the competent authorities at that time, there would be no material legal impediments in obtaining the Building Ownership certificate for the building in question.

Idle Buildings and Constructions

One of our subsidiaries, Jingyuancheng Mining, has built some constructions, including dormitory building, processing plant, canteen and boiler room, with an aggregate gross floor area of approximately 4,159 sq.m., which are not currently being used due to the upgrade and consolidation of the mines. Jingyuancheng Mining is planning to renovate or demolish such idle constructions by December 2013. According to the confirmation letters issued by Laiyuan County Urban and Rural Planning Administration Bureau and Laiyuan County Housing and Urban-Rural Construction Bureau, given such constructions were left idle and will be renovated or demolished in the future, the authorities will not impose any administrative penalty against Jingyuancheng Mining for lacking relevant planning and construction formalities with respect to such idle constructions. Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that (i) the aforesaid governmental authorities are the competent authorities for issuing relevant confirmation letters, and (ii) given the confirmation letter, the possibility that Jingyuancheng Mining will be subject to any future administrative penalty by the Laiyuan County Urban and Rural Planning Administration Bureau and Laiyuan County Housing and Urban-Rural Construction Bureau for lacking of relevant planning or construction formalities is remote.

Leased Properties

Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that, with respect to our three leased offices, the lessors are entitled to lease such properties to us and the underlying lease agreements are legal, binding and enforceable.

PROPERTY VALUATION

Savills Valuation and Professional Services Limited, an independent property valuer, has valued the property interests of our Group as of September 30, 2013. The texts of the letter, summary of values and valuation certificates issued by Savills Valuation and Professional Services Limited are included in Appendix III attached to this Prospectus.

EMPLOYEES

As of June 30, 2013, we employed 1,270 persons, including 78 in our headquarters administration department, 193 in the mine management department, 260 in various mining departments, 470 in the ore processing plants and tailings dams, 111 in the workshops for maintenance, and 158 employees in the safety, support and service departments. Annual staff turnover is estimated at 5% of the workforce. Based on our Company’s past experience, it was not difficult to replace skilled workers who had left our Group. SRK considers that the workforce numbers can meet our Group’s production capacities.

We place significant emphasis on internal promotion as a means of offering long-term career paths and performance incentives to our employees. To incentivize them, we offer our employees performance bonuses based on certain performance indicators. Our employees are subject to regular performance reviews which determine their promotion prospects and compensation.

Our employees regularly attend training courses to improve their skills and professional knowledge and be updated on new developments. We also develop our own employee training programs tailored specifically to iron ore mining and processing operations. We employ dedicated trainers to provide the training programs at our mining sites. To leverage the accumulated operational expertise and know-how in our network, we frequently apprentice new recruits at our mining exploration sites.

REGULATORY COMPLIANCE

Our PRC legal counsel, Commerce & Finance Law Offices, is of the view that we have been in compliance with applicable laws and regulations in all material aspects by considering the relevance of various matters to our principal business activities and whether there has been, or is likely to be, any material adverse impact on our business, results of operations and financial position, except for what have been disclosed in this Prospectus. Furthermore, Commerce & Finance Law Offices are of the opinion that we have obtained all necessary licenses, approvals and permits that are material for our business operations in the PRC, except for those disclosed in this Prospectus.

However, we have, from time to time, been involved in regulatory non-compliance incidents and received related notices or warnings from the relevant regulatory authorities. We set out below the details of using contractors without requisite qualifications. The reasons for non-compliance, the maximum penalties, rectification actions taken and the current status have also been summarized as below.

Non-compliance	Reason for non-compliance	Maximum penalty and/or financial impacts; provision made or reason for not making the provision	Rectification actions taken and status of past non-compliance
Use of contractors without requisite qualifications We contracted with several individuals, who did not possess the requisite license for an entity that engages in blasting work, to conduct blasting work from October 2009 to April 2012.	The contracts with the individual contractors without requisite qualifications were originally entered into by the previous operators of the relevant mines before our acquisition of the mine. As such contracts provided that the contractors should have the requisite qualifications and were being carried out at the time of the Group's acquisition of the relevant mines, we did not conduct further due diligence to reconfirm the qualifications of such contractors before we took over the operations of the relevant mines. Therefore, we were not aware of the deficiency in the relevant qualifications of these individual contractors at the time of the acquisition and continued the working relationship with them for the blasting work at those mines. However, as part of an internal control review conducted by our Group, we discovered this non-compliance.	We rectified such non-compliance by engaging Tangshan Hengsheng in April 2012 and terminated the contractual arrangements with those individual contractors on December 31, 2012. According to the confirmation letter issued by the Laiyuan County Public Security Bureau on May 20 2013, the non-compliant arrangements have already been terminated and the authority will not impose any administrative penalty against us for historical engagement of unauthorized parties to conduct blasting activities considering that our Group's blasting work had been outsourced to Tangshan Hengsheng in April 2012 and the conduct of engaging unqualified individual contractors had ended. Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that (i) the Laiyuan County Public Security Bureau is the competent authority for issuing the confirmation letter, and (ii) based on the confirmation letter, the possibility that we will be subject to any administrative penalty by the Laiyuan County Public Security Bureau is remote. However, should the competent public security authorities consider us as having conducted any unauthorized purchase, transportation or use of explosive materials, we may be subject to a fine of up to RMB200,000 and be confiscated of illegal explosive material and relevant incomes.	Upon discovering the non-compliance, we initiated a tender process for new blasting contractors possessing the necessary qualifications and starting from April 2012, we have engaged Tangshan Hengsheng to conduct the blasting work at our mines. While Tangshan Hengsheng became the supervising contractor in charge of the overall process and carried out key procedures of blasting work, such as blasting plan designing, the individual contractors kept working at the relevant mines under Tangshan Hengsheng's direction and supervision until the end of 2012 as they were already familiar with the local geological and mining conditions and their presence was necessary to ensure a smooth handover. As since starting from April 2012, the blasting work has been outsourced to an entity with the requisite qualifications and the prior individual workers who kept working at relevant mines have received relevant training and obtained individual qualification relating to the works they conducted under Tangshan Hengsheng's direction and supervision, the Laiyuan County Public Security Bureau confirmed that the non-compliance has been rectified since April 2012. In addition, the Company has formulated policies and procedures to stipulate the contractor management mechanisms, including approval for contractor usage plan, contractor selection, project execution monitoring, contractor renewal and exit, which became effective in March 2013. An evaluation team is in place to review contractors' qualifications, licenses and certificates and conduct on-site visits of each potential contractor. The evaluation team consists of Mr. Xia Guoan (the General Manager of Aowei Mining), Mr. Tu Quanping (the Chief Engineer of Aowei Mining), the deputy manager of the relevant mining subsidiary who is in charge of production, the head of business planning department of Aowei Mining, and the head of production and technology department of Aowei Mining, all of whom have extensive experiences in the mining operations. For the resumes of Mr. Xia Guoan and Mr. Tu Quanping, see pages 168 and 169 of this Prospectus. This evaluation team will also be responsible for checking the qualification of existing contractors on an annual basis. For the existing contractors, our Group has provided production safety trainings to the contractors and is monitoring the contractors' performance and production safety in daily work. In addition, regular and unscheduled special reviews and inspections on production safety are also performed by production related management and staff of each mine. Semi-annual performance evaluation for each contractor is completed by the Deputy General Manager of each mine who is responsible for production, focusing on quality, production volume, production safety and service attitude. A Performance Review Form is completed to record the evaluation results. Protiviti has reviewed these policies and procedures and noted that they are in line with general industry practice. Our Directors are of the view that the non-compliance did not have a material adverse effect on the operations or financial results of our Group and further confirm that we have taken all reasonable steps to adopt an effective internal controls system to prevent the future re-occurrence of non-compliance incidents.

LEGAL PROCEEDINGS

During the Track Record Period and as of the Latest Practicable Date, we were not involved in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our financial condition and results of operations as a whole or our rights to conduct exploration or mining activities.

OVERVIEW

As of the Latest Practicable Date, the Family Trust through its wholly owned companies Chak Limited, Hengshi Holdings and Hengshi Investments, and the Management Trust through its wholly owned companies Seven Limited and Aowei Developments, held in aggregate 100% of the issued share capital of our Company. Immediately after completion of the Global Offering and assuming the Over-allotment Option is not exercised, it is expected that the Family Trust and the Management Trust will together indirectly hold approximately 75% of the issued capital of our Company. Pursuant to the trust deeds establishing the Family Trust and the Management Trust, and the Confirmation Letters (as described below), Mr. Li Ziwei, as the settlor, protector and a beneficiary of the Family Trust and the Management Trust, together with Mr. Li Yanjun, who is acting in concert with Mr. Li Ziwei in respect of the Family Trust and the Management Trust, has the power to exercise all voting rights attached to the shares of Hengshi Investments and Aowei Developments, which indirectly hold 100% of the issued capital in our Company. As a result, Mr. Li Ziwei and Mr. Li Yanjun are deemed to be our ultimate controlling shareholders.

CONTROLLING SHAREHOLDERS ACTING IN CONCERT

Pursuant to a confirmation letter dated March 4, 2013 and a supplemental confirmation letter dated June 27, 2013 (the "Confirmation Letters") jointly issued by Mr. Li Ziwei, the settlor, protector and a beneficiary of the Family Trust and the Management Trust, and Mr. Li Yanjun, the father of Mr. Li Ziwei, Mr. Li Ziwei and Mr. Li Yanjun confirmed that (1) they had been acting in concert in respect of the management and operation of the business of our Group prior to the establishment of the Family Trust and the Management Trust; (2) the shareholder decisions in respect of our Group made by Mr. Li Ziwei prior to the establishment of the Family Trust and the Management Trust had been made jointly by Mr. Li Ziwei and Mr. Li Yanjun; (3) after the establishment of the Family Trust and the Management Trust, Mr. Li Ziwei and Mr. Li Yanjun will continue to act in concert to make decisions and exercise discretions in respect of the matters of the Family Trust and the Management Trust and exercise all voting rights attached to the shares of Hengshi Investments and Aowei Developments; and (4) whether our Group was indirectly held by Mr. Li Yanjun prior to the reorganization of our Company or was indirectly held by Mr. Li Ziwei following the reorganization of our Company, the shareholder interests in respect of the Group had been, and will continue to be, jointly held by Mr. Li Yanjun and Mr. Li Ziwei. During the Track Record Period and before the establishment of the Family Trust and the Management Trust, Mr. Li Ziwei and Mr. Li Yanjun had made all decisions in consensus at the relevant meetings of our Group. Since the establishment of the Family Trust and the Management Trust, all decisions have been made and all discretions have been exercised in consensus by Mr. Li Ziwei and Mr. Li Yanjun at the relevant meetings. Based on the above, notwithstanding that Mr. Li Ziwei was the sole registered holder of shares of Hengshi Holdings (which indirectly holds 97% of our Company) and the indirect sole shareholder of Aowei Developments before the establishment of the two trusts, and is the sole protector and settlor of the two trusts, Mr. Li Ziwei and Mr. Li Yanjun have been, throughout the Track Record Period, and will continue to be acting in concert in respect of all voting rights attached to the shares of our Company held indirectly by the two trusts. As a result, both Mr. Li Ziwei and Mr. Li Yanjun are our ultimate controlling shareholders.

DELINEATION OF BUSINESS AND COMPETITION

Our Group is principally engaged in iron ore mining, processing and production of preliminary concentrates, iron ore and iron ore concentrates (the "Restricted Business").

Mr. Li Yanjun, the chairman and an executive Director of our Company and one of our Controlling Shareholders, holds 89.2% equity interest in Aowei Group as of the Latest Practicable Date. The remaining 10.8% equity interest in Aowei Group is held by Ms. Yang Hongying, the wife of Mr. Li Yanjun. It is expected that Mr. Li Yanjun will continue to own and operate Aowei Group after the Listing.

Aowei Group and its PRC operating subsidiaries are principally engaged in the hotel management industry, which is not related to the Restricted Business.

Mr. Li Ziwei and Mr. Li Yanjun have each confirmed that they do not have any interest in any business which competes with or is likely to compete with our business, whether directly or indirectly, which would otherwise require disclosure under Rule 8.10 of the Listing Rules.

Deed of Non-competition

Mr. Li Ziwei, Mr. Li Yanjun, Hengshi Holdings and Hengshi Investment (the "Obligors") provided a deed of non-competition (the "Deed of Non-competition") in favor of our Group on November 12, 2013. Pursuant to the Deed of Non-competition, the Obligors have undertaken to our Company (for itself and for the benefit of its subsidiaries) that they will not, profitably or non-profitably, and will procure that their associates (except any members of our Group) will not, directly or indirectly, either on his own or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or hold interests in or engage in or acquire or hold construction, development, operation or management of any business or activity which competes or may compete with the Restricted Business. The Obligors have also granted us an option for new business opportunities, a pre-emptive right and an option for acquisition to acquire any potential interest in their business which competes or is likely to compete, either directly or indirectly, with the Restricted Business. The Deed of Non-competition shall not restrict any of the Obligors (or any of their respective associates (as defined in the Deed of Non-competition) other than our Group), either by itself or through any other person, from:

(i) holding any interest in the shares of any member of our Group; and

(ii) holding interests in the shares of a company which is not a member of our Group, provided that:

- any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for in aggregate less than 5% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or

- the total number of shares held by the Obligors and/or their respective associates in aggregate does not exceed 5% of the issued shares of our Company in question, and the Obligors and/or their respective associates are not entitled to appoint a majority of the Directors of that company. In addition, at any time there must exist at least another shareholder of that company whose percentage of shareholding in that company is more than the total percentage of shareholding held by the Obligors and their respective associates in aggregate; or

- the Obligors and their respective associates do not control the board of such company.

The obligations of the Obligors (and their associates) under the Deed of Non-competition will cease (i) upon the cessation of listing of the Shares on the Stock Exchange (except for suspension of listing of the Shares pursuant to the Listing Rules); (ii) when the Obligors (and their associates) cease to hold any positions as directors in any member of our Group; or (iii) when the Obligors (and their associates) jointly cease to be entitled to exercise or control the exercise of 10% of the voting power at general meetings of our Company or the Obligors (and their associates) cease to be the Largest shareholders of our Company.

The undertakings contained in the Deed of Non-competition are conditional upon, amongst other things, the Stock Exchange granting approval for the listing of, and permission to deal in, our Shares.

(i) Option for New Business Opportunities

The Obligors have undertaken in the Deed of Non-competition that:

- if the Obligors become aware of a business opportunity which directly or indirectly competes, or may compete, with the Restricted Business, they will refer such business opportunity to us in writing within seven days upon becoming aware of such business opportunity and provide to us all information which is reasonably necessary for us to consider whether or not to take up such business opportunity (the "Offer Notice"). We must reply to the Obligors within six months (or such other period as may be agreed between the parties) after receiving the Offer Notice. Should we decide to take up such business opportunity, the Obligors are obliged to refer the business opportunity to us upon terms that are fair and reasonable. The Obligors must not take up the new business opportunity even if our Group decides not to accept such business opportunity; and

- the Obligors shall procure that companies controlled by them and their associates (other than our Group) first offer us any business opportunity which competes, or may compete, with the Restricted Business.

Our independent non-executive Directors will be responsible for reviewing and deciding whether or not to take up a new business opportunity referred to us by the Obligors.

(ii) Pre-emptive Rights

The Obligors have undertaken that if they intend to transfer, sell, lease or license to a third party any business interests which compete, or may lead to competition, directly or indirectly, with the Restricted Business, our Group shall have a pre-emptive right over these interests, which can be exercised by our Group at any time so long as Deed of Non-competition remains effective. The Obligors must provide us written notice (the "Selling Notice") as soon as possible in advance of any sale as described above. We must reply to the Obligors within six months (or such other period as may be agreed between the parties) after receiving the Selling Notice, in order to exercise our right. If our Company intends to exercise the right, the terms will be determined at fair market value. The Obligors and their associates (except for any members of our Group) shall not dispose such business and equity to any third party, unless the Group has refused in writing to purchase such business or equity, or the seller has not received any notice about exercising the pre-emptive rights from the Group post to our receipt of the Selling Notice. In addition, any conditions of disposal offered the Obligors and their associates shall not be more favorable than those to be given to the Group.

Our independent non-executive Directors will be responsible for reviewing and deciding whether or not to exercise the pre-emptive right.

(iii) Options for Acquisition

The Obligors have undertaken to grant us the option, pursuant to relevant laws and regulations, to acquire any business that has been engaged by the Obligors and their associates or any equity of such business based upon the above new business opportunity (the "Option for Acquisition"). We are entitled to request at any time to acquire any business that has been engaged by the Obligors and their associates or any equity of such business conducted by the Obligors and their associates under the above new business opportunity, and the Obligors and their associates shall grant the Option for Acquisition when we request so.

Our independent non-executive Directors will be responsible for reviewing and deciding whether or not to exercise the Option for Acquisition.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to properly manage any potential or actual conflict of interest arising from any business competition between us and our Controlling Shareholders and to safeguard the interests of the Shareholders:

(i) our independent non-executive Directors will review, on an annual basis, compliance with the Deed of non-competition by the Obligors;

(ii) the Obligors have undertaken to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement by our Company of the Deed of non-competition. Unless invited by a majority of the independent non-executive Directors, the executive Directors shall exclude themselves from any meeting convened to consider any issues arising under the Deed of Non-competition. Our independent non-executive Directors may engage independent professional advisers, at our Company's cost, for advice on matters relating to the Deed of non-competition;

(iii) our Company will disclose in its annual report any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of non-competition;

(iv) the Obligors will make an annual declaration on compliance with the Deed of non-competition in the annual report of our Company; and

(v) to manage the conflicts of interest between our Company, the Obligors, and to protect the minority Shareholders' rights, the Obligors respectively undertake that neither of them shall participate or vote in meetings of the Board involving matters in which he or his associates have a material interest, unless either of them is expressly requested to be present by a majority of the independent non-executive Directors. In that case, the independent non-executive Directors shall have the power to engage independent professional advisors at our Company's costs.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the aforementioned matters and the following factors, we believe that our Group is able to carry on its business independent of our Controlling Shareholders and their respective associates after the Global Offering.

(i) Operational Independence

We do not rely on our Controlling Shareholders for any significant amount of our revenue, product development, staffing, transportation or marketing and sales activities. We have our own headcount of employees for our operation and human resources management. Our Group owns all licenses and trademarks that are required for our Group to carry on its business independently. Our Group does not have any connected transactions with our Controlling Shareholders or their associates that are expected to continue after the Listing.

(ii) Management Independence

Our Board consists of nine members, six of whom are executive Directors and three of whom are independent non-executive Directors.

None of our Directors holds any directorship or senior management position in Aowei Group and its subsidiaries.

We believe that there are sufficient and effective control mechanisms to ensure that our Directors fulfill their duties, avoid potential conflicts of interest and safeguard the interests of our Shareholders as a whole on the following grounds:

- the three independent non-executive Directors have extensive experience in different professional fields and have been appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of the Board are made with independent and impartial views;

- each of our Directors is aware of his fiduciary duties as a director, which require, among other things, that he acts in the best interests of our 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 between our Group and our Directors or their respective associates, arising out of any transaction to be entered into, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted towards the quorum. In addition, we have an independent senior management team to execute the business decisions of our Group; and

- all of our executive Directors will dedicate all of their time to the management and operation of our Group and they will receive their remuneration, benefits and rewards from our Group only.

Having considered the above factors, our Directors believe that they are able to perform their duties in our Company independently and that we are able to manage our business independent of our Controlling Shareholders after the Global Offering.

(iii) Financial Independence

We are financially independent of our Controlling Shareholders and their associates. Our Company and Hengshi Holdings (one of our Controlling Shareholders) entered into a loan exemption agreement on December 31, 2012 and subsequently a confirmation letter on November 12, 2013, pursuant to which Hengshi Holdings confirmed that, in 2011, it had waived three shareholder loans provided by Hengshi Holdings to our Company with an aggregate amount of USD23.5 million. The three shareholder loans were provided by Hengshi Holdings to us to finance our reorganization.

Aowei Group is owned by Mr. Li Yanjun, one of our Controlling Shareholders, as to 89.2% of its equity interests. As of June 30, 2013, the balance due to Aowei Group by our Company amounted to approximately RMB298.5 million. In September 2013, we borrowed through three entrusted loans from (i) Hebei Jinhai Industry Group Co., Ltd. (河北津海實業集團有限公司) as an entrustor lender and China Construction Bank Corporation Baoding Branch as the entrustee lender; (ii) Baoding Aosen Clothing Making Co., Ltd. (保定澳森製衣有限公司) as an entrustor lender and China CITIC Bank Co., Ltd. Shijiazhuang Branch as the entrustee lender; and (iii) Hebei Fuye Property Development Co., Ltd. (河北福業房地產開發有限公司) as an entrustor lender and China Construction Bank Corporation Baoding Branch as the entrustee lender, respectively, for an aggregate amount of RMB190.0 million. All of the entrustor lenders are Independent Third Parties. These loans are structured as entrusted loans because the lenders of the loans are non-bank entities which do not have the qualification to directly lend money to other entities. The lenders had to entrust a bank to make the loans to our Company. According to the relevant PRC regulation, an entrusted loan is a loan provided by certain principal such as enterprises or individuals through a trustee (usually a bank) in accordance with relevant conditions set up by such principal. Such conditions usually include the identity of the borrower, the purposes of the loan, and the amount, term and interest rate of the loan. The trustee only assists the principal to grant, supervise and collect the loan, without bearing any risk of lending. Our PRC legal counsel, Commerce & Finance Law Offices, is of the view that the entrusted loan arrangement does not violate PRC laws or regulations. With the fund from the entrusted loans and our Company's fund from operations, our Company has, as of the Latest Practicable Date, repaid all of the outstanding balance to Aowei Group.

As of the Latest Practicable Date, all loans, advances and balances due to and from our Controlling Shareholders and their respective associates have been fully settled and that all share pledges and guarantees provided by our Controlling Shareholders and their respective associates on our Group's borrowing have been fully released. We are capable of obtaining financing from Independent Third Parties, if necessary, without reliance on our Controlling Shareholders, any parties in any way related to our Controlling Shareholders, any guarantee from our Controlling Shareholders or any parties related to our Controlling Shareholders.

In addition, our Group has established an independent finance department with a team of independent financial staff, a sound and independent audit system, a standardized financial and accounting system and a complete financial management system for cash receipts and payment. We make financial decisions based on our Group's own business needs. We maintain basic accounts with banks independent of the Controlling Shareholders. We have made independent tax registrations and paid tax independently pursuant to applicable PRC tax laws and regulations.

Our Directors are satisfied that we are capable of carrying on our business independent of any of our Controlling Shareholders (including their respective associates) after our Company is listed on the Stock Exchange.

DIRECTORS

Our Board currently consists of nine Directors, six of whom are executive Directors and three of whom are independent non-executive Directors. The functions and duties of the Board include, but are not limited to, convening Shareholders' meetings, reporting the Board's work at these meetings, implementing the resolutions passed at these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association.

The following table sets forth certain information in respect of our Directors:

Name	Age	Position/Title in our Group	Date of appointment	Roles and Responsibilities in our Group	Relationship with the other Directors
Mr. Li Yanjun (李豔軍)	49	Chairman and executive Director	June 26, 2013	Responsible for the overall business strategies	Father of Mr. Li Ziwei
Mr. Li Ziwei (李子威)	26	Vice chairman and executive Director	January 14, 2011	Responsible for our Group's business development and foreign investments	Son of Mr. Li Yanjun
Mr. Xia Guoan (夏國安)	59	Executive Director and chief executive officer	June 26, 2013	Responsible for our Group's overall business management and daily operation	N/A
Mr. Sun Jianhua (孫建華)	31	Executive Director and chief financial officer	June 26, 2013	Responsible for our Group's accounting and financial management	N/A
Mr. Huang Kai (黃凱)	40	Executive Director	June 26, 2013	Responsible for the general management of production and the environment, health and safety matters	N/A
Mr. Tu Quanping (塗全平)	44	Executive Director	June 26, 2013	Responsible for iron ore mining and processing, related design, mining plan and supervision work	N/A

Name	Age	Position/Title in our Group	Date of appointment	Roles and Responsibilities in our Group	Relationship with the other Directors
Mr. Ge Xinjian (葛新建)	54	Independent Non-executive Director	June 26, 2013	Responsible for overseeing the management independently	N/A
Mr. Meng Likun (孟立坤)	51	Independent Non-executive Director	June 26, 2013	Responsible for overseeing the management independently	N/A
Mr. Kong Chi Mo (江智武)	38	Independent Non-executive Director	June 26, 2013	Responsible for overseeing the management independently	N/A

Mr. Li Yanjun (李豔軍), aged 49, is our executive Director and the chairman of the Board, and is mainly responsible for the overall business strategies of our Group. Mr. Li has over 15 years of experience in the iron ore mining and processing industry and the steel industry. Mr. Li established Aowei Group in December 1996 to engage in the trading of iron and steel products and had been the executive director of Aowei Group since its establishment until May 2013. He established Aoyu Steel in July 2001, which engaged in the production of iron and steel products, and served as the chairman of Aoyu Steel since its establishment until March 2012. Through establishing companies and undertaking mergers and acquisitions at Aowei Group, Mr. Li founded our Group when he began to operate Xinxin Mining in April 2004, and subsequently he started operations of Jingyuancheng Mining in November 2009 and Jiheng Mining in August 2010. He has gained extensive experience and knowledge of the iron and steel industry, management of iron and steel enterprises and the upstream iron ore mining and processing industry and has an understanding of the geological distribution of iron ore mines and iron and steel manufacturers. He has been responsible for the overall management and strategic development of our Group throughout the Track Record Period. Mr. Li graduated from high school.

Mr. Li was elected a member of the 12th National People's Congress (第十二屆全國人大) in recognition of his contribution to economic development and local employment. He was awarded the Outstanding Private Entrepreneur in Hebei Province (河北省優秀民營企業家) in April 2005 and the Outstanding Constructor of Socialism with Chinese Characteristics (優秀中國特色社會主義事業建設者) in December 2005.

Mr. Li is the father of Mr. Li Ziwei.

Mr. Li Ziwei (李子威), aged 26, is our executive Director and the vice chairman of the Board and is responsible for our Group's business development and foreign investments. Mr. Li joined our Group in August 2008. He has gained over five years of experience in the iron ore mining industry from his involvement in the areas of procurement, supply and sales of raw materials and steel products at Aowei Group, Aoyu Steel and our Group. He has been responsible for the overall management and strategic development of our Group throughout the Track Record Period.

Mr. Li has actively worked in the consolidation of small-scale iron ore mines by our operating subsidiaries since August 2008 and the reorganization of our Group in preparation for the Global Offering. Mr. Li served as the general manager assistant of Aoyu Steel from August 2008 to August 2009, and was responsible for procurement, supply and sales. He served as the assistant to the chairman of Aowei Group from September 2009 to May 2010. He served as the president of Aowei Group from June 2010 to May 2013. He is the director of Hengshi Holdings, Hengshi Investments, Hengshi HK, Aowei Investments and Aowei Developments. Mr. Li graduated from high school.

Mr. Li is the son of Mr. Li Yanjun.

Mr. Xia Guoan (夏國安), aged 59, is our executive Director and the chief executive officer. He is responsible for our Group's overall business management and daily operation.

Mr. Xia has more than 10 years of experience in mining operations and administration. He took part in establishing Aowei Mining from 2010 to 2011 and was involved in expanding our Group's business into the upstream iron ore mining and processing industry. He also played an important role in negotiating the acquisition of Jingyuancheng Mining in 2011. From July 2007 to March 2010, he served as the standing deputy general manager of Laiyuan County Xinrui Mining Co., Ltd. (淶源縣鑫瑞礦業有限公司), and was responsible for mine production and operation. Mr. Xia joined our Group in March 2010 as the chief of the preparatory group responsible for establishing Aowei Mining. He acted as a standing deputy general manager of Aowei Mining since June 2011 and was promoted to be a director and the general manager of Aowei Mining in March 2013. He also served as the vice president of Aowei Group from May 2012 to February 2013.

Prior to joining our Group, Mr. Xia served as a deputy general manager of Laiyuan County Huiyuan Mining Co., Ltd. (淶源縣匯源礦業有限公司) from March 2002 to June 2007, and was responsible for the management and planning of mine development.

Mr. Sun Jianhua (孫建華), aged 31, is our executive Director and the chief financial officer. He is responsible for our Group's accounting and financial management. He joined our Group in February 2012 as the head of the finance department of Aowei Mining.

Mr. Sun has over 10 years of experience in financial and accounting management. He served as the head of the finance department of Aowei Mining from February 2012 to June 2013. He held various positions at Aoyu Steel between February 2004 and February 2012, including accountant, head of the finance division and vice head of the finance department. Mr. Sun graduated from Baoding Financial Senior Professional Institute (保定市金融高等專科學校) in June 2003. He was admitted as a certified public accountant by the Chinese Institute of Certified Public Accountants in December 2010 and was accredited as a certified tax advisor by the State Administration of Taxation in June 2011 and a certified public valuer by the Ministry of Finance of the PRC in September 2011.

Mr. Huang Kai (黃凱), aged 40, is our executive Director. He is responsible for the general management of production and the environment, health and safety matters.

Mr. Huang has approximately 10 years of management experience. From March 2004 to February 2012, he successively served as the head of corporate governance department, the assistant general manager and a deputy general manager of Aoyu Steel. Mr. Huang joined our Group in March 2010 as the vice chief of the preparatory group responsible for establishing Aowei Mining. He has been a standing deputy general manager of Aowei Mining since March 2012. He gained substantial management experience during his employment with Aoyu Steel and Aowei Mining.

Mr. Huang attended the continuing education course of iron and steel at Tsinghua University from July 2004 to October 2005. He obtained a bachelor's degree in Business Management from Renmin University of China in June 2013 by correspondence. He was named the Outstanding Individual of Hebei Province Metallurgy Industry (河北省冶金行業先進工作者) of Hebei Province Metallurgical Industry Association in April 2009 in recognition of his contribution to the mining industry.

Mr. Tu Quanping (塗全平), aged 44, is our executive Director. He is responsible for the supervision of mining, processing, design and mining plan of all our iron ore mines.

Mr. Tu has more than 20 years of experience in the mining industry. Since joining our Group in August 2005, he has been in charge of the project design, infrastructure construction, development and mining of our mines, coordination of our production plan, design of the technical parameters of our ore preparation plants and onsite management and supervision. From August 2005 to March 2010, he served as the mining engineer, deputy head and head of Xinxin Mining. From March 2010 to June 2011, he served as the chief technical officer of the preparatory group responsible for the establishment of Aowei Mining. He has been a director of Xinxin Mining since June 2011. He has also been the chief engineer of Aowei Mining since June 2011.

Prior to joining our Group, Mr. Tu served as a mining engineer, and chief of mining, of Anhui Magang Group Nanshan Mining Company (安徽馬鋼集團南山礦業公司) from August 1991 to August 2005.

Mr. Tu obtained a bachelor's degree in Mining Engineering from Wuhan Steel Institute (武漢鋼鐵學院), (now known as Wuhan University of Science and Technology (武漢科技大學)) currently in July 1991. He took the postgraduate course of enterprise planning and development at Nanjing University (南京大學) from September 2001 to December 2003. Mr. Tu was accredited as a senior mining engineer by Magang Metallurgy Projects Senior Engineer Evaluation Committee (馬鋼冶金工程高級工程師評審委員會) in December 2002.

Mr. Ge Xinjian (葛新建), aged 54, is our independent non-executive Director.

Mr. Ge has more than 30 years of experience in processing research, design and technical management. He has served as the vice president, chief engineer and head of technology of Magang Group Design & Research Institute Co., Ltd. (馬鋼集團設計研究院有限責任公司) since March 2004. Mr. Ge currently serves as a member of the 6th Ore Dressing Branch Committee of the Chinese Society for Metals (中國金屬學會選礦分會委員會), the standing director of the China Mining Development Strategic Alliance (中國礦業發展戰略聯盟), a member of the 3rd Expert Committee of *Modern Mining* (《現代礦業》編輯部), a standing director of board of Directors of Mining Engineer (《礦冶工程》) and a part-time deputy doctoral mentor for students majored in Mining Engineer of School of Resources and Civil Engineering of Northeastern University (東北大學).

Mr. Ge published several theses in different professional journals and compiled many professional works, including *Current Application of High-Pressure Grinder of Metallurgy Mine in China* (《高壓輥磨工藝在我國冶金礦山的應用現狀》(*Modern Mining*, 9th edition of 2009).

Mr. Ge obtained a bachelor's degree in Ore Dressing from Jiangxi Metallurgy Institute (江西冶金學院) (now known as Jiangxi University of Science and Technology (江西理工大學)) in July 1983. Mr. Ge is a professor-level senior engineer in ore dressing recognized by Personnel Department of Anhui Province (安徽省人事廳) in December 2009, a national mineral reserves appraiser recognized by Department of Personnel and Education of Ministry of Land and Resources (國土資源部人事教育司) in September 2007 and a registered notional environment engineer recognized by Personnel Department of Anhui Province in September 2007.

Mr. Meng Likun (孟立坤), aged 51, is our independent non-executive Director.

Mr. Meng was a special consultant of Rongtong Fund Management Co., Ltd. (融通基金管理有限公司) from March 2010 to January 2012. He served as the president and an executive director of New Time Securities Co., Ltd. (新時代證券有限責任公司) from May 2006 to January 2009. He acted as the chairman of the board of Directors of Rongtong Fund Management Co., Ltd. from May 2001 to March 2010.

Mr. Meng obtained a bachelor's degree in mechanical design and a master's degree in engineering from Taiyuan Mechanical Engineering College (太原機械學院, now known as North University of China (中北大學)) in July 1982 and September 1986 respectively, and obtained a doctorate degree in engineering from Beijing Institute of Technology (北京理工大學) in March 1993.

Mr. Kong Chi Mo (江智武), *FCCA, FCIS, FCS (PE) & MHKIoD*, aged 38, is our independent non-executive Director.

Mr. Kong has over 15 years of experience in accounting, corporate governance and capital market. He has been an executive director, chief financial officer and company secretary of China Vanadium Titano-Magnetite Mining Company Limited (stock code: 00893), a company whose shares are listed on the Main Board of the Stock Exchange, since October 2013, May 2008 and September 2009 respectively. He has served as an independent non-executive director of Huazhang Technology Holding Limited (stock code: 08276), a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange, since May 2013. He has also served as an independent non-executive director of CAA Resources Limited (stock code: 02112), a company whose shares are listed on the Main Board of the Stock Exchange, since April 2013. He worked at KPMG from October 1999 to December 2007 and was promoted to senior manager. Prior to joining KPMG, Mr. Kong worked as a finance trainee in Hutchison Telecommunications (Hong Kong) Limited from June 1997 to March 1998, and as an associate in PricewaterhouseCoopers from March 1998 to October 1999.

Mr. Kong graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration in May 1997. He has been a fellow member of the Association of Chartered Certified Accountants since February 2008, a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators since February 2012, and an associate member of the Hong Kong Institute of Directors ("HKIoD") since May

2010. Mr. Kong received bronze certificates of merit in continuing professional development in 2010 and 2011 and silver certificate of merit in continuing professional development in 2012 from the HKIoD, respectively.

See "Appendix VI – Statutory and General Information" for further information about our Directors, including the particulars of their service contracts and remuneration, and details of the interests of our Directors in our Shares (within the meaning of Part XV of the SFO).

Save as disclosed herein, there are no other matters that need to be brought to the attention of the Shareholders of our Company in connection with the appointment of our Directors and there is no other information relating to our Directors that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules, including the directorships held by our Directors in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the Latest Practicable Date.

SENIOR MANAGEMENT

The following table sets forth certain information in respect of our senior management:

Name	Age	Position/Title in our Group	Date of Appointment
Mr. Li Yanjun (李豔軍)	49	Chairman and executive Director	June 26, 2013
Mr. Li Ziwei (李子威)	26	Vice chairman and executive Director	January 14, 2011
Mr. Xia Guoan (夏國安)	59	Chief executive officer, executive Director and a director and the general manager of Aowei Mining	June 26, 2013 (for being the CEO and executive Director of our Company) March 2013 (for being the director and general manager of Aowei Mining)
Mr. Sun Jianhua (孫建華) . . .	31	Executive Director, chief financial officer of our Group and the head of the finance department of Aowei Mining	June 26, 2013 (for being an executive Director and the chief financial officer of our Group) April 2012 (for being the finance director of Aowei Mining)

Name	Age	Position/Title in our Group	Date of Appointment
Mr. Huang Kai (黃凱)	40	Executive Director, standing deputy general manager of Aowei Mining	June 26, 2013 (for being executive Director) March 2012 (for being standing deputy general manager of Aowei Mining)
Mr. Tu Quanping (塗全平) . .	44	Executive Director, chief engineer of Aowei Mining	June 26, 2013 (for being executive Director) June 2011 (for being chief engineer of Aowei Mining)
		Director of Xinxin Mining	June 2011 (for being director of Xinxin Mining)
Mr. Yang Qiang (楊強)	36	Deputy general manager of Aowei Mining	February 18, 2013
Mr. Gao Changquan (郜常泉)	43	Head of the finance department of Aowei Mining	February 18, 2013
Mr. Li Chao (李超)	39	Deputy general manager of Aowei Mining	February 18, 2013
Mr. Jin Jiangsheng (金江生)	47	General manager of Jingyuancheng Mining	February 2012
Mr. Chen Dong (陳東)	40	General manager of Xinxin Mining	February 3, 2012
Mr. Li Dongfeng (李東風) . . .	42	Director and general manager of Jiheng Mining	August 10, 2010
		Director of Aowei Mining	June 8, 2011
Mr. Che Shengheng (車勝恒) .	50	Director and the vice chief engineer of Aowei Mining	June 8, 2011
		Director of Jingyuancheng Mining	June 2011

Mr. Li Yanjun (李豔軍), aged 49, is our executive Director and the chairman of the Board. His biographic details are set out under the paragraph headed "*Directors*" above.

Mr. Li Ziwei (李子威), aged 26, is our executive Director and the vice chairman of the Board. His biographic details are set out under the paragraph headed "*Directors*" above.

Mr. Xia Guoan (夏國安), aged 59, is the chief executive officer of our Group and a director and the general manager of Aowei Mining. He is also an executive Director. His biographic details are set out under the paragraph headed "*Directors*" above.

Mr. Sun Jianhua (孫建華), aged 31, is our chief financial officer and the finance director of Aowei Mining. He is also an executive Director. His biographic details are set out under the paragraph headed "*Directors*" above.

Mr. Huang Kai (黃凱), aged 40, is the standing deputy general manager of Aowei Mining. He is also an executive Director. His biographic details are set out under the paragraph headed "*Directors*" above.

Mr. Tu Quanping (塗全平), aged 44, is the chief engineer of Aowei Mining. He is also an executive Director. His biographic details are set out under the paragraph headed "*Directors*" above.

Mr. Yang Qiang (楊強), aged 36, is a deputy general manager of Aowei Mining since February 2013. He is responsible for the procurement and supply of materials, and sales of products.

Mr. Yang has over 10 years of experience in industrial marketing and management. Mr. Yang held various positions in Aoyu Steel from March 2003 to March 2012, including the head of raw materials division of supply and sales department and the head of purchasing and supply department. He served as the vice manager of the strategic investment department of Aowei Group from March 2012 to February 2013, and was responsible for evaluating investment opportunities in the mining industry. Mr. Yang joined our Group in February 2013 as a deputy general manager of Aowei Mining.

Mr. Yang graduated from Baoding Finance and Trade School (保定市財貿學校) in July 1999 and obtained an undergraduate diploma in Business Administration from Party School of the CPC Central Committee (中共中央黨校) by correspondence in December 2009. He obtained the first-class qualification of marketing recognized by the Ministry of Human Resources and Social Security (人力資源和社會保障部) in April 2010.

Mr. Gao Changquan (郜常泉), aged 43, has been the head of the finance department of Aowei Mining since February 2013. He is assisting Mr. Sun Jianhua in overseeing the financial and accounting management of Aowei Mining.

Mr. Gao has approximately 25 years of experience in accounting and financial management. Mr. Gao first joined our Group in February 2005, where he served as the head of finance division of Xinxin Mining until March 2006. From March 2006 to February 2013, he served as the head of finance department of Aoyu Steel. He rejoined our Group in February 2013 as the head of the finance department of Aowei Mining. Prior to joining our Group, Mr. Gao was an accountant of Baoding Xiangda Garment Manufactory Co., Ltd. (保定翔達製衣有限公司) from June 1993 to January 2005.

Mr. Gao obtained an undergraduate diploma in Accounting from The Open University of China (中國廣播電視大學) in January 2009.

Mr. Li Chao (李超), aged 39, has been a deputy general manager of Aowei Mining and responsible for corporate administration since February 2013.

Mr. Li has over 10 years of experience in industrial marketing and management. He was the procurement manager of Aowei Group from February 2003 to February 2006 and the head of the supply and marketing department of Aoyu Steel from March 2006 to November 2009. Mr. Li joined our Group in November 2009 and served as a deputy general manager of Jingyuancheng Mining from November 2009 to February 2013, during which he was responsible for corporate governance and management. Mr. Li graduated from high school.

Mr. Jin Jiangsheng (金江生), aged 47, is the general manager of Jingyuancheng Mining. He is responsible for the general management and operations of Jingyuancheng Mining.

Mr. Jin has over nine years of experience in industrial marketing and management. He first joined our Group in December 2004, where he served as the leader of water concentration plant of Xinxin Mining until June 2006. Between June 2006 and February 2012, he worked at Aoyu Steel and subsequently served as the head of the sintering plant and the steel plant. He rejoined our Group in February 2012 as the general manager of Jingyuancheng Mining.

Prior to joining our Group, Mr. Jin has worked in Rongcheng County Machinery Plant (容城縣機械廠) and subsequently served as the head of the processing workshop, the head of the sales division and the head of Rongcheng County Machinery Plant from February 1991 to December 2003. Mr. Jin graduated from high school.

Mr. Chen Dong (陳東), aged 40, is the general manager of Xinxin Mining. He is responsible for the general management and operations of Xinxin Mining.

Mr. Chen has over eight years of management experience in the iron and steel industry. From December 2004 to February 2012, he served as the deputy head and subsequently the head of the sintering plant of Aoyu Steel. He joined our Group in February 2012 and has served as the general manager of Xinxin Mining, where he is responsible for the day-to-day operation. Prior to joining our Group, Mr. Chen was the assistant to the head of the sintering plant of Chengde Jianlong Iron and Steel Co., Ltd. (承德建龍鋼鐵有限公司) from April 2003 to October 2004.

Mr. Chen obtained a bachelor's degree in Ore Dressing Engineering from University of Science and Technology Beijing (北京科技大學) in July 1996. He was accredited as a certified ore processing engineer by Liaoning Provincial Department of Human Resources in September 2001.

Mr. Li Dongfeng (李東風), aged 42, is a director of Aowei Mining and Jiheng Mining. He also serves as the general manager of Jiheng Mining. He is responsible for the general management and daily operation of Jiheng Mining.

Mr. Li has over 10 years of experience in industrial marketing and management. From December 1996 to March 2004, he served as the business manager of Aowei Group. From March 2004 to June 2007, he served as a deputy general manager of Laiyuan County Huiyuan Mining Co., Ltd. (淶源縣匯源礦業有限公司). From July 2007 to August 2010, he served as the general manager of Xinrui Mining. Mr. Li joined our Group in August 2010 and has served as a director and the general manager of Jiheng Mining since. He has been a director of Aowei Mining since June 2011 and was the general manager of Aowei Mining from June 2011 to March 2013. Mr. Li graduated from high school.

Mr. Che Shengheng (車勝恒), aged 50, is a director of Aowei Mining and Jingyuancheng Mining. He currently serves as a vice chief engineer of Aowei Mining.

Mr. Che has approximately 30 years of experience in mine planning and exploration. From March 2002 to June 2007, he served as the general engineer of Laiyuan County Huiyuan Mining Co., Ltd. (淶源縣匯源礦業有限公司). From July 2007 to August 2010, he served as the general engineer of Xinrui Mining. Mr. Che joined our Group in August 2010. From August 2010 to June 2011, he served as the chief engineer of Jiheng Mining. He has been a director and the vice chief engineer of Aowei Mining and a director of Jingyuancheng Mining since June 2011.

Mr. Che obtained a bachelor's degree in Mining Engineering from Tangshan Engineering Technical College (唐山工程技術學院, currently known as Hebei United University（河北聯合 大學）) in July 1986. In addition, Mr. Chen was accredited as a senior mining engineer by the Technological Evaluation Committee of Senior Metallurgy Projects in Hebei Province (冀高級冶金工程技術評委會) in October 1998.

Save as disclosed in this Prospectus, none of our Directors or senior management has other directorships in listed companies during the Track Record Period.

JOINT COMPANY SECRETARIES

Mr. Meng Ziheng (孟子恒), aged 28, is one of our joint company secretaries and has been an investment manager at the strategic investment department of Aowei Group since April 2011.

Mr. Meng served as a system manager at the operation management department of Aowei Group from April 2010 to March 2011. He worked at the equipment maintenance department of Hebei Guohua Dingzhou Power Generation Co., Ltd. (河北國華定洲發電有限責任公司) from July 2007 to March 2010. Mr. Meng graduated from the North China Electric Power University (華北電力大學) in July 2007, majoring in software engineering, and obtained a bachelor's degree.

Ms. Kwong Yin Ping, Yvonne (鄺燕萍), aged 58, is one of the joint company secretaries of our Company.

Ms. Kwong is a vice president of SW Corporate Services Group Limited, a professional services provider specializing in company secretarial and compliance services for listed companies. She holds a degree in accountancy from the Hong Kong Polytechnic University and is a fellow of The Hong Kong Institute of Chartered Secretaries and a fellow of The Institute of Chartered Secretaries and Administrators. Ms. Kwong has extensive experience in providing company secretarial and compliance services to numerous private and listed companies and is currently the company secretary of the following companies listed on the Stock Exchange:

- Chengdu Putian Telecommunications Cable Company Limited (成都普天電纜股份有限公司) (stock code: 01202)
- HC International, Inc. (stock code: 08292)
- Xinhua News Media Holdings Limited (新華通訊頻媒控股有限公司) (stock code: 00309)
- China Tianrui Group Cement Company Limited (中國天瑞集團水泥有限公司) (stock code: 01252)
- IGG Inc (stock code: 08002)

BOARD COMMITTEES

Audit Committee

The Board has established an audit committee with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee is to ensure that our Company will have an effective financial reporting and internal control system in compliance with the Listing Rules, to review the financial statements of our Company, to select our Company's external auditor and assess the external auditor's independence and qualifications, and to ensure effective communication between our Directors, internal auditors and external auditors.

The audit committee will initially consist of three members, namely Mr. Ge Xinjian, Mr. Meng Likun and Mr. Kong Chi Mo, all of whom are independent non-executive Directors. Mr. Ge Xinjian will be the chairman of the audit committee.

Remuneration Committee

The Board has established a remuneration committee with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary duties of the remuneration committee is to assist the Board in determining the policy and structure for the remuneration of Directors and senior management, to review incentive schemes and Directors' service contracts and to determine the remuneration packages for executive Directors and senior management.

The remuneration committee will initially consist of three members, namely, Mr. Meng Likun, Mr. Li Ziwei and Mr. Ge Xinjian. Mr. Meng Likun will be the chairman of the remuneration committee.

Nomination Committee

The Board has established a nomination committee with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary duties of the nomination committee is to identify and recommend to the Board appropriate candidates to serve as Directors, to evaluate the structure and composition of the Board, to make recommendations to the Board and to formulate nomination guidelines for our Company.

The nomination committee will initially consist of three members, namely, Mr. Li Yanjun, Mr. Meng Likun and Mr. Kong Chi Mo. Mr. Li Yanjun will be the chairman of the nomination committee.

Directors' Remuneration

For the three years ended December 31, 2012 and the six months ended June 30, 2013, the aggregate amount of fees, salaries, allowances, discretionary, bonuses, social security fund contributions, housing and other allowances, and other benefits in kind, paid by our Company to our Directors were approximately RMB0.08 million, RMB0.14 million, RMB0.89 million and RMB0.58 million, respectively.

Under the current arrangements, we estimate the aggregate remuneration and benefits in kind, excluding discretionary bonuses, payable by any member of our Group to our Directors for the current financial year ending December 31, 2013 will be approximately RMB4.7 million.

The total remuneration of the top five highest paid individuals (including Directors) for the three years ended December 31, 2012 and the six months ended June 30, 2013 were approximately RMB0.18 million, RMB0.34 million, RMB1.29 million and RMB1.00 million, respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by our Company to, or receivable by, our Directors, past Directors or the five highest paid individuals for each year of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

None of our Directors has waived any remuneration for any of the last three years. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals during the Track Record Period.

Under the remuneration policy of our Company, the remuneration committee will determine the amount of remuneration payable to our Directors and the senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities, tenure, commitment, responsibilities and performance of our Directors and the senior management.

COMPLIANCE ADVISER

We have appointed Somerley Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company with due care and skill in a timely manner when consulted by our Company in the following circumstances:

(a) before the publication by our Company of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including issue and repurchase of shares;

(c) where our Company propose to use the proceeds of the initial public offering in a manner different from that detailed in this Prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this Prospectus; and

(d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of appointment will commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

So far as our Directors are aware, immediately following the completion of the Global Offering (without taking into account any Shares that may be issued upon the exercise of the Over-allotment Option), each of the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in any circumstance at general meetings of our Company:

Name	Capacity/ Nature of interest	Number of Shares(1)	Approximate percentage of interest in our Company immediately after the Global Offering
Mr. Li Yanjun (through his interest pursuant to the Confirmation Letters as described in note 2 below)	Beneficial owner(2)	1,125,000,000(L)	75%
Mr. Li Ziwei	Beneficial owner(2)	1,125,000,000(L)	75%
Chak Limited	Legal owner and beneficial owner(3)(4)	1,125,000,000(L)	75%
Hengshi Holdings	Legal owner and beneficial owner(3)(4)	1,125,000,000(L)	75%
Hengshi Investments	Legal owner and beneficial owner(4)	1,125,000,000(L)	75%
Seven Limited	Legal owner and beneficial owner(3)(4)	1,125,000,000(L)	75%
Aowei Developments	Legal owner and beneficial owner(4)	1,125,000,000(L)	75%
Management Trust	Legal owner(2)	1,125,000,000(L)	75%
Family Trust	Legal owner(2)	1,125,000,000(L)	75%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Mr. Li Ziwei is the settler, protector and a beneficiary of the Family Trust which holds the entire issued share capital of Hengshi Holdings (holding 100% issued share capital of Hengshi Investments) through Chak Limited and is the settler, protector and a beneficiary of the Management Trust which holds the entire issued share capital of Aowei Developments through Seven Limited. Pursuant to the Confirmation Letters, Mr. Li Ziwei and Mr. Li Yanjun acted and will continue to act in concert to make decisions and exercise discretions in respect of the matters of the Family Trust and the Management Trust and exercise all voting rights attached to the shares of Hengshi Investments and Aowei Developments, respectively. Therefore, Mr. Li Ziwei and Mr. Li Yanjun are deemed to be interested in the 1,091,250,000 Shares held by Hengshi Investments (which is 100% owned by Hengshi Holdings) as disclosed above and the 33,750,000 Shares held by Aowei Developments immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), together representing 100% of our issued share capital immediately prior to the Global Offering and 75% of our issued share capital immediately after the Global Offering (assuming the Over-allotment Option is not exercised).

(3) Hengshi Holdings holds 100% issued share capital of Hengshi Investments, thus Hengshi Holdings is deemed to be interested in the 1,091,250,000 Shares held by Hengshi Investments. Chak Limited holds 100% issued share capital of Hengshi Holdings, thus Chak Limited is deemed to be interested in the 1,091,250,000 Shares held by Hengshi Investment. Seven Limited holds 100% issued share capital of Aowei Development, thus Seven Limited is deemed to be interested in the 33,750,000 Shares held by Aowei Developments.

(4) Mr. Li Ziwei and Mr. Li Yanjun are the ultimate controlling shareholders of Chak Limited, Hengshi Holdings, Hengshi Investment, Seven Limited and Aowei Developments. Therefore, Chak Limited, Hengshi Holdings, Hengshi Investment, Seven Limited and Aowei Developments are deemed to be interested in all the 1,125,000,000 shares.

Save as disclosed in this Prospectus, we are not aware of any other person who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or short position in our Shares or underlying shares of our Company which would be required to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Company. We are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid as at the date of this Prospectus and immediately after completion of the Global Offering:

As at the date of this Prospectus

	Number of Shares	Value (HK$)
Authorized share capital.	10,000,000,000 of Shares of HK$0.0001 each	1,000,000
Issued share capital.	1,125,000,000 of Shares of HK$0.0001 each	112,500

Immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)

	Number of Shares	Value (HK$)
Total number of Shares to be issued under the Global Offering	375,000,000 Shares of HK$0.0001 each	37,500
Total issued Shares immediately after completion of the Global Offering	1,500,000,000 Shares of HK$0.0001 each	150,000

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any Shares which may be issued pursuant to any exercise of the Over-allotment Option or any shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this Prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions 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 our power to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of shares allotted or agreed to be allotted by the Directors other than pursuant to:

(a) a rights issue;

(b) exercise of any subscription rights attaching to any warrants which may be allotted and issued by our Company from time to time on a specific authority granted by the Shareholders in general meeting;

(c) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association; or

(d) a specific authority granted by the Shareholders in general meeting,

shall not exceed the aggregate of:

(a) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and

(b) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in the subsection headed "General Mandate to Repurchase Shares" below.

This general mandate to issue Shares will expire:

(a) at the conclusion of our next annual general meeting; or

(b) at the expiration of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(c) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, see "Statutory and General Information – A. Further Information About Our Group – 3. Shareholders' Resolutions" in Appendix VI to this Prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering – Conditions of the Global Offering", our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange(s) on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the subsection headed "Statutory and General Information – A. Further Information About Our Group – 4. Repurchases of Our Own Shares" in Appendix VI to this Prospectus.

This general mandate to repurchase Shares will expire:

(a) at the conclusion of our next annual general meeting; or

(b) at the expiration of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(c) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the section headed "Statutory and General Information – A. Further Information About Our Group – 3. Shareholders' Resolutions" in Appendix VI to this Prospectus.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with the following cornerstone investors (the "Cornerstone Investors"), who have agreed to (subject to certain conditions) subscribe at the Offer Price for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) as may be subscribed for an aggregate amount of US$90,000,000. Assuming an Offer Price of HK$3.25, being the mid-point of the Offer Price range set forth in this Prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 212,518,000 Shares, representing approximately 56.67% of our Offer Shares (assuming that the Over-allotment Option is not exercised) and approximately 14.17% of our total issued share capital after the Global Offering. The cornerstone placing forms part of the International Offering and none of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than and pursuant to the respective cornerstone investment agreements). The Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section entitled "Structure of the Global Offering — The Hong Kong Public Offering" in this Prospectus. Details of the allocations to Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on or about November 27, 2013.

The subscription obligation of each of the below cornerstone investors is subject to, among other things, the following conditions precedent:

(1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into by, inter alia, our Company and the Joint Global Coordinators and having become unconditional by no later than the time and date as specified in those underwriting agreements in accordance with their respective original terms, or as subsequently varied by agreement of the parties thereto or waived, to the extent it may be waived, by the relevant parties;

(2) none of the above said underwriting agreements having been terminated;

(3) the Listing Committee of the Hong Kong Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares and that such approval or permission having not been revoked prior to the commencement of dealings in the Shares on the Hong Kong Stock Exchange;

(4) the respective representations, warranties, undertakings and acknowledgements of the respective Cornerstone Investor and our Company are and will be (as of the closing of the respective cornerstone investment agreement) accurate and true and not misleading and there being no breach of the relevant cornerstone agreement pursuant to the terms thereof on the part of the respective cornerstone investor; and

(5) no laws shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or herein and no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions.

Each cornerstone investment agreement may be terminated in accordance with the terms of such agreement in the event of a material breach by a party to such agreement.

OUR CORNERSTONE INVESTORS

Reignwood International Investment (Group) Co., Ltd.

Reignwood International Investment (Group) Co., Ltd. ("Reignwood International") has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$20,000,000 (approximately HK$155.0 million based on the spot rate quoted by Bloomberg as of the Latest Practicable Date) at the Offer Price. Assuming an Offer Price of HK$3.10 (being the low end of the Offer Price range set forth in this Prospectus), Reignwood International would subscribe for 49,511,000 Shares, representing approximately 13.20% of the Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised). Assuming an Offer Price of HK$3.25 (being the mid-point of the Offer Price range set forth in this Prospectus), Reignwood International would subscribe for 47,226,000 Shares, representing approximately 12.59% of the Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised). Assuming an Offer Price of HK$3.40 (being the high end of the Offer Price range set forth in this Prospectus), Reignwood International would subscribe for 45,143,000 Shares, representing approximately 12.04% of the Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised).

Reignwood International is a diversified international investment group in key growth sectors including consumer products, property and hospitality, energy and mining, offshore engineering, general aviation and financial leasing, with investments throughout Asia, Europe and North America. The energy beverage producer, Redbull China, is its prominent subsidiary.

Asia Paragon International Limited

Asia Paragon International Limited ("Asia Paragon") has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$10,000,000 (approximately HK$77.5 million based on the spot rate quoted by Bloomberg as of the Latest Practicable Date) at the Offer Price. Assuming an Offer Price of HK$3.10 (being the low end of the Offer Price range set forth in this Prospectus), Asia Paragon would subscribe for 24,755,000 Shares, representing approximately 6.60% of the Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised). Assuming an Offer Price of HK$3.25 (being the mid-point of the Offer Price range set forth in this Prospectus), Asia Paragon would subscribe for 23,613,000 Shares, representing approximately 6.30% of the Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised). Assuming an Offer Price of HK$3.40 (being the high end of the Offer Price range set forth in this Prospectus), Asia Paragon would subscribe for 22,571,000 Shares, representing approximately 6.02% of the Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised).

Asia Paragon is a wholly-owned subsidiary of Delong. Delong is a steel manufacturing and trading group headquartered in Beijing, China and listed on the Singapore Exchange Ltd.. Its flagship business, Delong Steel, is located 430km southwest of Beijing in the industrial city of Xingtai in Hebei Province.

Choi Chee Ming

Choi Chee Ming, GBS, JP, ("Dr. Choi") has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$20,000,000 (approximately HK$155.0 million based on the spot rate quoted by Bloomberg as of the Latest Practicable Date) at the Offer Price. Assuming an Offer Price of HK$3.10 (being the low end of the Offer Price range set forth in this Prospectus), Dr. Choi would subscribe for 49,511,000 Shares, representing approximately 13.20% of the Shares to be issued pursuant to the Global Offering (assuming the Over- allotment Option is not exercised). Assuming an Offer Price of HK$3.25 (being the mid-point of the Offer Price range set forth in this Prospectus), Dr. Choi would subscribe for 47,226,000 Shares, representing approximately 12.59% of the Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised). Assuming an Offer Price of HK$3.40 (being the high end of the Offer Price range set forth in this Prospectus), Dr. Choi would subscribe for 45,143,000 Shares, representing approximately 12.04% of the Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised).

Dr. Choi is currently the vice-chairman and a non-executive director of both Town Health International Investments Limited (Stock Code: 3886) and Regal Hotels International Holdings Limited (Stock Code: 78), both companies listed on the Main Board of the Hong Kong Stock Exchange. He is the chairman of Early Light International (Holdings) Limited and E. Lite (Choi's) Holdings Limited and has extensive business interests in the manufacturing industry and the property sector. He is the honorary president of the Toys Manufacturer's Association of Hong Kong, honorary president of the Hong Kong Young Industrialists Council and a member of the University Court, The Hong Kong Polytechnic University.

Chow Tai Fook Nominee Limited

Chow Tai Fook Nominee Limited ("CTF") has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$15,000,000 (approximately HK$116.3 million based on the spot rate quoted by Bloomberg as of the Latest Practicable Date) at the Offer Price. Assuming an Offer Price of HK$3.10 (being the low end of the Offer Price range set forth in this Prospectus), CTF would subscribe for 37,133,000 Shares, representing approximately 9.90% of the Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised). Assuming an Offer Price of HK$3.25 (being the mid-point of the Offer Price range set forth in this Prospectus), CTF would subscribe for 35,420,000 Shares, representing approximately 9.45% of the Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised). Assuming an Offer Price of HK$3.40 (being the high end of the Offer Price range set forth in this Prospectus), CTF would subscribe for 33,857,000 Shares, representing approximately 9.03% of the Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised).

CTF is a company incorporated in Hong Kong, which is wholly owned and controlled by Dato' Dr. Cheng Yu Tung. Its principal activities include investment holdings.

VMS Investment Group Limited

VMS Investment Group Limited ("VMS") has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$15,000,000 (approximately HK$116.3 million based on the spot rate quoted by Bloomberg as of the Latest Practicable Date) at the Offer Price. Assuming an Offer Price of HK$3.10 (being the low end of the Offer Price range set forth in this Prospectus), VMS would subscribe for 37,133,000 Shares, representing approximately 9.90% of the Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised). Assuming an Offer Price of HK$3.25 (being the mid-point of the Offer Price range set forth in this Prospectus), VMS would subscribe for 35,420,000 Shares, representing approximately 9.45% of the Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised). Assuming an Offer Price of HK$3.40 (being the high end of the Offer Price range set forth in this Prospectus), VMS would subscribe for 33,857,000 Shares, representing approximately 9.03% of the Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised).

VMS is the holding company of an investment group with businesses covering proprietary investments, asset management, securities brokerage and corporate finance advisory services.

Beijing Huaxia Jianlong Mining Technology Co., Ltd

Beijing Huaxia Jianlong Mining Technology Co., Ltd ("Huaxia Jianlong") has agreed to subscribe for, through a qualified domestic institutional investment investor, such number of Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$10,000,000 (approximately HK$77.5 million based on the spot rate quoted by Bloomberg as of the Latest Practicable Date) at the Offer Price. Assuming an Offer Price of HK$3.10 (being the low end of the Offer Price range set forth in this Prospectus), Huaxia Jianlong would subscribe for 24,755,000 Shares, representing approximately 6.60% of the Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised). Assuming an Offer Price of HK$3.25 (being the mid-point of the Offer Price range set forth in this Prospectus), Huaxia Jianlong would subscribe for 23,613,000 Shares, representing approximately 6.30% of the Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised). Assuming an Offer Price of HK$3.40 (being the high end of the Offer Price range set forth in this Prospectus), Huaxia Jianlong would subscribe for 22,571,000 Shares, representing approximately 6.02% of the Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised).

Established in 2003, Huaxia Jianlong is a diversified mining group, which is mainly engaged in mine design, exploration, development, processing and sale of mine product. With seven mines under operation in Hebei province, Inner Mongolia and Northeastern part of China, it is one of the largest iron ore producers in Hebei Province in terms of production capacity. It had iron ore reserves of two billion tonnes as of the end of 2012 and produced 2.5 million tonnes of iron ore concentrates in 2012. Its shareholders are Tianjin Jianlong Iron and Steel Industrial Co., Ltd. and Beijing Shiyuan Zhonglian Technology Co., Ltd.

To the best knowledge of our Company, each of the above Cornerstone Investors and their beneficial owners is an Independent Third Party of our Company, independent of each other, not our connected person, and not an existing shareholder of our Company. Accordingly, the shareholdings of such Cornerstone Investors in our Company will be counted towards the public float of our Shares. Immediately following completion of the Global Offering, none of the above Cornerstone Investors will have any board representation in our Company, nor will any of them become a substantial shareholder of our Company.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of the above Cornerstone Investors has agreed that, without the prior written consent of our Company and the Joint Global Coordinators, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the relevant cornerstone investment agreements) any of the Shares subscribed for by it pursuant to the relevant cornerstone investment agreement (save in some cases, some investors could transfer the Shares that they subscribed in the International Offering to their respective wholly-owned subsidiary(ies) during such six months lock-up period, provided that such wholly-owned subsidiary will abide by the restrictions on disposals imposed on such Cornerstone Investor).

You should read the following discussion and analysis in conjunction with our consolidated financial information set forth in the Accountants' Report attached as Appendix I to this Prospectus and the notes thereto. 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."

OVERVIEW

We are an iron ore mining and processing company based in Hebei Province, China. We currently own and operate four iron ore mines in Hebei Province with convenient and swift connectivity to customers. During the Track Record Period, we generated revenue primarily through sales of iron ore products, including iron ore concentrates, preliminary concentrates and iron ores.

In 2010, 2011, 2012 and the six months ended June 30, 2013, our revenue amounted to RMB364.6 million, RMB773.1 million, RMB581.6 million and RMB667.1 million, respectively, and our profit and total comprehensive income amounted to RMB86.9 million, RMB222.0 million, RMB54.8 million and RMB250.2 million, respectively. Our historical results are not necessarily indicative of our performance in any future period.

During the Track Record Period, we processed iron ores and weakly mineralized wall rocks recovered from Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine into iron ore concentrates for sales. In addition, we primarily sold iron ores and preliminary concentrates recovered from Zhijiazhuang Mine as Jiheng Mining did not have wet processing capacity during the Track Record Period. Since March 2013, however, Jiheng Mining has utilized Xinxin Mining's wet processing facilities to process a portion of its preliminary concentrates into iron ore concentrates. As a result, Jiheng Mining has been selling iron ore concentrates since April 2013. In line with our production expansion plan, we intend to steadily increase our mining and processing capacity at all of our mines in order to increase output of iron ore concentrates. As a result, we expect revenue generated from sales of iron ore concentrates to increase both in terms of the absolute amount and as a percentage of our total revenue in the future.

From 2010 to 2012, we mainly focused on conducting consolidation and correction works in connection with the consolidation of our mines and preparing them for commercial production. The iron ores removed and recovered during these works were low in both volume and TFe grade as compared to those of iron ores produced during our trial or commercial production. In addition, we also used weakly mineralized wall rocks recovered during the course of these works to produce a significant portion of our iron ore concentrates. As a result, the average unit cash operating costs of our iron ores and iron ore concentrates during these periods were high as compared to those during our trial or commercial production. See "– Cash Operating Costs" and "Business – Mines, Mineral Resources and Mining Rights – Consolidation and Correction Work at Our Mines."

BASIS OF PREPARATION

Our Company was incorporated in the BVI on January 14, 2011 and re-domiciled to the Cayman Islands on May 23, 2013 as an exempted company with limited liability under the Cayman Companies Law. See "History, Development and Reorganization." Our consolidated financial information as of and for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013 have been prepared using the principles of merger accounting as if the companies now comprising our Group had been consolidated at the beginning of the Track Record Period unless the company was incorporated or established at a later date. The net assets of the companies now comprising our Group are consolidated using the existing book value from the Controlling Shareholders' perspective.

Our financial information has been prepared in accordance with IFRS throughout the Track Record Period.

FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL POSITION

Our financial position and results of operations have been and will continue to be affected by a number of factors, including those set forth in the "Risk Factors" and the following factors, some of which may not be within our control and/or may not be indicative of future results of operations.

Product Mix

During the Track Record Period, we processed iron ores and weakly mineralized wall rocks recovered from Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine into iron ore concentrates for sales. In addition, we primarily sold iron ores and preliminary concentrates recovered from Zhijiazhuang Mine during the Track Record Period. Starting from April 2013, Jiheng Mining has commenced to sell iron ore concentrates. In 2010, 2011, 2012 and the six months ended June 30, 2013, revenue generated by Jiheng Mining from sales of preliminary concentrates and iron ores recovered from Zhijiazhuang Mine accounted for nil, 49.1%, 45.6% and 56.5% of our total revenue for the same periods. We intend to steadily increase our mining and processing capacity at all of our mines in order to increase output of iron ore concentrates. As a result, we expect revenue generated from sales of iron ore concentrates to increase both in terms of the absolute amount and as a percentage of our total revenue in the future.

Selling Prices

A number of factors affect market prices of iron ore products in the PRC, including but not limited to the global and the PRC supply of and demand for iron ore products as well as other macro-economic factors such as interest rates, expectations regarding inflation and currency exchange rates. In particular, prices of iron ore products in the PRC are affected by prices of imported iron ores, especially those on a spot basis. In order to keep our transportation costs low and maintain the stable demand for our products, we primarily sold our iron ore concentrates to local steel mills, and preliminary concentrates and iron ores to local processing plants and trading companies in Hebei Province. The prices of our iron ore products are directly affected by market prices in this region.

We price our iron ore products based on prevailing market prices and the quality of our products. The following table sets forth our average selling price per tonne of iron ore products for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
			(RMB/t)		
Average selling price[1]					
Iron ore concentrates	966	1,062	847	859	806
Preliminary concentrates	–	262	195	225	202
Iron ores	–	214	190	219	193

Note:

(1) Average selling price equals (i) the revenue generated from sales of relevant iron ore products for a selected period divided by (ii) sales volume of such iron ore products for the same period, net of VAT at a rate of 17%.

The following table illustrates the sensitivity of our revenue in 2010, 2011, 2012 and the six months ended June 30, 2013 to the average selling prices of our iron ore concentrates, preliminary concentrates and iron ores, respectively.

	Change in average selling price per tonne					
	Decreased by			Increased by		
	30.0%	20.0%	10.0%	10.0%	20.0%	30.0%
			(RMB in millions)			
Impact on revenue in 2010						
Iron ore concentrates	(109)	(73)	(36)	36	73	109
Preliminary concentrates[1]	–	–	–	–	–	–
Iron ores[1]	–	–	–	–	–	–
Impact on revenue in 2011						
Iron ore concentrates	(118)	(79)	(39)	39	79	118
Preliminary concentrates	(16)	(11)	(5)	5	11	16
Iron ores	(98)	(65)	(33)	33	65	98
Impact on revenue in 2012						
Iron ore concentrates	(95)	(63)	(32)	32	63	95
Preliminary concentrates	(21)	(14)	(7)	7	14	21
Iron ores	(58)	(39)	(19)	19	39	58
Impact on revenue in the six months ended June 30, 2013						
Iron ore concentrates	(87)	(58)	(29)	29	58	87
Preliminary concentrates	(24)	(16)	(8)	8	16	24
Iron ores	(89)	(59)	(30)	30	59	89

Note:

(1) There was no sales of preliminary concentrates or iron ores in 2010.

The sensitivity range of a decrease or increase of 30% has been determined with reference to historical movements in the price of our iron ore products. The largest year-over-year decrease in the average selling price during the Track Record Period was 20%, 26% and 11% for iron ore concentrates, preliminary concentrates and iron ore, respectively. Assuming no changes in other variables and after converting the sales volume and unit cost of iron ore and preliminary concentrate into the sales volume and unit cost of iron ore concentrate equivalent, our profit before tax would have reached breakeven point if the average selling price of our iron ore concentrates had been lower than the realized averaged selling price by approximately 59.9% in the first six months of 2013. This analysis further assumes that the conversion of relevant data of iron ore and preliminary concentrate into those of iron ore concentrate was based on the appropriate TFe grade, ore to concentrate ratio and preliminary concentrate to concentrate ratio at our Zhijiazhuang Mine.

We believe that the prices of our products will continue to be affected by the condition of the PRC economy and the global economy, and operating at a low cash operating cost is critical to weathering any selling price fluctuations. As a result of our substantially reduced cash operating cost, our revenue and profitability improved significantly during the first half of 2013 despite a weak iron ore market in the same period in China. To mitigate against the potential further weakening of the selling prices of our iron ore products, we will continue our ramp-up plan to lower the unit cash operating cost as projected through (i) upgrading our technical capabilities, (ii) improving our economies of scale by expanding mining and processing capacities, and (iii) optimizing management and operation. In addition, we plan to, without undermining our liquidity, offer competitive credit terms to attract more state-owned steel mill customers who are generally more willing to pay higher prices. In the long term, we also plan to further improve our economies of scale by acquiring high quality mines.

Production Volume and Sales Volume of Our Iron Ore Products

Our revenue relies on the production volume of our iron ore products, which is constrained by the capacity of the relevant stages of our manufacturing process and affected by the market demand for the relevant products. Sales volumes of our iron ore products are affected primarily by the production and processing capacity of the relevant products, and may also include products from our inventory. We have at times managed the timing of sales and the sales volumes of our iron ore products, taking into consideration the inventory levels of our products, our processing capacity, expansion plan and anticipated market demand for our products. Assuming no changes in other variables and after converting the sales volume and unit cost of iron ore and preliminary concentrate into the sales volume and unit cost of iron ore concentrate equivalent, our profit before tax would have reached breakeven point if the sales volume of iron ore concentrate equivalent had been lower than the realized sales volume of iron ore concentrate equivalent by approximately 84.5% in the first six months of 2013. This analysis further assumes that the conversion of relevant data of iron ore and preliminary concentrate into those of iron ore concentrate was based on the appropriate TFe grade, ore to concentrate ratio and preliminary concentrate to concentrate ratio at our Zhijiazhuang Mine.

The following table sets forth our output and sales volume of our iron ore products for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
			(Kt)		
Output					
Iron ore concentrates	421	443	393	129	345
Preliminary concentrates(1)	2,024	2,332	2,194	820	2,007
Iron ores(2)	3,419	4,609	3,804	1,307	5,655
Sales volume					
Iron ore concentrates	377	370	372	140	360
Preliminary concentrates	–	201	366	177	403
Iron ores	–	1,526	1,019	267	1,528

Notes:

(1) Jiheng Mining produced 19 Kt, 188 Kt, 360 Kt, 186 Kt and 601 Kt of preliminary concentrates in 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013, respectively.

(2) Jiheng Mining recovered 145 Kt, 1,350 Kt, 973 Kt, 317 Kt and 1,591 Kt of iron ores in 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013, respectively.

During the Track Record Period, our output increased along with our business expansion, mainly through acquisition of relevant iron ore mines. See "History, Development and Reorganization." Our output of iron ore products during the Track Record Period was negatively affected because we focused on performing consolidation and correction work in connection with consolidation of our mines and preparing them for commercial production. See "Business – Mines, Mineral Resources and Mining Rights – Consolidation and Correction Work at Our Mines."

In line with our expansion plan, we intend to develop our processing capacity to match our mining capacity so that we could increase the production and sales volumes of iron ore concentrates. See "Business – Our Business Strategies" and "Business – Production Expansion Plans."

Operating Costs

Our operating costs mainly include costs associated with work force employment, utilities, transportation, and mining and processing operations. Variations in output and the costs of mining, transporting and processing iron ore products are key factors that affect our operating costs.

Both the volume and the average TFe grade of iron ores removed and recovered during our consolidation and correction work were low compared with those of iron ores produced during our trial or commercial production. As a result, the unit cash operating costs of our products of iron ores and iron ore concentrates from 2010 to 2012 were high compared to those during trial or commercial production. See "– Cash Operating Costs" and "Business – Mines, Mineral Resources and Mining Rights – Consolidation and Correction Work at Our Mines."

SRK is of the view that with the on-going technological upgrade and the expected increase in our production volume and the TFe grade of our iron ores, our unit cash operating costs after the commencement of the trial or commercial production should decrease substantially as compared with the unit cash operating costs in 2010, 2011 and 2012. We intend to increase our mining and processing capacity and carry out technical upgrade at our mines to focus on iron ore concentrates production. We expect to complete our expansion work by the end of 2015. As a result of the expected increase in average grade of iron ores to be produced, changes in product mix and utilization of new technology and equipment upon completion of technical upgrade, our historical record of unit cash operating costs of iron ore products are not indicative of future performance.

The following table illustrates the sensitivity of our gross profit in 2010, 2011, 2012 and the six months ended June 30, 2013 to the average cost of sales, on a per tonne basis, of our iron ore concentrates, preliminary concentrates and iron ores, respectively.

	Change in cost of sales per tonne					
	Decrease by			Increase by		
	30.0%	20.0%	10.0%	10.0%	20.0%	30.0%
	(RMB in millions)					
Impact on gross profit in 2010						
Iron ore concentrates	58	38	19	(19)	(38)	(58)
Preliminary concentrates(1)	–	–	–	–	–	–
Iron ores(1)	–	–	–	–	–	–
Impact on gross profit in 2011						
Iron ore concentrates	69	46	23	(23)	(46)	(69)
Preliminary concentrates	11	7	4	(4)	(7)	(11)
Iron ores	26	17	9	(9)	(17)	(26)
Impact on gross profit in 2012						
Iron ore concentrates	80	53	27	(27)	(53)	(80)
Preliminary concentrates	20	13	7	(7)	(13)	(20)
Iron ores	18	12	6	(6)	(12)	(18)
Impact on gross profit in the six months ended June 30, 2013						
Iron ore concentrates	50	33	17	(17)	(33)	(50)
Preliminary concentrates	19	13	6	(6)	(13)	(19)
Iron ores	15	10	5	(5)	(10)	(15)

Note:

(1) There were no sales of preliminary concentrates or iron ores in 2010.

The sensitivity range of increase or decrease by 30% has been determined with reference to historical movements in the unit cost for each of our iron ore products. The largest year-over-year increase in the unit cost during the Track Record Period was 21%, 1% and 5% for iron ore concentrates, preliminary concentrates and iron ores, respectively.

General Economic Conditions of the PRC

We derive all of our revenue from sales of iron ore products in China. Economic growth in China has a direct impact on our operations, particularly the level of demand for our products and our operating expenses. The slowdown of the PRC economy resulting from the global economic downturn in the second half of 2008 caused the prices and demand for iron ore products in China to decline significantly until the second quarter of 2009. The PRC economy has gradually recovered and market prices of iron ore concentrates have rebounded since the second quarter of 2009.

CRITICAL ACCOUNTING POLICIES

The preparation of financial information in conformity with the IFRS requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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.

Property, Plant and Equipment

We determine the residual value, useful lives and related depreciation charges for our property, plant and equipment. This estimate is based on the actual residual value and useful lives of plant and equipment of similar nature and functions.

The following estimated useful lives are used for the depreciation of property, plant and equipment, other than mining structures, capitalized stripping costs and mining rights as well as construction in progress:

Buildings and plants	6–20 years
Machinery and equipment	3–10 years
Motor vehicles	5 years
Office equipment	3 years

Mining structures and capitalized stripping costs are depreciated based on the units-of-production method utilizing only proven and probable mineral reserves.

Mining Rights

Mining rights are stated at cost and deducted for accumulated amortization and impairment losses. The mining rights are amortized using the units-of-production method based on the proven and probable mineral reserves. Our mining rights are of significant duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with the current production schedule.

Exploration and Evaluation Assets

Exploration and evaluation assets are stated at cost and deducted for impairment losses. Exploration and evaluation assets include exploration and development costs. Exploration and development costs include expenditures incurred in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and expenditures incurred to secure further mineralization in existing ore bodies and to expand the capacity of a mine. Expenditure during the initial exploration stage is charged to profit or loss as incurred.

When it can be reasonably ascertained that a mining structure is capable of commercial production, exploration and development costs capitalized are transferred to mining rights and amortized to profit or loss using the units-of-production method based on the proved and probable mineral reserves. If any project is abandoned during the exploration and evaluation stage, the related exploration and evaluation assets are written off to profit or loss. Intangible assets that are acquired by us, representing mining rights, which have finite useful lives, are stated at cost less accumulated amortization and impairment losses. Amortization is recognized in profit or loss on the units-of-production method utilizing only proved and probable mineral reserves.

Restoration and Environmental Costs

Restoration and environmental costs have been estimated based on our interpretation of current regulatory requirements and have been measured at the net present value of expected future cash expenditure upon reclamation and closure. As changes in estimates occur (such as mine plan revisions, changes in estimated costs or changes in timing of the performance of reclamation activities), the revisions to the obligation will be recognized at the appropriate discount rate.

Recognition of Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which we expect, at the end of each reporting period, to recover or settle the carrying amount of our assets and liabilities. Deferred tax is recognized in profit or loss.

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ITEMS

The following table sets forth information derived from our consolidated statements of comprehensive income for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
			(RMB in millions)		
Revenue	364.6	773.1	581.6	219.3	667.1
Cost of sales	(198.3)	(351.1)	(393.1)	(171.0)	(279.8)
Gross profit	**166.3**	**422.0**	**188.5**	**48.3**	**387.3**
Distribution costs	(7.5)	(7.4)	(1.9)	(0.5)	(3.4)
Administrative expenses	(38.4)	(103.5)	(101.6)	(47.1)	(41.5)
Profit from operations	**120.4**	**311.1**	**85.0**	**0.7**	**342.4**
Finance income	0.1	0.3	0.1	0.1	0.1
Finance costs	(3.2)	(4.1)	(7.6)	(3.0)	(7.6)
Profit/(loss) before taxation	**117.3**	**307.3**	**77.5**	**(2.2)**	**334.9**
Income tax	(30.4)	(85.3)	(22.7)	(0.8)	(84.7)
Profit/(loss) and total comprehensive income for the year	**86.9**	**222.0**	**54.8**	**(3.0)**	**250.2**
Attributable to:					
Equity shareholders of the Company	94.9	162.5	48.5	(4.8)	232.0
Non-controlling interests	(8.0)	59.5	6.3	1.8	18.2

Revenue

During the Track Record Period, we derived substantially all of our revenue from sales of iron ore products, primarily including iron ore concentrates, preliminary concentrates and iron ores recovered from consolidation and correction work in connection with the consolidation of mines we acquired. Revenue represents the sales value of goods sold to the customers exclusive of VAT of 17%.

The following table sets forth revenue contribution by product categories and percentage of total revenue for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in millions, except percentages)									
Revenue										
Iron ore concentrates	364.2	99.9	393.1	50.8	315.2	54.2	120.2	54.8	290.0	43.5
Preliminary concentrates	–	–	52.6	6.8	71.4	12.3	39.8	18.1	81.3	12.2
Iron ores	–	–	327.1	42.3	193.9	33.3	58.5	26.7	295.5	44.3
Others[(1)]	0.4	0.1	0.3	0.1	1.1	0.2	0.8	0.4	0.3	*[(2)]
Total	364.6	100.0	773.1	100.0	581.6	100.0	219.3	100.0	667.1	100.0

Notes:

(1) Mainly include the sales of scrap steel and consumables used in the production of iron ore products.

(2) Less than 0.1.

Our revenue increased significantly from RMB364.6 million in 2010 to RMB773.1 million in 2011, primarily as a result of our business expansion, in particular, the revenue generated from the sales of iron ores and preliminary concentrates by Jiheng Mining in 2011. Our revenue decreased from RMB773.1 million in 2011 to RMB581.6 million in 2012, primarily due to deteriorated market condition in 2012 and partly as a result of the interruption of our operations due to the flood in Hebei Province in late July 2012. The flood caused a suspension of operations and product sales for approximately five days. We resumed operations and sales of iron ore products in early August 2012. Our revenue increased from RMB219.3 million in the six months ended June 30, 2012 to RMB667.1 million in the six months ended June 30, 2013, primarily due to an increase in sales volume of our iron ore products. Our mining and processing capacities increased as our mines commenced trial or commercial production in the first half of 2013.

During the Track Record Period, we sold a substantial portion of the iron ore concentrates to Aoyu Steel at the prevailing market price. See "History, Development and Reorganization – Overview."

The table below sets forth our revenue attributable to sales of iron ore concentrates to Aoyu Steel and as a percentage of our total revenue for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Sales of iron ore concentrates to Aoyu Steel (RMB in millions)	355.8	383.1	259.6	116.2	25.2
% of total revenue	97.6	49.6	44.6	53.0	3.8

Cost of Sales

Our cost of sales mainly include salaries to our employees, utilities expenses, materials and consumables, fees we paid to third-party contractors for their blasting, loading and transportation services and other costs associated with our mining and processing operations. In 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013, our cost of sales amounted to RMB198.3 million, RMB351.1 million, RMB393.1 million, RMB171.0 million and RMB279.8 million, respectively. The increase in our cost of sales during the Track Record Period primarily reflected the expansion of the scale of consolidation and correction work at our mines.

The following table sets forth the breakdown of our cost of sales by categories for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							(unaudited)			
	(RMB in millions, except for percentages)									
Salaries[(1)]	16.1	8.1	22.8	6.5	29.1	7.4	13.8	8.1	19.2	6.9
Utilities[(2)]	29.8	15.0	34.4	9.8	35.6	9.1	13.9	8.1	27.5	9.8
Fuel[(3)]	9.8	4.9	12.0	3.4	13.1	3.3	5.7	3.3	7.6	2.7
Materials and consumables[(4)]	24.0	12.2	58.0	16.5	83.0	21.1	22.0	12.9	30.3	10.8
Contractors' fee[(5)]										
Blasting	26.4	13.3	52.8	15.0	56.4	14.3	28.9	16.9	38.4	13.7
Loading	29.0	14.6	52.2	14.9	42.8	10.9	26.6	15.6	31.5	11.3
Transportation	27.6	13.9	58.5	16.7	61.3	15.6	31.1	18.2	45.7	16.3
Amortization and depreciation[(6)]	10.9	5.5	19.1	5.4	25.8	6.6	11.4	6.7	37.2	13.3
Allowance for diminution in value of inventories[(7)] . . .	5.9	3.0	–	–	–	–	–	–	–	–
Others[(8)]	18.8	9.5	41.3	11.8	46.0	11.7	17.6	10.2	42.4	15.2
Total	198.3	100.0	351.1	100.0	393.1	100.0	171.0	100.0	279.8	100.0

Notes:

(1) Salaries primarily comprise the salaries we paid to our employees who work at our mines and processing plants.

(2) Utilities primarily comprise water and electricity costs.

(3) Fuels primarily comprise costs of the fuels used by our trucks for transporting our products to the processing plants.

(4) Materials and consumables primarily comprise tools, including drilling bits, and supplies consumed in the production processes.

(5) Contractors' fees primarily comprise fees paid to third-party suppliers. During the Track Record Period, we engaged third-party suppliers to provide various services in our production process, including blasting, loading and transportation services. See "Business – Third-party Contractors."

(6) Mining rights are amortized using the unit-of-production method based on the proven and probable mineral reserves.

(7) Allowance for diminution in value of inventories was made in 2010, which represents the write-down of our inventories to the net realizable value in the same year.

(8) Others primarily include fees and payments to the relevant government authorities in relation to our mining and processing operations, including resources tax and safety production fund. The resources tax paid by us was RMB11.2 million, RMB22.7 million, RMB32.6 million, RMB11.8 million and RMB36.0 million in 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013, respectively.

If the cost of sales of our iron ore concentrates had been 21% higher/lower, (being the largest change of average unit cost of sales of our iron ore concentrates over the Track Record Period), and all other variables were held constant, our gross profit in 2010, 2011, 2012 and the six months ended June 30, 2013 would have decreased/increased by RMB40.4 million, RMB48.0 million, RMB55.8 million and RMB34.9 million, respectively.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(RMB in millions, except percentages)				
Gross Profit					
Iron ore concentrates	171.8	164.4	49.5	2.7	123.7
Preliminary concentrates	–	15.3	4.8	5.0	18.3
Iron ores	–	242.0	133.7	40.3	245.0
Others	0.4	0.3	0.5	0.3	0.3
Total	**166.3**[(1)]	**422.0**	**188.5**	**48.3**	**387.3**
Gross Profit Margin (%)					
Iron ore concentrates	47.2	41.8	15.7	2.2	42.7
Preliminary concentrates	–	29.1	6.7	12.6	22.5
Iron ores	–	74.0	69.0	68.9	82.9
Others	N/M[(2)]	N/M[(2)]	N/M[(2)]	N/M[(2)]	N/M[(2)]
Overall	**45.6**	**54.6**	**32.4**	**22.0**	**58.1**

Notes:

(1) Inclusive of an allowance for diminution in value of inventories of RMB5.9 million made in 2010, which represents the write-down of our inventories to the net realizable value in the same year.

(2) "N/M" stands for not meaningful.

Distribution Costs

Our distribution costs mainly include costs of loading and delivery of our iron ore products in connection with sales to our customers. The following table sets forth the breakdown of our distribution costs for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(RMB in millions)				
Loading	–	2.9	1.9	0.5	3.4
Transportation	7.5	4.5	–	–	–
Total	7.5	7.4	1.9	0.5	3.4

Prior to August 2011, we arranged transportation for sales to Aoyu Steel, which ceased to be a related party in March 2012. See "History, Development and Reorganization." Since late 2011, in line with our sales and marketing strategy, we have requested all of our customers to arrange transportation of iron ore products. As a result, we did not incur any transportation costs in 2012 and the six months ended June 30, 2013. For sales of iron ores and preliminary concentrates at Zhijiazhuang Mine, we arrange relevant loading services and bear the relevant costs. We did not incur any loading costs in 2010 because the sales of iron ores or preliminary concentrates at Zhijiazhuang Mine did not commence until 2011. The decrease in our loading costs from 2011 to 2012 was primarily due to the decrease in sales volume of iron ores from 2011 to 2012. The increase in our loading expenses from RMB0.5 million in the six months ended June 30, 2012 to RMB3.4 million in the six months ended June 30, 2013 was due to the increase in the sales volume of iron ores and preliminary concentrates.

Administrative Expenses

The following table sets forth the breakdown of our administrative expenses for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(RMB in millions)				
Staff costs[(1)]	15.5	18.6	31.4	12.7	15.8
Amortization and depreciation[(2)]	0.6	3.5	4.6	1.6	3.0
Environmental compensation expenditures[(3)]	4.1	21.5	22.6	9.7	1.8
Consultation fee[(4)]	2.4	23.1	5.7	3.0	9.1
Others[(5)]	15.8	36.8	37.3	20.1	11.8
Total	38.4	103.5	101.6	47.1	41.5

Notes:

(1) Staff costs primarily comprise the salaries we paid to our administrative and managerial employees.

(2) Depreciation represents depreciation expenses for office equipment calculated on a straight line basis.

(3) Environmental compensation expenditures primarily include expenses in relation to local environmental compliance regulatory requirements.

(4) Consultation fee primarily includes fees to SRK and other industry experts for compilation of the CPR and geological studies.

(5) Others primarily include traveling and transportation expenses, losses incurred due to suspension of production and donations.

The increase in our administrative expenses during the Track Record Period was primarily attributable to our business expansion.

Finance Income

Finance income primarily comprises interest income generated from deposits. In 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013, our finance income amounted to RMB0.1 million, RMB0.3 million, RMB0.1 million, RMB0.1 million and RMB0.1 million, respectively.

Finance Costs

Finance costs represent (i) finance charges in relation to discounting bank acceptance bills, (ii) interest expenses on long-term payables in relation to the acquisition of mining rights by Jiheng Mining and (iii) interest expenses on accrued reclamation obligations, mainly including restoration, rehabilitation and environmental costs arising when environmental disturbance is caused by the development or ongoing production of our mines. In 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013, our finance costs amounted to RMB3.2 million, RMB4.1 million, RMB7.6 million, RMB3.0 million and RMB7.6 million, respectively.

Income Tax Expenses

Income tax expenses consist of provisions for current and deferred PRC income tax expenses. We are subject to PRC enterprise income tax at a rate of 25%. Our effective tax rates in 2010, 2011, 2012 and the six months ended June 30, 2013 were 25.9%, 27.8%, 29.3% and 25.3%, respectively. Our effective tax rates were higher than the statutory PRC enterprise income tax rate of 25% during the period from 2010 to 2012 and the six months ended June 30, 2013, primarily due to losses incurred by certain non-operating subsidiaries in China that were not deductible for tax purposes for the relevant periods in accordance with the relevant PRC laws and regulations.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, we are not subject to any income tax in the Cayman Islands and the BVI. We are not subject to Hong Kong profits tax as we had no assessable income arising in or derived from Hong Kong during the Track Record Period.

RESULTS OF OPERATIONS

Six months ended June 30, 2013 compared to six months ended June 30, 2012

Revenue

Our revenue increased by 204.2% from RMB219.3 million in the six months ended June 30, 2012 to RMB667.1 million in the six months ended June 30, 2013, primarily due to an increase in sales volume across all three iron ore product categories. After the completion of the consolidation work, Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine commenced trial production in May 2013 and Zhijiazhuang Mine commenced commercial production in April 2013 and contributed to an increase in the output of iron ore products. The increase in sales volume was partially offset by the decrease in average selling price of our iron ore products as a result of the adverse market conditions in the first half of 2013.

Our sales volume of iron ores increased by 472.3% from 267 Kt in the six months ended June 30, 2012 to 1,528 Kt in the six months ended June 30, 2013, primarily due to the increased mining output in the first half of 2013. Our sales volume of iron ore concentrates increased by 157.1% from 140 Kt in the six months ended June 30, 2012 to 360 Kt in the six months ended June 30, 2013, primarily due to the increased processing output in the first half of 2013 as a result of the improved utilization of our processing capacity at different plants and our business expansion. Our sales volume of preliminary concentrates increased by 127.7% from 177 Kt in the six months ended June 30, 2012 to 403 Kt in the six months ended June 30, 2013, primarily due to the increased processing output in the first half of 2013.

The average selling price per tonne of iron ores, preliminary concentrates and iron ore concentrates decreased from RMB219, RMB225, and RMB859 in the six months ended June 30, 2012 to RMB193, RMB202 and RMB806 in the six months ended June 30, 2013, respectively, primarily due to adverse market conditions.

Cost of Sales

Our cost of sales increased by 63.6% from RMB171.0 million in the six months ended June 30, 2012 to RMB279.8 million in the six months ended June 30, 2013, which was primarily due to the increase in the sales volume of our products, partially offset by the decrease in unit cash operating cost. See "– Cash Operating Costs."

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 701.9% from RMB48.3 million in the six months ended June 30, 2012 to RMB387.3 million in the six months ended June 30, 2013. Our gross profit margin increased from 22.0% in the six months ended June 30, 2012 to 58.1% in the six months ended June 30, 2013, primarily due to a decrease in our unit cash operating costs, which was partially offset by the decrease in average selling prices of iron ore products due to adverse market conditions.

Distribution Expenses

Distribution expenses increased by 580.0% from RMB0.5 million in the six months ended June 30, 2012 to RMB3.4 million in the six months ended June 30, 2013 as a result of the increase of loading expenses due to the increase in sales of our iron ores from Zhijiazhuang Mine.

Administrative Expenses

Administrative expenses decreased by 11.9% from RMB47.1 million in the six months ended June 30, 2012 to RMB41.5 million in the six months ended June 30, 2013, primarily due to the decrease in environmental compensation expenditures and the loss resulting from the disposal of obsolete facilities and partially offset by the increase in consultation fees.

Finance Income

Our finance income remained relatively stable in the six months ended June 30, 2012 and 2013.

Finance Costs

Our finance costs increased by 153.3% from RMB3.0 million in the six months ended June 30, 2012 to RMB7.6 million in the six months ended June 30, 2013, primarily due to the additional unwinding of original discount on long-term payables.

Income Tax Expenses

Income tax expenses increased from RMB0.8 million in the six months ended June 30, 2012 to RMB84.7 million in the six months ended June 30, 2013, primarily due to the increase in profit before tax.

Profit/(loss) and Total Comprehensive Income

As a result of the foregoing, we had profit and total comprehensive income of RMB250.2 million in the six months ended June 30, 2013, compared to a loss of RMB3.0 million in the six months ended June 30, 2012. Our net profit margin in the six months ended June 30, 2013 was 37.5%.

Profit/(loss) Attributable to Equity Shareholders of the Company

Profit attributable to equity shareholders of the Company amounted to RMB232.0 million in the six months ended June 30, 2013, compared to a loss of RMB4.8 million attributable to equity shareholders of the Company in the six months ended June 30, 2012. We recorded a profit attributable to non-controlling interests of RMB18.2 million in the six months ended June 30, 2013, compared to RMB1.8 million in the six months ended June 30, 2012, primarily as a result of (i) improved operational results at Jiheng Mining in the six months ended June 30, 2013 and (ii) an increase in the non-controlling interest in Jiheng Mining.

Year ended December 31, 2012 compared to year ended December 31, 2011

Revenue

Our revenue decreased by 24.8% from RMB773.1 million in 2011 to RMB581.6 million in 2012, primarily due to a decrease in the average selling price across all three iron ore product categories and partially due to a decrease in sales volume of iron ores as a result of the flood in Hebei Province in late July 2012.

The decrease in average selling price was primarily caused by the deteriorated market conditions. The average selling price per tonne of iron ores decreased from RMB214 in 2011 to RMB190 in 2012; average selling price per tonne of preliminary concentrates decreased from RMB262 in 2011 to RMB195 in 2012; average selling price per tonne of iron ore concentrates decreased from RMB1,062 in 2011 to RMB847 in 2012.

Our sales volume of iron ores decreased from 1,526 Kt in 2011 to 1,019 Kt in 2012, primarily due to the reduced output as a result of suspension of our operations caused by the flood in Hebei Province in late July 2012. Our sales volume of iron ore concentrates slightly increased from 370 Kt in 2011 to 372 Kt in 2012. Our sales volume of preliminary concentrates increased from 201 Kt in 2011 to 366 Kt in 2012 due to increased output as a result of the improved utilization rate of dry processing plants of Jiheng Mining as it completed upgrading its dry processing plant in 2011 as part of the consolidation and correction work.

Cost of Sales

Our cost of sales increased by 12.0% from RMB351.1 million in 2011 to RMB393.1 million in 2012, primarily due to (i) the increase in materials and consumables from RMB58.0 million in 2011 to RMB83.0 million in 2012, as a result of the increase in price of our key consumables such as crushing and grinding steel balls and lining board and (ii) the increase in salaries from RMB22.8 million in 2011 to RMB29.1 million in 2012 primarily because we hired more employees in line with expansion of our business operations.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 55.3% from RMB422.0 million in 2011 to RMB188.5 million in 2012. Our gross profit margin decreased from 54.6% in 2011 to 32.4% in 2012, primarily due to (i) the decrease in the average selling price across all three iron ore product categories in 2012 because of adverse market conditions in China and (ii) the increase in prices of our key consumables.

Distribution Expenses

Distribution expenses decreased by 74.3% from RMB7.4 million in 2011 to RMB1.9 million in 2012. In 2011 and 2012, our transportation costs were RMB4.5 million and nil, respectively, as we requested all of our customers to arrange their own transportation of iron ore products since late 2011, in line with our sales and marketing strategy. We arranged the transportation for sales to Aoyu Steel until late 2011. Our loading costs decreased from RMB2.9 million in 2011 to RMB1.9 million in 2012 primarily because of the decrease in sales volume of iron ores from 2011 to 2012.

Administrative Expenses

Administrative expenses decreased by 1.8% from RMB103.5 million in 2011 to RMB101.6 million in 2012, primarily due to a RMB17.4 million decrease in consultation fees from RMB23.1 million in 2011 to RMB5.7 million in 2012, representing the payment to SRK for compilation of the CPR, offset by an increase in staff costs as we hired more employees to support our business expansion.

Finance Income

Our finance income decreased by 66.7% from RMB0.3 million in 2011 to RMB0.1 million in 2012.

Finance Costs

Our finance costs increased by 85.4% from RMB4.1 million in 2011 to RMB7.6 million in 2012, primarily because we incurred RMB4.8 million in interest expenses on long-term payables in relation to relevant mining rights acquired by Jiheng Mining in 2012, which was partially offset by a decrease of RMB1.4 million in interest on discounting bank acceptance bills in 2012 because we have discontinued accepting bills receivable to settle payment for our iron ore products since 2012 to improve our working capital management.

Income Tax Expenses

Income tax expenses decreased by 73.4% from RMB85.3 million in 2011 to RMB22.7 million in 2012, primarily due to the decrease in profit before tax in 2012.

Profit and Total Comprehensive Income

As a result of the foregoing, our profit and total comprehensive income decreased by 75.3% from RMB222.0 million in 2011 to RMB54.8 million in 2012. Our net profit margin decreased from 28.7% in 2011 to 9.4% in 2012, largely in line with the decrease in the gross profit margin and the increase in finance costs during the same period.

Profit Attributable to Equity Shareholders of the Company

Profit attributable to equity shareholders of the Company amounted to RMB48.5 million in 2012, compared to RMB162.5 million in 2011. We recorded a profit attributable to non-controlling interests of RMB6.3 million in 2012, compared to RMB59.5 million in 2011, as a result of (i) declining operational performance at Jiheng Mining and (ii) a decrease in the non-controlling interest in Jiheng Mining.

Year ended December 31, 2011 compared to the year ended December 31, 2010

Revenue

Our revenue increased by 112.0% from RMB364.6 million in 2010 to RMB773.1 million in 2011, primarily due to the increase in sales of iron ores and preliminary concentrates as Jiheng Mining commenced sales in 2011. We did not sell preliminary concentrates or iron ores in 2010. The increase in our revenue in 2011 was also attributed to the increase in the sales of iron ore concentrates from RMB364.2 million in 2010 to RMB393.1 million in 2011, primarily due to the increase in sales price of our iron ore concentrates as a result of the economic recovery in China in 2011. The sales volume of our iron ore concentrates slightly decreased from 377 Kt in 2010 to 370 Kt in 2011.

Cost of Sales

Our cost of sales increased by 77.1% from RMB198.3 million in 2010 to RMB351.1 million in 2011, primarily due to costs associated with sales of preliminary concentrates and iron ores from Jiheng Mining.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 153.8% from RMB166.3 million in 2010 to RMB422.0 million in 2011. Our gross profit margin increased from 45.6% in 2010 to 54.6% in 2011 primarily because we commenced selling iron ores in 2011 which had a higher gross profit margin than iron ore concentrates in these periods.

Distribution Expenses

Distribution expenses slightly decreased by 1.3% from RMB7.5 million in 2010 to RMB7.4 million in 2011.

Administrative Expenses

Administrative expenses increased by 169.5% from RMB38.4 million in 2010 to RMB103.5 million in 2011, primarily due to the RMB17.4 million increase in environmental compensation expenditures in 2011 associated with the commencement of sales at Jiheng Mining in that year, the RMB20.7 million increase in consultation fees which represented the payment to SRK and other industry experts for compilation of the CPR and other geological reports and the RMB3.1 million increase in staff costs as we hired more staff in line with our business expansion.

Finance Income

Our finance income increased by 200.0% from RMB0.1 million in 2010 to RMB0.3 million in 2011.

Finance Costs

Our finance costs increased by 28.1% from RMB3.2 million in 2010 to RMB4.1 million in 2011, primarily due to the increase in interest expenses on accrued reclamation obligations as a result of the commencement of sales at Zhijiazhuang Mine.

Income Tax Expenses

Income tax expenses increased by 180.6% from RMB30.4 million in 2010 to RMB85.3 million in 2011, primarily due to the increase in profit before tax in 2011.

Profit and Total Comprehensive Income

As a result of the foregoing, our profit and total comprehensive income increased by 155.5% from RMB86.9 million in 2010 to RMB222.0 million in 2011. Our net profit margin increased from 23.8% in 2010 to 28.7% in 2011, largely in line with the increase of the gross profit margin in the same periods.

Profit Attributable to Equity Shareholders of the Company

Profit attributable to equity shareholders of the Company amounted to RMB162.5 million in 2011, compared to RMB94.9 million in 2010. We recorded a profit attributable to non-controlling interests of RMB59.5 million in 2011, compared to a loss attributable to non-controlling interests of RMB8.0 million in 2010, primarily as a result of improved operational performance at Jiheng Mining, offset by a decrease in the non-controlling interest in Jiheng Mining during the corresponding period.

ANALYSIS ON CERTAIN BALANCE SHEET LINE ITEMS

Inventories

Our inventories consist of finished iron ore products, consumables and supplies such as crushing and grinding steel balls and weakly mineralized wall rocks which were primarily used in dry processing operations. The following table sets forth our balances of inventory as of the dates indicated.

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(RMB in millions)			
Consumables and supplies	7.9	10.5	12.6	17.3
Weakly mineralized wall rocks	9.9	57.7	116.9	71.3
Iron ores	9.6	2.1	1.5	4.5
Preliminary concentrates	14.0	2.6	4.1	17.1
Iron ore concentrates	0.7	33.4	25.0	11.9
Subtotal	**42.1**	**106.3**	**160.1**	**122.1**
Less: Allowance for diminution in value of inventories(1)	(5.9)	–	–	–
	36.2	106.3	160.1	122.1

Note:

(1) Historically, our production costs were relatively high due to the early stage of our business and an allowance for the diminution in value of inventories of RMB5.9 million was made in 2010 with reference to the selling prices in the same year.

Our inventories increased from RMB42.1 million as of December 31, 2010 to RMB106.3 million as of December 31, 2011 and further to RMB160.1 million as of December 31, 2012 primarily due to the increase in weakly mineralized wall rocks, which increased from RMB9.9 million in 2010 to RMB57.7 million in 2011 and further to RMB116.9 million in 2012. Our inventories decreased to RMB122.1 million as of June 30, 2013, primarily due to the decrease in the amount of weakly mineralized wall rocks.

During the Track Record Period, we did not sell any weakly mineralized wall rocks. We process them into preliminary concentrates. Costs for processing weakly mineralized wall rocks into preliminary concentrates include carrying costs of weakly mineralized wall rocks, the cost of conversion and an appropriate portion of fixed and variable overhead costs. Preliminary concentrates can be further processed into iron ore concentrates.

Historically, our dry processing capacity of Jiheng Mining remained at around 1.2 Mtpa throughout 2011 and 2012; processing capacity has been increased to 3.7 Mtpa with the completion of the Jiheng Mining's new dry processing plant since January 2013. During the Track Record Period, movements of weakly mineralized wall rocks are set out below.

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
	(RMB in millions)			
Balance at the beginning of the year/period	–	9.9	57.7	116.9
Production	19.9	78.8	115.4	26.7
Consumption	(10.0)	(31.0)	(56.2)	(72.3)
Balance at the end of the year/period	9.9	57.7	116.9	71.3

With the completion of the new dry processing capacity at Jiheng Mining, we have processed more weakly mineralized wall rocks since January 2013.

The following table sets forth our average inventory turnover days for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Average inventory turnover days[1]	36	74	124	92

Note:

(1) The average inventory turnover days for a given period is the average of opening and closing inventory balances divided by the cost of sales for that period and multiplied by 365 days for a year or 182.5 days for six months.

Our average inventory turnover days increased from 36 days in 2010 to 74 days in 2011 and to 124 days in 2012, primarily because our dry processing capacity was not sufficient to process the volume of weakly mineralized wall rocks we recovered through our consolidation and correction work in connection with the mines we acquired. As a result, a substantial amount of weakly mineralized wall rocks was added to our inventory before we could process them into preliminary concentrates. Our average inventory turnover days decreased to 92 days in the six months ended June 30, 2013 from 124 days in 2012, primarily due to the improved sales of our iron ore products and our improved processing capacity which allowed us to process more weakly mineralized wall rocks into preliminary concentrates. Under our expansion plan, by the end of 2015, our mining capacity is expected to reach 21.4 Mtpa, and our dry processing capacity is expected to reach 27.6 Mtpa. Our dry processing capacity following this expansion will not only meet the demand for dry processing of iron ores and steadily reduced mineralized wall rocks to be recovered according to our mining plan, but will also leave room for further expansion of our mining capacity. Therefore, our Directors believe that our Group's dry processing capacity will be sufficient for our Group's development following the expansion and believe that along with the expansion of our dry processing capacity, weakly mineralized wall rocks will be processed at a faster pace and the inventory turnover days are expected to decrease in the future. See "Business – Production Expansion Plans."

The management reviews the carrying amount and calculates the net realizable value of the inventories (the estimated selling price in the ordinary course of business deducted by the estimated costs of completion necessary to make the sale) from time to time. In the event the carrying amount is more than the net realizable value, the management will write down the carrying amount of the inventories to the net realizable value. The write-down amount, namely, the allowance for diminution in value of inventories, was RMB5.9 million in 2010. As of December 31, 2011 and 2012 and June 30, 2013, the net realizable values of our inventories were higher than their carrying amounts and as a result, no provision was required at the respective dates.

The following table sets out the value of the inventories as of June 30, 2013 and the subsequent sale or usage (in percentage) as of September 30, 2013.

	As of June 30, 2013	**As of September 30, 2013**
	(RMB in millions)	*(%)*
Consumables	17.3	100.0
Weakly mineralized wall rocks	71.3	46.2
Iron ores	4.5	100.0
Preliminary concentrates	17.1	100.0
Iron ore concentrates	11.9	100.0
Total	122.1	68.6

Trade and Other Receivables (inclusive of amounts due from related parties – trade nature)

The following table sets forth the breakdown of our trade and other receivables (inclusive of amounts due from related parties – trade nature) as of the dates indicated.

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(RMB in millions)			
Accounts receivable	–	32.4	12.2	33.5
Bills receivable	99.0	–	–	–
Trade receivables	**99.0**	**32.4**	**12.2**	**33.5**
Prepayments and deposits	1.8	10.8	15.0	24.6
Income tax recoverable	–	4.0	8.6	1.1
VAT recoverable	1.6	–	2.6	–
Others	11.4	0.8	1.0	0.8
Other receivables	**14.8**	**15.6**	**27.2**	**26.5**
Amounts due from related parties – Trade nature	50.7	5.5	–	–
Total trade and other receivables	**164.5**	**53.5**	**39.4**	**60.0**

Our trade receivables increased by 174.6% from RMB12.2 million as of December 31, 2012 to RMB33.5 million as of June 30, 2013, primarily due to the increased sales in the first half of 2013. Our trade receivables decreased from RMB32.4 million as of December 31, 2011 to RMB12.2 million as of December 31, 2012, primarily because we improved collection of trade receivables from our customers since 2011, which was in line with our sales and marketing strategy. We have not accepted bills since 2011. Our other receivables increased from RMB14.8 million as of December 31, 2010 to RMB15.6 million as of December 31, 2011 and to RMB27.2 million as of December 31, 2012, primarily due to the increase in our prepayments and deposits as a result of our increased purchase of materials, which was in line with our business expansion. Our amounts due from related parties of trade nature decreased from RMB50.7 million as of December 31, 2010 to RMB5.5 million as of December 31, 2011, primarily due to improved collection of trade receivables from Aoyu Steel. We used to grant a credit period to Aoyu Steel, which was a related party prior to March 2012. As of December 31, 2012, we had no amount due from related parties of trade nature.

Our prepayments and deposits increased by 500.0% from RMB1.8 million as of December 31, 2010 to RMB10.8 million as of December 31, 2011 and further to RMB15.0 million as of December 31, 2012, primarily due to our increased purchasing of materials for our consolidation and correction work, which was in line with our expansion during the Track Record Period. Our prepayments and deposits further increased to RMB24.6 million as of June 30, 2013, primarily due to our increased purchase of materials for our consolidation and correction work, which was in line with our expansion, and the increase in the consultation fees in relation to the Listing.

From time to time, we review our trade and other receivables on their nature and the collectability on a case-by-case basis, to determine whether it is necessary to make provision for impairment of certain long overdue trade receivables and ensure the quality of our assets. Our management will consider various evidence to determine the collectability of trade receivables, including probability of insolvency or significant financial difficulties of the debtor. During the Track Record Period, we did not make any provision for our trade and other receivables.

We generally request our customers to make full payment before delivery. From time to time, we may grant a credit period of up to 90 days to customers that have good track records with us.

The table below sets forth an ageing analysis of trade receivables (inclusive of amounts due from related parties – trade nature) based on the due date as of each date indicated.

	As of December 31,			**As of June 30,**
	2010	**2011**	**2012**	**2013**
		(RMB in millions)		
Current	–	–	–	19.2
Within 3 months	69.7	24.6	12.2	14.3
Over 3 months but less than 6 months	30.0	7.7	–	–
Over 6 months but less than 1 year	50.0	5.6	–	–
Total	149.7	37.9	12.2	33.5

The following table sets forth our average trade receivables (inclusive of amounts due from related parties – trade nature) turnover days for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2010	**2011**	**2012**	**2013**
Average trade receivables (inclusive of amounts due from related parties – trade nature) turnover days[(1)]	80	44	16	6

Note:

(1) The average trade receivables (inclusive of amounts due from related parties – trade nature) turnover day for a given period is the average of opening and closing trade receivables (inclusive of amounts due from related parties – trade nature) balances divided by revenue for that period and multiplied by 365 days for a year or 182.5 days for six months.

Our average trade receivables (inclusive of amounts due from related parties – trade nature) turnover days decreased from 80 days in 2010 to 44 days in 2011, 16 days in 2012 and further to six days in the six months ended June 30, 2013, primarily because we improved the collection of trade and bill receivables.

The following table sets out the value of the trade receivables as of June 30, 2013 and the subsequent settlement of trade receivables (in percentage) as of September 30, 2013.

	As of June 30, 2013	As of September 30, 2013
	(RMB in millions)	*(%)*
Trade receivables	33.5	100.0

Trade and Other Payables (exclusive of amounts due to related parties)

The following table sets forth the breakdown of our trade and other payables as of the dates indicated.

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(RMB in millions)			
Trade Payables	36.5	41.4	58.9	78.1
Receipt in advance	–	25.7	36.1	12.2
Payables for purchase of equipment	0.2	17.9	88.6	77.1
Other taxes payables	13.3	22.0	6.6	24.8
Others[1]	34.8	64.1	47.6	26.3
Total	84.8	171.1	237.8	218.5

Note:

(1) Others mainly comprise (i) accrued expenses, (ii) payables for staff related costs and (iii) other deposits.

Our trade payables mainly consist of payables in respect of purchases of supplies and services from third-party contractors in relation to our mining and processing operations. Our trade payables increased from RMB36.5 million as of December 31, 2010 to RMB41.4 million as of December 31, 2011 and further to RMB58.9 million as of December 31, 2012 and RMB78.1 million as of June 30, 2013, primarily due to expansion of our business operations.

Receipt in advance represents prepayment made by our customers for our iron ore products. Our receipt in advance was nil, RMB25.7 million and RMB36.1 million as of December 31, 2010, 2011 and 2012, respectively, as we started requesting our customers to make full payment before delivery of goods since 2011. Our receipt in advance decreased from RMB36.1 million as of December 31, 2012 to RMB12.2 million as of June 30, 2013 primarily due to the fulfillment of a large number of purchase orders by June 30, 2013.

Payables for purchase of equipment increased from RMB0.2 million as of December 31, 2010 to RMB17.9 million as of December 31, 2011 and further to RMB88.6 million as of December 31, 2012, primarily due to our increased purchase of equipment used for mining and processing capacity expansion of Jingyuancheng Mining. Payables for purchase of equipment decreased to RMB77.1 million as of June 30, 2013, primarily due to the settlement of relevant payables due by June 30, 2013.

Other taxes payables represent value added tax and other taxes associated with our transactions of iron ore products and equipment used in mining and processing operations.

The following table sets forth our average trade payables turnover days for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Average trade payables turnover days[(1)]	56	40	47	45

Note:

(1) The average trade payables turnover days for a given period is the average of the opening and closing trade payables balances divided by cost of sales for that period and multiplied by 365 days for a year or 182.5 days for six months.

Our average trade payables turnover days decreased from 56 days in 2010 to 40 days in 2011, increased from 40 days in 2011 to 47 days in 2012, and slightly decreased to 45 days in the six months ended June 30, 2013, and were generally in line with our liquidity management practice.

Transaction with Related Parties

The table below sets forth details of our amounts due from and due to related parties as of the dates indicated.

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(RMB in millions)			
Amounts due from related parties				
– Trade nature[(1) (5)]	50.7	5.5	–	–
– Non-trade nature[(2) (5)]	–	0.7	0.4	0.3
Total	50.7	6.2	0.4	0.3
Amounts due to:				
– Aowei Group [(3)]	(86.0)	(225.2)	(483.5)	(298.5)
– Other related parties [(4)]	(13.7)	(32.4)	(0.1)	(3.5)
Total	(99.7)	(257.6)	(483.6)	(302.0)

Notes:

(1) Primarily included amounts due from Aoyu Steel in relation to our sales of iron ore concentrates to it. The sales were carried out at comparable or prevailing market prices, whichever was applicable.

(2) Primarily included amounts due from Aoyu Steel in relation to our disposal of property and equipment.

(3) Primarily included advances we obtained from Aowei Group in relation to our business expansion. See "Relationship with Controlling Shareholders."

(4) Primarily consisted of expenditure relating to equipment provided by Xinrui Mining, which we used for mining operations. The amount of RMB3.5 million as of June 30, 2013 due to other related parties was the payment by Hengshi Holdings on behalf of us in relation to the consultation fee for the Listing.

(5) Aoyu Steel ceased to be our related party in March 2012. See "History, Development and Reorganization."

Amounts due from and to related parties were unsecured, interest-free and expected to be repaid on demand. All amounts due from and to related parties have been fully settled.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we funded our operations through a combination of Shareholders' equity and cash generated from our operations. We primarily used funds on the acquisition of mines, purchasing of mining and processing equipment, and our daily operations.

Several factors which are beyond our control, including fluctuations in the market prices of our products, may adversely impact our cash flows from operations and may require us to seek additional sources of funds, including bank borrowings.

The table below sets forth the breakdown of our current assets and current liabilities as of each of the dates indicated.

	As of December 31,			As of June 30,	As of September 30,
	2010	2011	2012	2013	2013
			(RMB in millions)		
CURRENT ASSETS					
Inventories	36.2	106.3	160.1	122.1	75.3
Trade and other receivables	113.8	48.0	39.4	60.0	90.7
Amounts due from related parties	50.7	6.2	0.4	0.3	0.4
Cash and cash equivalents	23.6	41.8	22.7	67.1	89.7
	224.3	202.3	222.6	249.5	256.0
CURRENT LIABILITIES					
Short-term borrowings	49.0	–	–	11.6	40.0
Trade and other payables	84.8	171.1	237.8	218.5	232.1
Amounts due to related parties	99.7	257.6	483.6	302.0	4.5
Current taxation	15.1	16.3	2.2	14.0	6.9
Current portion of long-term payables	–	–	21.0	21.6	51.0
Accrued reclamation obligations	–	–	3.0	4.3	4.8
	248.6	445.0	747.6	572.0	339.3
Net current (liabilities)	(24.3)	(242.7)	(525.0)	(322.5)	(83.3)

We incurred net current liabilities during the Track Record Period primarily due to (i) an increase in amounts due to Aowei Group and (ii) an increase in trade and other payables as we increased the purchase of facilities, equipment and supplies used in our mining and processing operations, which were both in line with our business expansion.

We adopted the following measures in response to the increase in our capital expenditures in consideration of our net current liabilities during the Track Record Period.

- In June and July 2013, we obtained and drew down two banking facilities of RMB101.6 million and RMB98.4 million, respectively, from China Construction Bank Corporation Rongcheng Sub-branch. In September 2013, we borrowed three entrusted loans from (i) Hebei Jinhai Industry Group Co., Ltd. (河北津海實業集團有限公司), as an entrustor lender and China Construction Bank Corporation Baoding Branch, as the entrustee lender; (ii) Baoding Aosen Clothing Making Co., Ltd. (保定澳森製衣有限公司), as an entrustor lender and China CITIC Bank Co., Ltd. Shijiazhuang Branch, as the entrustee lender; and (iii) Hebei Fuye Property Development Co., Ltd. (河北福業房地產開發有限公司), as an entrustor lender and China Construction Bank Corporation Baoding Branch, as the entrustee lender, respectively, with an aggregate amount of RMB190.0 million. All of the entrustor lenders are Independent Third Parties. See "– Indebtedness."

- Without regard to cash advances from Aowei Group, we would have had net cash used in operating activities in 2010. However, in 2011, 2012 and the six months ended June 30, 2013, we had net cash generated from operating activities (exclusive of the cash advances from and repayment to Aowei Group) of RMB399.3 million, RMB19.0 million and RMB309.5 million, respectively. As we steadily increase our mining and processing capacity, we expect our net cash from operating activities to remain positive in 2013 to support our business development.

As of the Indebtedness Date, we had total long-term and short-term borrowings of RMB390.0 million and our total banking facilities available amounted to RMB220.0 million, among which RMB200.0 million was utilized.

Taking into account the financial resources available to us, including cash flow from operations, bank facilities, cash and cash equivalents, and the estimated net proceeds of the Global Offering, our Directors are of the opinion that we have sufficient working capital for at least 125% of our working capital needs for the next 12 months from the date of this Prospectus.

CONSOLIDATED CASH FLOW STATEMENTS

The following table sets forth selected cash flow data for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
			(RMB in millions)		
Net cash generated from operating activities	35.0	538.4	277.3	197.5	124.5
Net cash used in investing activities	(111.6)	(276.6)	(216.4)	(130.3)	(181.5)
Net cash generated from/(used in) financing activities	97.8	(243.6)	(80.0)	(80.0)	101.4
Net increase/(decrease) in cash and cash equivalents	21.2	18.2	(19.1)	(12.8)	44.4
Cash and cash equivalents at beginning of year/ period	2.4	23.6	41.8	41.8	22.7
Effect of foreign exchange rate changes	–	*	–	–	–
Cash and cash equivalents at end of year/period	23.6	41.8	22.7	29.0	67.1

* Less than 0.1

Net Cash Generated from Operating Activities

Net cash generated from operating activities in the six months ended June 30, 2013 was RMB124.5 million, which was primarily attributable to our operating cash inflow before movement in working capital of RMB380.9 million, as adjusted by a decrease in trade and other payables (inclusive of the amounts due to related parties) of RMB190.5 million primarily due to our payment to Aowei Group and an increase in trade and other receivables (inclusive of the amounts due from related parties) of RMB38.1 million primarily due to our increased sales in line with our expansion. The effect was partially offset by a decrease in inventories of RMB38.0 million primarily due to improved sales of iron ore products and increased use of weakly mineralized wall rocks as raw material for preliminary concentrates as a result of our improved processing capacity.

Net cash generated from operating activities in the six months ended June 30, 2012 was RMB197.5 million, which was primarily attributable to an increase in trade and other payables and amounts due to related parties of RMB263.1 million, partially offset by the increase in inventories of RMB16.9 million and an increase in trade and other receivables and amounts due from related parties of RMB37.5 million.

Net cash generated from operating activities in 2012 was RMB277.3 million, which was primarily attributable to our operating cash inflow before movement in working capital of RMB132.6 million, as adjusted by an increase in inventories of RMB53.8 million primarily due to the increase in the amount of weakly mineralized wall rocks we stockpiled for processing later as we increased our consolidation and correction work in 2012. This was partially offset by an increase in trade and other payables (inclusive of amounts due to related parties) of RMB227.5 million primarily due to an increase in amounts due to Aowei Group in line with our business expansion.

Net cash generated from operating activities in 2011 was RMB538.4 million, which was primarily attributable to our operating cash inflow before movement in working capital of RMB353.4 million, as adjusted by an increase in inventories of RMB70.1 million primarily due to the increase of iron ores and weakly mineralized wall rocks recovered from the consolidation and correction work at Zhijiazhuang Mine in 2011, and a decrease in trade and other receivables (inclusive of amounts due from related parties) of RMB96.7 million as we improved payment collection, the effect of which was partially offset by an increase in trade and other payables (inclusive of amounts due to related parties) of RMB243.1 million, out of which RMB139.2 million were amounts due to Aowei Group.

Net cash generated from operating activities in 2010 was RMB35.0 million, which was primarily attributable to our operating cash inflow before movement in working capital of approximately RMB142.8 million, as adjusted by (i) the increase in trade and other receivable (inclusive of amounts due from related parties) of RMB139.7 million primarily due to our increased sales of iron ore concentrates to Aoyu Steel and (ii) the increase in inventories of RMB39.3 million resulting from the weakly mineralized wall rocks recovered at Zhijiazhuang Mine but not yet sold, the effect of which was partially offset by the increase in trade and other payables (inclusive of the amounts due to related parties) of RMB90.9 million mainly due to amounts due to Aowei Group in line with our business expansion.

Net Cash Used in Investing Activities

Net cash used in investing activities in the six months ended June 30, 2013 was RMB181.5 million, primarily including (i) RMB110.2 million for purchase of property, plant and equipment; (ii) RMB55.9 million for purchase of mining rights of Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine; and (iii) lease prepayment of RMB15.5 million in relation to the leasing agreements for the land used in our operations.

Net cash used in investing activities in the six months ended June 30, 2012 was RMB130.3 million, primarily including (i) RMB81.8 million for purchase of property, plant and equipment; (ii) RMB35.6 million for acquisition of intangible assets; and (iii) lease prepayments of RMB13.0 million.

Net cash used in investing activities in 2012 was RMB216.4 million, primarily including (i) payment for the purchases of property, plant and equipment of RMB149.6 million, which we used primarily for purchasing equipment used in our operations, (ii) payment for acquisition of intangible assets of RMB35.6 million primarily used in the acquisition of mining rights and (iii) lease prepayments of RMB33.3 million in relation to the leasing agreement for the land used in our operations.

Net cash used in investing activities in 2011 was RMB276.6 million, primarily including (i) RMB139.8 million for purchase of equipment used in our operations and (ii) lease prepayments of RMB102.5 million in relation to the leasing arrangement for the land used in our operations.

Net cash used in investing activities in 2010 was RMB111.6 million, primarily including (i) RMB42.1 million for the acquisition of mining rights; (ii) RMB38.5 million for purchase of equipment used in our operations and (iii) lease prepayments of RMB32.9 million for the leasing arrangement for the land used in our operations.

Net Cash Generated from/(Used in) Financing Activities

Net cash generated from financing activities in the six months ended June 30, 2013 was RMB101.4 million, comprising proceeds from bank borrowings of RMB101.6 million we used for funding our working capital, which was offset by interest payment of RMB0.2 million in relation to our bank borrowings.

Net cash used in financing activities in the six months ended June 30, 2012 and in the year of 2012 consisted of the same RMB80.0 million of payment for acquisition of a 20% equity interest in Jiheng Mining as a part of our reorganization. See "History, Development and Reorganization."

Net cash used in financing activities in 2011 was RMB243.6 million, primarily including (i) payment for the purchase of investments of RMB212.3 million in relation to Xinxin Mining, Jingyuancheng Mining and Jiheng Mining in relation to the Reorganization; (ii) dividends paid in the amount of RMB93.0 million; (iii) the settlement of short-term borrowings of RMB79.0 million in relation to discounting bank acceptance bills in 2010 and 2011; and (iv) payment for the acquisition of non-controlling interests of RMB38.4 million in relation to our acquisition of equity interests in Jiheng Mining. The amount was partially offset by proceeds from discounting bank acceptance bills of RMB30.0 million as well as funds received of RMB150.6 million from Hengshi Holdings.

Net cash generated from financing activities in 2010 was RMB97.8 million, comprising proceeds from discounting bank acceptance bills of RMB49.0 million and contribution from equity shareholders of the Company and non-controlling interests of RMB25.0 million each.

Capital Expenditures

Capital expenditures are expenditures made for the acquisition or upgrade of property, plant and equipment, intangible assets and prepaid lease payments. The following table sets forth our capital expenditures during the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
	(RMB in millions)			
Acquisition of intangible assets	42.1	43.8	142.3	223.2
Infrastructure construction				
Buildings and plants	7.9	6.7	1.2	2.0
Machinery and equipment	32.0	16.2	14.0	7.1
Construction in progress	4.5	116.1	189.0	85.0
Acquisition of land use rights	32.9	102.5	33.3	15.5
Acquisition of other property, plant and equipment	16.4	8.6	7.1	2.6
Total capital expenditures	135.8	293.9	386.9	335.4

We plan to make capital expenditures for the development of mines in two stages. The total investment proposed in stage one (open-pit mining) is RMB1,952.8 million, exclusive of loan interest, covering the slope correction and processing and tailings storage facility renovation. For the investment in stage one, RMB961.8 million was invested before June 30, 2013, and RMB991.0 million is expected to be invested from July 1, 2013 to the end of 2015. Of the capital expenditures projected for the period from July 1, 2013 to the end of 2015, approximately RMB625.5 million is expected to be funded by the net proceeds of the Global Offering and the remaining amount is expected to be funded by the cash generated from our operating activities. Details of the investments by our operating subsidiaries from July 1, 2013 to the end of 2015 are shown in the following table.

	Investment for the periods indicated			
	2H 2013	2014	2015	Subtotal
	(RMB in millions)			
Xinxin Mining	64.3	73.6	85.3	223.2
Jingyuancheng Mining	138.4	170.5	196.8	505.7
Jiheng Mining	48.9	146.5	66.7	262.1
Total	251.6	390.6	348.8	991.0

Of the estimated capital expenditures to be invested from July 1, 2013 to the end of 2015, (i) RMB467.1 million will be used for several major projects listed below (which are expected to be mainly funded with the net proceeds of the Global Offering) and (ii) RMB173.0 million will be used to pay mining right fees and premium. The following table sets forth our estimated capital expenditures for such major projects.

Type of the Project	Estimated Capital Expenditures	Amount Allocated from the Net Proceeds of the Global Offering	Estimated Payments		
	(2H 2013–2015)		2H 2013	2014	2015
		(RMB in millions)			
Mining capacity expansion (Xinxin Mining)	113.27	94.06	30.22	46.49	36.56
Mining capacity expansion (Jingyuancheng Mining)	137.08	116.24	32.63	50.88	53.57
Mining capacity expansion (Jiheng Mining)	18.21	10.75	13.81	4.40	–
Wet processing plant and tailings dam (Jiheng Mining)	98.85	98.85	–	98.85	–
Dry processing plant (Jingyuancheng Mining)	51.95	51.95	–	51.95	–
Wet processing plant and tailings dam (Jingyuancheng Mining)	47.69	47.69	3.00	4.00	40.69
Total	**467.05**	**419.54**	**79.66**	**256.57**	**130.82**

The total investment proposed for stage two (underground mining) from 2022 to 2025 is RMB739.0 million, covering the new underground mining facilities and equipment. The detailed information is shown in the following table. In SRK's opinion, the proposed capital investments for both stages are reasonable.

Type of the Project	Xinxin Mining	Jingyuancheng Mining	Subtotal
		(RMB in millions)	
Main shaft, auxiliary shaft, air shaft and ramp engineering	46.9	46.9	93.9
Roadway engineering	85.6	179.9	265.5
Underground mining, tunneling, haulage equipment and installation	76.7	115.0	191.6
Mechanical engineering	19.4	19.4	38.8
Underground electric and installation	18.5	18.5	36.9
Construction engineering	5.8	5.8	11.5
Mining right	53.5	47.3	100.7
Total	306.3	432.7	739.0

INDEBTEDNESS

Bank Borrowings

Below is a summary of our outstanding bank borrowings as of December 31, 2010, 2011 and 2012, June 30, 2013 and September 30, 2013, respectively.

	As of December 31,			As of June 30,	As of September 30,
	2010	2011	2012	2013	2013
			(RMB in millions)		
Discounted bank acceptance bills with recourse	49.0	–	–	–	–
Bank loans – secured					
– Current portion	–	–	–	11.6	40.0
– Non-current portion	–	–	–	90.0	160.0
Entrusted bank loans – unsecured					
– Non-current portion	–	–	–	–	190.0
	49.0	–	–	101.6	390.0

Set forth below are details of our outstanding bank borrowings:

- In June 2013, we entered into a loan agreement with China Construction Bank Corporation Rongcheng Sub-branch for the amount of RMB101.6 million with a term of two years after drawdown. For the first year, this loan carries an annual interest rate of 6.15%, being the benchmark interest rate set by the PBOC as of June 8, 2013. For the remaining term, the annual interest rate will be the benchmark interest rate set by the PBOC as of June 8, 2014. The loan is secured by the mining rights held by Jiheng Mining. We utilized this loan for our working capital needs.

- In July 2013, we entered into a loan agreement with China Construction Bank Corporation Rongcheng Sub-branch for the amount of RMB98.4 million with a term of two years. For the first year after drawdown, this loan carries an annual interest rate of 6.15%, being the benchmark interest rate set by the PBOC as of July 11, 2013. For the remaining term, the annual interest rate will be the benchmark interest rate set by the PBOC as of July 11, 2014. The loan is secured by the mining rights held by Jiheng Mining. We utilized this loan for our working capital needs.

- In September 2013, we borrowed and drew down three entrusted loans from (i) Hebei Jinhai Industry Group Co., Ltd. (河北津海實業集團有限公司), as an entrustor lender and China Construction Bank Corporation Baoding Branch, as the entrustee lender; (ii) Baoding Aosen Clothing Making Co., Ltd. (保定澳森製衣有限公司), as an entrustor lender and China CITIC Bank Co., Ltd. Shijiazhuang Branch, as the entrustee lender; and (iii) Hebei Fuye Property Development Co., Ltd. (河北福業房地產開發有限公司), as an entrustor lender and China Construction Bank Corporation Baoding Branch, as the entrustee lender, respectively, with an aggregate amount of RMB190.0 million. Each of the three entrusted loans has a term of two years and carries an annual interest rate of 6.15%. We utilize these loans for discharging our remaining indebtedness owed to Aowei Group. In connection with obtaining a bank loan, we may use the mining permit as the collateral only if we have obtained the corresponding safety production permit and the waste discharge permit for the same mine. As we have already used the mining permit for Zhijiazhuang Mine as the collateral for the bank loans from China Construction Bank Corporation Rongcheng Sub-branch and we have not obtained the waste discharge permits for our other three mines as of the Latest Practicable Date, we obtained additional borrowings from Independent Third Parties other than banks by way of entrusted loans. Our PRC legal counsel, Commerce & Finance Law Offices, is of the view that the entrusted loan agreements do not violate PRC laws and regulations.

Other Borrowings

Our other short-term borrowings of RMB49.0 million as of December 31, 2010 represented the discounted bank acceptance bills with recourse. Other than this, we did not have such other borrowings as of December 31, 2011 and 2012, June 30, 2013 and September 30, 2013.

As of the Indebtedness Date, we had total long-term and short-term borrowings of RMB390.0 million and our total banking facilities available amounted to RMB220.0 million, among which RMB200.0 million was utilized. In respect of unutilized facilities available to us as of the Indebtedness Date, no additional collateral or security was required for any draw down of such facilities.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that they were not aware of any breach of any of the covenants contained in our banking and other loan facilities constituting default nor were they aware of any restrictions that would limit our ability to draw down on our unutilized facilities.

COMMITMENTS AND CONTINGENT LIABILITIES

Capital Commitments

The table below sets forth a breakdown of our capital commitments as of the dates indicated.

	As of December 31,			As of June 30,	As of September 30,
	2010	2011	2012	2013	2013
	(RMB in millions)				
Capital commitments					
– contracted for	–	57.3	12.0	–	–
– authorized but not contracted for	–	3.8	*	608.5	565.8
Total capital commitments	–	61.1	12.0	608.5	565.8

* less than 0.1

The total capital commitments of RMB608.5 million as of June 30, 2013, which represented the committed portion (namely, those approved by the board or relevant authorized person or entity) of our planned capital expenditures of RMB991.0 million between July 1, 2013 and 2015, mainly included RMB268.6 million for stripping engineering, RMB245.0 million for the construction of processing plants and tailings dams, and RMB94.9 million for other projects.

Operating Lease Commitments

The table below sets forth our payables under non-cancellable operating leases in respect of land and properties as of the dates indicated.

	As of December 31,			As of June 30,	As of September 30,
	2010	2011	2012	2013	2013
	(RMB in millions)				
Within 1 year	–	–	0.4	0.4	0.4
After 1 year but within 5 years	–	1.4	1.3	1.0	0.8
Total operating lease commitments	–	1.4	1.7	1.4	1.2

CASH OPERATING COSTS

Historical Cash Operating Costs for Open-pit Operation

The table below sets forth historical unit cash operating costs of our iron products for the periods indicated.

Items	Xinxin Mining				Jingyuancheng Mining				Jiheng Mining								
	Iron ore concentrates (RMB/t)				Iron ore concentrates (RMB/t)				Preliminary concentrates (RMB/t)				Iron ores (RMB/t)				Iron ore concentrates (RMB/t)
	2010	2011	2012	Six months ended June 30, 2013	2010	2011	2012	Six months ended June 30, 2013	2010	2011	2012	Six months ended June 30, 2013	2010	2011	2012	Six months ended June 30, 2013	Six months ended June 30, 2013
Mining (Unit Raw Ore)	10.85	15.57	19.17	12.14	7.44	11.37	13.91	10.31	90.45	43.10	42.19	15.25	90.45	43.10	42.19	15.25	15.25
Dry Processing (Unit Pre-concentrate)	18.40	23.68	24.12	13.35	18.50	25.19	24.67	19.23	36.16	14.90	13.42	17.10	–	–	–	–	17.10
Wet Processing (Unit Concentrate)	113.40	116.12	114.96	116.09	120.50	148.49	140.27	96.72	–	–	–	–	–	–	–	–	190.39
Off-site administration (Unit Concentrate)	40.77	75.43	88.28	51.41	57.38	118.74	84.14	60.86	142.59	57.19	56.25	9.16	37.25	19.50	17.54	3.05	24.59
Product marketing and sale (Unit Ore/Preliminary Concentrate/Concentrate)	18.33	11.08	0.08	0.03	21.80	12.78	–	–	–	–	2.58	3.71	–	–	0.81	1.24	–
Non-income taxes, royalties and other governmental charges (Unit Concentrate)	53.56	55.53	56.12	37.77	43.85	43.59	47.57	37.15	–	13.62	14.36	15.10	–	8.98	10.37	11.43	38.76
Unit Cash Operating Costs	**520.37**	**653.42**	**706.53**	**398.01**	**485.85**	**691.54**	**685.85**	**436.51**	**525.01**	**212.86**	**222.04**	**90.89**	**127.70**	**71.58**	**70.91**	**30.97**	**422.58**

From 2010 to 2012, we focused on performing consolidation and correction work in connection with the consolidation of our mines and preparing them for commercial production. Both the volume and the average TFe grade of iron ores removed and recovered during the consolidation and correction work were low compared with those of iron ores produced during our commercial production. As a result, the unit cash operating costs of our iron ore products from 2010 to 2012 were high compared to those during trial or commercial production. See "Business – Mines, Mineral Resources and Mining Rights – Consolidation and Correction Work at Our Mines." In line with our expansion plan, we intend to increase our mining and processing capacity and carry out technical upgrades at our mines to focus on iron ore concentrates production and we expect to complete our expansion work by the end of 2015. As a result, our historical results of unit costs of iron ore products are not indicative of the results that may be expected for any future period.

According to the CPR, with the commencement of commercial production, the completion of the technological upgrade, and continued increase in production volume in accordance with our production plan, our cash operating costs are expected to decrease substantially. According to the CPR, the average feed TFe grades of the iron ores or weakly mineralized wall rocks recovered from our four mines and processed by dry processing plants in each year from 2010 to 2012 were all below 10%, while under the designed production plan, the average TFe grade of extracted ores is expected to be 12.83%, 13.50% and 27.11% for Xinxin Mining, Jingyuancheng Mining and Jiheng Mining, respectively, in 2014. Along with the increases of the output and the TFe grade of iron ores extracted in our mines and the increase of utilization rates of processing plants, the unit cost for mining, the unit processing cost and unit off-site administration cost decreased significantly in the first half of 2013. As a result, the cash operating costs of iron ore concentrates for Xinxin Mining and Jingyuancheng Mining in the six months ended June 30, 2013 had decreased to RMB398.01 per tonne and RMB436.51 per tonne, respectively, moving towards the level forecasted for 2014. The cash operating costs of iron ore concentrates for Jiheng Mining were RMB422.58 per tonne in the six months ended June 30, 2013. See Tables 7–1, 8–12 and 11–5 to 11–11 of the CPR attached as Appendix IV to this Prospectus.

Forecast on Cash Operating Costs for Open-Pit Operation

The following table sets forth the forecast of the cash operating costs of iron ore concentrates for our mines from 2013 to 2017, respectively. As we commenced trial or commercial production and benefiting from the favorable geological and mining conditions of our mines as well as high mFe contents and recovery rates of Zhijiazhuang Mine, our estimated cash operating costs for iron ore concentrates production are expected to be among the lowest in the industry in China. See "Business – Our Competitive Strengths."

	Xinxin Mining					Jingyuancheng Mining					Jiheng Mining				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
								(RMB/t)							
Mining (Unit Ore)	12.54	12.84	12.84	16.84	16.84	10.60	10.68	10.68	14.75	14.75	15.45	23.97	23.97	23.97	23.97
Dry Processing (Unit Pre-concentrate)	16.58	24.71	29.64	29.74	29.74	18.54	19.23	25.86	23.86	23.86	18.46	11.18	11.17	11.68	11.68
Wet Processing (Unit Concentrate)	112.98	84.33	70.64	70.96	70.96	95.86	73.13	61.36	64.08	64.08	187.27	30.94	30.94	31.74	31.74
Off-site administration (Unit Concentrate)	69.57	27.10	27.09	27.12	27.12	49.47	27.15	27.04	27.06	27.06	26.25	26.23	26.24	26.24	26.24
Product marketing and sale (Unit Concentrate)	0.02	1.72	1.72	1.70	1.70	–	1.72	1.71	1.71	1.71	–	1.63	1.62	1.62	1.62
Non-income taxes, royalties and other governmental charges (Unit Concentrate)	38.27	45.60	46.02	45.08	45.08	37.06	38.81	38.79	38.45	38.45	40.84	17.75	17.87	17.46	17.46
Unit Cash Operating Costs	**435.41**	**402.16**	**389.31**	**437.37**(1)	**437.37**	**405.57**	**345.39**	**341.94**	**388.28**(1)	**388.28**	**457.49**	**154.93**(2)	**155.03**	**156.24**	**156.24**

Notes:

(1) According to SRK, the unit cash operating costs of Xinxin Mining and Jingyuancheng Mining are forecasted to increase in 2016, primarily due to an increase in forecasted stripping ratios as a result of the expansion of the areas to be mined after the ramp-up period and the specific occurrence of orebodies of these mines.

(2) The iron ore concentrates of Jiheng Mining are expected to be processed primarily from high TFe grade iron ores in 2014, as compared to low TFe grade weakly mineralized wall rocks in 2013. Therefore, the unit cash operating costs in 2014 is expected to decrease substantially.

See Tables 11–12 to 11–14 of the CPR attached as Appendix IV to this Prospectus.

DISCLOSURE UNDER RULE 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

Our Directors confirmed that as of the Latest Practicable Date, there was no circumstance which would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Hong Kong Listing Rules.

OFF-BALANCE SHEET ARRANGEMENT

As of the Latest Practicable Date, we did not have any off-balance sheet arrangements.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the period or as of the date indicated.

	Year ended/As of December 31,			Six months ended/As of June 30,
	2010	2011	2012	2013
	(%)			
Return on equity[(1)]	66.1	123.3	34.9	62.6
Return on total assets [(2)]	19.2	32.7	5.2	18.1
Current ratio[(3)]	90.2	45.5	29.8	43.6
Quick ratio[(4)]	75.7	21.6	8.4	22.3

Notes:

(1) Return on equity for each of the years of 2010, 2011 and 2012 is calculated by dividing profit and total comprehensive income attributable to equity shareholders of the Company for the year by total equity attributable to equity shareholders of the Company at the year end, expressed as a percentage. Return on equity for the six months ended June 30, 2013 is calculated by dividing profit and total comprehensive income attributable to equity shareholders of the Company in the six months ended June 30, 2013 by total equity attributable to equity shareholders of the Company as of June 30, 2013 and is, therefore, not comparable to the return on equity ratios for the years of 2010, 2011 and 2012.

(2) Return on total assets for each of the years of 2010, 2011 and 2012 is calculated by dividing profit and total comprehensive income for the year by total assets at the year end, expressed as a percentage. Return on total assets for the six months ended June 30, 2013 is calculated by dividing profit and total comprehensive income in the six months ended June 30, 2013 by total assets as of June 30, 2013 and is, therefore, not comparable to the return on total assets ratios for the years of 2010, 2011 and 2012.

(3) Current ratio is calculated by dividing current assets by current liabilities at the period end, and expressed as a percentage.

(4) Quick ratio is calculated by deducting inventories from current assets, and then dividing by current liabilities at the period end, and expressed as a percentage.

Return on Equity

Return on equity was 66.1%, 123.3% and 34.9% in 2010, 2011 and 2012, respectively. The movement in this ratio in the last three years largely corresponded to the changes in the profit and total comprehensive income attributable to equity shareholders of the Company during the same period, considering the balance of total equity attributable to equity shareholders of the Company at year end of the three years remained relatively flat. Return on equity in the six months ended June 30, 2013 was 62.6%, primarily as a result of an increase in profit and comprehensive income attributable to equity shareholders of the Company for the same period.

Return on Total Assets

Return on total assets increased from 19.2% in 2010 to 32.7% in 2011, as a result of an increase in profit and comprehensive income from RMB86.9 million to RMB222.0 million during the same period, partially offset by an increase in total assets from RMB451.8 million as of December 31, 2010 to RMB679.2 million as of December 31, 2011. The increase in total assets was primarily attributable to the additions to property, plant and equipment and construction in progress, as well as to lease prepayments and intangible assets in 2011. The addition to property, plant and equipment and construction in progress was related to processing plant, mining related machinery, and equipment and mining structure. The addition to intangible assets was primarily due to mining rights obtained by Jingyuancheng Mining from Laiyuan County Guangyuan Mining Co., Ltd. and Baoding Longmao Mining Co., Ltd.

Return on total assets decreased from 32.7% in 2011 to 5.2% in 2012. While the total assets further increased from RMB679.2 million as of December 31, 2011 to RMB1,046.2 million as of December 31, 2012, primarily due to an increase in property, plant and equipment, and intangible assets (mining rights obtained by Jiheng Mining in relation to Zhijiazhuang Mine, and the premium paid by Jingyuancheng Mining in relation to obtaining the mining rights from Weihe Mining and Xinda Mining) during the period, the profit and comprehensive income declined from RMB222.0 million in 2011 to RMB54.8 million in 2012.

Return on total assets was 18.1% in the six months ended June 30, 2013, primarily as a result of an increase in profit and comprehensive income for the same period.

Current Ratio

Current ratio decreased from 90.2% as of December 31, 2010 to 45.5% as of December 31, 2011, and further decreased to 29.8% as of December 31, 2012. Current assets remained relatively flat across these periods. The change in current ratio during these periods largely corresponded to the increase in the current liabilities during the same periods, which was primarily due to an increase in both (i) trade and other payables; and (ii) amounts due to related parties. Current ratio increased from 29.8% as of December 31, 2012 to 43.6% as of June 30, 2013, primarily as a result of a decrease in current liabilities as a significant portion of the amounts due to related parties was settled in the six months ended June 30, 2013.

Quick Ratio

The movement in the quick ratio during the Track Record Period largely corresponded to that of the current ratio for the same reasons as explained above.

MARKET RISK DISCLOSURE

We are exposed to various types of market risks in the ordinary course of our business, including, but not limited to, the following:

Liquidity Risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. Our management monitors the utilization of bank borrowings and ensures compliance with loan covenants. We had net current liabilities as of June 30, 2013, which exposed us to liquidity risk. In order to mitigate the liquidity risk, our management regularly monitors our operating cash flow to meet our liquidity requirements in the short and long term.

Credit Risk

Our credit risk is primarily attributable to cash at bank, trade and other receivables. All of cash at bank is deposited in reputable banks assessed by the management to have no significant credit risk. Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than by the industry or country in which the customers operate. In respect of trade and other receivables, our management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. We also review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In line with our sales and marketing strategy, we generally request our customers to make full payment before delivery. From time to time, we may grant a credit period of up to 90 days to customers that have a good track record with us. As a result, our Directors considers our exposure to credit risk is low. See "– Analysis on Certain Balance Sheet Line Items – Trade and Other Receivables (inclusive of amounts due from related parties – trade nature)."

However, during the Track Record Period, we used to grant Aoyu Steel, formerly a related party, a longer credit period. As of December 31, 2010, 2011 and 2012 and June 30, 2013, 100%, 96%, 100% and 79% of trade receivables (inclusive of amounts due from related parties of trade nature) was due from our five largest customers, respectively. In 2010, 2011, 2012 and the six months ended June 30, 2013, sales to Aoyu Steel represented approximately 97.6%, 49.6%, 44.6% and 3.8% of our total revenue. Aoyu Steel ceased to be a related party in 2012 and we had no outstanding trade receivables from Aoyu Steel as of December 31, 2012.

DIVIDEND POLICY

Subject to the relevant laws and the Articles of Association, we, through a general meeting, may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by our Board. The Board may declare interim and special dividend after taking into account our operations, earnings, financial position, cash requirements and other factors as it may deem relevant at such time. Our Articles of Association provide that dividends may be declared and paid out of our profit, realized or unrealized, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of a share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Companies Law.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. The PRC laws also require foreign investment enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries in the PRC may also be restricted if they incur debts or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries in the PRC may enter into in the future.

The amount of dividend eventually declared and distributed to our Shareholders will also depend upon our earnings and financial performance, operating requirements, then capital commitments and requirements and other conditions that our Directors may deem relevant or appropriate. We had total equity of RMB160.7 million, RMB189.5 million, RMB164.3 million and 414.6 million as of December 31, 2010, 2011, 2012 and June 30, 2013, respectively.

We paid dividends of RMB93.0 million in 2011.

PROPERTY INTERESTS AND PROPERTY VALUATION

Savills Valuation and Professional Services Limited, an independent property valuer, has valued the property interests of our Group as of September 30, 2013. The texts of the letter, summary of values and valuation certificates issued by Savills Valuation and Professional Services Limited are included in Appendix III attached to this Prospectus.

The following table sets forth the reconciliation of the net carrying value of our Group's property interest as of June 30, 2013 with the valuation of such interests as of September 30, 2013 as stated in Appendix III to this Prospectus.

	(RMB in millions)
Net carrying value as of June 30, 2013[(1)(3)]	380.7
Movements during the three months ended September 30, 2013	
– Addition (unaudited)	4.2
– Depreciation (unaudited)	(5.8)
Net carrying value as of September 30, 2013 (unaudited)	379.1
Valuation as of September 30, 2013 as per Appendix III to this Prospectus	65.4[(2)]
Valuation difference[(3)]	313.7

Notes:

(1) Net carrying value consisted of approximately RMB218.0 million of buildings and RMB162.7 million of prepaid lease payments as of June 30, 2013.

(2) This is the aggregate market value of four parcels of land and fifteen buildings that were held for owner-occupation by us. See Appendix III to this Prospectus.

(3) Buildings and prepaid lease payments include a total of RMB316.9 million without title certificate by our Group as of September 30, 2013, to which Savills Valuation and Professional Services Limited has attributed no commercial value, net of a revaluation surplus of approximately RMB3.2 million in relation to certain of the Group's property interests with commercial value.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS/(LIABILITIES)

The following unaudited pro forma statement of adjusted net tangible assets/(liabilities) prepared in accordance with Rule 4.29 of the Listing Rules is set forth below to illustrate the effect of the Global Offering on our consolidated net tangible assets/(liabilities) attributable to equity shareholders of the Company as of June 30, 2013 as if the Global Offering had taken place on that date. The unaudited pro forma statement of adjusted net tangible assets/(liabilities) of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of June 30, 2013 or at any future date.

	Consolidated net tangible assets/(liabilities) attributable to equity shareholders of the Company as of June 30, 2013[(1)]	Estimated net proceeds from the Global Offering[(2)]	Unaudited pro forma adjusted net tangible assets/(liabilities) attributable to equity shareholders of the Company	Unaudited pro forma adjusted net tangible assets/(liabilities) per Share[(3)]	Unaudited pro forma adjusted net tangible assets/(liabilities) per Share[(4)]
		(RMB in thousands)		*(RMB)*	*(HK$)*
Based on the Offer Price of HK$3.10 per Share	(44,336)	858,579	814,243	0.54	0.68
Based on the Offer Price of HK$3.40 per Share	(44,336)	944,500	900,164	0.60	0.76

Notes:

(1) The consolidated net tangible assets/(liabilities) attributable to equity shareholders of the Company as of June 30, 2013 is extracted from the financial information included in the Accountants' Report in Appendix I to this prospectus, which is based on consolidated net assets attributable to equity shareholders of the Company as of June 30, 2013 of RMB370.7 million with an adjustment for intangible assets attributable to equity shareholders of the Company as of June 30, 2013 of RMB415.0 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$3.10 or HK$3.40 per Share, being the low or high end of the stated offer price range, after deduction of the underwriting fees and other related expenses payable by our Group and take no account of any Share which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted to RMB at the PBOC rate of RMB0.79151 to HK$1.00.

(3) The unaudited pro forma adjusted consolidated net tangible assets/(liabilities) per Share is arrived at on the basis that 1,500,000,000 Shares (including the Shares in issue as of June 30, 2013, and Shares that may be issued under the Global Offering) are in issue without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted net tangible assets/(liabilities) per Share in RMB is converted to Hong Kong dollars at the PBOC rate of RMB0.79151 to HK$1.00.

(5) Our Group's property interests as of September 30, 2013 have been valued by Savills Valuation and Professional Services Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix III–Valuation Report. The above unaudited pro forma statement of adjusted consolidated net tangible assets/(liabilities) does not take into account the surplus arising from the revaluation of certain of our Group's property interests with commercial value amounting to approximately RMB3.2 million. The revaluation surplus has not been recorded in the Financial Information as set out in Appendix I to this Prospectus and will not be recorded in the consolidated financial statements of our Group for the year ending December 31, 2013 as our Group's property, plant and equipment and lease prepayments are stated at cost deducted for accumulated depreciation or amortization and impairment losses, if any. If the valuation surplus was recorded in our Group's financial statements, additional annual depreciation and amortization of approximately RMB0.1 million would be charged against the profit for the year ending December 31, 2013.

(6) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to June 30, 2013.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm there has been no material adverse change in our financial or trading position or prospects since June 30, 2013, being the date of our latest audited financial results as set out in the Accountants' Report attached as Appendix I to this Prospectus.

LISTING EXPENSES

The total amount of listing expenses, commissions together with SFC transaction levy and Hong Kong Stock Exchange trading fee that will be borne by us in connection with the Global Offering is estimated to be approximately RMB71.0 million (based on the mid-point of our indicative price range for the Global Offering), of which approximately RMB49.6 million is expected to be capitalized after the Listing. The remaining amount of approximately RMB21.4 million fees and expenses were charged to our income statement, of which approximately RMB7.9 million were charged in the six months ended June 30, 2013.

FUTURE PLANS

See "Business – Our Business Strategies" for a description of our future plans.

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting the underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering, are estimated to be approximately HK$1,129.0 million, assuming no exercise of the Over-allotment Option and an Offer Price of HK$3.25 per Share, being the mid-point of the estimated Offer Price range. We intend to use these net proceeds for the following purposes:

- approximately 70% of net proceeds (approximately HK$790.3 million) will be used to finance our expansion plan as described in "Business – Production Expansion Plans;"

- approximately 20% of net proceeds (approximately HK$225.8 million) will be used for repaying our bank loans with China Construction Bank Corporation Rongcheng Sub-branch in the aggregate amount of RMB200.0 million as described in "Financial Information – Indebtedness;" and

- approximately 10% of net proceeds (approximately HK$112.9 million) will be used for working capital and general corporate purposes.

If the Offer Price is finally determined at the low-end/high-end of the estimated Offer Price range, being HK$3.10/HK$3.40 per Share, the net proceeds from the Global Offering will decrease/increase by approximately HK$54.3 million, compared to the net proceeds with the Offer Price determined at the mid-point of the estimated Offer Price range and assuming that the Over-allotment Option is not exercised. In such case, we will decrease/increase the allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we would receive additional net proceeds from the Global Offering of approximately HK$184.5 million, assuming an Offer Price of HK$3.40 per Share, being the high-end of the estimated Offer Price range. We intend to apply the additional net proceeds to the above purposes on a pro-rata basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be placed in short term demand deposits and/or money market instruments.

HONG KONG UNDERWRITERS

Joint Lead Managers

Credit Suisse (Hong Kong) Limited

Merrill Lynch Far East Limited

Co-lead Managers

Convoy Investment Services Limited

Pacific Foundation Securities Limited

UNDERWRITING

This Prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 37,500,000 Hong Kong Offer Shares and the International Offering of initially 337,500,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on November 15, 2013. Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled, by written notice to us, to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into force:

(i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, epidemic, pandemic, outbreak or escalations of disease, economic sanctions, strikes, labour disputes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed) in or affecting Hong Kong, the Cayman Islands, the BVI, Guernsey, the PRC, the United States, United Kingdom, France, Germany, the European Union as a whole, Japan or any other jurisdiction relevant to any member of the Group (the "Relevant Jurisdictions");

(ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions, equity securities or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange;

(iv) any general moratorium on commercial banking activities in any Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions;

(v) any new Law (as defined in the Hong Kong Underwriting Agreement) or any change or development involving a prospective change in existing Laws or any change or development involving a prospective change in the interpretation or application thereof by any Governmental Authority (as defined in the Hong Kong Underwriting Agreement) in or affecting any of the Relevant Jurisdictions;

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions;

(vii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity;

(viii) any loss or damage sustained by any member of the Group;

(ix) any Action (as defined in the Hong Kong Underwriting Agreement) of any third party being threatened or instigated against any member of the Group;

(x) any Director or any director of any Subsidiary (as defined in the Hong Kong Underwriting Agreement) is being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company;

(xi) the chairman of the Board or the vice chairman of the Board or the chief executive officer of the Company vacating his office;

(xii) any Governmental Authority or a political body or organisation in any Relevant Jurisdiction is commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director or any director of any Subsidiary;

(xiii) any change or prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in the Prospectus; or

(xiv) any event, act or omission which gives or is likely to give rise to any liability of any of the Company, Hengshi Investments, Aowei Developments, Hengshi Holdings, Mr. Li Ziwei and Mr. Li Yanjun (the "Warrantors") pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement;

(xv) any litigation or dispute or potential litigation or disputes, which would affect the operation, financial condition or reputation of the Group; or

(xvi) a change or development involving a prospective change or amendment in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar or Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the Renminbi is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) (1) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, shareholders' equity, profits, losses, results of operations, position or condition, financial, or performance of the Group as a whole, (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering, (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering, or (4) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators:

(i) that any statement contained in the Prospectus, the Application Forms, the formal notice in connection with the Hong Kong Public Offering (the "Formal Notice") and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication) issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respects, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest in any material respect and based on reasonable assumptions;

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Prospectus, constitute a material omission from the Prospectus, the Application Forms, the Formal Notice and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto);

(iii) other than with the approval of the Joint Global Coordinators, the issue of or the requirement by the Company to issue any Supplementary Prospectus (as defined in the Hong Kong Underwriting Agreement) (or to any other documents used in connection with the Global Offering) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC;

(iv) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Joint Global Coordinators, the Joint Sponsors or the Underwriters);

(v) any material adverse change or development or any material adverse change or development in the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole and the effect of which is, in the sole opinion of the Joint Global Coordinators, after consultation with the Company, so adverse as to make it impracticable or inadvisable to proceed with the Global Offering;

(vi) any material breach of, or any event rendering untrue or incorrect in any respect, any of the Warranties (as defined in the Hong Kong Underwriting Agreement) given by any of the Warrantors in the Hong Kong Underwriting Agreement;

(vii) that the approval by the Listing Committee of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;

(viii) that the Company withdraws the Prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;

(ix) any person (other than any of the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents (as defined in the Hong Kong Underwriting Agreement) or to the issue of any of the Offer Documents;

(x) any contravention by any member of the Group of the Listing Rules or applicable Laws (as defined in the Hong Kong Underwriting Agreement);

(xi) any prohibition on the Company for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Global Offering;

(xii) any non-compliance of the Prospectus (or any other documents used in connection with the Global Offering) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws;

(xiii) any order or petition for the winding-up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(xiv) a material portion of the orders in the bookbuilding process at the time the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Joint Bookrunners, in their sole discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that it will not, at any time within six months from the Listing Date, issue any Shares or other securities convertible into equity securities of us (whether or not of a class already listed) or enter into any agreement or arrangement to issue any Shares or such other securities (whether or not such issue of Shares or such other securities will be completed within six months from the Listing Date), except pursuant to the Global Offering or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to us that, except for any lending of Shares pursuant to the Stock Borrowing Agreement, it will not (and will procure that the relevant registered holder(s) will not):

(i) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this Prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, 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 it is shown by this Prospectus to be the beneficial owner; and

(ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of us.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to us that, within the period commencing on the date by reference to which disclosure of its shareholding in us is made in this Prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Stock Exchange, it will:

(a) when it pledges or charges any Shares beneficially owned by it in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

We have undertaken to the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers, the Hong Kong Underwriters and each of them not to (save for the issue of the Offer Shares pursuant to the Global Offering) without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date falling six months after the Listing Date (the "First Six-Month Period"):

(i) offer, 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, either directly or indirectly, any of the share capital or other securities of the Company or any interest therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein); 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 any such capital or securities or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) offer to or agree to or publicly disclose that the Company will or may enter into any such transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any such transaction described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities, in cash or otherwise, provided that the foregoing restrictions shall not apply to the issue of Shares by the Company pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option). In the event that, during the six-month period immediately following the First Six-Month Period (the "Second Six-Month Period"), the Company enters into any such transactions or agrees or contracts to, or publicly announces an intention to, enter into any such transactions, the Company will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Undertakings by the Relevant Shareholders

Each of the Relevant Shareholders agrees and undertakes to the Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(a) save for any lending of Shares by Hengshi Investments pursuant to the Stock Borrowing Agreement, during the First Six-Month Period, he/it will not:

(i) offer, pledge, charge, sell, contract to 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, any of the share capital or other securities of the Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) directly or indirectly held by he/it as of the date of the Hong Kong Underwriting Agreement; 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 any such capital or securities or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares), or agree to transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, either directly or indirectly, conditionally or unconditionally, any Shares, or any other equity securities of the Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares) directly or indirectly held by he/it as of the date of the Hong Kong Underwriting Agreement; or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) publicly disclose that he/it will or may enter into any transaction described in paragraphs (i), (ii) or (iii) above,

whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such capital or securities, in cash or otherwise;

(A) during the Second Six-Month Period, he/it will not enter into any transaction described in paragraphs (a)(i), (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transaction, any of the Relevant Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; and

(B) until the expiry of the Second Six-Month Period, in the event that he/it enters into any such transactions specified in paragraphs (a)(i), (ii) or (iii) above or agrees or contracts to, or publicly announces an intention to enter into any such transactions, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of the Company.

(b) at any time after the date of this Agreement up to and including the date falling 12 months after the Listing Date, he/it shall:

(i) if and when he/it pledges or charges any securities or interests in the securities of the Company beneficially owned by he/it, immediately inform the Company and the Joint Global Coordinators in writing of such pledge or charge together with the number of securities so pledged or charged; and

(ii) if and when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of the Company will be disposed of, immediately inform the Company and the Joint Global Coordinators in writing of such indications.

The Company agrees and undertakes that upon receiving such information in writing from any of the Relevant Shareholders, it shall, as soon as practicable and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of press announcement.

Hong Kong Underwriters' Interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested legally or beneficially, directly or indirectly, in any Shares or other securities of us or any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or other securities of us or any other member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, we and the Controlling Shareholders expect to enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally to subscribe for, or procure subscribers for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. See "Structure of the Global Offering – The International Offering."

Commissions and Expenses

The Company will pay an aggregate underwriting commission and fee (including the fee payable to the Joint Sponsors) of 2.5% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Joint Global Coordinators may receive a discretionary incentive fee of up to 1.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares issued pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$71.0 million (assuming an Offer Price of HK$3.25 per Offer Share (which is the mid-point of the indicative Offer Price range), the Over-allotment Option is not exercised and the full payment of a discretionary incentive fee) and will be paid by us.

Indemnity

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, 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.

INDEPENDENCE OF THE JOINT SPONSORS

Merrill Lynch Far East satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Credit Suisse does not satisfy the independence criteria for sponsors as set out in Rule 3A.07 of the Listing Rules because Credit Suisse Trust Limited (an affiliate of Credit Suisse) 1) acts as the trustee of a discretionary trust established for the benefit of Mr. Li Ziwei and his family and has the powers customarily granted to a discretionary trustee; and 2) acts as trustee of a discretionary trust established for the benefit of certain Directors and senior management of the Group and has the powers customarily granted to a discretionary trustee.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "Syndicate Members") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering." Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to us and our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Credit Suisse and Merrill Lynch International are the Joint Global Coordinators of the Global Offering.

The Global Offering comprises:

(i) the Hong Kong Public Offering of initially 37,500,000 Shares (subject to reallocation) in Hong Kong as described in "– The Hong Kong Public Offering" below; and

(ii) the International Offering of initially 337,500,000 Shares (subject to reallocation and the Over-allotment Option) (a) outside the United States in offshore transactions in accordance with Regulation S and (b) in the United States to QIBs in reliance on an exemption from registration under the US Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, as described in "– The International Offering" below.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent 25% of the issued share capital of the Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 28.75% of the issued share capital of us immediately following the completion of the Global Offering.

References in this Prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

We are initially offering 37,500,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. The number of Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 2.5% of the issued share capital of us immediately following the completion of the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "– Conditions of the Global Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong 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 price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong 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 price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong 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 and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 18,750,000 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. If the number of Offer 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 total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 112,500,000 Offer Shares (in the case of (i)), 150,000,000 Offer

Shares (in the case of (ii)) and 187,500,000 Offer Shares (in the case of (iii)), representing approximately 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is breached and/or untrue (as the case may be) or if it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$3.40 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$3,434.27 for one board lot of 1,000 Shares. If the Offer Price, as finally determined in the manner described in "– Pricing and Allocation" below, is less than the maximum Offer Price of HK$3.40 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. See "How to Apply for Hong Kong Offer Shares."

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 337,500,000 Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States 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 that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "– Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of us and the Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allotment of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in "– The Hong Kong Public Offering – Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we are expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time during the 30 day period from the last day for lodging applications under the Hong Kong Public Offering, to require us to issue up to an aggregate of 56,250,000 Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among others, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised, an announcement will be made.

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 securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing action, if taken, (i) will be conducted at the absolute discretion of the Stabilizing Manager or any person acting for it and in what the Stabilizing Manager reasonably regards as the best interest of us, (ii) may be discontinued at any time and (iii) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares, (iii) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager or any person acting for it will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on December 21, 2013, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

We will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager or any person acting for it may cover such over-allocations by, among others, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price or through the stock borrowing arrangement as detailed below or a combination of these means.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager or any person acting for it may choose to borrow up to 56,250,000 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the Stock Borrowing Agreement, which was entered into between the Stabilizing Manager or any person acting for it and Hengshi Investments on November 13, 2013, or acquire Shares from other sources, including exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price.

If such stock borrowing arrangement with Hengshi Investments is entered into, it will only be effected by the Stabilizing Manager or any person acting for it for the settlement of over-allocations in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of Shares so borrowed must be returned to Hengshi Investments or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day for exercising the Over-allotment Option and (ii) the day on which the Over-allotment Option is exercised in full.

The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Hengshi Investments by the Stabilizing Manager or any person acting for it in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about November 21, 2013 and, in any event, not later than November 27, 2013, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$3.40 per Offer Share and is expected to be not less than HK$3.10 per Offer Share unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK$3.40 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$3,434.27 for one board lot of 1,000 Shares. Prospective investors 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 Offer Price range stated in this Prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering 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, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators, on behalf of the Underwriters, may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of us, reduce the number of Offer Shares offered and/or the 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. In such a 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, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company and the Stock Exchange at **www.hengshimining.com** and **www.hkex.com.hk**, respectively; notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and us, will be fixed within such revised Offer Price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and us, will under no circumstances be set outside the Offer Price range as stated in this Prospectus.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocation of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in "How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies."

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to us and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarised in "Underwriting."

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange;

(ii) the Offer Price having been agreed between us and the Joint Global Coordinators (on behalf of the Underwriters);

(iii) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been 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).

If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators (on behalf of the Underwriters) on or before November 27, 2013, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among others, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and us at **www.hengshimining.com** on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies." In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on November 28, 2013 provided that the Global Offering has become unconditional in all respects and the right of termination described in "Underwriting" has not been exercised.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on November 28, 2013, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on November 28, 2013.

The Shares will be traded in board lots of 1,000 Shares each and the stock code of the Shares will be 1370.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest in International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** service provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or going to become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a Prospectus during normal business hours between 9:00 a.m. to 5:00 p.m. from Monday, November 18, 2013 to Wednesday, November 20, 2013 and between 9:00 a.m. to 12:00 noon on Thursday, November 21, 2013 from:

(i) any of the following offices of the Hong Kong Underwriters:

Credit Suisse (Hong Kong) Limited	Level 88, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Merrill Lynch Far East Limited	Merrill Lynch Finance Centre 15/F Citibank Tower 3 Garden Road Central, Hong Kong

(ii) any of the branches of the following receiving bank:

The Bank of East Asia, Limited

	Branch	Address
Hong Kong Island	Queen's Road Central Branch	Shop A–C, G/F, Wah Ying Cheong Central Building, 158–164 Queen's Road Central, Central
	Wanchai Branch	Shop A–C, G/F, Easey Commercial Building, 253–261 Hennessy Road, Wanchai
	Chai Wan Branch	345 Chai Wan Road
	Taikoo Shing Branch	Shop G1010–1011, Yiu Sing Mansion
	Admiralty Branch	Shop 1007–1008, 1/F, United Centre, 95 Queensway
Kowloon	Mongkok Branch	638–640 Nathan Road
	Hoi Yuen Road Branch	Unit 1, G/F, Hewlett Centre, 54 Hoi Yuen Road
	Ma Tau Wei Road Branch	23–27 Ma Tau Wei Road
	Whampoa Garden Branch	Shop 1–3, G/F, Site 9, Whampoa Garden
	Wong Tai Sin Branch	Shop UG15, Upper Ground Floor, Wong Tai Sin Plaza, Kowloon
New Territories	Tai Wai Branch	16–18 Tai Wai Road, Cheung Fung Mansion, Shatin
	Tai Po Plaza Branch	Units 49–52, Level 1, Tai Po Plaza
	Tuen Mun Branch	Shop G16, G/F, Eldo Court Shopping Centre
	Park Central Branch	Shop G6, G/F, Park Central, 9 Tong Tak Street, Tseung Kwan O
	Yuen Long Branch	77 Castle Peak Road

You can collect a **YELLOW** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Monday, November 18, 2013 until 12:00 noon on Thursday, November 21, 2013 from the Depository Counter of **HKSCC** at 2nd Floor, Infinitus Plaza, 199 Des Vouex Road Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "The Bank of East Asia (Nominees) Limited – Hengshi Mining Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Monday, November 18, 2013 – 9:00 a.m. to 5:00 p.m.
- Tuesday, November 19, 2013 – 9:00 a.m. to 5:00 p.m.
- Wednesday, November 20, 2013 – 9:00 a.m. to 5:00 p.m.
- Thursday, November 21, 2013 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, November 21, 2013, the last day for applications or such later time as described in "– Effect of Bad Weather on the Opening of the Applications Lists".

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this Prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective Directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this Prospectus (and any supplement to it);

(vii) undertake and confirm that you 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 or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allocation of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **White Form eIPO** service by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Terms and Conditions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "– Who can apply" may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** service provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO service

You may submit your application through the **White Form eIPO** service at **www.eipo.com.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Monday, November 18, 2013 until 11:30 a.m. on Thursday, November 21, 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, November 21, 2013 or such later time under the "– Effects of Bad Weather on the Opening of the Applications Lists".

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service 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 **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-service and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated eIPO Service Provider, will contribute HK$2.00 for each "Hengshi Mining Investments Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang – Hong Kong Forest project initiated by Friends of the Earth (HK)".

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these 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 in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F Infinitus Plaza
199 Des Vouex Road Central
Hong Kong

and complete an input request form.

You can also collect a Prospectus from this 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 will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- **agree** that the Hong Kong Offer Shares to be allocated shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- **agree** to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- **declare** that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- **confirm** that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allocation of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- **authorize** the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- **confirm** that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;

- **confirm** that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;

- **agree** that none of the Company, the Joint Global Coordinators, the Underwriters, their respective Directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to it);

- **agree** to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;

- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give 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 before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), 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 Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;

- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- **agree** with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Hong Kong Companies Ordinance and the Articles of Association; and

- **agree** that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

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 things 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, brokerage, 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 if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, 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 stated in the **WHITE** Application Form and in this Prospectus.

Minimum Purchase Amount and Permitted Numbers

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 for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out 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.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Monday, November 18, 2013 – 9:00 a.m. to 8:30 p.m.[(1)]
- Tuesday, November 19, 2013 – 8:00 a.m. to 8:30 p.m.[(1)]
- Wednesday, November 20, 2013 – 8:00 a.m. to 8:30 p.m.[(1)]
- Thursday, November 21, 2013 – 8:00 a.m.[(1)] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, November 18, 2013 until 12:00 noon on Thursday, November 21, 2013 (24 hours daily, except on the last day for applications).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, November 21, 2013, the last day for applications or such later time as described in "– Effect of Bad Weather on the Opening of the Application Lists".

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for 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.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** service provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of 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 Thursday, November 21, 2013.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, 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 or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the 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 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;
- control more than half of the voting power of the company; or
- hold more than 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).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Shares Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Shares Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering – Pricing and Allocation."

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, November 21, 2013. 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 warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, November 21, 2013 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, November 27, 2013 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at **www.hengshimining.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.hengshimining.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, November 27, 2013;
- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, November 27, 2013 to 12:00 midnight on Tuesday, December 3, 2013;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, November 27, 2013 to Saturday, November 30, 2013;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, November 27, 2013 to Friday, November 29, 2013 at all the receiving bank branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this Prospectus.

If any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. 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.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** service provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$3.40 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Global Offering" in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, November 27, 2013.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following 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 the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allocated to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encasement of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Wednesday, November 27, 2013. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, November 28, 2013 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, November 27, 2013 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, November 27, 2013, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, November 27, 2013, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and 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 or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, November 27, 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

  For Hong Kong Offering Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offering Shares allocated 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 manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, November 27, 2013 or any other date as 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.

(iii) If you apply through the White Form eIPO Service

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, November 27, 2013, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/ e-Refund payment instructions/refund cheques.

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 by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, November 27, 2013 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

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 instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- 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 your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, November 27, 2013, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to 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), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allocation of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Wednesday, November 27, 2013. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, November 27, 2013 or such other date as 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 allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated 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 "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, November 27, 2013. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of 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 maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, November 27, 2013.

15. ADMISSION OF THE SHARES 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 date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) 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 adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this Prospectus.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

November 18, 2013

The Directors
Hengshi Mining Investments Limited

Credit Suisse (Hong Kong) Limited
Merrill Lynch Far East Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Hengshi Mining Investments Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated balance sheets of the Group as at December 31, 2010, 2011 and 2012 and June 30, 2013 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the Prospectus of the Company dated November 18, 2013 (the "Prospectus").

The Company was incorporated in the British Virgin Islands ("BVI") on January 14, 2011 and redomiciled to the Cayman Islands on May 23, 2013 as an exempted company with limited liability under the Cayman Companies Law, Chapter 22 (2012 Revision, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation"), as detailed in the section headed "History, Development and Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group during the Relevant Periods, details of which are set out in note 1(b) of Section B. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company, as it is an investment holding company and not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

All companies now comprising the Group have adopted December 31 as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 1(b) of Section B. The statutory financial statements of these companies were prepared in accordance with the relevant requirements of the Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the People's Republic of China ("PRC").

The Directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") on the same basis as used in the preparation of the Financial Information as set out in Section B below. The Underlying Financial Statements for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 were audited by KPMG Huazhen (Special General Partnership) in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the Directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The Directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the Directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to June 30, 2013.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, on the basis of preparation and presentation as set out in note 1(b) of Section B below, a true and fair view of the state of affairs of the Group as at December 31, 2010, 2011 and 2012 and June 30, 2013 and the Group's consolidated results and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended June 30, 2012, together with the notes thereon (the "Corresponding Financial Information"), for which the Directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The Directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

1 Consolidated Statements of Comprehensive Income

	Section B Note	Year ended December 31, 2010	2011	2012	Six months ended June 30, 2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Turnover	2	364,576	773,127	581,573	219,301	667,060
Cost of sales		(198,251)	(351,054)	(393,149)	(171,030)	(279,809)
Gross profit		166,325	422,073	188,424	48,271	387,251
Distribution costs		(7,533)	(7,354)	(1,920)	(509)	(3,387)
Administrative expenses		(38,348)	(103,604)	(101,538)	(47,087)	(41,421)
Profit from operations		120,444	311,115	84,966	675	342,443
Finance income	3(a)	78	333	115	64	55
Finance costs	3(a)	(3,169)	(4,176)	(7,621)	(2,971)	(7,577)
Net finance costs		(3,091)	(3,843)	(7,506)	(2,907)	(7,522)
Profit/(loss) before taxation	3	117,353	307,272	77,460	(2,232)	334,921
Income tax	4	(30,418)	(85,282)	(22,666)	(801)	(84,686)
Profit/(loss) and total comprehensive income for the year/period		86,935	221,990	54,794	(3,033)	250,235
Attributable to:						
Equity shareholders of the Company		94,887	162,510	48,450	(4,820)	232,004
Non-controlling interests		(7,952)	59,480	6,344	1,787	18,231
Profit/(loss) and total comprehensive income for the year/period		86,935	221,990	54,794	(3,033)	250,235
Earnings/(loss) per share	5					
Basic and diluted (RMB)		0.08	0.14	0.04	(0.01)	0.21

The accompanying notes form part of the Financial Information.

2 Consolidated Balance Sheets

	Section B Note	As at December 31, 2010	As at December 31, 2011	As at December 31, 2012	As at June 30, 2013
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment, net	9	136,874	141,914	271,340	428,619
Construction in progress	10	214	108,849	161,580	83,419
Lease prepayments	11	37,818	133,657	154,296	162,677
Intangible assets	12	41,941	83,839	218,484	427,782
Long-term receivables	13	5,710	5,710	11,420	21,440
Prepayments	14	–	1,864	5,291	7,325
Deferred tax assets	20(b)	4,954	1,017	1,225	2,475
		227,511	476,850	823,636	1,133,737
Current assets					
Inventories	15	36,162	106,280	160,071	122,055
Trade and other receivables	16	113,772	47,974	39,401	59,953
Amounts due from related parties	26	50,712	6,239	386	344
Cash and cash equivalents	17	23,628	41,840	22,668	67,140
		224,274	202,333	222,526	249,492
Current liabilities					
Short-term borrowings and current portion of long-term borrowings	18	49,000	–	–	11,600
Trade and other payables	19	84,793	171,145	237,805	218,436
Amounts due to related parties	26	99,708	257,593	483,581	301,953
Current taxation	20(a)	15,050	16,305	2,222	14,038
Current portion of long-term payables	21	–	–	21,026	21,645
Current portion of accrued reclamation obligations	22	–	–	2,935	4,326
		248,551	445,043	747,569	571,998
Net current liabilities		(24,277)	(242,710)	(525,043)	(322,506)
Total assets less current liabilities		203,234	234,140	298,593	811,231

	Section B Note	As at December 31, 2010	As at December 31, 2011	As at December 31, 2012	As at June 30, 2013
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Interest-bearing borrowings, less current portion	*18*	–	–	–	90,000
Long-term payables, less current portion	*21*	–	–	90,454	262,820
Accrued reclamation obligations, less current portion	*22*	41,125	43,818	43,753	42,987
Deferred tax liabilities	*20(b)*	1,430	786	56	859
		42,555	44,604	134,263	396,666
Net assets		160,679	189,536	164,330	414,565
Capital and reserves					
Share capital	*23*	–	1	1	1
Reserves	*23*	143,631	131,758	138,734	370,738
Total equity attributable to equity shareholders of the Company		143,631	131,759	138,735	370,739
Non-controlling interests		17,048	57,777	25,595	43,826
Total equity		160,679	189,536	164,330	414,565

The accompanying notes form part of the Financial Information.

3 Consolidated Statements of Changes in Equity

	Note	Share capital	Statutory surplus reserve	Special reserve	Other reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
		Attributable to equity shareholders of the Company							
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(note 23(b))	*(note 23(c))*	*(note 23(c))*	*(note 23(c))*				
At January 1, 2010		–	2,679	8,670	39,228	(26,833)	23,744	–	23,744
Changes in equity:									
Total comprehensive income for the year		–	–	–	–	94,887	94,887	(7,952)	86,935
Transfer to special reserve		–	–	6,407	–	(6,407)	–	–	–
Establishment of a subsidiary		–	–	–	25,000	–	25,000	25,000	50,000
Appropriation to reserves		–	3,089	–	–	(3,089)	–	–	–
At December 31, 2010		–	5,768	15,077	64,228	58,558	143,631	17,048	160,679
At January 1, 2011		–	5,768	15,077	64,228	58,558	143,631	17,048	160,679
Changes in equity:									
Total comprehensive income for the year		–	–	–	–	162,510	162,510	59,480	221,990
Capital injection		1	–	–	–	–	1	–	1
Waiver of liabilities from ultimate controlling party	*26(a)*	–	–	–	150,576	–	150,576	–	150,576
Arising from the Reorganisation	*(i)*	–	–	–	(212,311)	–	(212,311)	–	(212,311)
Transfer to special reserve		–	–	9,017	–	(9,017)	–	–	–
Profit distribution	*23(a)*	–	–	–	–	(93,000)	(93,000)	–	(93,000)
Acquisition of non-controlling interests	*(ii)*	–	–	132	(19,780)	–	(19,648)	(18,751)	(38,399)
Appropriation to reserves		–	15,624	–	–	(15,624)	–	–	–
At December 31, 2011		1	21,392	24,226	(17,287)	103,427	131,759	57,777	189,536
At January 1, 2012		1	21,392	24,226	(17,287)	103,427	131,759	57,777	189,536
Changes in equity:									
Total comprehensive income for the year		–	–	–	–	48,450	48,450	6,344	54,794
Transfer to special reserve		–	–	9,142	–	(9,142)	–	–	–
Acquisition of non-controlling interests	*(iii)*	–	2,839	1,372	(45,685)	–	(41,474)	(38,526)	(80,000)
Appropriation to reserves		–	5,702	–	–	(5,702)	–	–	–
At December 31, 2012		1	29,933	34,740	(62,972)	137,033	138,735	25,595	164,330

	Note	Attributable to equity shareholders of the Company							
	Note	Share capital	Statutory surplus reserve	Special reserve	Other reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(note 23(b))	*(note 23(c))*	*(note 23(c))*	*(note 23(c))*				
At January 1, 2013		1	29,933	34,740	(62,972)	137,033	138,735	25,595	164,330
Changes in equity:									
Total comprehensive income for the period		–	–	–	–	232,004	232,004	18,231	250,235
Transfer to special reserve		–	–	4,843	–	(4,843)	–	–	–
At June 30, 2013		1	29,933	39,583	(62,972)	364,194	370,739	43,826	414,565
(unaudited)									
At January 1, 2012		1	21,392	24,226	(17,287)	103,427	131,759	57,777	189,536
Changes in equity:									
Total comprehensive income for the period		–	–	–	–	(4,820)	(4,820)	1,787	(3,033)
Transfer to special reserve		–	–	4,450	–	(4,450)	–	–	–
Acquisition of non-controlling interests	*(iii)*	–	2,839	1,372	(45,685)	–	(41,474)	(38,526)	(80,000)
At June 30, 2012		1	24,231	30,048	(62,972)	94,157	85,465	21,038	106,503

Note:

(i) During the year ended December 31, 2011, the Group acquired the equity interests of the PRC Operating Entities (as defined in note 1(b) of Section B below) as a result of the Reorganisation with an aggregate consideration of RMB212.31 million, which was fully paid by cash.

(ii) During the year ended December 31, 2011, the Group acquired 20% equity interests in Laiyuan County Jiheng Mining Co., Ltd. from the non-controlling shareholders at an aggregate consideration of RMB38.40 million, which was fully paid by cash. The excess of the fair value of the consideration paid over the carrying amount of the net assets acquired has been debited directly to equity.

(iii) In March 2012, the Group acquired an additional 20% equity interests in Laiyuan County Jiheng Mining Co., Ltd. from the non-controlling shareholder at a consideration of RMB80.00 million, which was fully paid by cash. The excess of the fair value of the consideration over the carrying amount of the net assets acquired has been debited directly to equity.

The accompanying notes form part of the Financial Information.

4 Consolidated Cash Flow Statements

	Section B Note	Year ended December 31, 2010	2011	2012	Six months ended June 30, 2012	2013
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cash flows from operating activities						
Profit/(loss) before taxation		117,353	307,272	77,460	(2,232)	334,921
Adjustments for:						
Depreciation and amortisation		11,191	26,597	39,522	16,829	38,274
Provision for inventories		5,916	–	–	–	–
Finance income		(78)	(333)	(115)	(64)	(55)
Finance costs		3,169	4,176	7,621	2,971	7,577
Net loss on disposal of property, plant and equipment		2,330	13,395	8,086	7,569	171
Impairment losses on property, plant and equipment		2,958	2,308	–	–	–
Changes in working capital:						
(Increase)/decrease in inventories		(39,272)	(70,118)	(53,791)	(16,913)	38,016
(Increase)/decrease in trade and other receivables and amounts due from related parties		(139,740)	96,733	13,390	(37,496)	(38,091)
Increase/(decrease) in trade and other payables and amounts due to related parties		90,902	243,092	227,494	263,070	(190,520)
Cash generated from operating activities		54,729	623,122	319,667	233,734	190,293
Income tax paid		(19,771)	(84,708)	(42,361)	(36,219)	(65,756)
Net cash generated from operating activities		34,958	538,414	277,306	197,515	124,537
Investing activities						
Payment for purchase of property, plant and equipment		(38,504)	(139,825)	(149,574)	(81,838)	(110,160)
Payment for lease prepayments		(32,902)	(102,536)	(33,306)	(13,025)	(15,503)
Payment for acquisition of intangible assets		(42,060)	(43,782)	(35,601)	(35,601)	(55,942)
Proceeds from sale of property, plant and equipment		1,787	9,225	1,888	99	111
Interests received		78	333	115	64	55
Net cash used in investing activities		(111,601)	(276,585)	(216,478)	(130,301)	(181,439)

	Section B Note	Year ended December 31,			Six months ended June 30,	
		2010	2011	2012	2012	2013
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Financing activities						
Proceeds from borrowings		49,000	30,000	–	–	101,600
Interests paid		(1,159)	(1,393)	–	–	(226)
Contribution from the equity shareholders of the Company		25,000	–	–	–	–
Contribution from non-controlling interests		25,000	–	–	–	–
Payment for acquisitions of non-controlling interests		–	(38,399)	(80,000)	(80,000)	–
The Reorganisation						
– payment for acquiring the PRC Operating Entities		–	(212,311)	–	–	–
– funds received from the ultimate controlling party		–	150,576	–	–	–
Dividends paid		–	(93,000)	–	–	–
Repayments of borrowings		–	(79,000)	–	–	–
Net cash generated from/(used in) financing activities		97,841	(243,527)	(80,000)	(80,000)	101,374
Net increase/(decrease) in cash and cash equivalents		21,198	18,302	(19,172)	(12,786)	44,472
Cash and cash equivalents at the beginning of the year/period		2,430	23,628	41,840	41,840	22,668
Effect of foreign exchange rate changes		–	(90)	–	–	–
Cash and cash equivalents at the end of the year/period	*17*	23,628	41,840	22,668	29,054	67,140

The accompanying notes form part of the Financial Information.

B NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended June 30, 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2013 are set out in note 29.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended June 30, 2012 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation and presentation

The Financial Information comprises the Company and its subsidiaries and has been prepared using the principles of merger accounting as if the Group had always been in existence as further explained below.

The Company was incorporated in the BVI on January 14, 2011 and redomiciled to the Cayman Islands on May 23, 2013, which is ultimately controlled by Mr. Li Yanjun and Mr. Li Ziwei (a Dominican whose full name is Leung Hongying Li Ziwei, collectively referred to as the "Controlling Shareholders"), and became the holding company of the companies now comprising the Group pursuant to the Reorganisation during the Relevant Periods. The Group is principally engaged in the mining, processing and sale of iron ore, preliminary concentrates and iron ore concentrates in the PRC.

Prior to the incorporation of the Company, the Group's businesses were conducted through Laiyuan County Jingyuancheng Mining Co., Ltd., Laiyuan Xinxin Mining Co., Ltd. and Laiyuan County Jiheng Mining Co., Ltd. established in the PRC (the "PRC Operating Entities"), which were ultimately owned and controlled by the Controlling Shareholders. As part of the Reorganisation, Laiyuan County Aowei Mining Investments Co., Ltd., an indirect wholly owned subsidiary of the Company, acquired 100% equity interests of Laiyuan County Jingyuancheng Mining Co., Ltd., 100% equity interests of Laiyuan Xinxin Mining Co., Ltd. and 50% equity interests of Laiyuan County Jiheng Mining Co., Ltd. from Hebei Aowei Industrial Group Co., Ltd. in June 2011.

The companies (including the PRC Operating Entities) that took part in the Reorganisation were controlled by the Controlling Shareholders before and after the Reorganisation. As the control is not transitory and, consequently, there was a continuation of the risks and benefits to the Controlling Shareholders, the Reorganisation is considered to be a restructuring of entities and businesses under common control.

The Financial Information has been prepared using the principles of merger accounting as if the companies now comprising the Group have been consolidated at the beginning of the Relevant Periods (or where the company was incorporated or established at a later date than January 1, 2010 for the period from the date of incorporation or establishment to June 30, 2013). The net assets of the companies now comprising the Group are consolidated using the existing book values from the Controlling Shareholders' perspective.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and the consolidated cash flow statements of the Group as set out in Section A include the results of operations of the Company and its subsidiaries for the Relevant Periods (or where the company was incorporated or established at a date later than January 1, 2010, for the period from the date of incorporation or establishment to June 30, 2013) as if the Reorganisation was completed at the beginning of the Relevant Periods. The consolidated balance sheets of the Group as at December 31, 2010, 2011 and 2012 and June 30, 2013 as set out in Section A have been prepared to present the state of affairs of the Company and its subsidiaries as at the respective dates as if the Reorganisation was completed at the beginning of the Relevant Periods.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

At the date of this report, the Company had a direct or indirect interest in the following subsidiaries, which are private companies. The particulars of the subsidiaries are set out below:

Name of Company	Place and Date of Incorporation/ Establishment	Authorised and Fully Paid-up Capital	Equity Attributable to the Company		Principal Activities
			Direct	Indirect	
Hengshi Development International Limited 恒實發展國際有限公司 .	Hong Kong February 2, 2011	HK$100	100%	–	Investment holding
Sichuan Panshi Industrial Co., Ltd.# 四川盤實實業有限公司 .	PRC June 8, 2011	RMB150,000,000	–	100%	Investment holding
Sichuan Hengwen Industrial Co., Ltd.# 四川恒穩實業有限公司 .	PRC June 9, 2011	RMB120,000,000	–	100%	Investment holding
Laiyuan County Aowei Mining Investments Co., Ltd.# 淶源縣奧威礦業投資有限公司	PRC June 8, 2011	RMB120,000,000	–	100%	Investment holding
Laiyuan County Jingyuancheng Mining Co., Ltd.# 淶源縣京源城礦業有限公司	PRC October 18, 2001	RMB80,000,000	–	100%	Mining, processing and trading of iron ore products
Laiyuan Xinxin Mining Co., Ltd.# 淶源鑫鑫礦業有限公司 .	PRC April 22, 2004	RMB50,000,000	–	100%	Mining, processing and trading of iron ore products
Laiyuan County Jiheng Mining Co., Ltd.# 淶源縣冀恒礦業有限公司	PRC August 16, 2010	RMB50,000,000	–	90%*	Mining, processing and trading of iron ore products

The official name of the entity is in Chinese. The English name is for identification purpose only.

* The Group held 50% controlling interests of Laiyuan County Jiheng Mining Co., Ltd. upon its establishment. Subsequently, the Group acquired additional 40% equity interests from the non-controlling shareholders in 2011 and 2012. Details are set out in notes (i), (ii) and (iii) to the consolidated statements of changes in equity.

The following list contains details of the companies included in the Financial Information that are subject to audit during the Relevant Periods and the names of the respective auditors.

Name of Entity	Financial Period	Statutory Auditor
Sichuan Panshi Industrial Co., Ltd.	Period from June 8, 2011 (date of establishment) to December 31, 2011 and year ended December 31, 2012	四川天仁會計師事務所有限責任公司
Sichuan Hengwen Industrial Co., Ltd.	Period from June 9, 2011 (date of establishment) to December 31, 2011 and year ended December 31, 2012	四川天仁會計師事務所有限責任公司
Laiyuan County Aowei Mining Investments Co., Ltd.	Period from June 8, 2011 (date of establishment) to December 31, 2012	河北中翔宇會計師事務所有限公司
Laiyuan County Jingyuancheng Mining Co., Ltd.	Years ended December 31, 2010, 2011 and 2012	河北中翔宇會計師事務所有限公司
Laiyuan Xinxin Mining Co., Ltd.	Years ended December 31, 2010, 2011 and 2012	河北中翔宇會計師事務所有限公司
Laiyuan County Jiheng Mining Co., Ltd.	Period from August 16, 2010 (date of establishment) to December 31, 2011 and year ended December 31, 2012	河北中翔宇會計師事務所有限公司

(c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand. The Financial Information is prepared on the historical cost basis.

(d) Going concern

The Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities position of the Group as at December 31, 2010, 2011 and 2012 and June 30, 2013. The Directors are of the opinion that, based on a detailed review of the working capital forecast of the Group for the period ending December 31, 2014, the Group will have necessary liquid funds to finance its working capital requirements and capital commitments. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the Financial Information.

(e) Use of estimates and judgements

The preparation of Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 27.

(f) Basis of consolidation

(i) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts as recorded by the entity being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to equity. The combination date is the date on which one combining entity effectively obtains control of the other combining entities.

(ii) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination.

The acquirer, at the acquisition date, allocates the cost of the business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair value at that date.

(iii) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect the amount of those returns.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheets within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheets in accordance with note 1(m) or (n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an interest in an associate.

(g) Property, plant and equipment

Property, plant and equipment, which consist of buildings and plants, machinery and equipment, motor vehicles, office equipment and mining structures are initially stated at cost less accumulated depreciation and impairment losses (see note 1(j)(ii)). The cost of an asset comprises its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use, the cost of borrowed funds used during the period of construction and, when relevant, the costs of dismantling and removing the items and restoring the site on which they are located, and changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised at cost less impairment losses (note 1(j)(ii)). Cost comprises cost of materials, direct labour and an appropriate proportion of production overheads and borrowing costs (note 1(v)). Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress until it is completed and substantially ready for its intended use.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other cost is recognised as an expense in profit or loss in the period in which it is incurred.

In open pit operations the removal of overburden and waste materials, referred to as stripping, is required to obtain access to the ore body. Stripping costs incurred during the development phase of a mine are capitalised into property, plant and equipment. Stripping costs incurred during the production phase of a mine 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 economic benefits from the mineral property by increasing access to the ore body and the component of the ore body for which access has been improved can be identified, in which case the stripping costs incurred are capitalised as stripping activity assets and accounted for as part of an existing asset of property, plant and equipment.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, other than mining structures and capitalised stripping assets, over their estimated useful lives using the straight-line method, after taking into account the estimated residual values.

The estimated useful lives of property, plant and equipment are as follows:

	Depreciable life
Buildings and plants	6–20 years
Machinery and equipment	3–10 years
Motor vehicles	5 years
Office equipment	3 years

Mining structures and capitalised stripping assets are depreciated on the units-of-production method utilising only proven and probable mineral reserves in the depletion base.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets

(i) Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses (see note 1(j)(ii)). The mining rights are amortised using the units-of-production method based on the proved and probable mineral reserves. The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

(ii) Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses (see note 1(j)(ii)). Exploration and evaluation assets include exploration and development costs. Exploration and development costs include expenditures incurred in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and expenditures incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure during the initial exploration stage is charged to profit or loss as incurred.

When it can be reasonably ascertained that a mining structure is capable of commercial production, exploration and development costs capitalised are transferred to mining right and amortised to profit or loss using the units-of-production method based on the proved and probable mineral reserves. If any project is abandoned during the exploration and evaluation stage, the related exploration and evaluation assets are written off to profit or loss.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Lease prepayments

Lease prepayments represent the costs of acquiring the land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 1(j)(ii)). Amortisation is charged to profit or loss on a straight line basis over the period of the land use rights.

(j) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– construction in progress;

– lease prepayments;

– intangible assets; and

– other non-current assets (excluding receivables).

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion, an appropriate portion of fixed and variable overhead costs, including the stripping costs incurred during the production phase, and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories of ancillary materials, spare parts and small tools used in production are stated at cost less impairment losses for obsolescences.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (note 1(j)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

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

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

(s) Obligations for reclamation

The Group's obligations for reclamation consist of spending estimates at its mines in accordance with the relevant rules and regulations in the PRC. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash spending 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. The Group records a corresponding asset associated with the liability for final reclamation and mine closure. The obligation and corresponding asset are recognised in the period in which the liability is incurred. The asset is depreciated on the units-of-production method over its expected life and the liability is accreted to the projected spending date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation and the corresponding asset are recognised at the appropriate discount rate.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue associated with the sale of iron ore, preliminary concentrates and iron ore concentrates is recognised when the risks and rewards of ownership of the goods have been passed to the customer. Revenue excludes value added tax and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

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

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

2 TURNOVER

The Group is principally engaged in the mining, processing and sale of iron ore, preliminary concentrates and iron ore concentrates. Revenue represents the sales value of goods sold to customers exclusive of value added tax. The amount of each significant category of revenue recognised during the Relevant Periods is as follows:

	Year ended December 31,			**Six months ended June 30,**	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000*** *(unaudited)*	***RMB'000***
Iron ore concentrates	364,209	393,118	315,180	120,167	289,972
Preliminary concentrates . .	–	52,594	71,445	39,766	81,281
Iron ore	–	327,144	193,856	58,561	295,476
Others	367	271	1,092	807	331
	364,576	773,127	581,573	219,301	667,060

Details of customers accounting for 10% or more of total revenue are as follows:

	Year ended December 31,			**Six months ended June 30,**	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000*** *(unaudited)*	***RMB'000***
Laiyuan County Aoyu Steel Co., Ltd. *(note (i))*	355,750	383,140	259,572	116,171	*note (ii)*
Customer A	–	–	*note (iii)*	–	218,140

Details of the concentration of credit risk arising from the Group's customers are set out in note 24(b).

Note:

(i) In March 2012, Laiyuan County Aoyu Steel Co., Ltd. ceased to be a related party of the Group. Turnover arising from sales to Laiyuan County Aoyu Steel Co., Ltd. of RMB259.57 million during the year ended December 31, 2012, comprising an amount of RMB62.14 million (note 26(a)) and RMB197.43 million in respect of a period before and after this customer ceased to be a related company during the year concerned.

(ii) For the six months ended June 30, 2013, turnover arising from sales to Laiyuan County Aoyu Steel Co., Ltd. amounted to RMB25.17 million, which represents less than 10% of total revenue for that period.

(iii) For the year ended December 31, 2012, turnover arising from sales to customer A amounted to RMB34.94 million, which represents less than 10% of total revenue for that year.

3 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	Year ended December 31,			Six months ended June 30,	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000*** *(unaudited)*	***RMB'000***
Interest income	(78)	(333)	(115)	(64)	(55)
Finance income	(78)	(333)	(115)	(64)	(55)
Foreign exchange loss	–	90	–	–	–
Interest on interest-bearing borrowings	–	–	–	–	382
Interest on discounting bank acceptance bills	1,159	1,393	–	–	–
Unwinding of interest on					
– Long-term payables	–	–	4,751	1,560	5,690
– Accrued reclamation obligations *(note 22)*	2,010	2,693	2,870	1,411	1,505
Finance costs	3,169	4,176	7,621	2,971	7,577
Net finance costs	3,091	3,843	7,506	2,907	7,522

(b) Staff costs

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Salaries, wages, bonuses and benefits	25,656	34,441	54,272	22,347	28,343
Retirement scheme contributions	3,187	4,306	5,136	2,448	2,157
	28,843	38,747	59,408	24,795	30,500

Employees of the Group are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds at a rate of 12% of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees. The Group has no other obligations for payment of retirement and other post-retirement benefits of employees other than the contribution described above.

(c) Other items

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Cost of inventories#	198,251	351,054	393,149	171,030	279,809
Depreciation and amortisation	11,191	26,597	39,522	16,829	38,274
Auditors' remuneration – audit services	20	28	71	60	16
Net loss on disposal of property, plant and equipment	2,330	13,395	8,086	7,569	171
Impairment losses on property, plant and equipment	2,958	2,308	–	–	–
Provision for inventories	5,916	–	–	–	–
Operating lease charges	–	433	555	291	209

Cost of inventories includes RMB27.00 million, RMB41.92 million and RMB54.98 million, RMB25.11 million and RMB49.39 million for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 (unaudited) and 2013, respectively, relating to staff costs, depreciation and amortisation expenses and operating lease charges which are also included in the respective amounts disclosed separately above for each of these types of expenses.

Production stripping costs included in cost of inventories amounted to RMB69.98 million, RMB211.63 million, RMB246.17 million, RMB111.64 million and RMB136.21 million for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 (unaudited) and 2013, respectively.

4 INCOME TAX

(a) Income tax in the consolidated statements of comprehensive income represents:

	Year ended December 31,			Six months ended June 30,	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000*** *(unaudited)*	***RMB'000***
Current tax *(note 20(a))*	33,898	81,989	23,604	5,975	85,133
Deferred tax *(note 20(b))*					
– Origination and reversal of temporary differences	(3,480)	3,293	(938)	(5,174)	(447)
	30,418	85,282	22,666	801	84,686

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended December 31,			Six months ended June 30,	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000*** *(unaudited)*	***RMB'000***
Profit/(loss) before taxation	117,353	307,272	77,460	(2,232)	334,921
Notional tax on profit/(loss) before taxation, calculated at tax rate of 25%*	29,338	76,818	19,365	(558)	83,730
Tax effect of non-deductible expenses	1,080	808	241	165	8
Tax effect of unused tax losses not recognised *(note 20(c))*	–	7,656	3,060	1,194	948
Actual tax expense	30,418	85,282	22,666	801	84,686

* The PRC statutory tax rate is adopted as the Group's operations are mainly conducted in the PRC.

Note:

(i) Pursuant to the prevailing income tax rules and regulations of PRC, the Group is liable to PRC Enterprise Income Tax at a rate of 25%.

(ii) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the Relevant Periods.

(iii) According to the PRC Enterprise Income Tax Law and its implementation rules, dividends receivable by non-PRC-resident corporate investors from PRC-resident enterprises for profits earned since January 1, 2008 are subject to withholding income tax at a rate of 10%, unless reduced by tax treaties or arrangements.

5 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share during the Relevant Periods is based on the profit/(loss) attributable to equity shareholders of the Company for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 (unaudited) and 2013 and on the assumption that a total of 1,125,000,000 shares of the Company are in issue pursuant to the capitalisation issue as set out in Appendix VI to the Prospectus as if the shares were outstanding, throughout the entire Relevant Periods.

The Company did not have any potential dilutive shares throughout the Relevant Periods. Accordingly, diluted earnings/(loss) per share is the same as basic earnings per share.

6 DIRECTORS' REMUNERATION

Details of the Directors' remuneration disclosed are as follows:

	Year ended December 31, 2010				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Li Yanjun	–	–	–	–	–
Mr. Li Ziwei	–	–	–	–	–
Mr. Xia Guoan	–	29	–	–	29
Mr. Sun Jianhua	–	–	–	–	–
Mr. Huang Kai	–	–	–	–	–
Mr. Tu Quanping	–	51	–	–	51
Total	–	80	–	–	80

	Year ended December 31, 2011				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Li Yanjun	–	–	–	–	–
Mr. Li Ziwei	–	–	–	–	–
Mr. Xia Guoan	–	93	–	–	93
Mr. Sun Jianhua	–	–	–	–	–
Mr. Huang Kai	–	–	–	–	–
Mr. Tu Quanping	–	51	–	–	51
Total	–	144	–	–	144

	Year ended December 31, 2012				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Li Yanjun	–	–	–	–	–
Mr. Li Ziwei	–	–	–	–	–
Mr. Xia Guoan	–	344	–	–	344
Mr. Sun Jianhua	–	81	–	–	81
Mr. Huang Kai	–	183	–	–	183
Mr. Tu Quanping	–	285	–	–	285
Total	–	893	–	–	893

	Six months ended June 30, 2012 (unaudited)				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Li Yanjun	–	–	–	–	–
Mr. Li Ziwei	–	–	–	–	–
Mr. Xia Guoan	–	131	–	–	131
Mr. Sun Jianhua	–	27	–	–	27
Mr. Huang Kai	–	61	–	–	61
Mr. Tu Quanping	–	103	–	–	103
Total	–	322	–	–	322

	Six months ended June 30, 2013				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Li Yanjun	–	–	–	–	–
Mr. Li Ziwei	–	–	–	–	–
Mr. Xia Guoan	–	214	–	–	214
Mr. Sun Jianhua	–	49	–	5	54
Mr. Huang Kai	–	126	–	4	130
Mr. Tu Quanping	–	180	–	5	185
Total	–	569	–	14	583

No emoluments have been paid to the Directors as an inducement to join or upon joining the Group during the Relevant Periods.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of Directors and non-Directors included in the five highest paid individuals for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 (unaudited) and 2013 are set forth below:

	Year ended December 31,			Six months ended June 30,	
	2010	**2011**	**2012**	**2012**	**2013**
				(unaudited)	
Directors	2	2	2	2	2
Non-Directors	3	3	3	3	3
Total	5	5	5	5	5

The emoluments of the Directors are disclosed in note 6. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Basic salaries, allowances and benefits in kind	97	196	662	233	588
Discretionary bonuses	–	–	–	–	–
Retirement scheme contributions	–	–	–	–	12
Total	97	196	662	233	600

The emoluments of the individuals with the highest emoluments are within the following band:

	Year ended December 31,			Six months ended June 30,	
	2010	**2011**	**2012**	**2012**	**2013**
				(unaudited)	
Nil to HKD1,000,000	5	5	5	5	5

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group during the Relevant Periods.

8 SEGMENT REPORTING

The Group has one business segment, the mining, processing, and sale of iron ore, preliminary concentrates and iron ore concentrates. All of its customers are located in China. Based on information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment, the Group's only operating segment is the mining, processing, and sale of iron ore and iron ore products. Accordingly, no additional business and geographical segment information are presented.

9 PROPERTY, PLANT AND EQUIPMENT, NET

	Buildings and plants	Machinery and equipment	Motor vehicles	Office equipment	Mining structure	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At January 1, 2010	39,720	47,508	13,085	381	30,670	131,364
Additions	7,909	31,972	7,592	324	8,445	56,242
Disposals	(9,549)	–	(8,568)	–	–	(18,117)
Transferred from construction in progress *(note 10)*	2,710	1,687	–	–	–	4,397
At December 31, 2010	40,790	81,167	12,109	705	39,115	173,886
At January 1, 2011	40,790	81,167	12,109	705	39,115	173,886
Additions	6,677	16,245	7,785	811	–	31,518
Disposals	(8,110)	(12,219)	(127)	–	–	(20,456)
Transferred from construction in progress *(note 10)*	3,757	3,702	–	–	–	7,459
At December 31, 2011	43,114	88,895	19,767	1,516	39,115	192,407
At January 1, 2012	43,114	88,895	19,767	1,516	39,115	192,407
Additions	1,187	14,032	5,971	1,109	–	22,299
Disposals	(5,372)	(9,774)	(2,285)	(419)	–	(17,850)
Transferred from construction in progress *(note 10)*	77,991	58,280	–	–	–	136,271
At December 31, 2012	116,920	151,433	23,453	2,206	39,115	333,127
At January 1, 2013	116,920	151,433	23,453	2,206	39,115	333,127
Additions	1,950	7,073	1,882	721	–	11,626
Disposals	–	(4)	(629)	(33)	–	(666)
Transferred from construction in progress *(note 10)*	115,940	47,208	–	–	–	163,148
At June 30, 2013	234,810	205,710	24,706	2,894	39,115	507,235

	Buildings and plants	Machinery and equipment	Motor vehicles	Office equipment	Mining structure	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation and impairment losses:						
At January 1, 2010	(5,228)	(18,243)	(5,848)	(214)	–	(29,533)
Charge for the year	(1,484)	(5,288)	(1,855)	(87)	(800)	(9,514)
Impairment loss	(1,914)	(1,044)	–	–	–	(2,958)
Written back on disposals	542	–	4,451	–	–	4,993
At December 31, 2010	(8,084)	(24,575)	(3,252)	(301)	(800)	(37,012)
At January 1, 2011	(8,084)	(24,575)	(3,252)	(301)	(800)	(37,012)
Charge for the year	(2,355)	(10,826)	(3,389)	(195)	(1,251)	(18,016)
Impairment loss	(2,210)	(98)	–	–	–	(2,308)
Written back on disposals	1,646	5,144	53	–	–	6,843
At December 31, 2011	(11,003)	(30,355)	(6,588)	(496)	(2,051)	(50,493)
At January 1, 2012	(11,003)	(30,355)	(6,588)	(496)	(2,051)	(50,493)
Charge for the year	(2,105)	(11,592)	(3,937)	(467)	(1,069)	(19,170)
Written back on disposals	882	4,600	2,054	340	–	7,876
At December 31, 2012	(12,226)	(37,347)	(8,471)	(623)	(3,120)	(61,787)
At January 1, 2013	(12,226)	(37,347)	(8,471)	(623)	(3,120)	(61,787)
Charge for the period	(4,584)	(8,709)	(2,501)	(468)	(951)	(17,213)
Written back on disposals	–	3	367	14	–	384
At June 30, 2013	(16,810)	(46,053)	(10,605)	(1,077)	(4,071)	(78,616)
Net book value:						
At December 31, 2010	32,706	56,592	8,857	404	38,315	136,874
At December 31, 2011	32,111	58,540	13,179	1,020	37,064	141,914
At December 31, 2012	104,694	114,086	14,982	1,583	35,995	271,340
At June 30, 2013	218,000	159,657	14,101	1,817	35,044	428,619

The Group's property, plant and equipment are substantially located in the PRC. Up to the issue of the Financial Information, the Group is still in the process of applying for the title certificates of certain of its buildings and plants with carrying amount of approximately RMB5.41 million, RMB9.84 million, RMB51.69 million and RMB57.11 million as at December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned properties.

During the year ended December 31, 2010, the Group acquired the property, plant and equipment from Laiyuan County Guangyuan Mining Co., Ltd. and Baoding Longmao Mining Co., Ltd. at a total consideration of RMB7.28 million and RMB3.11 million respectively.

During the year ended December 31, 2011, the Group acquired the property, plant and equipment from Laiyuan County Weihe Mining Co., Ltd. and Laiyuan County Xinda Mining Co., Ltd. at a total consideration of RMB6.40 million and RMB0.83 million respectively.

10 CONSTRUCTION IN PROGRESS

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at the beginning of the year/period	89	214	108,849	161,580
Additions	4,522	116,094	189,002	84,987
Transferred to property, plant and equipment *(note 9)*	(4,397)	(7,459)	(136,271)	(163,148)
Balance at the end of the year/period	214	108,849	161,580	83,419

Construction in progress as at December 31, 2010, 2011 and 2012 and June 30, 2013 is mainly related to processing plant, mining related machinery and equipment and mining structure.

During the six months ended June 30, 2013, stripping costs of RMB77.82 million incurred during the development of the Group's mines were capitalised. During the years ended December 31, 2010, 2011 and 2012, no stripping activity asset was recognised as the recognition criteria have not been met. As at June 30, 2013, the carrying amount of capitalised stripping costs amounted to RMB77.82 million.

11 LEASE PREPAYMENTS

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
Balance at the beginning of the year/period	10,835	43,737	146,273	179,579
Additions	32,902	102,536	33,306	15,503
Balance at the end of the year/period	43,737	146,273	179,579	195,082
Accumulated amortisation:				
Balance at the beginning of the year/period	(4,361)	(5,919)	(12,616)	(25,283)
Charge for the year/period	(1,558)	(6,697)	(12,667)	(7,122)
Balance at the end of the year/period	(5,919)	(12,616)	(25,283)	(32,405)
Net book value	37,818	133,657	154,296	162,677

Lease prepayments comprise interests in leasehold land held for own use under operating leases located in the PRC, with original lease periods from 5 to 50 years. Up to the issue of these financial statements, the Group is still in the process of applying for the title certificates of certain of its lease prepayments for land use rights with carrying amount of approximately RMB37.82 million, RMB125.56 million, RMB146.17 million and RMB154.78 million as at December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned leasehold land.

During the year ended December 31, 2010, the Group acquired the interests in leasehold land from Laiyuan County Guangyuan Mining Co., Ltd. and Baoding Longmao Mining Co., Ltd. at a total consideration of RMB3.40 million and RMB12.15 million respectively.

During the year ended December 31, 2011, the Group acquired the interests in leasehold land from Laiyuan County Weihe Mining Co., Ltd. and Laiyuan County Xinda Mining Co., Ltd. at a total consideration of RMB6.28 million and RMB1.81 million respectively.

The analysis of net book value of leasehold land is as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
In the PRC				
short leases	18,809	17,080	20,094	30,307
medium-term leases	19,009	116,577	134,202	132,370
Blance at the end of the year/period	37,818	133,657	154,296	162,677

12 INTANGIBLE ASSETS

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
Balance at the beginning of the year/period	–	42,060	85,842	228,172
Additions	42,060	43,782	142,330	223,237
Balance at the end of the year/period	42,060	85,842	228,172	451,409
Accumulated amortisation:				
Balance at the beginning of the year/period	–	(119)	(2,003)	(9,688)
Charge for the year/period	(119)	(1,884)	(7,685)	(13,939)
Balance at the end of the year/period	(119)	(2,003)	(9,688)	(23,627)
Net book value	41,941	83,839	218,484	427,782

Intangible assets represent the mining rights acquired by Laiyuan County Jiheng Mining Co., Ltd. from Hebei Provincial Department of Land and Resources in 2012, the mining rights acquired by Laiyuan County Jingyuancheng Mining Co., Ltd. and Laiyuan County Xinxin Mining Co., Ltd. from Hebei Provincial Department of Land and Resources in 2013, and the premium paid in relation to obtaining the mining rights by Laiyuan County Jingyuancheng Mining Co., Ltd. from nearby iron ore mines in 2010 and 2011.

During the year ended December 31, 2010, the Group acquired the mining rights from Laiyuan County Guangyuan Mining Co., Ltd. and Baoding Longmao Mining Co., Ltd. at a total consideration of RMB19.31 million and RMB22.75 million respectively.

During the year ended December 31, 2011, the Group acquired the mining rights from Laiyuan County Weihe Mining Co., Ltd. and Laiyuan County Xinda Mining Co., Ltd. at a total consideration of RMB41.32 million and RMB2.46 million respectively.

During the year ended December 31, 2012 and the six months ended June 30, 2013, the Group acquired the mining rights from Hebei Provincial Department of Land and Resources at a total consideration of RMB142.33 million and RMB223.23 million respectively.

As at June 30, 2013, the Group's borrowings were secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd. with carrying amount of approximately RMB127.07 million.

13 LONG-TERM RECEIVABLES

	As at December 31,			As at June 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Environmental reclamation deposits .	5,710	5,710	11,420	21,440

The balances represent environmental reclamation deposits placed with the government in respect of the Group's reclamation obligations for the closure of mines and are not expected to be refunded within the next 12 months.

14 PREPAYMENTS

	As at December 31,			As at June 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Prepayments in connection with construction work, equipment purchases and others	–	1,864	5,291	7,325

15 INVENTORIES

(a) Inventories in the consolidated balance sheets comprise:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consumables and supplies	7,913	10,437	12,640	17,262
Weakly mineralised wall rock *(note (i))*	9,882	57,725	116,857	71,295
Iron ore	9,606	2,057	1,460	4,520
Preliminary concentrates	13,985	2,634	4,138	17,071
Iron ore concentrates	692	33,427	24,976	11,907
	42,078	106,280	160,071	122,055
Less: Allowance for diminution in value of inventories	(5,916)	–	–	–
	36,162	106,280	160,071	122,055

Note:

(i) Weakly mineralised wall rock represents sub-graded mineral materials.

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated statements of comprehensive income is as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	192,335	351,054	393,149	279,809
Write down of inventories	5,916	–	–	–
	198,251	351,054	393,149	279,809

16 TRADE AND OTHER RECEIVABLES

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts receivable	–	32,376	12,152	33,475
Bills receivable	99,000	–	–	–
Trade receivables *(note (a))*	99,000	32,376	12,152	33,475
Other receivables *(note (d))*	14,772	15,598	27,249	26,478
	113,772	47,974	39,401	59,953

(a) Ageing analysis

As of the end of the respective balance sheet dates, the ageing analysis of trade receivables is as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current	–	–	–	19,186
Within 3 months	19,000	19,047	12,152	14,289
3 to 6 months	30,000	7,718	–	–
Over 6 months but less than 1 year	50,000	5,611	–	–
	99,000	32,376	12,152	33,475

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 1(j)(i)).

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	–	–	–	19,186
Within 3 months	19,000	19,047	12,152	14,289
3 to 6 months	30,000	7,718	–	–
Over 6 months but less than 1 year	50,000	5,611	–	–
	99,000	32,376	12,152	33,475

Receivables that were past due but not impaired relate to certain independent parties that have a good track record with the Group. Based on past experience, management believes that no impairment allowances is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group seeks to maintain tight control over its outstanding trade receivables in order to minimise credit risk. Overdue balances are regularly monitored by management.

(d) Other receivables

	As at December 31,			As at June 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Prepayments and deposits *(note (i))*	1,795	10,779	15,018	24,612
Income tax recoverable *(note 20 (a))*	–	3,974	8,648	1,087
VAT recoverable	1,623	–	2,554	–
Others *(note (ii))*	11,354	845	1,029	779
	14,772	15,598	27,249	26,478

Note:

(i) As at December 31, 2010, 2011 and 2012 and June 30, 2013, prepayments and deposits mainly represent prepayments made to the Group's suppliers.

(ii) As at December 31, 2010, others mainly represent receivables arising from the disposal of property, plant and equipment and advances to employees.

17 CASH AND CASH EQUIVALENTS

	As at December 31,			As at June 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Cash in hand	438	186	271	89
Cash at bank	23,190	41,654	22,397	67,051
	23,628	41,840	22,668	67,140

18 BORROWINGS

(a) The Group's short-term borrowings comprise:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Discounted bank acceptance bills with recourse	49,000	–	–	–
Current portion of long-term borrowings *(note (i))*	–	–	–	11,600
	49,000	–	–	11,600

(b) The Group's long-term borrowings comprises:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings from bank-secured *(note (i))*	–	–	–	90,000

Note:

(i) As at June 30, 2013, borrowings from bank of the Group were denominated in RMB and bear an interest of 6.15% per annum. The borrowings were secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd. with carrying amount of approximately RMB127.07 million (see note 12).

(c) The Group's borrowings were repayable as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	49,000	–	–	11,600
After 1 year but within 2 years	–	–	–	90,000
	49,000	–	–	101,600

As at June 30, 2013, the Group had banking facilities secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd. with carrying amount of approximately RMB127.07 million (see note 12). Such banking facilities amounted to RMB220.00 million. The facilities were utilised to the extent of RMB101.60 million.

As at June 30, 2013, no borrowing from bank was subject to financial covenants.

19 TRADE AND OTHER PAYABLES

	At as December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(note (i))*	36,530	41,372	58,936	78,071
Receipt in advance *(note (ii))*	–	25,748	36,069	12,191
Payables for purchase of equipment	233	17,883	88,618	77,105
Other taxes payables	13,301	22,030	6,587	24,729
Others *(note (iii))*	34,729	64,112	47,595	26,340
	84,793	171,145	237,805	218,436

Note:

(i) All trade payables are due and payable on presentation or within one year.

(ii) Receipts in advance represent payments in advance made by the customers in accordance with the terms set out in respective sales agreements.

(iii) Others mainly represent accrued expenses, payables for staff related costs and other deposits.

As at December 31, 2010, 2011 and 2012 and June 30, 2013, all of the other trade and other payables are expected to be settled within one year or are repayable on demand.

20 INCOME TAX IN THE CONSOLIDATED BALANCE SHEETS

(a) Income tax payable/(recoverable) in the consolidated balance sheets represents:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net income tax payable/(recoverable) at the beginning of the year/period	923	15,050	12,331	(6,426)
Provision for the year/period *(note 4(a))*	33,898	81,989	23,604	85,133
Income tax paid	(19,771)	(84,708)	(42,361)	(65,756)
Net tax payable/(recoverable) at the end of the year/period	15,050	12,331	(6,426)	12,951
Representing:				
Income tax payable	15,050	16,305	2,222	14,038
Income tax recoverable *(note 16 (d))*	–	(3,974)	(8,648)	(1,087)
	15,050	12,331	(6,426)	12,951

(b) Deferred tax assets and liabilities recognised

The components of deferred tax assets and liabilities recognised in the consolidated balance sheets and the movements for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 are as follows:

	Accrued payroll	Impairment losses on property, plant and equipment	Inventory provision	Long-term payables	Safety production fund	Depreciation and amortisation	Accrued reclamation obligations	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2010	158	–	–	–	(2,168)	–	–	2,054	44
Charged/(credited) to profit or loss *(note 4(a))*	1,124	739	1,479	–	(1,791)	185	503	1,241	3,480
At December 31, 2010	1,282	739	1,479	–	(3,959)	185	503	3,295	3,524
At January 1, 2011	1,282	739	1,479	–	(3,959)	185	503	3,295	3,524
Charged/(credited) to profit or loss *(note 4(a))*	470	577	(1,479)	–	92	(330)	672	(3,295)	(3,293)
At December 31, 2011	1,752	1,316	–	–	(3,867)	(145)	1,175	–	231
At January 1, 2012	1,752	1,316	–	–	(3,867)	(145)	1,175	–	231
Charged/(credited) to profit or loss *(note 4(a))*	394	–	–	1,188	809	(2,175)	718	4	938
At December 31, 2012	2,146	1,316	–	1,188	(3,058)	(2,320)	1,893	4	1,169
At 1 January 2013	2,146	1,316	–	1,188	(3,058)	(2,320)	1,893	4	1,169
Charged/(credited) to profit or loss *(note 4(a))*	(676)	–	–	1,422	327	(779)	157	(4)	447
At 30 June 2013	1,470	1,316	–	2,610	(2,731)	(3,099)	2,050	–	1,616

An analysis of deferred tax assets and liabilities recognised in the consolidated balance sheets is set out as follows:

	As at December 31,			As at June 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated balance sheets	4,954	1,017	1,225	2,475
Net deferred tax liabilities recognised in the consolidated balance sheets	(1,430)	(786)	(56)	(859)
	3,524	231	1,169	1,616

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(q) of section B, the Group has not recognised deferred tax assets in respect of tax losses of nil, RMB30.62 million, RMB42.86 million and RMB46.66 million as at December 31, 2010, 2011 and 2012 and June 30, 2013, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Included in the total amount of tax losses are nil, RMB30.52 million, RMB42.76 million and RMB42.85 million in relation to Group entities operated in the PRC, for which the tax losses can be carried forward for five years from the year incurred.

The year of expiry of tax losses not recognised is as follows:

	As at December 31,			As at June 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year of expiry				
2016	–	30,516	30,516	30,516
2017	–	–	12,239	12,239
2018	–	–	–	91
	–	30,516	42,755	42,846

(d) Deferred tax liabilities not recognised

As at December 31, 2010, 2011 and 2012 and June 30, 2013, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB58.45 million, RMB134.27 million, RMB192.22 million and RMB423.14 million respectively. Deferred tax liabilities of RMB5.84 million, RMB13.43 million, RMB19.22 million and RMB42.31 million have not been recognised as at December 31, 2010, 2011 and 2012 and June 30, 2013 in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

21 LONG-TERM PAYABLES

	As at December 31,			As at June 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables for acquiring mining rights *(note (i))*	–	–	111,480	284,465
Less: Current portion of long-term payables	–	–	21,026	21,645
	–	–	90,454	262,820

Note:

(i) In March 2012, the Group acquired a mining right from Hebei Provincial Department of Land and Resources for a consideration of RMB142.33 million that are repayable over five years from 2012.

In January 2013, the Group acquired three mining rights from Hebei Provincial Department of Land and Resources for a aggregate consideration of RMB223.24 million that are repayable over five to seven years from 2013.

The carrying amounts of the mining right payables have been determined using a discount rate of 5.98% for each year.

The Group's long-term payables are repayable as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	–	–	21,026	21,645
After 1 year but within 2 years	–	–	21,029	50,483
After 2 years but within 5 years	–	–	69,425	157,607
After 5 years	–	–	–	54,730
	–	–	111,480	284,465

22 ACCRUED RECLAMATION OBLIGATIONS

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at the beginning of the year/period	30,670	41,125	43,818	46,688
Additions	8,445	–	–	–
Accretion expense *(note 3(a))*	2,010	2,693	2,870	1,505
Decrease	–	–	–	(880)
Balance at the end of the year/period	41,125	43,818	46,688	47,313
Less: amount included under "current liabilities"	–	–	2,935	4,326
	41,125	43,818	43,753	42,987

The accrual for reclamation costs has been determined based on management's best estimates. The estimate of the associated costs may be subject to change in the near term when the reclamation on the land from current mining activities becomes apparent in future periods. At the balance sheet date, the Group reassessed the estimated costs and adjusted the accrued reclamation obligations, where necessary. The Group's management believes that the accrued reclamation obligations as at December 31, 2010, 2011, 2012 and June 30, 2013 are adequate and appropriate. The accrual is based on estimates and therefore, the ultimate liability may exceed or be less than such estimates.

23 SHARE CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

No dividend has been declared or paid by the Company since incorporation.

Prior to the Reorganisation, Laiyuan County Jingyuancheng Mining Co., Ltd. and Laiyuan Xinxin Mining Co., Ltd. declared and paid dividends in aggregate of RMB93.00 million to their then equity owner, Hebei Aowei Industrial Group Co., Ltd., in 2011.

(b) Authorised and issued capital

The Company was incorporated in the BVI on January 14, 2011 and redomiciled to the Cayman Islands on May 23, 2013. The total authorised and issued share capital is 50,000 shares and 100 shares of USD1.00 each, respectively.

(c) Nature and purpose of reserves

(i) Statutory surplus reserve

In accordance with the relevant PRC laws and regulations and the Articles of Association of the PRC subsidiaries, the PRC subsidiaries are required to appropriate 10% of their profit after taxation reported in their financial statements prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC to the statutory surplus reserve. The appropriation to statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the registered capital of the relevant PRC subsidiaries.

The statutory surplus reserves can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue. However, when converting the statutory surplus reserve of the PRC subsidiaries into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital of the relevant PRC subsidiaries.

(ii) Special reserve

According to relevant PRC regulations, the Group is required to transfer an amount to special reserve for the safety production fund at fixed rates based on the production volume of iron ore or preliminary concentrates (the "maintenance and production fund"). The maintenance and production fund could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production fund utilised would be transferred from the special reserve back to retained earnings.

(iii) Other reserve

The other reserve comprises the following:

– the amount of share capital and capital reserve of the subsidiaries of the Group, before the Company's incorporation;

– the difference between the net assets of the PRC Operating Entities and the consideration paid by the Group in exchange; and

– the shareholder's loans waived by the ultimate controlling party (see note 26(a)).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders. The Group defines the capital as total Shareholders' equity plus loans and borrowings.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

24 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

Management has adopted certain policies on financial risk management with the objective of:

(i) ensuring that appropriate funding strategies are adopted to meet the Group's short-term and long-term funding requirements taking into consideration the cost of funding, gearing levels and cash flow projections of each project and that of the Group; and

(ii) ensuring that appropriate strategies are also adopted to manage related interest and currency risk funding.

(b) Credit risk

The Group's credit risk is primarily attributable to cash at bank, trade and other receivables. Management monitors the exposures to these credit risks on an ongoing basis.

All of the Group's cash at bank are deposited in the reputable banks which management assessed the credit risk to be insignificant.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally delivers goods to its customers after receiving full payments in advance. Under certain circumstances, a credit period of up to 90 days is granted to customers that have a good track record with the Group.

Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2010, 2011 and 2012 and June 30, 2013, 100%, 96%, 100% and 79% of trade receivables (inclusive of amounts due from related parties – trade nature) was due from the Group's five largest customers, respectively.

(c) Liquidity risk

The Group was in net current liability position as at December 31, 2010, 2011 and 2012 and June 30, 2013. The Group has to maintain a suitable level of liquidity to finance the daily operation, capital expenditure and repayment of borrowings. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

December 31, 2010

	Contractual undiscounted cash flow					
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Short-term borrowings	49,000	49,000	49,000	–	–	–
Trade and other payables*	184,501	184,501	184,501	–	–	–
Accrued reclamation obligations	41,125	72,142	–	–	13,678	58,464
Total	274,626	305,643	233,501	–	13,678	58,464

December 31, 2011

		Contractual undiscounted cash flow				
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables*	428,738	428,738	428,738	–	–	–
Accrued reclamation obligations	43,818	72,142	–	3,127	17,264	51,751
Total	472,556	500,880	428,738	3,127	17,264	51,751

December 31, 2012

		Contractual undiscounted cash flow				
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables*	721,386	721,386	721,386	–	–	–
Long-term payables	111,480	131,497	21,856	23,166	86,475	–
Accrued reclamation obligations	46,688	72,142	3,127	4,725	18,539	45,751
Total	879,554	925,025	746,369	27,891	105,014	45,751

June 30, 2013

		Contractual undiscounted cash flow				
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	101,600	112,956	17,800	95,156	–	–
Trade and other payables*	520,389	520,389	520,389	–	–	–
Long-term payables	262,820	342,303	21,856	53,764	189,274	77,409
Accrued reclamation obligations	47,313	71,262	4,609	5,276	19,283	42,094
Total	932,122	1,046,910	564,654	154,196	208,557	119,503

* Inclusive of amounts due to related parties.

(d) Fair values

As at December 31, 2010, 2011 and 2012 and June 30, 2013, no financial instruments of the Group was measured at fair value across the three levels of the fair value hierarchy defined in IFRS 7, Financial Instruments: Disclosures.

In respect of the Group's cash and cash equivalents, trade and other receivables (inclusive of amounts due from related parties), and trade and other payables (inclusive of amounts due to related parties), the carrying amounts approximated fair values as at December 31, 2010, 2011 and 2012 and June 30, 2013 due to the relatively short term nature of these financial instruments.

In respect of the Group's borrowings, the carrying amounts were not materially different from their fair values as at December 31, 2010, 2011 and 2012 and June 30, 2013. The fair value of borrowings were estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The aggregate carrying amounts of other financial liabilities carried on the consolidated balance sheet were not materially different from their fair values as at December 31, 2010, 2011 and 2012 and June 30, 2013.

25 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

Capital commitments outstanding at respective balance sheet dates not provided for in the Financial Information were as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	–	57,335	11,950	–
Authorised but not contracted for	–	3,742	48	608,547
	–	61,077	11,998	608,547

(b) Operating lease commitments

As at December 31, 2010, 2011 and 2012 and June 30, 2013, the total future minimum lease payments under non-cancellable operating leases in respect of land and properties, are payable as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	–	–	361	460
After 1 year but within 5 years	–	1,410	1,349	950
	–	1,410	1,710	1,410

(c) Environmental contingencies

To date, the Group has not incurred any significant expenditure for environment remediation and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. Laws and regulations protecting the environment have generally become more stringent in recent years and could become more stringent in the future. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include:

(i) the exact nature and extent of the contamination at the mines and processing plants;

(ii) the extent of required cleanup efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) the identification of new remediation sites.

The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed for future environmental legislation cannot be reasonably estimated at present and could be material.

(d) Governmental and regulatory levies

The PRC Operating Entities are subject to certain levies (mineral resources compensation, water and soil loss compensation, pollutant discharge fee and etc.) imposed by relevant government authorities in accordance with the relevant PRC laws and regulations. Under such laws and regulations, the PRC Operating Entities have fully fulfilled their responsibilities in paying the respective levies during the Relevant Periods. In the opinion of the Directors, based on legal advice, the Group has no other material obligation or liabilities of such levies as of June 30, 2013.

26 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transaction with related parties

For each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 (unaudited) and 2013, the Group entered into transactions with the following parties:

Name of party	Relationship
Hebei Aowei Industrial Group Co., Ltd.	A company ultimately owned by Mr. Li Yanjun
Hengshi Holdings Limited	Holding company of the Company which is ultimately owned by Mr. Li Yanjun and Mr. Li Ziwei
Laiyuan County Aoyu Steel Co., Ltd. *(note (i))*	A company ultimately owned by Mr. Li Yanjun via Hebei Aowei Industrial Group Co., Ltd.
Laiyuan County Xinrui Mining Co., Ltd.	A company ultimately owned by Mr. Li Yanjun via Hebei Aowei Industrial Group Co., Ltd.

Note:

(i) Laiyuan County Aoyu Steel Co., Ltd. has been sold to an independent third party in March 2012 and ceased to be a related party of the Group since then.

Particulars of significant transactions between the Group and the above related parties for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 (unaudited) and 2013 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000*** *(unaudited)*	***RMB'000***
Sales of goods *(note (i))*#	355,750	383,140	62,137	62,137	–
Purchase of equipment *(note (ii))*#*	13,583	–	–	–	–
Advances obtained from/(repaid to) Hebei Aowei Industrial Group Co., Ltd. *(note (iii))**	65,747	139,125	258,318	278,618	(185,000)
Grant of shareholder's loans *(note (iv))**	–	150,576	–	–	–
Waiver of shareholder's loans *(note (iv))**	–	150,576	–	–	–

Notes:

(i) Sales of goods represent sale to Laiyuan County Aoyu Steel Co., Ltd. The sales are carried out at comparable market price.

(ii) Purchases of equipment represent expenditure relating to equipment provided by Laiyuan County Xinrui Mining Co., Ltd. The purchases are carried out at comparable market price.

(iii) Advances obtained from/(repaid to) Hebei Aowei Industrial Group Co., Ltd. are unsecured, interest free and have no fixed terms of repayments.

(iv) Grant of shareholder's loans represent loans granted by Hengshi Holdings Limited to the Company in 2011 for the purpose of acquiring the PRC Operating Entities as part of the Reorganisation. Subsequently, waiver of shareholder's loans was granted by Hengshi Holdings Limited and the loans were capitalised to equity in 2011, which constitutes a major non-cash transaction.

Other than providing credit terms of up to 90 days to Laiyuan County Aoyu Steel Co., Ltd. during the Relevant Periods, the Directors of the Company represented that the transactions between the Group and the related parties were conducted based on normal commercial terms.

* The Directors of the Company represented that the transactions would be discontinued after the listing of the Company's shares on the Stock Exchange.

The outstanding balances arising from above transactions in consolidated balance sheets are as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties				
– Trade nature *(note (i))*	50,712	5,543	–	–
– Non-trade nature *(note (ii))*	–	696	386	344
Total	50,712	6,239	386	344
Amounts due (to):				
– Hebei Aowei Industrial Group Co., Ltd. *(note (ii))*	(86,047)	(225,172)	(483,490)	(298,490)
– Other related parties *(note (ii))*	(13,661)	(32,421)	(91)	(3,463)
Total	(99,708)	(257,593)	(483,581)	(301,953)

Note:

(i) All amounts due from related parties – trade nature are due within 3 months.

(ii) The Directors of the Company represented that the balance would be settled prior to the listing of the Company's shares on the Stock Exchange.

(b) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's Directors.

Remuneration for key management personnel, including amounts paid to the Company's Directors as disclosed in note 6, and certain of the highest paid employees as disclosed in note 7, is as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries and other emoluments	161	321	1,607	578	1,289
Retirement scheme contributions	17	19	35	17	34
	178	340	1,642	595	1,323

27 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. These estimates involve assumptions about such items as risk adjustment to cash flows or discount rates used, future changes in salaries and future changes in prices affecting other costs. The Group's estimates and assumptions are based on the expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies. Significant accounting estimates and judgements were summarised as follows:

(a) Reserves

Engineering estimates of the Group's iron ore reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. Reserve estimates are updated at regular basis and have taken into account recent production and technical information about the relevant iron ore deposit. In addition, as prices and cost levels change from year to year, the estimate of iron ore reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation and amortisation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation and amortisation expenses and impairment loss. Depreciation and amortisation rates are determined based on estimated iron ore reserve quantity (the denominator) and capitalised costs of mining structures and mining rights (the numerator). The capitalised cost of mining structures and mining rights are depreciated and amortised based on the units produced.

(b) Useful lives of property, plant and equipment

Management determines the estimated useful lives of and related depreciation charges for its property, plant and equipment. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Impairment of assets

The Group reviews the carrying amounts of the assets at each balance sheet date to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cashflow to assess the differences between the carrying amount and value in use and provided for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease in the provision of the impairment loss and affect the Group's net asset value.

In relation to trade and other receivables (including the VAT recoverables), a provision for impairment is made and an impairment loss is recognised in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Management uses judgement in determining the probability of insolvency or significant financial difficulties of the debtor.

An increase or decrease in the above impairment loss would affect the net profit in future years.

(d) Obligation for reclamation

The estimation of the liabilities for final reclamation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including future production volume and development plan, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation will be recognised at the appropriate discount rate.

(e) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the Directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in the future years.

28 ULTIMATE CONTROLLING PARTY

As at June 30, 2013, the Directors consider the ultimate controlling parties of the Group to be Mr. Li Yanjun and Mr. Li Ziwei.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON JANUARY 1, 2013

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the accounting period beginning on January 1, 2013 and which have not been adopted in these financial statements. These included the following which may be relevant to the Group's operations and financial statements.

	Effective for accounting periods beginning on or after
Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*	January 1, 2014
Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	January 1, 2014
Amendments to IAS 36, *Impairment of assets – Recoverable amount disclosures for non-financial assets*	January 1, 2014
IFRS 9, *Financial instruments (2009)*	January 1, 2015
IFRS 9, *Financial instruments (2010)*	January 1, 2015
Amendments to IFRS 9, *Financial instruments and IFRS 7 Financial instruments: Disclosures – Mandatory effective date and transition disclosures*	January 1, 2015

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

C BALANCE SHEET OF THE COMPANY

The Company was incorporated in the BVI on January 14, 2011 with an authorised share capital of USD100 divided into 100 shares of a nominal value of USD1.00 each. The Company has not carried out any business other than investment holding since the date of its incorporation. The Company redomiciled to the Cayman Islands on May 23, 2013.

	Section B Note	As at December 31, 2011	As at December 31, 2012	As at June 30, 2013
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Long-term investments		150,576	150,576	150,576
Current assets				
Other receivables		–	–	1,210
Amounts due from related parties		1	1	1
Cash and cash equivalents		–	–	848
		1	1	2,059
Current liabilities				
Other payables		–	–	2,294
Amounts due to related parties		–	–	3,463
		–	–	5,757
Net assets		–	–	146,878
Capital and reserves				
Share capital	*23*	1	1	1
Reserves		150,576	150,576	146,877
Total equity		150,577	150,577	146,878

D SUBSEQUENT EVENTS

(a) In July 2013, the Group entered into a bank loan with an amount of RMB98.4 million. The loan has a term of two years and bears an annual interest rate of 6.15% for the first year after drawdown. For the remaining term, the annual interest rate will be adjusted by the benchmark interest rate set by People's Bank of China as of July 11, 2014. The loan is secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd. In September 2013, the Group entered into three entrusted loans with an aggregate amount of RMB190 million. Each of the three entrusted loans has a term of two years and bears an annual interest rate of 6.15%.

(b) On August 20, 2013, Hengshi International Investments Limited ("Hengshi Investments") transferred three shares in the Company to Aowei International Developments Limited ("Aowei Developments"). Pursuant to written resolutions of the Company's shareholders passed on November 3, 2013, the Company underwent a capitalisation issue under which the authorised share capital of the Company was increased from USD50,000 divided into 50,000 shares of a par value of USD1.00 each to USD50,000 divided into 50,000 shares of a par value of USD1.00 each and HKD1,000,000 divided into 10,000,000,000 shares of a par value of HKD0.0001 each, by the creation of an additional 10,000,000,000 shares with a par or nominal value of HKD0.0001 each to rank pari passu in all respects with the existing shares. The Company then issued 1,091,250,000 and 33,750,000 shares (1,125,000,000 shares in total), with a par value of HKD0.0001, to Hengshi Investments and Aowei Developments, respectively. The Company repurchased 97 and three shares, with a par value of USD1.00 in issue, from Hengshi Investments and Aowei Developments, respectively. Immediately following the above being effected, the Company cancelled all authorised USD ordinary shares. As a result, the authorised share capital of the Company became HKD1,000,000 divided into 10,000,000,000 shares with a par value of HKD0.0001 each.

E SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Group in respect of any period subsequent to June 30, 2013. No dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to June 30, 2013.

Yours faithfully,

KPMG

Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the Accountants' Reports from KPMG, 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 the section headed "Financial Information" in this Prospectus and the financial information section of the Accountants' Reports set forth in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS/(LIABILITIES)

The following unaudited pro forma statement of adjusted consolidated net tangible assets/(liabilities) is prepared in accordance with Rule 4.29 of the Listing Rules and is set forth below to illustrate the effect of the Global Offering on our consolidated net tangible assets/(liabilities) attributable to equity shareholders of the Company as of June 30, 2013 as if the Global Offering had taken place on that date. The unaudited pro forma statement of adjusted consolidated net tangible assets/(liabilities) of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of June 30, 2013 or at any future date.

	Consolidated net tangible assets/(liabilities) attributable to equity shareholders of the Company as at June 30, 2013[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted consolidated net tangible assets/(liabilities) attributable to equity shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets/(liabilities) per Share[3]	Unaudited pro forma adjusted consolidated net tangible assets/(liabilities) per Share[4]
		(RMB in thousands)		*(RMB)*	*(HK$)*
Based on the Offer Price of HK$3.10 per Share	(44,336)	858,579	814,243	0.54	0.68
Based on the Offer Price of HK$3.40 per Share	(44,336)	944,500	900,164	0.60	0.76

(1) The consolidated net tangible assets/(liabilities) attributable to equity shareholders of the Company as of June 30, 2013 is extracted from the financial information included in the Accountants' Report in Appendix I to this Prospectus, which is based on consolidated net assets attributable to equity shareholders of the Company as of June 30, 2013 of RMB370.7 million with an adjustment for intangible assets attributable to equity shareholders of the Company as of June 30, 2013 of RMB415.0 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$3.10 or HK$3.40 per Share, being the low or high end of the stated offer price range, after deduction of the underwriting fees and other related expenses payable by our Group and takes no account of any Share which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted to RMB at the PBOC rate of RMB0.79151 to HK$1.00.

(3) The unaudited pro forma adjusted consolidated net tangible assets/(liabilities) per Share is arrived at on the basis that 1,500,000,000 Shares (including the Shares in issue as of June 30, 2013, and Shares that may be issued under the Global Offering) are in issue without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets/(liabilities) per Share in RMB is converted to Hong Kong dollars at the PBOC rate of RMB0.79151 to HK$1.00.

(5) The Group's property interests as at September 30, 2013, have been valued by Savills Valuation and Professional Services Limited, an independent property valuer, and the relevant property valuation report is set out in "Appendix III-Valuation Report". The above unaudited pro forma statement of adjusted consolidated net tangible assets/(liabilities) does not take into account the surplus arising from the revaluation of certain of the Group's property interests with commercial value amounting to approximately RMB3.2 million. The revaluation surplus has not been recorded in the Financial Information as set out in Appendix I to this Prospectus and will not be recorded in the consolidated financial statements of the Group for the year ending December 31, 2013 as the Group's property, plant and equipment and lease prepayments are stated at cost less accumulated depreciation or amortisation and impairment losses if any. If the valuation surplus was recorded in the Group's financial statements, additional annual depreciation and amortisation of approximately RMB0.1 million would be charged against the profit for the year ending December 31, 2013.

(6) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to June 30, 2013.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from KPMG, Certified Public Accountants, Hong Kong, in connection with the unaudited pro forma financial information.

To the Directors of Hengshi Mining Investments Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Hengshi Mining Investments Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of unaudited pro forma statement of adjusted consolidated net tangible assets/(liabilities) as at June 30, 2013 and related notes as set out in Part A of Appendix II to the Prospectus dated November 18, 2013 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at June 30, 2013 as if the Global Offering had taken place at June 30, 2013. As part of this process, information about the Group's financial position as at June 30, 2013 has been extracted by the Directors from the Group's historical financial statements included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 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*" *("AG7")*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG7, issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at June 30, 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled 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 pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
November 18, 2013

The following is the text of a letter, summary of values and valuation certificates, prepared for inclusion in this Prospectus, received from Savills Valuation and Professional Services Limited, an independent property valuer, in connection with their valuations as at September 30, 2013 of the property interests of the Group.

The Directors
Hengshi Mining Investments Limited
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

T: (852) 2901 6100
F: (852) 2530 0756

EA LICENCE: C-023750
savills.com

November 18, 2013

Dear Sirs,

RE: VARIOUS PROPERTIES SITUATED IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PROPERTIES")

In accordance with your instructions for us to value the properties situated in the People's Republic of China (the "PRC") in which Hengshi Mining Investments Limited (the "Company") and its subsidiaries (hereinafter referred to as the "Group") have interests, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of such property interests as at September 30, 2013 (the "date of valuation") for the purpose of incorporation in an Initial Public Offering document.

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In valuing the property interests in Group I, which are held for owner-occupation by the Group in the PRC, due to the nature of the buildings and structures that were constructed, there are no readily identifiable market comparables, and the buildings and structures cannot be valued on the basis of direct comparison. Therefore, we have adopted the Depreciated Replacement Cost ("DRC") Approach to value these properties. DRC Approach is based on an estimate of the market value of the land in its existing use plus the new replacement costs of the buildings and structures, including professional fees and finance charges, from which deductions are then made to allow for physical deterioration and all relevant forms of obsolescence and optimization. The DRC Approach generally provides the most reliable indication of value for property in the absence of a known market based on market sales. The DRC Approach is subject to adequate potential profitability of the business. Our valuation applies to the whole of the complex or development as a unique interest and no piecemeal transaction of the complex or development is assessed.

In valuing the property interests in Group II, which are rented by the Group in the PRC, we have assigned no commercial values to these properties, due either to the short-term nature of the leases or the prohibition against assignments or sub-lettings or otherwise due to the lack of substantial profit rents.

We have been provided with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Group and its PRC legal adviser, Commerce & Finance Law Offices, on PRC laws, regarding the titles to the properties. We have also accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, tenancies, site and floor areas and all relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on the information provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

We have inspected the exterior and, where possible the interior of the properties. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot, infestation or any other defects. No tests were carried out on any of the services. We have also not carried out investigations on site to determine the suitability of the ground conditions and the services, for future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property or for any expenses 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 preparing our valuation report, we have complied with the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Site inspections of the properties were carried out during the period between April 9, 2013 and April 16, 2013 by Mr. James Woo and Mr. Qi Denghui. Mr. James Woo is a corporate member of the Royal Institution of Chartered Surveyors and Mr. Qi Denghui is a qualified engineer.

Unless otherwise stated, all money amounts are stated in Renminbi ("RMB").

We enclose herewith our summary of values and valuation certificates.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Anthony C.K. Lau
MRICS MHKIS RPS(GP)
Director

Note: Mr Anthony C K Lau is a qualified surveyor and has over 20 years' post-qualification experience in the valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUES

Group I – Property interests held for owner-occupation by the Group in the PRC

No.	Property	Market value in existing state as at September 30, 2013
1.	A parcel of industrial land located at Yaoyukou Village, Zoumayi Town, Laiyuan County, Baoding, Hebei Province, PRC	RMB1,480,000
2.	An industrial complex located at Baidao'an Village, Zoumayi Town, Laiyuan County, Baoding, Hebei Province, PRC	RMB53,580,000
3.	A parcel of industrial land located at Baidao'an Village, Zoumayi Town, Laiyuan County, Baoding, Hebei Province, PRC	RMB1,490,000
4.	An industrial complex located at Longjiazhuang Village, Shuibu Town, Laiyuan County, Baoding, Hebei Province, PRC	RMB8,820,000

No.	Property	Market value in existing state as at September 30, 2013
5.	An industrial complex located at Zhijiazhuang Village, Yangjiazhuang Town, Laiyuan County, Baoding, Hebei Province, PRC	No commercial value
	Sub-total:	RMB65,370,000

Group II – Property interests rented by the Group in the PRC

6.	Various parcels of land located at Baidao'an Village, Yaoyukou Village and Quanchangbei Village, Zoumayi Town, Laiyuan County, Baoding, Hebei Province, PRC	No commercial value
7.	Various parcels of land located at Dushancheng Village and Longjiazhuang Village, Shuibu Town and Yaoyukou Village, Zoumayi Town, Laiyuan County, Baoding, Hebei Province, PRC	No commercial value

No.	Property	Market value in existing state as at September 30, 2013
8.	Various parcels of land located at Zhijiazhuang Village, Yangjiazhuang Town, Laiyuan County, Baoding, Hebei Province, PRC	No commercial value
9.	Portion of No. 91 Guangping Street, East Inner Ring, Laiyuan County, Baoding, Hebei Province, PRC	No commercial value
10.	An office block located at No. 2 Biluo Lake, Tianbao Middle Road, Wenjiang District, Chengdu, Sichuan Province, PRC	No commercial value
11.	An office block located at No. 3 Biluo Lake, Tianbao Middle Road, Wenjiang District, Chengdu, Sichuan Province, PRC	No commercial value
	Sub-total:	Nil
	Grand total:	**RMB65,370,000**

VALUATION CERTIFICATE

Group I – Property interests held for owner-occupation by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2013
1.	A parcel of industrial land located at Yaoyukou Village, Zoumayi Town, Laiyuan County, Baoding, Hebei Province, PRC	The property comprises a parcel of land with a site area of approximately 10,546.00 sq.m. (113,517 sq.ft.). The property is located at Yaoyukou Village, Zoumayi Town. It takes approximately 25-minute drive to the centre of Zoumayi Town. Developments in the vicinity are dominated by mining fields and open areas. As at the date of inspection, 3 structures and ancillary facilities were erected on the property accommodating a staff dormitory, a workshop and a filter room. As advised by the Group, they have a total gross floor area of approximately 1,700.00 sq.m. (18,299 sq.ft.). The land use rights of the property have been granted for a term expiring on August 3, 2061 for industrial use.	As at the date of valuation, the property was occupied by the Group for production use.	RMB1,480,000 (See Note 5)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – No. 20100409 entered into between Laiyuan County Land and Resources Bureau (淶源縣國土資源局) (the "Grantor") and Laiyuan County Jingyuancheng Mining Co., Ltd. (淶源縣京源城礦業有限公司) ("Jingyuancheng Mining"), a wholly-owned subsidiary of the Company, on July 27, 2011, the Grantor agreed to grant the land use rights of a parcel of land with a site area of approximately 10,546.00 sq.m. to Jingyuancheng Mining at a consideration of RMB1,510,000 for a term of 50 years for industrial use.

2. Pursuant to the State-owned Land Use Rights Certificate – Lai Guo Yong (2011) Di No. 013 (淶國用(2011)第013號) issued by the People's Government of Laiyuan County (淶源縣人民政府) on September 1, 2011, the land use rights of a parcel of land with a site area of approximately 10,546.00 sq.m. have been granted to Jingyuancheng Mining for a term expiring on August 3, 2061 for industrial use.

3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, Commerce & Finance Law Offices, which contains, inter alia, the following information:

   i. Jingyuancheng Mining has legally obtained the land use rights of the property and is entitled to occupy, use, lease, mortgage, transfer or dispose of by any other means the land use rights of the property within its land use term; and

   ii. the property is free from any mortgages or third party encumbrances.

4. As advised by the Group, the structures and ancillary facilities erected on the property are scheduled for demolition before December 2013.

5. In the course of our valuation, we have attributed no commercial value to the structures and ancillary facilities erected on the property because they have no Building Ownership Certificates. For reference purpose, we are of the opinion that the depreciated replacement cost of the said structures and ancillary facilities as at the date of valuation was in the sum of RMB2,260,000.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2013
2.	An industrial complex located at Baidao'an Village, Zoumayi Town, Laiyuan County, Baoding, Hebei Province, PRC	The property comprises an industrial complex erected on a parcel of land with a site area of approximately 10,615.00 sq.m. (114,260 sq.ft.). It was completed in 2012. The property is located at Baidao'an Village, Zoumayi Town. It takes approximately 25-minute drive to the centre of Zoumayi Town. Developments in the vicinity are dominated by mining fields and open areas. The industrial complex comprises 7 blocks of single-to 5-storey industrial buildings and structures accommodating workshops, offices, warehouses, dormitories and other ancillary facilities with a total gross floor area of approximately 8,697.37 sq.m. (93,618 sq.ft.). The land use rights of the property have been granted for a term expiring on August 3, 2061 for industrial use.	As at the date of valuation, the property was occupied by the Group for production use.	RMB53,580,000

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – No. 20100408 entered into between Laiyuan County Land and Resources Bureau (淶源縣國土資源局) (the "Grantor") and Laiyuan County Jingyuancheng Mining Co., Ltd. (淶源縣京源城礦業有限公司) ("Jingyuancheng Mining"), a wholly-owned subsidiary of the Company, on July 27, 2011, the Grantor agreed to grant the land use rights of a parcel of land with a site area of approximately 10,615.00 sq.m. to Jingyuancheng Mining at a consideration of RMB1,520,000 for a term of 50 years for industrial use.

2. Pursuant to the State-owned Land Use Rights Certificate – Lai Guo Yong (2011) Di No. 014 (淶國用(2011)第014號) issued by the People's Government of Laiyuan County (淶源縣人民政府) on September 1, 2011, the land use rights of a parcel of land with a site area of approximately 10,615.00 sq.m. have been granted to Jingyuancheng Mining for a term expiring on August 3, 2061 for industrial use.

3. Pursuant to the Building Ownership Certificate – Lai Yuan Fang Quan Zheng Lai Yuan Xian Zi Di No. 31782 (淶源房權證淶源縣字第31782號) issued by the Laiyuan County Urban and Rural Building Ownership Rights Registration Office on January 29, 2013, the building ownership of the property with a total gross floor area of approximately 8,697.37 sq.m. is vested in Jingyuancheng Mining for industrial use.

4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, Commerce & Finance Law Offices, which contains, inter alia, the following information:

   i. Jingyuancheng Mining has legally obtained both land use rights of the land and building ownership of the buildings of the property and is entitled to occupy, use, lease, mortgage, transfer or dispose of by any other means the property within its land use term; and

   ii. the property is free from any mortgages and third party encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2013
3.	A parcel of industrial land located at Baidao'an Village, Zoumayi Town, Laiyuan County, Baoding, Hebei Province, PRC	The property comprises a parcel of land with a site area of approximately 10,673.00 sq.m. (114,884 sq.ft.). The property is located at Baidao'an Village, Zoumayi Town. It takes approximately 25-minute drive to the centre of Zoumayi Town. Developments in the vicinity are dominated by mining fields and open areas. As at the date of inspection, 9 structures and ancillary facilities were erected on the property accommodating 3 staff dormitories, a workshop, a staff canteen, an office building, a boiler room, a pump room and a filter room. As advised by the Group, they have a total gross floor area of approximately 2,458.50 sq.m. (26,463 sq.ft.). The land use rights of the property have been granted for a term expiring on August 3, 2061 for industrial use.	As at the date of valuation, the property was occupied by the Group for production use.	RMB1,490,000 (See Note 5)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – No. 20100407 entered into between Laiyuan County Land and Resources Bureau (淶源縣國土資源局) (the "Grantor") and Laiyuan County Jingyuancheng Mining Co., Ltd. (淶源縣京源城礦業有限公司) ("Jingyuancheng Mining"), a wholly-owned subsidiary of the Company, on July 27, 2011, the Grantor agreed to grant the land use rights of a parcel of land with a site area of approximately 10,673.00 sq.m. to Jingyuancheng Mining at a consideration of RMB1,530,000 for a term of 50 years for industrial use.

2. Pursuant to the State-owned Land Use Rights Certificate – Lai Guo Yong (2011) Di No. 015 (淶國用(2011)第015號) issued by the People's Government of Laiyuan County (淶源縣人民政府) on September 1, 2011, the land use rights of a parcel of land with a site area of approximately 10,673.00 sq.m. have been granted to Jingyuancheng Mining for a term expiring on August 3, 2061 for industrial use.

3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, Commerce & Finance Law Offices, which contains, inter alia, the following information:

   i. Jingyuancheng Mining has legally obtained the land use rights of the property and is entitled to occupy, use, lease, mortgage, transfer or dispose of by any other means the land use rights of the property within its land use term; and

   ii. the property is free from any mortgages or third party encumbrances.

4. As advised by the Group, the structures and ancillary facilities erected on the property are scheduled for demolition before December 2013.

5. In the course of our valuation, we have attributed no commercial value to the structures and ancillary facilities erected on the property because they have no Building Ownership Certificates. For reference purpose, we are of the opinion that the depreciated replacement cost of the said structures and ancillary facilities as at the date of valuation was in the sum of RMB2,130,000.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2013
4.	An industrial complex located at Longjiazhuang Village, Shuibu Town, Laiyuan County, Baoding, Hebei Province, PRC	The property comprises an industrial complex erected on a parcel of land with a site area of approximately 23,499.00 sq.m. (252,943 sq.ft.). It was completed in 2012. The property is located at Longjiazhuang Village, Shuibu Town. It takes approximately 8-minute drive to the centre of Shuibu Town. Developments in the vicinity are dominated by mining fields and open areas. The industrial complex comprises 8 blocks of single-to 4-storey industrial buildings and structures accommodating workshops, offices, warehouses, dormitories and other ancillary usages with a total gross floor area of approximately 4,094.16 sq.m. (44,070 sq.ft.). As at the date of inspection, 5 structures and ancillary facilities were erected on the property accommodating two water pools, a water storage room, a guard room and a pump room. As advised by the Group, they have a total gross floor area of approximately 228.09 sq.m. (2,455 sq.ft.). The land use rights of the property have been granted for a term expiring on August 3, 2061 for industrial use.	As at the date of valuation, the property was occupied by the Group for production use.	RMB8,820,000

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – No. 120100410 entered into between Laiyuan County Land and Resources Bureau (淶源縣國土資源局) (the "Grantor") and Laiyuan Xinxin Mining Co., Ltd. (淶源縣鑫鑫礦業有限公司) ("Xinxin Mining"), a wholly-owned subsidiary of the Company, on July 27, 2011, the Grantor agreed to grant the land use rights of a parcel of land with a site area of approximately 23,499.00 sq.m. to Xinxin Mining at a consideration of RMB3,410,000 for a term of 50 years for industrial use.

2. Pursuant to the State-owned Land Use Rights Certificate – Lai Guo Yong (2011) Di No. 012 (淶國用(2011)第012號) issued by the People's Government of Laiyuan County (淶源縣人民政府) on September 1, 2011, the land use rights of a parcel of land with a site area of approximately 23,499.00 sq.m. have been granted to Xinxin Mining for a term expiring on August 3, 2061 for industrial use.

3. Pursuant to the Building Ownership Certificate – Lai Yuan Fang Quan Zheng Lai Yuan Xian Zi Di No. 30591 (淶源房權證淶源縣字第30591號) issued by the Laiyuan County Urban and Rural Building Ownership Rights Registration Office on January 4, 2012, the building ownership of a 4-storey building with a total gross floor area of approximately 4,094.16 sq.m. is vested in Xinxin Mining for comprehensive use.

4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, Commerce & Finance Law Offices, which contains, inter alia, the following information:

   i. Xinxin Mining has legally obtained both land use rights of the land and building ownership of the buildings of the property and is entitled to occupy, use, lease, mortgage, transfer or dispose of by any other means the property within its land use term; and

   ii. the property is free from any mortgages or third party encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2013
5.	An industrial complex located at Zhijiazhuang Village, Yangjiazhuang Town, Laiyuan County, Baoding, Hebei Province, PRC	The property comprises an industrial complex erected on a parcel of land with a site area of approximately 3,025.00 sq.m. (32,561 sq.ft.). It was completed in 2011. The property is located at Zhijiazhuang Village, Yangjiazhuang Town. It takes approximately 10-minute drive to the centre of Yangjiazhuang Town. Developments in the vicinity are dominated by mining fields and open areas. The industrial complex comprises a 4-storey office building, 2 single-storey warehouses and 2 single-storey structures for canteen and boiler room uses with a total gross floor area of approximately 3,548.15 sq.m. (38,192 sq.ft.). The land use rights of the property are still in the process of application.	As at the date of valuation, the property was occupied by the Group for production use.	No commercial value (See Note 5)

Notes:

1. Pursuant to the Construction Works Site Selection Intention Letter (建設項目選址意見書) – Xuan Zi Di No. 130630201100016 (選字第130630201100016號) issued by the Urban-Rural Planning Administrative Bureau of Laiyuan County (淶源縣城鄉規劃管理局) on July 21, 2011, a parcel of land with a site area of approximately 3,025.00 sq.m. has been approved to be selected for construction works having development scale of approximately 3,548.152 sq.m. which is to be developed by Laiyuan County Jiheng Mining Co., Ltd. (淶源縣冀恒礦業有限公司) ("Jiheng Mining"), a 90%-owned subsidiary of the Company.

2. Pursuant to the Construction Land Planning Permit (建設用地規劃許可證) – Di Zi Di No. 130630201100014 (地字第130630201100014號) issued by the Urban-Rural Planning Administrative Bureau of Laiyuan County on July 21, 2011, a parcel of industrial land with a site area of approximately 3,025.00 sq.m. has been approved for the construction of a building for office and comprehensive uses having development scale of approximately 3,548.152 sq.m. The building is to be developed by Jiheng Mining.

3. Pursuant to the Rural Construction Planning Permit (鄉村建設規劃許可證) – Xiang Zi Di No. 130630201100002 (鄉字第130630201100002號) issued by the Urban-Rural Planning Administrative Bureau of Laiyuan County on July 21, 2011, construction works of a building for office and comprehensive uses with a development scale of approximately 3,548.152 sq.m have been approved and permitted to be developed by Jiheng Mining.

4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, Commerce & Finance Law Offices, which contains, inter alia, the following information:

   - In accordance with the current relevant PRC laws and regulations, once Jiheng has obtained all necessary planning and construction permits, filed the checking and acceptance inspection report, and fulfilled all of the other substantive and procedural conditions required by the relevant PRC laws, rules and regulations and requirements of the government authorities at that time, there would be no material legal impediments in obtaining the land use rights certificate for the land and the Building Ownership Certificates for the buildings in question.

5. In the course of our valuation, we have attributed no commercial value to the property because it has no State-owned Land Use Rights Certificate nor Building Ownership Certificate. For reference purpose, we are of the opinion that the depreciated replacement cost of the structures and ancillary facilities of the property as at the date of valuation was in the sum of RMB5,240,000.

VALUATION CERTIFICATE

Group II – Property interests rented by the Group in the PRC

	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at September 30, 2013
6.	Various parcels of land located at Baidao'an Village, Yaoyukou Village and Quanchangbei Village, Zoumayi Town, Laiyuan County, Baoding, Hebei Province, PRC	The property comprises 85 parcels of collectively-owned lands for non-agricultural uses with a total site area of approximately 7,145,463.67 sq.m. (76,913,771 sq.ft.). The property is located at Baidao'an Village, Yaoyukou Village and Quanchangbei Village. It takes approximately 25-minute drive to the centre of Zoumayi Town. Developments in the vicinity are dominated by mining fields and open areas. As at the date of inspection, various structures and ancillary facilities were erected on the property. They comprise single-to 2-storey workshops, warehouses, staff canteens and dormitories together with other structures for transformer room and storage uses. As advised by the Group, they have a total gross floor area of approximately 14,036.14 sq.m. (151,085 sq.ft.). The property is leased to Laiyuan County Jingyuancheng Mining Co., Ltd. (淶源縣京源城礦業有限公司) ("Jingyuancheng Mining"), a wholly-owned subsidiary of the Company, for various concurrent terms with the prescribed latest lease expiry date on August 17, 2031.	As at the date of valuation, the property was occupied by the Group for production and open storage uses.	No commercial value

Notes:

1. Pursuant to 85 Temporary Land Use Agreements (臨時用地協議) ("Agreements"), 85 parcels of collectively-owned land with a total site area of approximately 7,145,463.67 sq.m. have been leased to Jingyuancheng Mining at a lump sum rental of RMB80,252,590.13 and subject to various concurrent terms with the prescribed latest lease expiry date on August 17, 2031.

2. Pursuant to the Confirmation Letters on Temporary Land Uses (臨時用地確認函) ("Confirmation Letters on Land") issued in between February and May 2013 by the Land and Resources Bureau of Laiyuan County (淶源縣國土資源局), Jingyuancheng Mining has obtained the confirmation for the temporary use of various parcels of land with a total site area of approximately 473,413.00 sq.m. for a term of two years.

3. Pursuant to the Confirmation Letter issued on March 29, 2013 by the Forestry Bureau of Laiyuan County (淶源縣林業局) ("Confirmation Letter from Forestry Bureau"), Jingyuancheng Mining has obtained the confirmation for the making use of various parcels of forestry land with a total site area of approximately 5,669.00 sq.m. for a term of two years.

4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, Commerce & Finance Law Offices, which contains, inter alia, the following information:

    i. Jingyuancheng Mining has the rights to use the collective-owned lands with a total site area of approximately 473,413.00 sq.m. in accordance with the Agreements, the Confirmation Letters on Land and the Confirmation Letter from Forestry Bureau within the term stated in the relevant confirmation letters;

    ii. there would be no material legal impediment for Jingyuancheng Mining to apply for the approval for the temporary use of the land or for the extension of the period of the temporary use of such land from the relevant government authorities if all of the substantive and procedural conditions required by the relevant PRC laws, regulations and rules and the requirements of government authorities are fulfilled; and

    iii. the Agreements are legitimate, effective and legally binding; there is no expressed laws or regulations requiring Jingyuancheng Mining to register these Agreements.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at September 30, 2013
7.	Various parcels of land located at Dushancheng Village and Longjiazhuang Village, Shuibu Town and Yaoyukou Village, Zoumayi Town, Laiyuan County, Baoding, Hebei Province, PRC	The property comprises 34 parcels of collectively-owned lands for non-agricultural uses with a total site area of approximately 3,830,167.00 sq.m. (41,227,918 sq.ft.). The property is located at Dushancheng Village and Longjiazhuang Village, Shuibu Town and Yaoyukou Village, Zoumayi Town. It takes approximately 20-minute drive to the centres of both Shuibu Town and Zoumayi Town. Developments in the vicinity are dominated by mining fields and open areas. As at the date of inspection, various structures and ancillary facilities were erected on the property. They comprise single- to 3-storey workshops, offices, warehouses, staff canteens and dormitories together with other structures for pump room and water storages. As advised by the Group, they have a total gross floor area of approximately 4,764.60 sq.m. (51,286 sq.ft.). The property is leased to Laiyuan County Xinxin Mining Co., Ltd. (淶源縣鑫鑫礦業有限公司) ("Xinxin Mining"), a wholly-owned subsidiary of the Company, for various concurrent terms with the prescribed latest lease expiry date on October 1, 2048.	As at the date of valuation, the property was occupied by the Group for production and open storage uses.	No commercial value

Notes:

1. Pursuant to 34 Temporary Land Use Agreements (臨時用地協議) ("Agreements"), 34 parcels of collectively-owned land with a total site area of approximately 3,830,158.70 sq.m. have been leased to Xinxin Mining at a lump sum rental of RMB19,201,029.00 and subject to various concurrent terms with the prescribed latest lease expiry date on October 1, 2048.

2. Pursuant to the Confirmation Letters on Temporary Land Uses (臨時用地確認函) ("Confirmation Letters on Land") issued in between February and May 2013 by the Land and Resources Bureau of Laiyuan County (淶源縣國土資源局), Xinxin Mining has obtained the confirmation for the temporary use of various parcels of land with a total site area of approximately 397,184.00 sq.m. for a term of two years.

3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, Commerce & Finance Law Offices, which contains, inter alia, the following information:

   i. Xinxin Mining has the rights to use the collective-owned lands with a total site area of approximately 397,184.00 sq.m. in accordance with the Agreements and the Confirmation Letters on Land within the term stated in the relevant confirmation letters;

   ii. there would be no material legal impediment for Xinxin Mining to apply for the approval for the temporary use of the land or for the extension of the period of the temporary use of such land from the relevant government authorities if all of the substantive and procedural conditions required by the relevant PRC laws, regulations and rules and the requirements of government authorities are fulfilled; and

   iii. the Agreements are legitimate, effective and legally binding; there is no expressed laws or regulations requiring Xinxin Mining to register these Agreements.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at September 30, 2013
8.	Various parcels of land located at Zhijiazhuang Village, Yangjiazhuang Town, Laiyuan County, Baoding, Hebei Province, PRC	The property comprises 21 parcels of collectively-owned lands for non-agricultural uses with a total site area of approximately 2,255,739.00 sq.m. (24,280,775 sq.ft.). The property is located at Zhijiazhuang Village, Yangjiazhuang Town. It takes approximately 10-minute drive to the centre of Yangjiazhuang Town. Developments in the vicinity are dominated by mining fields and open areas. As at the date of inspection, two single-storey staff dormitories and two ancillary facilities of pump room were erected on the property. As advised by the Group, they have a total gross floor area of approximately 416.25 sq.m. (4,481 sq.ft.). The property is leased to Laiyuan County Jiheng Mining Co., Ltd. (淶源縣冀恒礦業有限公司) ("Jiheng Mining"), a 90%-owned subsidiary of the Company, for various concurrent terms with the prescribed latest lease expiry date on July 2, 2053.	As at the date of valuation, the property was occupied by the Group for production and open storage uses.	No commercial value

Notes:

1. Pursuant to 21 Temporary Land Use Agreements (臨時用地協議) ("Agreements"), 21 parcels of collectively-owned lands with a total site area of approximately 2,255,738.65 sq.m. have been leased to Jiheng Mining at a lump sum rental of RMB62,746,507.00 and subject to various concurrent terms with the prescribed latest lease expiry date on July 2, 2053.

2. Pursuant to the Confirmation Letters on Temporary Land Uses (臨時用地確認函) ("Confirmation Letters on Land") issued in between March and May 2013 by the Land and Resources Bureau of Laiyuan County (淶源縣國土資源局), Jiheng Mining has obtained the confirmation for the temporary use of various parcels of land with a total site area of approximately 289,231.00 sq.m. for a term of two years.

3. Pursuant to the Confirmation Letters issued in between March and April 2013 by the Forestry Bureau of Laiyuan County (淶源縣林業局) ("Confirmation Letters from Forestry Bureau"), Jiheng Mining has obtained the confirmation for the temporary use of various parcels of forestry land with a total site area of approximately 144,575.50 sq.m. for a term of two years.

4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, Commerce & Finance Law Offices, which contains, inter alia, the following information:

   i. Jiheng Mining has the rights to use the collective-owned lands with a total site area of approximately 289,231.00 sq.m. in accordance with the Agreements, the Confirmation Letters on Land and the Confirmation Letters from Forestry Bureau within the term stated in the relevant confirmation letters;

   ii. there would be no material legal impediment for Jiheng Mining to apply for the approval for the temporary use of the land of or the extension of the period of the temporary use of such land from the relevant government authorities if all of the substantive and procedural conditions required by the relevant PRC laws, regulations and rules and the requirements of government authorities are fulfilled; and

   iii. the Agreements are legitimate, effective and legally binding; there is no expressed laws or regulations requiring Jiheng Mining to register these Agreements.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at September 30, 2013
9.	Portion of No. 91 Guangping Street, East Inner Ring Laiyuan County, Baoding, Hebei Province, PRC	No. 91 Guangping Street is a 5-storey office building and was completed in 2009. The property is located at No. 91 Guangping Street, Laiyuan County. It takes approximately 5-minute drive to the centre of Laiyuan County. Developments in the vicinity are dominated by low to medium-rise composite and residential developments. The property comprises the whole of No. 91 Guangping Street excluding the retail shops on Level 1. It has a total gross floor area of approximately 3,804.24 sq.m. (40,949 sq.ft.). The property is leased to Rongcheng County Jiuhengjiye Technology Co., Ltd. (容城縣久恒基業科技有限公司) ("Jiuheng Jiye"), which was renamed to Laiyuan County Aowei Mining Investments Co., Ltd. ("Aowei Mining") (淶源縣奧威礦業投資有限公司) ("Aowei Mining") in 2012, a wholly-owned subsidiary of the Company, from Kang Jianming (亢建明), an independent third party, for a term expiring on May 31, 2016.	As at the date of valuation, the property was occupied by the Group for office use.	No commercial value

Notes:

1. Pursuant to the Housing Tenancy Agreement (房屋租賃合同) ("Agreement") entered into among Laiyuan County Jiheng Mining Co., Ltd. (淶源縣冀恒礦業有限公司) ("Tenant 1"), Jiuheng Jiye and Kang Jianming, the property is leased for office use and subject to the following arrangements:

Leasing Period	Lessee	Annual Rental
		(RMB)
June 1, 2011 to April 11, 2012	Tenant 1	400,000
April 12, 2012 to May 31, 2013	Jiuheng Jiye	400,000
June 1, 2013 to May 31, 2016	Jiuheng Jiye	430,000

2. Pursuant to the Enterprise Change Information (企業變更信息) certified by Laiyuan County Industrial, Commercial and Administrative Bureau (淶源縣工商行政管理局), Jiuheng Jiye has changed its name to Aowei Mining since June 12, 2012.

3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, Commerce & Finance Law Offices, which contains, inter alia, the following information:

   i. the Agreement is legal, effective, executable and legally biding. Aowei Mining has the legal right to use the property in accordance with the Agreement; and

   ii. non-registration of the Agreement will not affect its validity.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at September 30, 2013
10.	An office block located at No. 2 Biluo Lake, Tianbao Middle Road, Wenjiang District, Chengdu, Sichuan Province, PRC (中國四川省成都市溫江區天寶中路碧落湖2號之辦公樓)	The property is located at No. 2 Biluo Lake, Tianbao Middle Road. It is a 2-storey office building and was completed in 2006. The property has a total gross floor area of approximately 40.00 sq.m. (431 sq.ft.). The property is located at No. 2 Biluo Lake, Tianbao Middle Road, Wenjiang District, Chengdu. It takes approximately 5-minute drive to the centre of Wenjiang District. Developments in the vicinity are dominated by low to medium-rise composite and residential developments. The property is leased to Sichuan Panshi Industrial Co., Ltd. (四川盤實實業有限公司) ("Sichuan Panshi"), a wholly-owned subsidiary of the Company, from Chengdu Guanghua Asset Management Co., Ltd. (成都光華資產管理有限公司) ("Guanghua Asset"), an independent third party, for a term expiring on June 1, 2014.	As at the date of valuation, the property was occupied by the Group for office use.	No commercial value

Notes:

1. Pursuant to the Housing Tenancy Agreement (房屋租賃協議) ("Agreement") entered into between Panshi Industrial and Guanghua Asset on June 1, 2013, the property is leased to Sichuan Panshi for a term commencing on June 1, 2013 and expiring on June 1, 2014 at a monthly rental of RMB1,500 for office use.

2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, Commerce & Finance Law Offices, which contains, inter alia, the following information:

   i. the Agreement is legal, effective, executable and legally binding. Sichuan Panshi has the legal right to use the property in accordance with the Agreement; and

   ii. non-registration of the Agreement will not affect its validity.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at September 30, 2013
11.	An office block located at No. 3 Biluo Lake, Tianbao Middle Road, Wenjiang District, Chengdu, Sichuan Province, PRC	The property is located at No. 3 Biluo Lake, Tianbao Middle Road. It is a 2-storey office building and was completed in 2006. The property has a total gross floor area of approximately 40.00 sq.m. (431 sq.ft.). The property is located at No. 3 Biluo Lake, Tianbao Middle Road, Wenjiang District, Chengdu. It takes approximately 5-minute drive to the centre of Wenjiang District. Developments in the vicinity are dominated by low to medium-rise composite and residential developments. The property is leased to Sichuan Hengwen Industrial Co., Ltd. (四川恒穩實業有限公司) ("Sichuan Hengwen"), a wholly-owned subsidiary of the Company, from Chengdu Guanghua Asset Management Co., Ltd. (成都光華資產管理有限公司) ("Guanghua Asset"), an independent third party, for a term expiring on June 1, 2014.	As at the date of valuation, the property was occupied by the Group for office use.	No commercial value

Notes:

1. Pursuant to the Housing Tenancy Agreement (房屋租賃協議) ("Agreement") entered into between Sichuan Hengwen and Guanghua Asset on June 1, 2013, the property is leased to Sichuan Hengwen for a term commencing on June 1, 2013 and expiring on June 1, 2014 at a monthly rental of RMB1,500 for office use.

2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, Commerce & Finance Law Offices, which contains, inter alia, the following information:

    i. the Agreement is legal, effective, executable and legally binding. Sichuan Hengwen has the legal right to use the property in accordance with the Agreement; and

    ii. non-registration of the Agreement will not affect its validity.

Competent Person's Report of Hengshi Mining's Iron Projects in Laiyuan County, Hebei Province, P.R. China

Report prepared for
Hengshi Mining Investments Limited

Prepared by

srk consulting

18 November 2013

Competent Person's Report of Hengshi Mining's Iron Projects in Laiyuan County, Hebei Province, P.R. China

For

Hengshi Mining Investments Limited
91 Guangping Street
Laiyuan County
Hebei Province, China

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18 November 2013

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EXECUTIVE SUMMARY

Hengshi Mining Investments Limited ("Hengshi Mining", "the Company" or "the Customer") commissioned SRK Consulting China Limited ("SRK") to undertake an independent assessment of all relevant technical aspects of Aowei Mining Investments Limited ("Aowei Mining")'s four operating iron mines of the Gufen iron mine ("Gufen Mine"), the Wang'ergou iron mine ("Wang'ergou Mine"), the Shuanmazhuang iron mine ("Shuanmazhuang Mine") and the Zhijiazhuang iron mine ("Zhijiazhuang Mine"), together with their associated processing plants, all of which are located in Laiyuan County, Hebei Province, the People's Republic of China ("P.R. China"). It is understood that the SRK Independent Technical Review Report (the "Report") is required for inclusion in documents that the Company plans to use for a proposed listing (the "Listing") on the Main Board of the Stock Exchange of Hong Kong Limited ("HKEx").

Summary of Principal Objectives

The principal objective of this Report is to provide the Company and financial institutions with an independent technical review report suitable for inclusion in documents for the Listing on the Main Board of the HKEx.

Outline of Work Program

The work program for this project consisted of a review of data provided; a site visit and inspection in August 2012; discussions with Company personnel and the relevant geological and mining professionals and consultants who conducted the geological exploration and feasibility study; Quality Assurance and Quality Control ("QA/QC") supervision from July to September 2011 and from June to July 2012; resource modelling and estimation of the four iron mines, conducted from April to May 2012 and during October 2012; analysis of the data provided by the Company and generated by SRK; preparation of this Report. and another site visit and inspection took place in July 2013 for the update of this Report.

RESULTS

Overall

The reviewed properties are operated by Hengshi Mining's three subsidiaries. Laiyuan County Xinxin Mining Limited ("Xinxin Mining"), which is wholly owned by Aowei Mining, has one mining license of the Gufen Mine covering an area of 1.3821 square kilometres ("km^2"), three dry processing facilities and two wet processing plants. Xinxin Mining has a plan for technical renovation to upgrade capacities of mining and processing plants. Laiyuan County Jingyuancheng Mining Limited ("Jingyuancheng Mining") which is 100% owned by Aowei Mining has two mining licenses of the Shuanmazhuang iron mine covering an area of 2.1871 km^2 and the Wang'ergou iron mine covering an area of 1.5287 km^2, and six dry processing facilities and five wet processing plants, of which four dry processing plants and four wet processing plants have been temporarily closed. Jingyuancheng Mining plans to close four old dry processing facilities and wet processing plants temporarily for technical renovation and capacity update and build one new dry processing facility and one new wet processing plant. Laiyuan County Jiheng Mining Limited ("Jiheng Mining") which is 90% owned by Aowei Mining has one mining license of the Zhijiazhuang iron mine covering an area of 0.3337 km^2 and two dry processing facilities, one of which has been temporarily closed. Jiheng Mining doesn't have an associated wet processing plant and plans to technically renovate the existing two dry processing facilities and build a new wet processing plant near the mine. The details of mines and associated facilities and plants are listed in the following tables.

Mines	Product	Permit Stated Mining Capacity (Mtpa)[a]	Planned Mining Capacity (Mtpa)[b]	By-product in 2012 (1,000t)[d] TFe ≥PAG[c]	TFe ≥8%, <PAG[c]	TFe 8%–5%	Status as of June 30, 2013
Xinxin Mining Gufen Mine	Raw Ore	3.00	5.00	313	859	1,606	Trial Production
Jingyuancheng Mining Wang'ergou Mine . . .	Raw Ore	2.40	5.25	382	696	2,302	Trial Production
Shuanmazhuang Mine	Raw Ore	4.00	8.75	206	375	1,239	Trial Production
Jiheng Mining Zhijiazhuang Mine . .	Raw Ore	1.00	2.40	570	403	2,528	Production
Total		**10.40**	**21.40**	**1,471**	**2,333**	**7,674**	

Notes:

(a) Permit Stated Mining Capacity refers to the mining capacity stated on the mining permit of each mine. For Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine, it refers to the mining of raw ores with the TFe cut-off grade of 15% or above; for Zhijiazhuang Mine, it refers to the mining of raw ores with the TFe cut-off grade of 25% or above.

(b) Planned Capacity refers to the expanded mining capacity after technical renovation and equipment upgrade stated by Aowei Mining to achieve based on the JORC Code compliant Ore Reserves of each iron mine estimated under a TFe cut-off grade=8%.

(c) As confirmed by relevant administrative authorities in charge of land and resource, working safety and environment, the "iron ores" under the approved mining capacity is defined as minerals with a TFe grade at or above the cut-off grade of 15% for Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine, and 25% for Zhijiazhuang Mine ("Permit Applied Grade or PAG"), and based on such confirmation letters.

(d) Production in 2012 refers to the by-products during the mine development (carrying out overburden stripping). It included the raw ores with grades of greater than PAG, between PAG and 8% and weakly mineralised wall rocks with grades between 5% and 8% TFe.

Dry Processing Facilities	Feed	Existing Capacity (Mtpa)[e]	Planned Capacity (Mtpa)[f]	Processed in 2012 (1,000t)	Status as of June 30, 2013
Xinxin Mining					
Dry Processing Facility No. 1	Raw Ore	1.35	1.75	586	Production
Dry Processing Facility No. 2	Raw Ore	1.35	1.75	855	Production
Dry Processing Facility No. 3	Raw Ore	1.80	2.25	1,317	Production
Subtotal	**Raw Ore**	**4.50**	**5.75**	**2,758**	
Jingyuancheng Mining					
Dry Processing Facility No. 1	Raw Ore	3.30	4.30	742	Production
Dry Processing Facility No. 2	Raw Ore	4.00	5.30	1,011	Production
Dry Processing Facility No. 3	Raw Ore		8.00		To be built[g]
Dry Processing Facilities Nos. 4–7	Raw Ore	(4.86)		3,437	Closed[h]
Subtotal	**Raw Ore**	**7.30**	**17.60**	**5,191**	
Jiheng Mining					
Dry Processing Facility No. 1	Raw Ore	2.50	3.00		Production[i]
Dry Processing Facility No. 2	Raw Ore	1.20	1.20	1,156	To be renovated[j]
Subtotal	**Raw Ore**	**3.70**	**4.20**	**1,156**	
Total		**15.50**	**27.55**	**9,104**	

Notes:

(e) Existing capacity refers to the raw ore processing capacity stated in the processing design report.

(f) Planned capacity refers to the expanded raw ore processing capacity after technical renovation.

(g) Dry processing facilities No. 3 at Jingyuancheng Mining is planned to be constructed starting from January 2014 and is expected to commence production in late 2014.

(h) Dry processing facilities Nos. 4–7 at Jingyuancheng Mining were temporarily closed on May 22, 2013.

(i) Dry processing facility No. 1 at Jiheng Mining was completed in January 2013 and is now under trial production.

(j) Dry processing facility No. 2 at Jiheng Mining is to be technically renovated in the third quarter of 2013.

Wet Processing Plants	Feed/ Product	Existing Capacity (Mtpa)(e)	Planned Capacity (Mtpa)(f)	Produced in 2012 (1,000t)	Status as of June 30, 2013
Xinxin Mining					
Wet Processing Plant No. 1	Pre-Concentrate Feed	0.68	0.80	286	Production
	Concentrate	0.15	0.25	69	
Wet Processing Plant No. 2	Pre-Concentrate Feed	0.68	0.80	339	Production
	Concentrate	0.23	0.25	81	
Subtotal	**Pre-Concentrate Feed**	**1.36**	**1.60**	**625**	
	Concentrate	**0.38**	**0.50**	**150**	
Jingyuancheng Mining					
Wet Processing Plant No. 1	Pre-Concentrate Feed	2.40	3.50		Completed(k)
	Concentrate	0.80	0.90		
Wet Processing Plant No. 2	Pre-Concentrate Feed		1.20		To be built(l)
	Concentrate		0.40		
Wet Processing Plants Nos. 3–6	Pre-Concentrate Feed	2.09		1,181	To be closed(m)
	Concentrate	0.38		243	
Subtotal	**Pre-Concentrate Feed**	**2.40**	**4.70**	**1,181**	
	Concentrate	**1.18**	**1.30**	**243**	
Jiheng Mining					
Wet Processing Plant No. 1	Pre-Concentrate Feed		1.60		To be built(n)
	Concentrate		1.00		
Subtotal	**Pre-Concentrate Feed**		**1.60**		
	Concentrate		**1.00**		
Total	**Pre-Concentrate Feed**	**3.76**	**7.90**	**1,806**	
	Concentrate	**1.56**	**2.80**	**392**	

Notes:

(e) Existing capacity refers to the iron concentrate production capacity stated in the processing design report.

(f) Planned capacity refers to the expanded iron concentrate production capacity after technical renovation.

(k) Wet processing plant No. 1 at Jingyuancheng Mining was completed in March 2013 and is now under trial production.

(l) Wet processing plant No. 2 at Jingyuancheng Mining is planned to be built in 2015.

(m) Wet processing plants Nos. 3 and 4 at Jingyuancheng Mining were temporarily closed on March 27, 2013 and January 3, 2013, and plants Nos. 5 and 6 were temporarily closed on May 22, 2013, April 8, 2013.

(n) Wet processing plants No. 1 at Jiheng Mining is planned to be built starting from January 2014 and put into production in July 2014.

Aowei Mining's properties including mines, dry processing facilities and wet processing plants, are located in areas approximately 25 to 35 kilometres (km) southwest (SW), or 20 km southeast (SE) of Laiyuan County in Hebei Province, P.R. China. All properties' areas are administered by Laiyuan County. Each property can be easily accessed conveniently by road from the county of Laiyuan.

The mines and associated plants operated by the subsidiary companies of Aowei Mining are relatively well integrated and well managed operations. The operating standards at all sites generally follow the Chinese national iron mining industrial practices. The plants under construction and those designed will continue to apply the same or more advanced technology and should achieve similar or better results to those achieved historically.

As of June 30, 2013, the JORC Code-compliant Indicated Mineral Resource and Inferred Mineral Resource for Aowei Mining's four mines were 413.58 million tonnes (Mt) at average grades of 14.31% TFe and 7.20% mFe and 223.71 Mt at average grades of 13.30% TFe and 6.46% mFe, respectively. Details of the Mineral Resources for each mine are shown in the following table.

			Indicated Mineral Resource			Inferred Mineral Resource		
Company	Mine	Cut-offs (TFe%)	Tonnes (1,000t)	TFe (%)	mFe (%)	Tonnes (1,000t)	TFe (%)	mFe (%)
Xinxin Mining . . .	Gufen Mine	8	158,788	13.24	6.53	101,100	12.44	6.03
Jingyuancheng	Wang'ergou Mine	8	76,432	13.81	6.41	39,250	13.03	5.85
Mining	Shuanmazhuang Mine	8	155,297	13.98	5.73	73,935	12.81	4.92
Jiheng Mining	Zhijiazhuang Mine	8	23,064	25.57	24.40	9,426	27.58	25.82
Total		**8**	**413,580**	**14.31**	**7.20**	**223,711**	**13.30**	**6.46**

The information in this report which relates to Mineral Resources is based on information compiled by Mr Zhu and Dr Jia, full time employees of SRK Consulting (China) Ltd and members of the Australasian Institute of Mining and Metallurgy. Mr Zhu and Dr Jia have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Zhu and Dr Jia consent to the reporting of this information in the form and context in which it appears.

Open-pit mining is used in the four mines. The Gufen, Wang'ergou and Shuanmazhuang mines are proposed to be mined in two stages: stage 1 open-pit mining with designed mining recovery rate of 97% and mining dilution of 3% and stage 2 underground mining with sublevel caving accessed by shaft, decline and/or adit, and underground mining with designed mining recovery rate of 80% and mining dilution of 7%. The Zhijiazhuang Mine is proposed to be mined entirely by open-pit with designed mining recovery rate of 97% and mining dilution of 3%. The designed stripping ratios are 1.49 for the Gufen Mine, 1.16 for both the Wang'ergou Mine and Shuanmazhuang Mine, and 1.50 for the Zhijiazhuang Mine.

The processing flowsheet processes dry magnetic separation followed by wet magnetic separation. The extracted ores are crushed and then separated by dry magnetic separation to obtain preliminary concentrates. The preliminary concentrates are then transported to the wet processing plants for further grinding, liberating the magnetite from the gangue minerals by wet magnetic separation to produce iron ore concentrates. Aowei Mining plans to shut down some of the old processing facilities, technically renovate the existing processing facilities and build new ones in 2013 to 2015 to upgrade the processing capacities and reduce the processing costs. After the renovation, the production capacities for iron ore concentrates at Xinxin Mining, Jingyuancheng Mining, and Jiheng Mining are anticipated to reach 418,130 tpa with an average grade of 66% TFe, 132,570 tpa with an average grade of 66% TFe, and 949,270 tpa with an average grade of 62% TFe, respectively. The iron ore concentrates at the Jiheng Mining is classified as an alkaline concentrate with a high content of magnesium oxide ("MgO"). The alkaline iron concentrate is better received than the normal acid iron concentrate in the market.

SRK has sighted the Occupational Health and Safety (OHS) management system and procedures, which are generally in line with recognised Chinese industry practices and Chinese safety regulations. In addition, according to the OHS statistics provided, there are two minor injuries but no serious injuries or fatalities in the past three years.

The strengths of the Company include high self-sufficiency from established vertical integration based on mining and developing mineral deposits, to on-site processing allowing economical operations with production of good quality concentrates.

As of 30 June, 2013 the Company employed 1,270 persons, including 78 in Aowei Mining's headquarters administration, 193 in the mine management department, 260 in the various mining departments, 470 in the ore processing plants and tailings dams, 111 in the workshops for maintenance, and 158 employees in the safety, back and service departments. Annual staff turnover is estimated at 5% of the workforce. Based on past experiences, there have been no problems with sourcing skilled workers. SRK considers that the workforce numbers can completely meet the Company's production capacities.

A number of the Company's technical management personnel have worked at the mine for more than three years. They have a thorough knowledge of the geology and mining conditions at the four mines, and can employ suitable techniques and experience from a range of plants.

As part of their development program, Hengshi Mining will commit to a greening program at the mines and plants defined in mine site geological rehabilitation plans, such as top soil salvages, regrading in waste dump areas, and seeding and replating in disturbed areas. Once implemented, these practices will demonstrate the Hengshi Mining's responsible approach towards environmental protection and ecological rehabilitation.

Operational Licences and Permits

The following table summarises the status of the key operational licenses and permits for the Project.

Project	Business License	Mining License	Safety Production Permit	Land Use Right*	Water Use Permit	Site Discharge Permit
Xinxin Mining	Y	Y	Y	Y	Y	Y**
Jingyuancheng Mining	Y	Y	Y	Y	Y	Y***
Jiheng Mining	Y	Y	Y	Y	Y	Y

Notes: "Y"denotes the licence/permit is granted and has been sighted by SRK; "*" denotes that some land use right may be obtained through temporary land arrangements with confirmation letters issued by the local government; "**" indicates that this permit is only for the mining activity with one wet processing plant in Xinxin Mining and the one for the other wet processing plant in this site has not yet been required; and "***" indicates that this permit is only for the mining activity in Jingyuancheng Mining and the one for the wet processing plant in this site has not yet been required.

Geology and Mineralogy

The iron deposits in Gufen, Wang'ergou, and Shuanmazhuang properties are recognized as metamorphosed sedimentary iron deposits characterized by low iron grades, and all formed in the same metallogenic condition. On the other hand, Zhijiazhuang iron deposit is a skarn-type iron deposit featuring a relatively high iron grade.

The Gufen, Wang'ergou and Shuanmazhuang mines are located in the northeast part of Fuping quaquaversal fold cluster. Stratigraphically, Neoarchaean metamorphic rocks dominate the area, including gneisses of the Caishuzhuang Formation's Fuping Group and granulites in the Jingangku Formation's Shizui Group. The Jingangku Formation is the ore-bearing stratum in the region. The Zhijiazhuang Property is located in the west of the Wanganzhen complex, in the conjunction zone between the Shanxi Province fault-uplift and the Yanshan platform folded belt in the Sino-Korea paraplatform. Faults and folds are relatively well developed in the region. The Wanganzhen complex includes several dolomite roof pendants and the deposit is situated in the southern contact zone between one of the roof pendants and intrusive rocks.

Nine mineralised zones were identified in the Gufen Mine and numbered 95, 96, 97, 99, 1001, 1005, 1006, 1008 and 1010. Mineralised zones No. 96, No. 97, No. 1006, and No. 1008 are the major zones which together account for about 79% of the total Gufen resources. All of the zones strike east-west and dip to the north with dip angles varying from 25° to 29°. Mineralised zones No. 96 and No. 97 extend over 1,000 m along the strike and over 1,000 m down dip. Mineralised zones No. 1006 and 1008 extend over 300 m along the strike and over 1,000 m down dip.

Twelve mineralised zones were identified in the Wang'ergou Mine and numbered 1 through 12. Mineralised zones No. 1, No. 2, and No. 11 are the major zones which together account for nearly 61% of the total Wang'ergou resources. Zones No.1 through No. 7 have similar attitudes, dipping to the northeast with dip angles varying from 42° to 60°. Zones No. 8 through No. 12 also have similar attitudes, dipping north-northwest with dip angles varying from 40° to 80°.

A total of eight mineralised zones were defined in the Shuanmazhuang Mine and numbered 1 through 8. Mineralised zone No. 1 is the major zone which alone accounts for about 96% of the total Shuanmazhuang resources. It occurs as a in thick plate shape at deep, and is approximately 1,720 m long and 800 m down dip, dipping at 345° to 30° with dip angles between 30° and 69°.

Three mineralised zones were defined in the Zhijiazhuang Mine and numbered 1 through 3. Mineralised zone No. 1 is the major zone which alone accounts for nearly 97% of the total Zhijiazhuang resources. The occurrence and spatial distribution of the deposit is controlled by the contact metamorphic zones, most of which are lensoid in shape. Mineralised zone No. 1 is approximately 900 m long, 20 m to 320 m wide, and extends for 97 m to 500 m down dip, occurring as lens or lesoidal shape. The western part of the mineralised zone lies in the west limb of the anticline and dips to the southwest with dip angles varying from 40° to 60°. The eastern part of the zone lies in the east limb of the anticline, dipping northeast with dip angles varying from 40° to 70°.

The ore of Gufen, Wang'ergou and Shuanmazhuang mines is dominated by low grade magnetite. The major ore mineral is magnetite, content of which is generally less than 30% of the primary ore's total mass. The secondary associated minerals are pyrite, chalcopyrite, and pyrrhotite. Hematite and limonite are also found in outcropping ores on surface with content between 2% to 4%. Gangue minerals are mostly comprised of plagioclase, quartz, amphibole and apatite, which account for 75% of the rock mass in the deposit. Most ore presents in fine granular granoblastic texture and appears in streaked or massive structures. The accompanying useful elements consist of titanium ("Ti", 0.0067% to 0.0120%) and vanadium ("V", 0.23% to 0.39%), which cannot be recovered. The harmful elements are sulphur ("S", 0.12% to 0.20%) and phosphorus ("P", 0.060% to 0.080%), but occur in low enough quantities to be ignored.

The ore mineral in Zhijiazhuang Mine is magnetite, content of which is generally between 30% and 50%. The secondary associated minerals are mostly composed of limonite, pyrite, and chalcopyrite, with content usually less than 1%. Gangue minerals mostly consist of serpentine and olivine. Magnetite ore presents in fine grained, xenomorphic-hypidiomorphic granular or metasomatic relict textures, and appears in banded or taxitic structures associated with less disseminated structure and massive structure. The accompanying useful minerals consist of cobalt ("Co", with an average grade of 0.005%), copper ("Cu", with an average grade of 0.006%), manganese ("Mn," with an average grade of 0.57%), gallium ("Ga", with an average grade of 0.0005%), and vanadium ("V", 0.01% to 0.001%). None of these minerals can be recovered. The harmful elements are sulphur ("S", with an average grade of 0.062%), phosphorus ("P", with an average grade of 0.017%), and arsenic ("As", with an average grade of 0.002%), but occur in low enough quantities to be ignored.

Mineral Resource Estimation

Under SRK's supervision, surface trenching and drilling programs with sampling were conducted by the Baoding Geological and Engineering Exploration Institute ("Baoding Geological Institute") from July to September 2011 and from June to July 2012, and the sample preparation and assaying, and assay QA/QC procedures were conducted by the Baoding Mineral Resource Supervision and Testing Centre, Ministry of Land and Resources ("Baoding Testing Centre"). Surface drilling was conducted according to the Chinese Drilling Standards. The recovery rates for all cores and for the mineralised drill cores were all over 95%. The results for the certified reference material ("CRM") fall within control limits with no indication of systematic assaying problems in TFe or mFe values. The blank samples returned good results, suggesting that neither considerable nor systematic contamination occurred during sample preparation. The results of duplicates and external checks correspond well with those of the regular samples, which indicate that sample results assayed by the Baoding Testing Centre were acceptable.

It is the opinion of SRK that the Baoding Geological Institute and Baoding Testing Centre followed the QA/QC practices. The CRM performance, blank sample performance, core and pulp duplicate performance, and external checks showed acceptable assay results. Therefore, SRK has confidence in the geological database obtained during the exploration program, and the resource estimation meets the requirements of the Australasian Institute of Mining and Metallurgy's Joint Ore Reserves Committee ("JORC") Code.

All the available data was input into a Surpac (version 6.1) database for the estimation procedure. The database was validated within Surpac to search for errors such as missing or overlapping intervals, and to correct hole and trench lengths, azimuths and dips, and to eliminate duplicated samples.

The following table lists a summary of estimated Mineral Resources at Gufen, Wang'ergou, Shuanmazhuang, and Zhijiazhuang iron mines as of June 30, 2013 using a series of TFe cut-off grades of 8%, 10%, 12%, 15%, and 20%. SRK has shown in bold the details of the cut-off grade of 8% TFe, which it believes is reasonable based on the assumptions of an average iron concentrate price (with grade of 66% TFe) in China in the last three years, the Company's mining and processing methodologies, mining and processing capacity and equipment, costs of production as well as parameters from operating iron mines with similar geology in this region cited from the feasibility study. Only the Measured and Indicated Mineral Resources can be used for ore reserve estimation and mine planning.

			Indicated Mineral Resource			Inferred Mineral Resource		
Company	Mine	Cut-offs (TFe%)	Tonnes ('000t)	TFe (%)	mFe (%)	Tonnes ('000t)	TFe (%)	mFe (%)
Xinxin Mining . . .	Gufen Mine	**8**	**158,788**	**13.24**	**6.53**	**101,100**	**12.44**	**6.03**
		10	138,326	13.83	7.00	83,903	13.10	6.60
		12	91,102	15.29	8.13	54,207	14.23	7.51
		15	42,254	17.56	9.91	13,492	17.07	9.82
		20	5,304	22.20	14.39	1,328	21.89	13.71

			Indicated Mineral Resource			Inferred Mineral Resource		
Company	Mine	Cut-offs (TFe%)	Tonnes ('000t)	TFe (%)	mFe (%)	Tonnes ('000t)	TFe (%)	mFe (%)
Jingyuancheng Mining	Wang'ergou Mine	**8**	**76,432**	**13.81**	**6.41**	**39,250**	**13.03**	**5.85**
		10	66,080	14.60	7.30	27,118	14.08	6.66
		12	46,854	15.75	8.16	19,570	15.38	8.06
		15	25,215	17.81	10.28	7,318	17.74	10.07
		20	4,803	21.78	13.55	1,697	21.66	13.39
Jingyuancheng Mining	Shuanmazhuang Mine	**8**	**155,297**	**13.98**	**5.73**	**73,935**	**12.81**	**4.92**
		10	133,712	14.75	5.97	55,173	14.07	5.65
		12	100,448	16.00	6.64	36,635	15.70	6.54
		15	58,997	17.84	7.76	20,072	17.49	7.35
		20	7,839	21.72	9.62	2,826	21.25	8.45
Jiheng Mining	Zhijiazhuang Mine	**8**	**23,064**	**25.57**	**24.40**	**9,426**	**27.58**	**25.82**
		10	21,081	27.13	26.02	9,096	28.26	26.44
		12	19,317	28.62	27.48	8,657	29.13	26.99
		15	17,746	29.97	28.61	7,932	30.57	27.99
		20	15,194	32.06	30.25	6,620	33.14	29.82
		25	14,669	32.42	30.13	6,272	33.65	29.99

The information in this report which relates to Mineral Resources is based on information compiled by Mr Zhu and Dr Jia, full time employees of SRK Consulting (China) Ltd and members of the Australasian Institute of Mining and Metallurgy. Mr Zhu and Dr Jia have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Zhu and Dr Jia consent to the reporting of this information in the form and context in which it appears.

Exploration Potential

The geological characteristics of the Gufen, Wang'ergou, Shuanmazhuang, and Zhijiazhuang deposits have been well investigated and studied by a number of geological brigades and institutes. The occurrence and spatial distributions of the major mineralised zones are also suitably controlled by the exploration grid of the channelling and drilling and well interpreted. In addition, major features that affect the mineral distribution, such as faults, folds, intrusions, and shear zones, are well logged and interpreted. In addition, infill drilling is recommended in all four mines because it will undoubtedly lead to an upgrade in the resource categories. The current resources in Gufen, Wang'ergou and Shuanmazhuang iron deposits are not completely closed off down-dip, so SRK suggests additional step out drilling to extend the current resource base. As there is evidence of iron mineralisation surrounding the main mineralised zones of Zhijiazhuang, more drilling around the mineralisation anomaly are recommended which may increase the resource tonnages.

Ore Reserve and Mining Assessment

JORC Code compliant Ore Reserves were estimated by SRK for the Gufen, Wang'ergou, Shuanmazhuang, and Zhijiazhuang iron mines based on each mine's mining recovery rate and dilution rate, and other modifying factors cited either from the previous mining records and/or the feasibility study. The following table summarises the estimated Probable Ore Reserves of the four mines as of June 30, 2013.

Company	Mine	Mining method	Category	Ore Reserve ('000t)	TFe (%)	mFe (%)
Xinxin Mining .	Gufen	Open-pit	Probable	56,103	12.82	6.31
		Underground	Probable	58,750	15.35	8.50
		Subtotal	**Probable**	**114,853**	**14.11**	**7.43**
Jingyuancheng Mining	Wang'ergou	Open-pit	Probable	45,145	13.39	6.23
		Underground	Probable	18,077	15.87	8.50
		Subtotal	**Probable**	**63,222**	**14.10**	**6.88**
Jingyuancheng Mining	Shuanmazhuang	Open-pit	Probable	93,199	13.56	5.56
		Underground	Probable	35,723	16.00	7.11
		Subtotal	**Probable**	**128,922**	**14.24**	**5.99**
Jiheng Mining .	Zhijiazhuang	Open-pit	Probable	19,794	27.16	25.93
		Subtotal	**Probable**	**19,794**	**27.16**	**25.93**
Total		**Open-pit**	**Probable**	**214,241**	**14.59**	**7.78**
		Underground	**Probable**	**112,550**	**15.64**	**8.06**
		Open-pit + Underground	**Probable**	**326,791**	**14.95**	**7.88**

The information in this report which relates to Ore Reserves is based on information compiled by Mr Huang, a full time employee of SRK Consulting (China) Ltd and he is Member of the Australasian Institute of Mining and Metallurgy. Mr Huang has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Huang consents to the reporting of this information in the form and context in which it appears.

According to the *Feasibility Study on the Construction Project of Laiyuan Aowei Mining Investment Co., Ltd*, compiled by Sinosteel Ma'anshan Engineering Investigations and Design Co., Ltd ("Sinosteel") in December 2012, the development methods, mining methods and technical parameters are listed in the following table.

		Xinxin Mining	Jingyuancheng Mining		Jiheng Mining
Item	**Unit**	**Gufen Mine**	**Wang'ergou Mine**	**Shuanmazhuang Mine**	**Zhijiazhuang Mine**
Open-pit Mining					
Capacity	Mtpa	5	14		2.4
Life of Mine	Year	13	12		10
Development		Road – truck	Road – truck		Road – truck
Bench Height	m	12	12		10
Bench Width	m	8 to 15	8 to 15		8
Bench Angle	°	65	65		65
Final Slope Angle	°	45–49	45–49		<50
Stripping Ratio	t/t	1.49	1.16		1.5
Ore Loss rate	%	3	3		3
Mining Dilution Rate	%	3	3		3
Underground Mining					
Capacity	Mtpa	4	3		
Life of Mine	Year	14	17		
Development		Shaft – decline	Adit + shaft – decline		
Level Height	m	120	120		
Mining Method		Sublevel caving	Sublevel caving		
Ore Loss rate	%	20	20		
Mining Dilution Rate	%	7	7		

Note: Life of Mine ("LOM") is based on the production plan and estimated ore reserves for each mine.

SRK opines that the feasibility study of the four mines produced by Sinosteel satisfies the basic requirements for a professional feasibility study and the mining design study meets the minimum quality requirements as well. Considering that the life of mines operated by Xinxin Mining and Jingyuancheng Mining for open-pit mining will be more than ten years and significant changes are likely to occur within both the mines and the iron market during the next ten years, a new design for underground mining should be needed.

Also considering that variations in the market price of iron concentrates may pose the most significant impact on the mine in terms of economic return, SRK opines that appropriate and timely adjustments of the cut-off grade and pit limits in response to iron price variations will be necessary, and the open-pit limit should be dynamic.

Ore Processing

Ore in the Dushancheng mining area is low grade metamorphic magnetite. Magnetite, the target mineral, is distributed in fine grains with straight contact boundaries with gangue minerals. It is easy to dissociate and recover. It is indicated from the processing tests that the iron concentrate with a grade of 66.23% TFe is obtained at a recovery rate of 95.19% for mFe and 43.30% for TFe under the circumstance that 45% to 50% of ore is ground into less than 0.074 mm.

Ore in the Zhijiazhuang mining area is a skarn-type iron ore. Magnetite, the target mineral, occurs in the form of cement with gangue minerals and is fine grained. It is difficult to dissociate from the gangue minerals and difficult to process. It is indicated from the processing tests that the iron concentrate with grade of 62.4% TFe is obtained at a recovery rate of 92.99% for mFe and 84.07% for TFe under the circumstance that 90% of ore is ground into less than 0.074 mm.

The processing flow sheet includes dry magnetic separation followed by wet magnetic separation. Raw ore is crushed and magnetically separated in the nearby dry processing facilities to produce preliminary concentrates, which are then transported to the wet processing plant for further grinding and wet magnetic separation to obtain the iron ore concentrates. Aowei Mining plans to expand some of the existing processing facilities and/or build new ones in 2013 to 2015 to upgrade their existing capacities. According to the feasibility study conducted by Sinosteel, the designed production indexes after the proposed renovation are shown in the following table.

Item	Unit	Xinxin Mining	Jingyuancheng Mining	Jiheng Mining
Dry processing				
Raw ore feed	1,000t	5,000	14,000	2,400
Feed grade	TFe%	12.83	13.50	27.11
Pre-concentrate output	1,000t	1,280	3,560	1,511
Pre-concentrate grade	%	28.00	28.00	41.00
Raw ore feed/Pre-concentrate output	t/t	3.91	3.93	1.59
Recovery rate	%	55.87	52.73	95.22
Wet processing				
Pre-concentrate feed	1,000t	1,280	3,560	1,511
Concentrate output	1,000t	18.13	1,132.57	949.27
Concentrate grade	%	66.00	66.00	62.00
Pre-concentrate feed/Concentrate output	t/t	3.06	3.14	1.59
Recovery rate	%	77.00	75.00	95.00
Total Recovery Rate	%	43.02	39.55	90.46
Raw ore feed/ Concentrate output	t/t	11.96	12.36	2.53

During the past three years, a large amount of waste rock stripping and mining stope preparation has been carried out by the three subsidiary companies. The by-product (i.e., ore) and the weakly mineralized wall rock with TFe grade below 8% extracted during mining development were processed. Iron concentrate with grades ranging from 66% to 67% TFe was produced in Xinxin Mining and Jingyuancheng Mining. Jiheng Mining does not have a wet processing plant yet. Currently, the ore with TFe grade above 8% is sold without processing and the weakly mineralised wall rock (with TFe grade below 8%) is processed by dry magnetic separation to obtain the preliminary concentrate for sale.

Occupational Health and Safety

The safety production permits for mining activities in the four open pits (Zhijianzhuang Mine, Gufen Mine, Wang'ergou Mine, and Shuanmazhuang Mine) and for tailings operating in the three TSFs (Taohuazui TSF, Xiaomazong TSF, and Chengzigou TSF) were sighted by SRK. SRK has sighted the Occupational Healthand Safety (OHS) management system and procedures, which are generally in line with recognised Chinese industry practices and Chinese safety regulations.

The company's safety records indicate that there are two minor injuries but no serious injuries or fatalities in the past three years. Incident analysis reports for these two minor injuries were also provided to SRK for review.

Capital Costs and Investment

The three mining companies plan to input the capital expenditures in two stages. The total investment proposed in stage one (open-pit mining) is RMB1,952.77 million, where the loan interest is excluded, covering the slope correction and processing and tailings storage facility renovation and upgrade. Of the investments, RMB961.82 million was invested before June 30, 2013, and RMB990.94 million will be invested between July 1, 2013 and 2015. Details of the total investment and the investments between 2013 and 2015 are shown in the following table.

Xinxin Mining	Total (Million RMB)	Annual Investment (Million RMB)				
		1H 2013	2H 2013	2014	2015	Subtotal
Engineering	244.21	23.84	53.72	53.87	40.42	171.84
Including:						
Development Engineering	132.81	19.54	30.22	46.49	36.56	132.81
Construction	42.23	3.58	8.24	1.00	1.00	13.82
Facility Purchase	67.60	0.72	14.43	6.38	2.11	23.64
Installation	1.57	0.00	0.83	0.00	0.74	1.57
Other Expenditures	55.81	1.02	4.77	1.97	25.48	33.24
Contingency Allowance	8.88	0.00	4.17	2.79	1.92	8.88
Intangible Assets	27.52	0.00	0.00	0.00	0.00	0.00
Mining Right	33.22	21.70	0.00	10.00	1.52	33.22
Working Capital	25.96	3.38	1.62	5.00	15.96	25.96
Total Investment	**395.61**	**49.94**	**64.28**	**73.63**	**85.30**	**273.15**
Including: new facilities to be invested between July 1, 2013 and 2015	223.22					
Investment before June 30, 2013	172.39					

Jingyuancheng Mining	Total (Million RMB)	Annual Investment (Million RMB) 1H 2013	2H 2013	2014	2015	Subtotal
Engineering	639.09	42.64	107.34	113.53	102.24	365.76
Including:						
Development Engineering	170.56	24.61	32.63	50.88	53.57	161.69
Construction	387.09	18.03	56.43	29.11	19.05	122.62
Facility Purchase	70.49	0.00	16.80	28.59	25.10	70.49
Installation	10.95	0.00	1.48	4.95	4.52	10.95
Other Expenditures	247.12	10.18	9.63	19.21	32.13	71.14
Contingency Allowance	20.86	0.00	8.49	6.64	5.73	20.86
Intangible Assets	19.74	0.00	0.00	0.00	0.00	0.00
Mining Right	89.19	34.16	0.00	18.00	37.03	89.19
Working Capital	58.92	13.30	12.89	13.09	19.64	58.92
Total Investment	**1,074.92**	**100.28**	**138.35**	**170.46**	**196.77**	**605.87**
Including: new facilities to be invested between July 1, 2013 and 2015	505.58					
Investment before June 30, 2013	569.34					

Jiheng Mining	Total (Million RMB)	Annual Investment (Million RMB) 1H 2013	2H 2013	2014	2015	Subtotal
Engineering	221.25	43.36	22.53	100.25		166.15
Including:						
Development Engineering	63.98	33.68	13.81	4.40		51.89
Construction	86.11	6.73	0.00	49.36		56.09
Facility Purchase	62.99	2.95	8.57	38.47		49.99
Installation	8.17	0.00	0.15	8.02		8.17
Other Expenditures	78.82	4.70	0.00	1.23		5.93
Contingency Allowance	6.82	0.00	3.41	3.41		6.82
Intangible Assets	0.00	0.00	0.00	0.00		0.00
Mining Right	142.33	0.00	20.00	86.73	66.73	106.73
Working Capital	33.01	8.43	2.96	21.62		33.01
Total Investment	**482.24**	**56.49**	**48.90**	**146.51**	**66.73**	**318.63**
Including: new facilities to be invested between July 1, 2013 and 2015	262.14					
Investment before June 30, 2013	220.09					

The working capital in 2016 is estimated as RMB5.70 million for Xinxin Mining and RMB12.50 million for Jingyuancheng Mining based on the planned capacity.

The total investment proposed in stage two (underground mining) from 2022 to 2025 is estimated to be RMB738.97 million, covering the new underground mining facilities and equipment. The detailed information is shown in the following table. In SRK's opinion, the proposed capital investments for both stages are reasonable.

	Unit: Million RMB		
Item	**Xinxin Mining**	**Jingyuancheng Mining**	**Subtotal**
Main shaft, auxiliary shaft, air shaft and ramp engineering	46.93	46.94	93.86
Roadway engineering	85.62	179.86	265.49
Underground mining, tunneling, haulage equipment and installation	76.65	114.97	191.62
Mechanical engineering	19.42	19.42	38.84
Underground electric and installation	18.46	18.46	36.91
Construction engineering	5.75	5.75	11.51
Mining right	53.46	47.28	100.74
Total	**306.29**	**432.68**	**738.97**

Operating Costs

The historical unit costs over the past three years during mining development and the five-year forecast of operating costs between 2013 and 2017 are provided in the following table. The historical unit costs, which were sourced from the management accounts of Aowei Mining's subsidiaries, are relatively higher comparing with the similar iron mining companies in this region. The main reason for the higher operating costs is that Aowei Mining has been focusing on waste rock stripping operation and preparing mining stopes rather than actual mining operation, only a small amount of ores with low grade are produced. SRK opines that with the on-going technological upgrade, as well as the expected increase in production volume and TFe grade of our iron ores, the unit operating costs after the commencement of the trial or commercial production should decrease substantially as compared with the costs in 2010, 2011 and 2012. The five-year forecast of operating costs is sourced from the feasibility study conducted by Sinosteel. SRK also noted an increase in unit operating costs at Xinxin Mining and Jingyuancheng Mining from 2015 to 2016, due to an increase in the forecasted stripping ratios as a result of the expansion of the areas to be mined after the ramp-up period and the specific occurrence of orebodies of these mines. SRK opines that the anticipated operating cost in total are reasonable and classified the costs based on the Chapter 18.12(3) requirements of the Rules Governing the Listing of Securities on the HKEx. Details are summarised in the following table.

		Xinxin Mining	**Jingyuancheng Mining**	**Jiheng Mining***		
Year	**Unit**	**Concentrate**	**Concentrate**	**Raw Ore (for Sale)**	**Preliminary Concentrate**	**Concentrate**
Historical Operating Costs#						
2010	RMB/t	520.37	485.85	127.70	525.01	
2011	RMB/t	653.42	691.54	71.58	212.86	
2012	RMB/t	706.53	685.85	70.91	222.04	
1H 2013	RMB/t	398.01	436.51	30.97	90.89	422.58

		Xinxin Mining	Jingyuancheng Mining	Jiheng Mining*		
Year	Unit	Concentrate	Concentrate	Raw Ore (for Sale)	Preliminary Concentrate	Concentrate
Forecast on Operating Costs						
2H 2013	RMB/t	499.07	384.72	30.25	116.21	496.64
2014	RMB/t	402.16	345.39			154.93
2015	RMB/t	389.81	332.93			155.03
2016	RMB/t	437.37	388.28			156.24
2017	RMB/t	437.37	388.28			156.24

Notes:

Historical operating costs include certain mine development expenses which will be capitalised going forward.

* The unit preliminary concentrate cost of Jiheng Mining refers to the unit preliminary concentrate cost in the time of 2010 to June 2014, during which the previously remaining weakly mineralised wall rock as a by product have been and will be processed by dry magnetic separation. From March 2013, part of the preliminary concentrate was sent to Xinxin Mining's wet processing plant for processing into iron concentrates. From 2014, the iron ore concentrates will be processed primarily from high TFe grade iron ores at Jiheng Mining.

Environmental and Social

The table below summarises the status of the environmental assessments and approvals for the Project.

Project	EIA	Approval for EIA	WSCP	Approval for WSCP	FCA Approval
Xinxin Mining					
Gufen Mine Production Capacity Upgrading (3 Mtpa)	Y	Y	Y	Y	Y
Phase I Wet Processing Plant and Taohuazui TSF	Y	Y	Y	Y	Y
Phase II Wet Processing plant, 3 Dry Processing Plants, and Xiaomazong TSF	Y	Y	Y	Y	NYR
Jingyuancheng Mining					
Shuanmazhuang Mine Production capacity Upgrading (4 Mtpa)	Y	Y	Y	Y	Y
Wang'ergou Iron Mine Production capacity Upgrading (2.4 Mtpa)	Y	Y	Y	Y	Y

Project	EIA	Approval for EIA	WSCP	Approval for WSCP	FCA Approval
2 New Dry Processing Plants and 1 Wet Processing Plant and Chengzigou TSF	Y	Y	Y	Y	NYR
2 New Dry Processing Plants and 1 Wet Processing Plant and Dabugou TSF	Y	Y	Y	Y	NYR
Jiheng Mining					
Zhijiazhuang Mine production capacity upgrading (1.0 Mtpa)	Y	Y	Y	Y	Y
Iron Ore Dry Processing Plant (2.5 Mtpa)	Y	Y	Y	Y	Y

Note: EIA = Environmental Impact Assessment Report; WSCP = Water and Soil Conservation Plan; FCA = Final Checking and Acceptance; "Y" denotes the approval is granted and has been sighted by SRK; "NYR" means that approval is not yet required.

At the time of the most recent site visit (July 2013), the project sites were in rectification and construction, and overall the project was generally being developed and/or operated in accordance with the project's environmental management and approval conditions.

In summary the most significant compliance and environmental risks for the development of the Project, currently identified as part of this assessment, are:

- Significant Land disturbance, rehabilitation and site closure;
- Water management (i.e. tailings and mine water);
- Waste rock management;
- Dust management; and
- Land contamination (hazardous substances storage and handling).

It is SRK's opinion that the above environmental risks are categorised as moderate/tolerable risks (i.e., requiring risk management measures) and they are generally manageable. Since various environmental protection measures are planned or conducted by the Company to solve these environmental issues, SRK considers that these environmental risks are controlled properly and not to develop into higher grade risks.

Project Risk Assessment

Aowei Mining's four iron mine project is a production project, for which risks exist in different areas. SRK has considered various technical aspects which may affect the project's feasibility and future cash flow, and conducted a qualitative risk analysis which has been summarised in the following table.

Risk Issue	Likelihood	Consequence	Overall
Geology and Resource			
Lack of Significant Resource	Unlikely	Minor	Low
Lack of Significant Reserve	Unlikely	Minor	Low
Significant Unexpected Geological Faulting	Unlikely	Moderate	Low
Unexpected Groundwater Ingress	Unlikely	Moderate	Low
Mining			
Production Shortfalls	Possible	Minor	Low
Excessive Surface Subsidence	Possible	Minor	Low
Poor Mine Plan	Unlikely	Moderate	Low
Poor Road Transportation/safety	Unlikely	Moderate	Low
Ore Processing			
Lower Processing Plant Yields	Possible	Minor	Low
Unsuitable Processing Flow Sheet	Unlikely	Moderate	Low
Poor Plant Reliability	Unlikely	Moderate	Low
Environmental			
Land disturbance, rehabilitation and site closure	Certain	Moderate	Medium
Water management (i.e. tailings and mine water)	Possible	Moderate	Medium
Waste rock management	Possible	Moderate	Medium
Tailings storage (i.e. TSF design, construction and operation)	Possible	Minor	Low
Dust management	Likely	Moderate	Medium
Land contamination (hazardous substances storage and handling)	Likely	Moderate	Medium
Capital and Operating Costs			
Mine Management Plan	Possible	Minor	Low
Capital Costs – Ongoing	Unlikely	Minor	Low
Operating Cost Underestimated	Possible	Moderate	Medium

The environmental measures and practices to manage environmental risk of the land disturbance, rehabilitation and site closure include proposed progressive rehabilitation, proposed topsoil stripping, proposed replanting, proposed rehabilitation monitoring and a geological rehabilitation fund deposit of RMB34.0 million; the storm-water and mine water treatment facilities and the water reuse systems in TSFs are the measures to control the risk of water pollution; reuse of waste rock as construction materials to reduce waste rock volume, low concentrations of hazardous components in the waste rock, and no evidence of on-site acid rock drainage indicate that the environmental risk of waste rock is manageable; dust management measures such as regular watering in the mining area and comprehensive dust collection system in the processing plants show that the risk of dust pollution is controlled; and the comprehensive hazardous materials management system and the waste oil recycling system can make the risk of land contamination under control. Therefore, it is SRK's opinion that the medium environmental risks identified above are generally under control and not to develop into higher grade risks due to various environmental measures conducted and more efforts the Company has determined to make to improve environment management.

A few factors may lead potential risks in increase of operating costs; they include: 1) decrease in the grade of mined ore; 2) worsening in the quality of production management; 3) significant increase in tax level in China; 4) increase in raw materials, power, fuel and labour costs as a result of inflation; and 5) mandatory interruption in production required by the authorities. SRK is of the review that of the above five situations, 2 and 3 are extremely unlikely scenarios, whereas there is a possibility that the other three situations may occur. As a result, SRK opines that increase of operating costs is a medium risk.

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DISCLAIMER

The opinions expressed in this report have been based on information supplied to SRK Consulting China Ltd ("SRK") by Hengshi Mining. The opinions in this Report are provided in response to a specific request from Hengshi Mining. SRK has exercised all due care in reviewing the supplied information. While SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them.

Opinions presented in this Report apply to the site's conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK have had no knowledge nor had the opportunity to evaluate.

LIST OF ABBREVIATIONS

%	Percent
°	Degrees, either of temperature or angle of inclination
ASL	Above sea level
AusIMM	Australasian Institute of Mining and Metallurgy
Ore processing	The process of separating the target mineral from gangue minerals
dry processing	The process of ore dressing without water and other liquid medium. The bulk ore size is usually reduced by stages of crushing and target mineral is enriched by stages of magnetic separation in the process
E	East
EIA	Environmental Impact Assessment
g	gram
g/t	gram per tonne
ha	Hectare
HKEx	Stock Exchange of Hong Kong Limited

Indicated Mineral Resource	That part of a resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed
Inferred Mineral Resource	That part of a resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes which may be limited or of uncertain quality and reliability
JORC Code	Joint Ore Reserves Committee Code
JORC Committee	Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
kg	kilogram, equivalent to 1,000 grams
km	kilometres, equivalent to 1,000 metres
km^2	square kilometres
kV	kilovolts – equivalent 1,000 volts
kW	Kilowatt, equivalent to 1,000 watt
LOM	Life of Mine is the sum of open-pit mine life and underground mine life and is based on the production plan and estimated ore reserves for each mine.
m	metre
m^2	square metre
m^3	cube metre
M	Million

Measured Mineral Resource	That part of a resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes
mFe	magnetic iron
mm	Millimetre/s
Mt	Million tonne (s)
Mtpa	Million tonnes per annum
N	North, also the chemical symbol for Nitrogen
OHS	Occupational Health and Safety
pH	A measure of the acidity or alkalinity of a solution, numerically equal to 7 for neutral solutions, increasing with increasing alkalinity and decreasing with increasing acidity. The pH scale commonly in use ranges from 0 to 14
PPE	personal protective equipment
PRC	People's Republic of China
Probable Ore Reserve	The economically mineable part of an indicated, and in some circumstances measured, resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and government factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified
Proved Ore Reserves	The economically mineable part of a measured resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and government factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified

QA/QC	Quality Assurance/Quality Control
RMB	Renminbi
ROM	Run of mine
S	South, also the chemical symbol for sulphur
stripping ratio	the ratio of waste rock or overburden which must be removed to extract ore in an open-pit operation. For example, a 5:1 stripping ratio means that five tonnes of waste rock or overburden need to be removed to extract one tonne of ore
t	Tonne
TFe	Total iron
TSF	Tailing storage facility
tpa	tonnes per annum
tpd	tonnes per day
Valmin Code	Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Wall Rock	All the rocks on the periphery of ore bodies with TFe < 8%
Waste Rock	Rocks on the periphery of ore bodies which cannot be economically utilized under current technical or economic conditions
Weakly mineralised wall rock	Part of the rocks on the periphery of the ore bodies is weakly mineralized, with TFe grades between 5% and 8%. It is possible that this weakly mineralised rock could be economically utilized after being mined out during stripping, given the Company's current costs and the market price situation
wet processing	The process of ore dressing with water as medium. Ore is usually ground into pulp for the liberation of target mineral granular and then the target mineral is separated from gangue minerals and enriched into concentrate in the process
WSCP	Water and Soil Conservation Plan

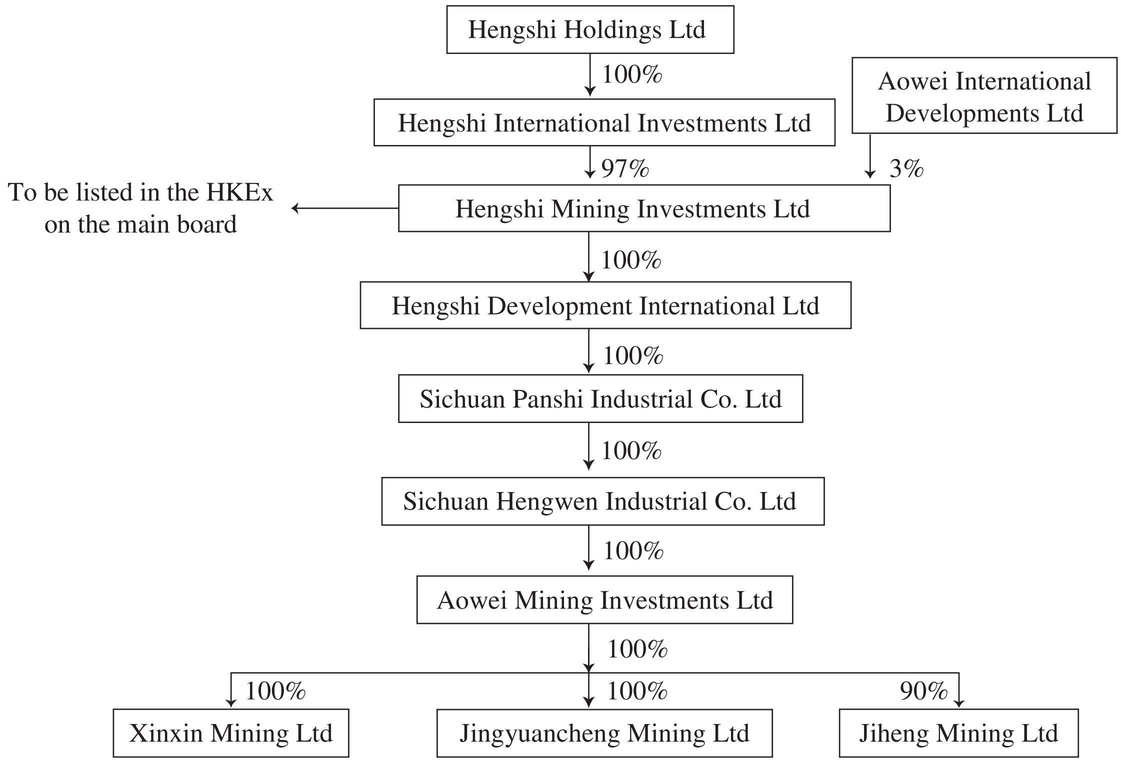
1 INTRODUCTION AND SCOPE OF REPORT

Hengshi Mining Investments Limited ("Hengshi Mining", "the Company" or "the Customer") commissioned SRK to review Aowei Mining Investments Limited ("Aowei Mining")'s four iron projects ("Aowei Project"), including Gufen iron mine ("Gufen Mine"), Wang'ergou iron mine ("Wang'ergou Mine"), Shuanmazhuang iron mine ("Shuanmazhuang Mine") and Zhijiazhuang iron mine ("Zhijiazhuang Mine"), together with their associated processing plants, all of which are located in Laiyuan County, Hebei Province, the People's Republic of China ("P.R. China"). SRK was required to provide an Independent Technical Assessment Report including reviews of the geology and resources, mining technology, processing and metallurgy, and social and environmental aspects. The principal objective of this Report is to provide the Company and the Stock Exchange of Hong Kong Limited ("HKEx") with an Independent Expert Report suitable for inclusion in documents for a proposed listing on the main board of the HKEx.

2 BACKGROUND AND BRIEF

Hengshi Mining commissioned SRK to review and report all relevant technical aspects of Aowei Mining's four iron projects in Laiyuan County, Hebei Province, P.R. China. The mining permits are currently held by the Company's three subsidiary companies. Copies of the original mining permits are shown in Appendix I.

Aowei Mining has three subsidiary mining companies: Laiyuan County Xinxin Mining Ltd ("Xinxin Mining"), Laiyuan County Jingyuancheng Mining Ltd ("Jingyuancheng Mining") and Laiyuan County Jiheng Mining Ltd ("Jiheng Mining"). Each subsidiary company wholly owns the iron mine(s) and associated processing plants. Aowei Mining wholly owns Xinxin Mining and Jingyuancheng Mining, and owns 90% of Jiheng Mining. The proposed target group structure for the listing is shown in Figure 2–1.



Assets:

1. Gufen Mine covering an area of 1.3821 km^2 with mining capacity of 3.0 Mtpa.
2. Three dry processing facilities: Nos. 1, 2 and 3 with a total of processing capacity 4.5 Mtpa.
3. Two wet processing plants: Nos. 1 and 2 with iron concentrate production capacities of 0.15 Mtpa and 0.23 Mtpa, respectively.

Assets:

1. Wang'ergou Mine covering an area of 1.5287 km^2 with mining capacity of 2.4 Mtpa.
2. Shuanmazhuang Mine covering an area of 2.1871 km^2 with mining capacity of 4.0 Mtpa.
3. Two dry processing Facilities: Nos. 1 and 2 with a total of processing capacity of 7.3 Mtpa.
4. One wet processing plants: No. 1 with an iron concentrate production capacity of 0.8029 Mtpa.

Assets:

1. Zhijiazhuang I Mine covering an area of 0.3337 km^2 with a mining capacity of 1.0 Mtpa.
2. One dry processing facility No. 1 with a processing capacity of 2.5 Mtpa.

Figure 2–1: Group Structure

3 PROGRAM OBJECTIVES AND WORK PROGRAM

3.1 Program Objectives

The principal objectives of this Report is to provide existing and potential Shareholders of Hengshi Mining and HKEx with an Independent Technical Assessment Report ("Report") suitable for inclusion in documents that the Company plans to submit to HKEx in relation to the proposed listing on the main board. The SRK report is proposed to provide HKEx and existing and potential Shareholders in Hengshi Mining an unbiased technical assessment of the risks and opportunities associated with the mining and processing assets of the proposed listing company.

3.2 Reporting Standard

This Report has been prepared to comply with the Listing Rules of HKEx. The Report has also been prepared to the standard of a Technical Assessment Report under the guidelines of the Valmin Code. The Valmin Code is the code adopted by the Australasian Institute of Mining and Metallurgy and incorporates the Joint Ore Reserves Committee ("JORC") Code for the reporting of Mineral Resources and Ore Reserves. The standard is binding upon all Australasian Institute of Mining and Metallurgy ("AusIMM") members.

This Report is not a valuation report and does not express an opinion as to the value of mineral asset. Aspects reviewed in this Report do include product prices, socio-political issues, and environmental considerations; however, SRK does not express an opinion regarding the specific value of the assets and tenement involved.

3.3 Limitations Statement

SRK is not professionally qualified to opine upon and/or confirm that Hengshi Mining has 100% ownership of Xinxin Mining and Jingyuancheng Mining and 90% ownership of Jiheng Mining, and that the subsidiary companies each have 100% control of their various underlying tenements and/or have any unresolved legal matters relating to any transfer of ownership or associated fees and royalties. SRK has therefore assumed that no legal impediments regarding the relevant tenements exist and that Hengshi Mining has legal rights to all underlying tenements as purported. Assessing the legal tenure and processing rights to prospects of Hengshi Mining and its subsidiary company are the responsibility of legal due diligence conducted by entities other than SRK.

3.4 Work Program

The work program consisted of a review of data provided by Hengshi Mining and its subsidiary companies; a site visit to the mining tenements and other properties in Laiyuan, Hebei Province, P.R. China in August 2012; inspection of all the operating mines including their geologies and resources, the production sites as well as the ore processing plants; discussions with the Company and its subsidiaries' professionals and consultants who conducted the geological explorations and feasibility study; supervision of the quality assurance and quality control ("QA/QC") procedures followed in the exploration drilling and sampling of the four iron mines from July to September 2011 and from June to July 2012; resource modelling and resource estimation from April to May 2012 and October 2012; collection and review of relevant documents; and preparation of this Report; another site visit to the mining tenements and other properties in Laiyuan, Hebei Province, P.R. China in July 2013; and update of the Report.

3.5 Project Team

The SRK project team, their title, and their responsibilities within this Report are shown in Table 3–1 below. All team members satisfy the independence requirements under Listing Rule 18.22.

Table 3–1: SRK Project Team

Consultant	Title	Discipline and Task
Dr Yiefei Jia	Principal Consultant (Geology)	Geology and Resources, Overall Reporting
Yuanjian Zhu	Senior Geologist	Geology and Resources
Lanliang Niu	Principal Consultant (Metallurgist)	Processing and Product Quality
Qiuji Huang	Principal Mining Engineer	Mining Assessment
Dr Yuanhai Li	Senior Consultant (Geo-Environmental)	Environment, Permits and Approvals
Qu Xiong	BD Supervisor	Project Coordination
Dr Anson Xu	Principal Consultant (Geology)	Internal Peer Review
Mike Warren	Corporate Consultant (Project Evaluations)	External Peer Review

Yiefei Jia, ***PhD, FAusIMM,*** is a Principal Consultant (geology) with a specialty of exploration of mineral deposits. He has more than 20 years' experience in the field of exploration, development, and resources estimate of precious metal (gold, silver and PGE), base metal (lead, zinc, copper, vanadium and titanium), and black metals (iron and manganese) as well as other metal ore deposits in different geological settings in Australia, Africa, China, and North and Central America. He has extensive experience in project management, exploration design and resource assessment. He, as Competent Person, has coordinated a number of due diligence projects with *technical reports either for fund raising or overseas stock listing such as on HKEx.* ***Dr Jia was the project manager of this project and the Competent Person (CP) who takes overall responsibility for this report.***

Yuanjian Zhu, ***M.Sc, MAusIMM,*** is a Senior Consultant (Geology), graduated and obtained his Master degree in Geology from the Institute of Geology and Geophysics at the Chinese Academy of Sciences in 2008. He also holds a Bachelor's degree in Geology from Peking University. He has been involved in the oil gas profile national investigation project and was a technical leader in a mining company in charge of resource explorations and due diligence reviews for new projects. He has extensive exploration experience in epithermal Au, Ag, Sb, Pb and Zn deposits as well as Cu and Fe deposits. He has expertise in geological modelling, resource/reserve reconciliation and geo-statistical theory and software (GS+, ArcGIS, Grapher, etc.). Yuanjian is proficient with geological and digital graphic processing software such as MapGIS, AutoCAD, CorelDraw, Surfer, Photoshop, and many others. ***Yuanjian assisted Dr. Jia in completing the geological QA/QC and resource estimate. Mr. Zhu satisfies the professional qualifications and experience requirements with respect to geological QA/QC and resource estimate required under Listing Rule 18.21.***

Qiuji Huang***, B.Eng. MAusIMM, Mining Association of the Chinese Society for Metals Member, China Association of National Gold member,*** is a Principal Consultant (Mining). Prior to joining SRK, he was the technical department manager for a number of gold mines in southwest China, responsible for mine development and mining design. Later he joined the Gold Administration Bureau of Guangxi province and the Guangxi Branch of National Gold, where he was in charge of review, purchase, planning, and production management. Qiuji has nearly 30 years of mining experience, including deposit development and planning, open-pit mining, underground mining, mine design and consultation. The commodities involved range from precious metals (Au, Ag) to non-ferrous metals (Cu, Zn, Pb, W, Mo), ferrous metals (Fe, Mn) and other metal deposits as well as non-metallic deposits formed under different conditions (such as: U, K, S, coal and stone). Other experience includes mine technology, review, mine construction, production test, mine management, and more. Since joining SRK, Qiuji has been involved in many due diligence studies in China, Asia, Africa and South America, including CNNC, and CITIC DAMENG, all of which have been listed successfully on the Hong Kong Stock Exchange. ***He was responsible for the mining review. Mr. Huang satisfies the professional qualifications and experience requirements with respect to mining review required under Listing Rule 18.21.***

Lanliang Niu, ***B.Eng. MAusIMM, MCAMRA,*** is a Principal Consultant (Processing) with SRK Consulting China. He has 25 years' experience in processing, hydrometallurgy test study, mine technical support and production management, and is competent in both theoretical study and actual working. He has specific expertise in the processing of precious metal, nonferrous metal, ferrous metal and some non-metal as well as processing test design, data process, plant design and operations. He is actively acquainted with the new development and applications of the processing technologies, facilities and reagents. He received two national awards for his achievements in this area. Since joining SRK, Lanliang has been responsible for ore processing/metallurgical and economic analysis scopes of work and involved in more than 70 independent technical review projects. ***He reviewed the metallurgical and processing aspects of the projects for this report. Mr. Niu satisfies the professional qualifications and experience requirements with respect to processing aspects required under Listing Rule 18.21.***

Yuanhai Li, ***Ph.D, MAusIMM***, is a senior environmental consultant with SRK Consulting China Limited, graduated with a doctoral degree in Environmental Engineering from the Florida State University. He has over 12 years' experience in environmental engineering field and has worked in various environmental projects in USA, China, Mongolia, as well as South Asian Countries. He has particular expertise in environmental due diligence reviews; environmental compliance and impact assessments for mining, mineral processing, refining, and smelting; contaminated site assessments and remedial design; wetland and landfill rehabilitation; and environmental risk assessment. He also has extensive experience in water/wastewater treatment design, water distribution systems, and storm water management system design. ***Dr. Li was responsible for the review of environmental issues. Dr. Li satisfies the professional qualifications and experience requirements with respect to environment issues required under Listing Rule 18.21.***

Qu Xiong (Maggie), ***B.A.,*** is a Business Development Supervisor with SRK China. As a graduate from Sichuan International Studies University, she was engaged in translation work for four years and has accumulated certain experience in project organisation and cooperation. Since joining SRK China, she has been involved in the project cooperation and technical translation for due diligence and IPO projects. ***Miss Xiong was responsible for project coordination.***

Dr Anson Xu***, PhD, FAusIMM,*** is a principal consultant with a specialty in exploration of mineral deposits. He has more than 20 years experience in exploration and development of various types of mineral deposits including copper-nickel sulphide deposits related to ultrabasic rocks, tungsten and tin deposits, diamond deposits, and in particular, various types of gold deposits, vein-type, fracture-breccia zone type, alteration type and Carlin type. He was responsible for the resource estimates of several diamond deposits, and review of resource estimates of several gold deposits. He has recently completed several due diligence jobs for customers in China, including gold, silver, lead-zinc, iron, bauxite, and copper projects, and several technical review projects, as well as technical reports for listing on HKEx. ***Dr Xu provided internal peer review to ensure the quality control of the report. Dr Xu is a Competent Person whose experience satisfies the requirements under Listing Rule 18.21.***

Mike Warren, ***B.Sc (Mining Eng), MBA, FAusIMM, FAICD,*** is a Corporate Consultant (Project Evaluation) and the director of SRK Australia, based in Sydney. Mike is a mining engineer with over 30 years' experience in on-site management and leadership, as well as 5 years' experience in investment banking. Mr. Warren has led SRK teams evaluating mining projects in Australia, New Zealand, Papua New Guinea, Canada, Brazil, Mongolia and China. He has been involved in multiple projects in China, including the listing of the Aluminium Corporation of China on both the Hong Kong and New York stock exchanges, the IPOs of Fujian Zijin, Lingbao Gold, and Xinjiang Xinxin Mining in Hong Kong, and the listing of Sino Gold Mining on the Stock Exchange of Hong Kong, Ltd. ***He completed the external peer review of the report to ensure its quality. Mr. Warren is a Competent Person whose experience satisfies the requirements under Listing Rule 18.21.***

3.6 Statement of Qualification of the Competent Person, Dr Yiefei Jia:

As the author of portions of the Report for Hengshi Mining on certain mineral properties in Hebei province, the People's Republic of China, I, Yiefei Jia, do hereby certify that:

- I am employed by, and carried out the assignment for SRK Consulting China Limited, located at:

  B1205 COFCO Plaza
  8 Jianguomennei Dajie
  Beijing, 100005, P.R. China
  Phone: 86-10-8512 0365, Fax: 86-10-8512 0385, Email: yjia@srk.cn

- I graduated with a Bachelor's degree in Geology and Geochemistry from Jilin University, China (B.Sc.) in 1987, a Master's degree in Geochemistry from Jilin University, China (M.Sc.) in 1990, and a Doctor's degree in Geology and Geochemistry from the University of Saskatchewan, Canada (Ph.D.) in 2001. I was awarded a Post Doctoral Fellowship from the Natural Science and Engineering

Research Council of Canada ("NSERC") from April 2002 to March 2004 to work as a Research Scientist at the Australian National University. From 2004 to 2005, I worked for the Mining and Exploration Division of the Commonwealth Scientific and Industrial Research Organisation ("CSIRO") as a research fellow.

- I am a Fellow of the AusIMM (No. 230607).
- I have been directly involved in geological research and mineral exploration for more than 18 years.
- I have read the definition of a "competent person" as set out in the HKEx Listing Rules and certify that by reason of my education, affiliation with a professional associations (as defined in the listing rules) and past relevant work experience, I fulfil the requirements to be a "competent person" for the purposes of this technical report.
- I visited the Hengshi Mining's properties in August 2012.
- I am the primary author responsible for the preparation and compilation of the report.
- I have had no previous involvement with the Hengshi Mining's Project. I have no interest, nor do I expect to receive any interest, either directly or indirectly, in the Hengshi Mining's Project, nor in the securities of Hengshi Mining.
- I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.
- I am independent of the issuer applying all of the tests in sections 18.21 and 18.22 of the Listing Rules of HKEx.
- I consent to the filing of the Technical Report with HKEx and other regulatory authority and any publication by them, including electronic publication in the public company files on their websites accessible by the public, of the Technical Report.

Mr Mike Warren, Dr. Anson Xu, Mr. Yuanjian Zhu, Mr. Qiuji Huang, Mr. Lanliang Niu, and Dr. Yuanhai Li, are also qualified professionals on overall quality control, geology and resource, mining, ore processing, and environmental and social issues. Their qualifications have been outlined in the short biographical notes above.

3.7 Statement of SRK's Independence

Neither SRK nor any of the authors of this Report have any material, present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK's fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. Payment of that professional fee is not contingent upon the outcome of the Report.

None of SRK or any authors of this report have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Company or any of the Company or any of its subsidiaries within the two years immediately preceding the issue of this transaction.

3.8 Representation

Hengshi Mining has represented to SRK that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate, and true. SRK has no reason to doubt this representation.

3.9 Consent

SRK consents to this Report being included in full in the application for a listing of Hengshi Mining on the Main Board of the HKEx, in the form and context in which the technical assessment is provided, and not for any other purpose.

SRK provides this consent on the basis that the technical reviews expressed in the summary and in the individual sections of this Report are considered with, and not independently of, the information set out in the complete Report and the cover letter.

3.10 SRK's Experience

SRK Consulting is an independent, international consulting group with extensive experience in preparing independent technical reports for various stock exchanges around the world (see www.srk.com for a review). SRK is a one-stop consultancy offering specialist services to mining and exploration companies for the entire life cycle of a mining project, from exploration through to mine closure. Among SRK's more than 1,500 customers are most of the world's major and medium-sized metal and industrial mineral mining houses, exploration companies, banks, petroleum exploration companies, agribusiness companies, construction firms, and government departments.

Formed in Johannesburg, South Africa, in 1974 SRK now employs more than 1,400 professionals internationally in 43 permanent offices on six continents. A broad range of internationally recognized associate consultants complements the core staff.

SRK Consulting employs leading specialists in each field of science and engineering. Its seamless integration of services, and global base, has made the company a world's leading practice in due diligence, feasibility studies and confidential internal reviews.

The SRK Group's independence is ensured by the fact that it holds no equity in any project and that its ownership rests solely with its staff. This permits the SRK Group to provide its customers with conflict-free and objective recommendations on crucial judgment issues.

SRK China was established in early 2005, and is mainly working on Chinese mining projects independently or together with SRK's other offices, mainly SRK Australasia (see www.srk.cn and www.srk.com.au). SRK China has prepared a number of independent technical reports on mining projects for various companies who acquired Chinese projects or completed public listings on overseas stock exchanges, as showing in Table 3–2.

Table 3–2: Recent Reports by SRK for Chinese Companies

Company	Year	Nature of Transaction
Yanzhou Coal Limited (company listed on the Stock Exchange of Hong Kong Limited)	2000	Sale of Jining III coal mine by parent company to the listed operating company
Chalco (Aluminum Corporation of China)	2001	Listing on the Stock Exchange of Hong Kong Limited and New York Stock Exchange
Fujian Zijin Gold Mining Company	2004	Listing on the Stock Exchange of Hong Kong Limited
Lingbao Gold Limited	2005	Listing on the Stock Exchange of Hong Kong Limited
Yue Da Holdings Limited (company listed on the Stock Exchange of Hong Kong Limited)	2006	Proposed acquisition of shareholding in mining projects in P.R. China
China Coal Energy Company Limited (China Coal)	2006	Listing on the Stock Exchange of Hong Kong Limited
Sino Gold Mining Limited	2007	Dual listing on the Stock Exchange of Hong Kong Limited
Xinjiang Xinxin Mining Industry Company Limited	2007	Listing on the Stock Exchange of Hong Kong Limited
Espco Technology Holdings Limited	2008	Acquisition of shareholding in Tongguan Taizhou Gold-Lead projects in P.R. China
China Shenzhou Mining and Resources Inc	2008	Listing (SHZ) on the American Stock Exchange
Green Global Resource Ltd	2009	Acquisition of shareholding in iron project in Mongolia
Ming Fung Jewellery Group Holdings Ltd	2009	Acquisition of shareholding in gold projects in Anhui and Hebei Provinces, P.R. China
Continental Holdings Ltd	2009	Acquisition of a gold project in Henan Province, P.R. China

Company	Year	Nature of Transaction
North Mining Shares Company Ltd .	2009	Acquisition of a molybdenum projects in Shaanxi, Province, P.R. China
CNNC International Ltd	2010	Acquisition of an uranium mine in Africa
New Times Energy Corporation Ltd .	2010	Acquisition of shareholding in gold projects in Hebei, Province, P.R. China
Sino Prosper Mineral Products Ltd .	2010	Acquisition of shareholding in gold projects in Hebei, Province, P.R. China
United Company RUSAL Ltd	2010	Listing on the Stock Exchange of Hong Kong Limited
CITIC Dameng Holdings Ltd	2010	Listing on the Stock Exchange of Hong Kong Limited
China Hanking Holdings Ltd	2011	Listing on the Stock Exchange of Hong Kong Limited
China Non-ferrous Mining Corporation Ltd	2012	Listing on the Stock Exchange of Hong Kong Limited

3.11 Forward-looking Statements

Estimates of Mineral Resources, Ore Reserves and mine and processing plant production are inherently forward-looking statements, which, being projections of future performance, will necessarily differ from actual performance. The errors in such projections result from inherent uncertainties in the interpretation of geologic data, variations in the execution of mining and processing plans, the ability to meet construction and production schedules due to many factors including weather, availability of necessary equipment and supplies, fluctuating prices, and changes in regulations. The possible sources of error in forward-looking statements are addressed in more detail in the appropriate sections of this report. Also provided in the report are comments on the risks inherent in the different areas of mining and processing operations.

4 REGIONAL DESCRIPTION

4.1 Regional Location

The four iron mines with associated processing plants of Hengshi Mining are all located in Laiyuan County, Hebei Province in China (Figure 4–1). The Gufen, Shuanmazhuang and Wang'ergou properties are administrated by Shuibao Town and are southwest of the Laiyuan urban area in Dushancheng mining area, southwest of the town of Laiyuan. The Zhijiazhuang property is located southeast of the Laiyuan urban area and is administered by Yangjiazhuang Town. The geographic coordinates of each project centre are listed below in Table 4–1.

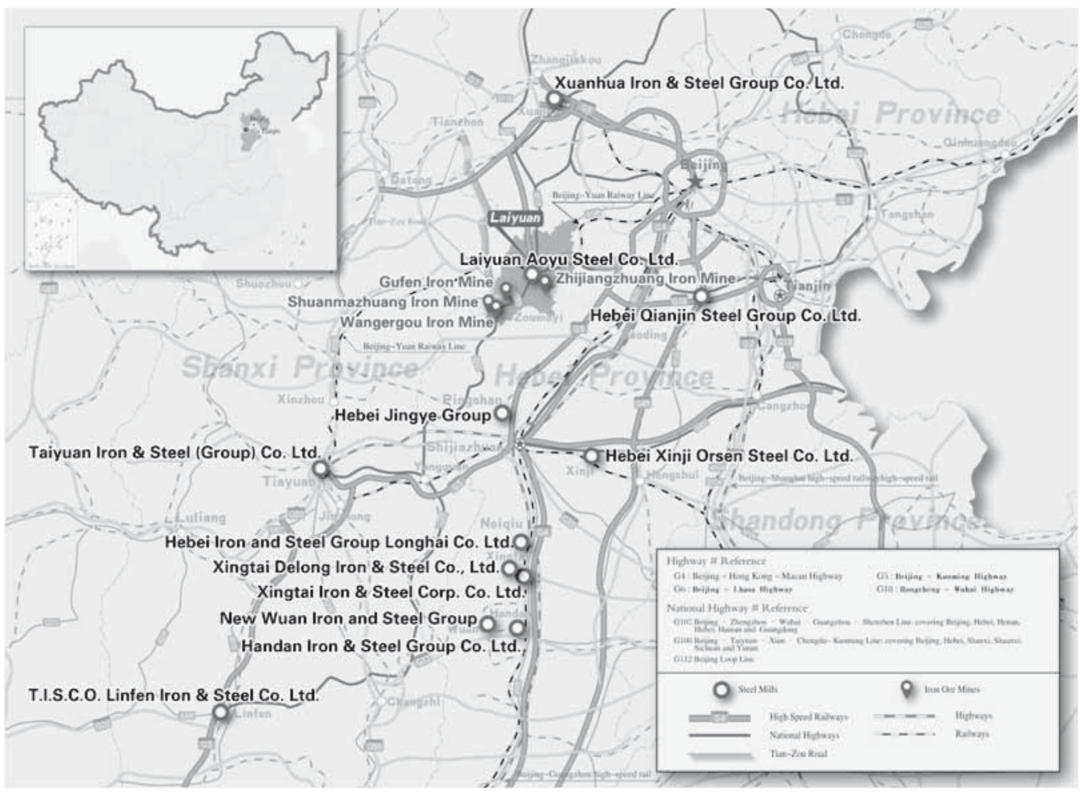


Figure 4–1: Schematic Map of the Locations of the Four Properties

Table 4–1: Centre Geographic Coordinate of Each Property

Property	Centre Coordinate Longitude	Centre Coordinate Latitude
Gufen	114°30'28"	39°12'26"
Wang'ergou	114°28'10"	39°10'40"
Shuanmazhuang	114°27'00"	39°10'50"
Zhijiazhuang	114°50'00"	39°17'00"

4.2 Access

Access to each property is convenient. The Tianzhen-Zoumayi Road passes by 500m west of the Gufen Mine. Wang'ergou and Shuanmazhuang iron mines are almost 6 kilometres ("km") south of the road. Tianzhen-Zoumayi Road connects with National Road 108 at its north end which leads to Laiyuan urban area approximately 22 km away. The south end of Tianzhen-Zoumayi Road joins National Road 207 about 26 km south of Laiyuan urban area.

National Road 108 also passes by about 12 km north of the Zhijiazhuang mining area, as shown in Figure 4–1. Zhangshi Motorway (S32), which has been open to traffic since late 2012, passes by the Laiyuan urban area and links Zhangjiakou City and Shijiazhuang City. The Pingyuan Railway passes by the Laiyuan urban area and leads to Shanxi Province.

4.3 Climate and Potential Natural Hazards

The mine area is characterised by a semi-humid monsoon climate with seasonal temperatures varying from winter lows reaching –20 degrees of centigrade ("°C") to summer highs up to 42°C and an average annual temperature of 12°C. The average annual precipitation is 556 mm, mainly concentrated between June and September. The frost-free season lasts 120 days to 180 days. The average wind speed in the region is 2.4 metres per second ("m/s").

According to the *China seismic ground motion parameter zonation (GB-18306-2001)*, the seismic peak ground acceleration in Laiyuan is 0.1 g, which indicates a relatively low level of seismic activity. There has been no historical earthquake record in this area.

5 OPERATIONAL LICENCES AND PERMITS

This section summarises related operational licences and permits. SRK relies on the information provided by the Company, and SRK understands that a legal due diligence review of this Project has been undertaken by the Company's legal advisors.

5.1 Business Licenses

The business license details for the Project are presented in Table 5–1. Xinxin Mining and Jingyuancheng Mining are 100% owned by Aowei Mining; and Aowei Mining owns 90% of Jiheng Mining and the remaining 10% is held by a state-owned company.

Table 5–1: Business Licenses

Project/Company	Laiyuan Xinxin Mining
Business License No.	130630000001716
Issued To	Laiyuan Xinxin Mining Co., Limited
Issued By	Laiyuan County Industry and Commerce Bureau
Issue Date	April 12, 2013
Expiry Date	April 21, 2024

Licensed Business Activities	Iron ore mining and processing, sales of iron concentrate
Project/Company	Laiyuan Jingyuancheng Mining
Business License No.	130630000002688
Issued To	Laiyuan Jingyuancheng Mining Co., Limited
Issued By	Laiyuan County Industry and Commerce Bureau
Issue Date	April 12, 2013
Expiry Date	October 17, 2021
Licensed Business Activities	Iron ore mining and processing, sales of iron concentrate

Project/Company	Laiyuan Jiheng Mining
Business License No.	130630000005981
Issued To	Laiyuan Jiheng Mining Co., Limited
Issued By	Laiyuan County Industry and Commerce Bureau
Issue Date	April 12, 2013
Expiry Date	August 15, 2022
Licensed Business Activities	Iron ore mining and processing, sales of iron ore and iron concentrate

5.2 Mining Licenses

The Mining license details for the Project are presented in Table 5–2.

Table 5–2: Mining Licenses

Project	Xinxin Mining: Gufen Mine
Mining License No.	C1300002013012120128989
Issued To	Laiyuan Xinxin Mining Limited
Issued By	Hebei Province Land and Resources Bureau
Issue Date	January 23, 2013
Expiry Date	January 23, 2023
Area (km^2)	1.3821
Mining Type	Open-pit/Underground Mining
Production Rate (Mtpa)	3.0

Project	Jingyuancheng Mining: Wang'ergou Mine
Mining Licence No.	C1300002013012120128988
Issued To	Laiyuan Jingyuancheng Mining Limited
Issued By	Hebei Province Land and Resources Bureau
Issue Date	January 23, 2013
Expiry Date	January 23, 2023
Area (km^2)	1.5287
Mining Type	Open-pit/Underground Mining
Production Rate (Mtpa)	2.4

Project	Jingyuancheng Mining: Shuanmazhuang Mine
Mining Licence No.	C1300002013012120128987
Issued To.	Laiyuan Jingyuancheng Mining Limited
Issued By	Hebei Province Land and Resources Bureau
Issue Date	January 23, 2013
Expiry Date	January 23, 2023
Area (km^2)	2.1871
Mining Type	Open-pit/Underground Mining
Production Rate (Mtpa)	4.0

Project	Jiheng Mining: Zhijiazhuang Mine
Mining Licence No.	C1300002011012120105565
Issued To.	Laiyuan Jiheng Mining Limited
Issued By	Hebei Province Land and Resources Bureau
Issue Date	April 12, 2012
Expiry Date	April 12, 2022
Area (km^2)	0.3337
Mining Type	Open-pit/Underground Mining
Production Rate (Mtpa)	1.0

5.3 Safety Operational Permits

The details for the obtained safety operational production permits are presented in Table 5-3. SRK notes that the safety production permit for the Dabugou tailings storage facility ("TSF") in Jingyuancheng Mining has not yet been required.

Table 5–3: Operational Safety Production Permit

Project	Xinxin Taohuazui TSF
Safety Production Permit No.	[2013] Baoyan830328
Issued To	Laiyuan Xinxin Mining Limited
Issued By	Baoding City Safety Supervision Bureau
Licensed Activity	TSF operation
Issue Date	January 8, 2013
Expiry Date	January 7, 2016

Project	Xinxin Xiaomazong TSF
Safety Production Permit No.	[2013] Baoyan830302
Issued To	Laiyuan Xinxin Mining Limited
Issued By	Baoding City Safety Supervision Bureau
Licensed Activity	TSF operation
Issue Date	July 7, 2013
Expiry Date	June 6, 2016

Project	Jingyuancheng Chengzigou TSF
Safety Production Permit No.	[2013] Bao830340
Issued To	Laiyuan Jingyuancheng Mining Limited
Issued By	Baoding City Safety Supervision Bureau
Licensed Activity	TSF operation
Issue Date	March 4, 2013
Expiry Date	March 3, 2016

Project	Jiheng Zhijiazhuang Iron Mine
Safety Production Permit No.	[2012] Bao210006
Issued To	Laiyuan Jiheng Mining Limited
Issued By	Baoding City Safety Supervision Bureau
Licensed Activity	Iron ore open-pit
Issue Date	December 5, 2012
Expiry Date	December 4, 2015

Project	Xinxin Mining: Gufen Mine
Safety Production Permit No.	[2013] Bao000025
Issued To	Laiyuan Xinxin Mining Limited
Issued By	Baoding City Safety Supervision Bureau
Licensed Activity	Iron ore open pit/underground mining
Issue Date	September 10, 2013
Expiry Date	September 9, 2016

Project	Jingyuancheng Mining: Wang'ergou Mine
Safety Production Permit No.	[2013] Bao000026
Issued To	Laiyuan Jingyuancheng Mining Limited
Issued By	Baoding City Safety Supervision Bureau
Licensed Activity	Iron ore open pit/underground mining
Issue Date	September 10, 2013
Expiry Date	September 9, 2016

Project	Jingyuancheng Mining: Shuanmazhuang Mine
Safety Production Permit No.	[2013] Bao000027
Issued To	Laiyuan Jingyuancheng Mining Limited
Issued By	Baoding City Safety Supervision Bureau
Licensed Activity	Iron ore open pit/underground mining
Issue Date	September 10, 2013
Expiry Date	September 9, 2016

5.4 Other Operational Permits

The Company states that it has obtained proper land use accesses to carry out mining and processing activities. Disturbance area maps have also been provided to SRK for review. In addition, the Company plans to obtain additional land use right for the future mining. For those lands obtained through temporary land use arrangements, SRK has sighted related confirmation letters issued by the local government.

SRK has sighted all related water use permits for the project and three site discharge permits for all mining activities for the Aowei Project and for one wet processing plant in Xinxin Mining, which were summarized in the following tables. The Company states that the rest related operational permits are being obtained.

Table 5–4: Water Use Permit

Project	Laiyuan Xinxin Gufen Mine
Water Use Permit No.	0716075
Issued To	Laiyuan Xinxin Mining Limited
Issued By	Laiyuan County Bureau of Water Resources
Issue Date	June 6, 2013
Expiry Date	June 6, 2018
Water Use Purpose	Mining
Water Supply Source	Groundwater and Surface Water
Water Use Allocation (m^3/year)	103,500

Project	Laiyuan Xinxin Processing Plant
Water Use Permit No.	0716081
Issued To	Laiyuan Xinxin Mining Limited
Issued By	Laiyuan County Bureau of Water Resources
Issue Date	June 6, 2013
Expiry Date	June 6, 2018
Water Use Purpose	Processing
Water Supply Source	Surface water
Water Use Allocation (m^3/year)	170,700

Project	Laiyuan Xinxin Processing Plant
Water Use Permit No.	0716080
Issued To	Laiyuan Xinxin Mining Limited
Issued By	Laiyuan County Bureau of Water Resources
Issue Date	June 6, 2013
Expiry Date	June 6, 2018
Water Use Purpose	Processing and Domestic Use
Water Supply Source	Groundwater
Water Use Allocation (m^3/year)	188,100

Project	Laiyuan Jingyuancheng Processing Plant
Water Use Permit No.	0716079
Issued To	Laiyuan Jingyuancheng Mining Limited
Issued By	Laiyuan County Bureau of Water Resources
Issue Date	June 6, 2013
Expiry Date	June 6, 2018
Water Use Purpose	Processing and Domestic Use
Water Supply Source	Groundwater
Water Use Allocation (m^3/year)	319,100

Project	Laiyuan Jingyuancheng Processing Plant
Water Use Permit No.	0716078
Issued To	Laiyuan Jingyuancheng Mining Limited
Issued By	Laiyuan County Bureau of Water Resources
Issue Date	June 6, 2013
Expiry Date	June 6, 2018
Water Use Purpose	Processing and Domestic Use
Water Supply Source	Groundwater
Water Use Allocation (m^3/year)	656,100

Project	Laiyuan Jingyuancheng Shuanmazhuang Mine
Water Use Permit No.	0716077
Issued To	Laiyuan Jingyuancheng Mining Limited
Issued By	Laiyuan County Bureau of Water Resources
Issue Date	June 6, 2013
Expiry Date	June 6, 2018
Water Use Purpose	Mining
Water Supply Source	Groundwater and Surface Water
Water Use Allocation (m^3/year)	135,300

Project	Laiyuan Jingyuancheng Wang'ergou Mine
Water Use Permit No.	0716076
Issued To	Laiyuan Jingyuancheng Mining Limited
Issued By	Laiyuan County Bureau of Water Resources
Issue Date	June 6, 2013
Expiry Date	June 6, 2018
Water Use Purpose	Mining
Water Supply Source	Groundwater and Surface Water
Water Use Allocation (m^3/year)	84,000

Project	Laiyuan Jiheng Zhijiazhuang Mine
Water Use Permit No.	0716066
Issued To	Laiyuan Jiheng Mining Limited
Issued By	Laiyuan County Bureau of Water Resources
Issue Date	July 18, 2011
Expiry Date	July 18, 2016
Water Use Purpose	Mining
Water Supply Source	Groundwater
Water Use Allocation (m^3/year)	166,700

Table 5–5: Site Discharge Permit

Project	Xinxin Mining Activity with a Wet Processing Plant
Site Discharge Permit No.	PWD-130630-0072
Issued To.	Laiyuan Xinxin Mining
Issued By	Baoding Environmental Protection Bureau
Issue Date	24 October, 2013
Expiry Date	23 October, 2014
Pollutants Discharge Type	COD, Dust
Project	Jiheng Mining Activity only
Site Discharge Permit No.	PWD-130630-0151
Issued To.	Laiyuan Jiheng Mining
Issued By	Baoding Environmental Protection Bureau
Issue Date	April 27, 2013
Expiry Date	April 26, 2014
Pollutants Discharge Type	COD, NH_3-N
Project	Jingyuancheng Mining Activity only
Site Discharge Permit No.	PWD-130630-0070
Issued To.	Laiyuan Jingyuancheng Mining
Issued By	Baoding Environmental Protection Bureau
Issue Date	October 24, 2013
Expiry Date	October 23, 2014
Pollutants Discharge Type	COD, Dust

6 GEOLOGICAL DESCRIPTION

Hengshi Mining has four mining licenses for the Gufen, Wang'ergou, Shuanmazhuang and Zhijiazhuang mining properties. The iron deposits in Gufen, Wang'ergou and Shuanmazhuang properties are recognized as metamorphosed sedimentary iron deposits characterized by low iron grades and are formed in the same metallogenic condition. In contrast, Zhijiazhuang iron deposit is recognized as a contact metamorphic iron deposit (skarn deposit) featuring relatively high iron grade ore.

6.1 Gufen, Wang'ergou and Shuanmazhuang Mines

6.1.1 Regional Geology

The Gufen, Wang'ergou and Shuanmazhuang Mines are located in the northeastern part of the Fuping quaquaversal fold cluster, which is part of the Wutai anteclise in the Sino-Korean paraplatform. Stratigraphically, Neoarchaean metamorphic rocks dominate the area, which include gneisses in the Caishuzhuang Formation's Fuping Group and granulites in the Jingangku Formation's Shizui Group. The Jingangku Formation is recognized as the ore-bearing stratum in the region. Dolomites outcrop in the northeastern part of the region and belong to the Mesoproterozoic Changcheng Group (see Figure 6–1).

Igneous rocks are less developed with a few Mesozoic magmatites distributed in the northwestern part of the region. The Wang'ergou synclinorium is the primary structure and controls the spatial distribution of the iron deposits with a fold axis trending north-northwest. Strata on the east limb strike northeast and dip northwest with dip angles between 30° and 60°. Strata on the west limb strike northwest and dip northeast with dip angles between 30° and 80°. Some post-faults were discovered to have dislocated the mineralised bodies.

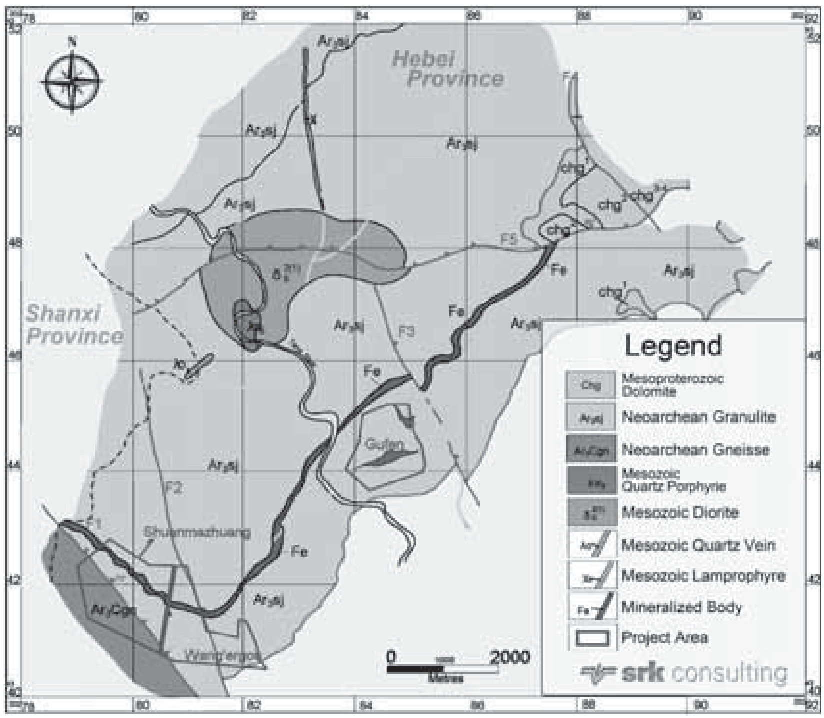


Figure 6–1: Regional Geological Map of Gufen, Wang'ergou and Shuanmazhuang Mines

6.1.2 Deposit Geology

6.1.2.1 Stratigraphy

The predominate strata in Gufen, Wang'ergou and Shuanmazhuang mining areas consist of the Jingangku Formation, the Caishuzhuang Formation and Quaternary deposits as shown in Figure 6–2 and Figure 6–3 and described below.

- The Jingangku Formation (Ar_3Sj) is recognized as the primary ore-bearing layer, widely distributed in all three mining areas. It mostly consists of biotite plagioclase granulites, biotite hornblende granulites, biotite granulites, plagioclase hornblende gneisses, amphibolites and hornblende magnetite quartzites.

- The Caishuzhuang Formation (Ar_3Cgn) is characterized by biotite monzonitic gneisses. It is mostly distributed in the southwestern part of Shuanmazhuang.

- Quaternary sediments are locally distributed along riversides and in valleys.

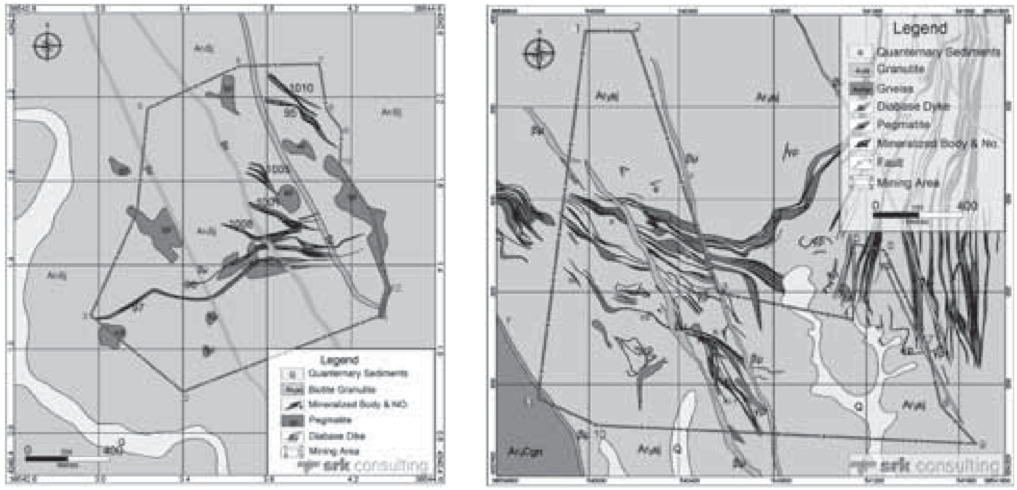


Figure 6–2: Simplified Geological Maps of Gufen Mine (left), Wang'ergou Mine (right)

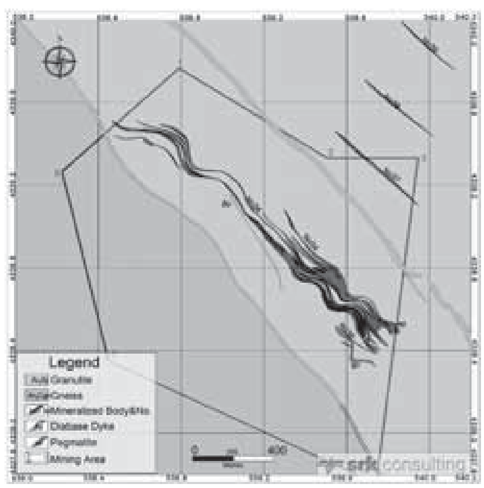


Figure 6–3: Simplified Geological Maps of and Shuanmazhuang Mine

6.1.2.2 Structure

After multiple ages and series of deformations and alterations, the region has developed relatively complicated structural features, as shown in Figure 6–2. Wang'ergou synclinorium dominates the area and rules the spatial distribution of iron mineralised zones. The Wang'ergou and Shuanmazhuang deposits lie on the west wing of the Wang'ergou Synclinorium while the Gufen deposit lies on the east. Secondary folds feature monoclines and contribute to the specific characteristic of the deposit distribution. Interlayer flexures associated with boudinages thickened, snapped, or thinned the mineralised bodies locally. Post-fractures filled with diabase stretch from north-northwest to south-southeast with almost vertical dip angles, and locally dislocate the deposit to a certain extent.

6.1.2.3 Magmatism

Intrusive rocks outcropping in the regions include diabase and granite pegmatite. Diabase dikes trending north-northwest intruded into wall rocks, breaking the continuity of the mineralised bodies. These dikes are over 1,000 m long and are between 10 m and 40 m wide. Scattered instances of granite pegmatite occur in various shapes such as veins, veinlets and masses. The majority of the pegmatite crosscuts the gneissic schistosity. The intrusive rocks disrupt the mineralised bodies to a certain degree.

6.1.3 Mineralised Zone Geology

6.1.3.1 Characteristics of Mineralised Zone

A total of 29 magnetite mineralised zones have been defined, including nine (9) mineralised zones in the Gufen Property, 12 mineralised zones in the Wang'ergou Property and eight (8) mineralised zones in the Shuanmazhuang Property. Magnetite deposits in the regions are hosted in Jingangku Formation granulites and are recognised as metamorphosed sedimentary deposits. The mineralised bodies occur in quasi-stratiform or lensoidal shapes and are in conformity with wall rocks in attitude. Details of the major mineralised zones are provided below:

Mineralised Zone in the Gufen Mine

Nine mineralised zones were identified in the Gufen Mine and numbered 95, 96, 97, 99, 1001, 1005, 1006, 1008 and 1010. Mineralised zones No. 96, No. 97, No. 1006 and No. 1008 are recognised as the major zones which together account for about 79% of the total Gufen resources. The Gufen mineralised zones are shown in Figure 6–4 and have the following characteristics:

- Mineralised zone No. 96 was defined by 21 trenches and 70 drillholes. It strikes east-west and dips north at 310° to 0° with an average dip angle of 27°. It is located in the middle part of the Gufen Mine (Figure 6–2). The zone is quasi-stratiform in shape, with local swellings and constrictions, and has been dislocated by three diabase dykes. It is recognised as 927 m long and 5 m to 90m wide, with a down dip extension up to 1,200 m.

- Mineralised zone No. 97 was defined by 28 trenches and 70 drillholes. It is located to the south of mineralised zone No. 96, as shown in Figure 6–2. The deposit is quasi-stratiform or lensoidal in shape and has also been dislocated by three diabase dykes. Like the gneiss in the wall rocks, the mineralised zone strikes east-west and dips north at 330° to 0° with dip angles varying from 24° to 30°. It has an approximate length of 1,050 m along the strike and up to 1,350 m down dip, varying from 10 m to 80 m wide.

- Mineralised zone No. 1006 was defined by one (1) trench and 17 drillholes. It is located north of mineralised zone No. 96, as shown in Figure 6–2. The deposit is quasi-stratiform. Like the gneiss in the wall rocks, the mineralised zone strikes east-west and dips north at 350° to 0°, with dip angles varying from 25° to 28°. It is approximately 387 m long and extends up to 1,120 m down dip, varying from 10 m to 90 m wide.

- Mineralised zone No. 1008 was defined by three (3) trenches and 24 drillholes. It is situated north of mineralised zone No. 96. It is quasi-stratiform in shape and has been dislocated by one diabase dyke in the middle of the zone. It's attitude is similar to that of mineralised zone No. 96, striking east-west and dipping north at 350° to 0° with an average dip angle of 28°. It is about 377 m long, 8 m to 70 m wide and extends up to 1,140 m down dip.

- Mineralised zones No. 95, No. 1001, No. 1005 and No. 1010 are relatively small and defined by a few drillholes each. The attitudes of these zones are similar to those of mineralised zone No. 96.

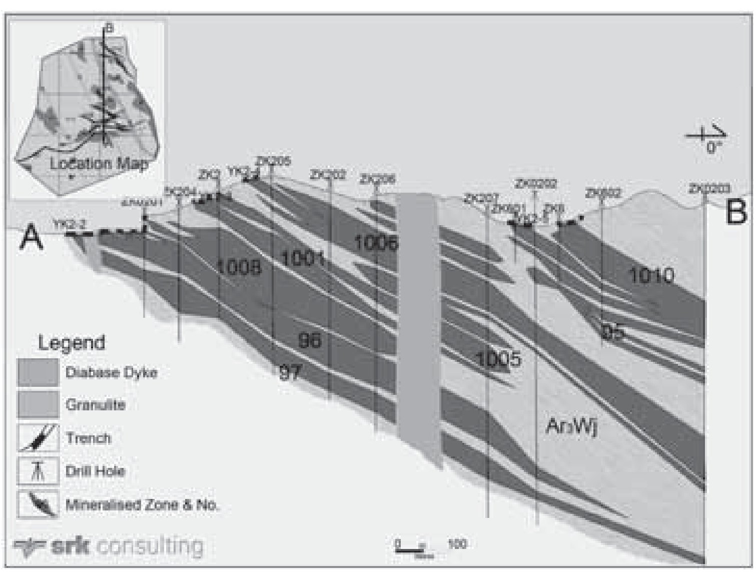


Figure 6–4: Schematic Exploration Section in Gufen Mine

Mineralised Zone in the Wang'ergou Mine

A total of twelve mineralised zones were identified in the Wang'ergou Mine and numbered 1 through 12. Mineralised zones No. 1, No. 2 and No. 11 are recognised as the major zones which together account for nearly 61% of the total Wang'ergou resources. The mineralised zones are shown in Figure 6–5 and have the following characteristics:

- Mineralised zone No. 1 was defined by seven (7) drill holes and 12 trenches. It is approximately 527 m long and extends 455 m down dip. It is quasi-stratiform in shape and dips northeast at 5° to 50° with dip angles from 48° to 52°.

- Mineralised zone No. 2 was defined by 10 drill holes and 12 trenches. The mineralised body is quasi-stratiform in shape and situated to the south of mineralised zone No. 1. It dips northeast at 27° with dip angles between 42° and 61°. The mineralised zone is about 700 m long and extends 508 m down dip.

- Mineralised zone No. 11 was defined by 14 drill holes and 10 trenches. It is quasi-stratiform in shape and situated in the middle south of Wang'ergou region. The zone stretches over 835 m on the surface and extends for about 667 m below the surface. It dips from 330° to 20°, with dip angles between 40° and 85°.

- Other mineralised zones are relatively small and defined by a few drillholes each. They are all quasi-stratiform in shape. The attitudes of zones No. 3 through No. 7 are similar to those of Mineralised Zone No. 1. The attitudes of zones No. 8 through No. 10 are similar to those of Mineralised Zone No. 12.

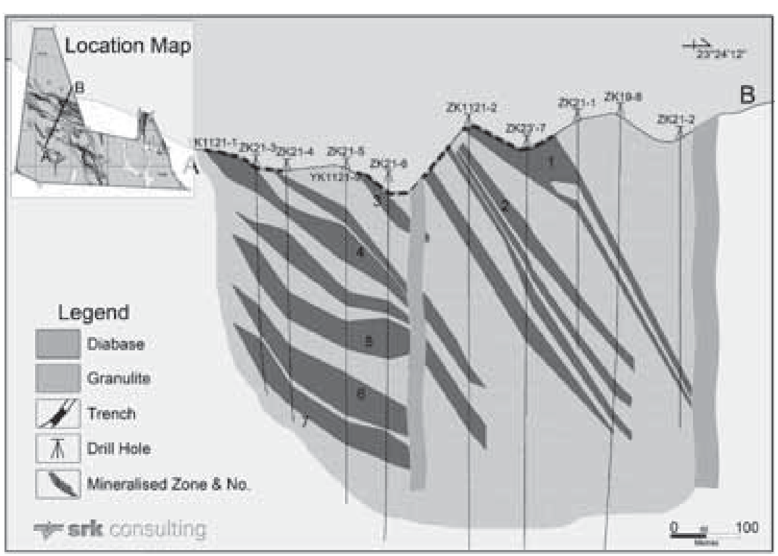


Figure 6–5: Schematic Exploration Section in Wang'ergou Mine

Mineralised Zone in the Shuanmazhuang Mine

A total of eight mineralised zones were defined in the Shuanmazhuang Mine and numbered 1 through 8. Mineralised zone No. 1 is recognised as the major zone which accounts for about 96% of the total Shuanmazhuang resources. The mineralised zones are shown in Figure 6–6 and have the following characteristics:

- Mineralised zone No. 1 is located in the northeastern part of the Shuanmazhuang mining area and was defined by 31 trenches and 33 drillholes. It outcrops on the surface in S-shapes and diverges on the western end and occurs in a thick plate shape at depth. The mineralised zone is approximately 1,720 m long and extends 800 m down dip, dipping at 345° to 30° with dip angles between 30° and 69°.

- Mineralised zones No. 2, No. 3, No. 4, No. 5, No. 6, No. 7 and No. 8 are relatively small and defined by a few drillholes each. They all occur in quasi-stratiform shapes and the attitudes of these zones are similar to those of Mineralised Zone No. 1.

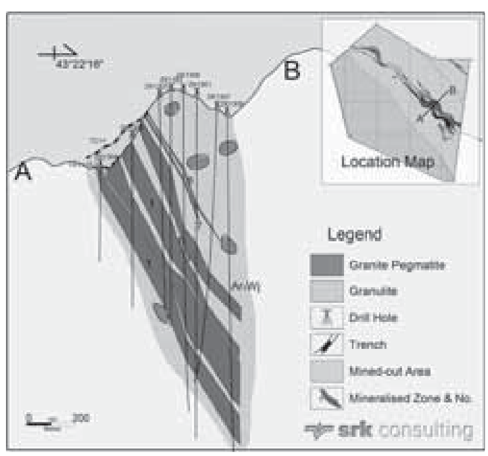


Figure 6–6: Schematic Exploration Section in Shuanmazhuang Mine

6.1.3.2 Ore Mineralogy

The deposits of Gufen, Wang'ergou and Shuanmazhuang are homological and therefore have the same ore characteristics. The ore of Gufen, Wang'ergou and Shuanmazhuang mines is represented by low grade magnetite, content of which is generally less than 30% of the primary ore's total mass. The secondary associated minerals are pyrite, chalcopyrite and pyrrhotite. Hematite and limonite are also found in outcropping ores on the surface with contents between 2% to 4%. Gangue minerals are mostly comprised of plagioclase, quartz, amphibole, biotite and apatite, which account for 75% of the rock mass in the deposit.

Magnetite exhibits subhedral to allotriomorphic grains with diameters varying from 0.02 mm to 0.80 mm. Most ores present in fine granular granoblastic textures and appear in streaked or massive structures. Figure 6–7 shows photomicrographs of thin sections of ore specimens from the Dushancheng region, in which, Photo a shows acicular-shaped hematite ("Hem") distributed between banded biotite ("Bt"); Photo b shows subhedral or allotriomorphic magnetite ("Mag") disseminated between hornblende ("Hbl") and quartz ("Qtz"); Photo c illustrates the banded structure with magnetite ("Mag") and other leucocratic minerals; and Photo d shows granular magnetite ("Mag") distributed between quartz ("Qtz") and biotite ("Bt").

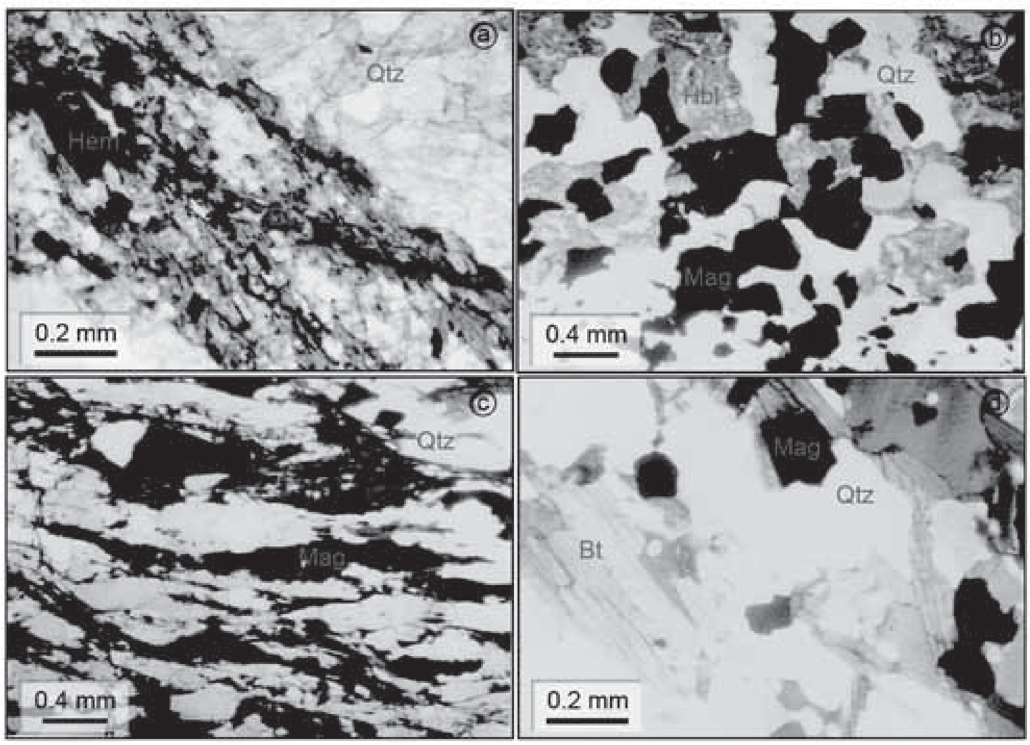


Figure 6–7: Photomicrographs of Magnetite Specimens from the Dushancheng Region

The accompanying useful elements consist of titanium ("Ti", 0.0067% to 0.0120%) and vanadium ("V", 0.23% to 0.39%), which cannot be recovered. The harmful elements are sulphur ("S", 0.12% to 0.20%) and phosphorus ("P", 0.060% to 0.080%), but occur in low enough quantities to be ignored.

6.2 Zhijiazhuang Mine

6.2.1 Regional Geology

The Zhijiazhuang Property is located in the western part of the Wanganzhen complex, the conjunction zone between the Shanxi Province fault-uplift and the Yanshan platform folded belt in the Sino-Korean Paraplatform. Faults and folds are relatively well developed in the region. The Wanganzhen complex includes several dolomite roof pendants and the deposit is situated in the south contact zone of one of the roof pendants with intrusive rocks.

The property is adjacent to Yucheng iron mine in the east and adjoins Dawan zinc-molybdenum mine in the west. The area is recognised as one of the most important metallogenic zone in Taihangshan region.

6.2.2 Local Geology

6.2.2.1 Stratigraphy

Outcrops in the Zhijiazhuang Mine are dominated by altered dolomites of the Middle Proterozoic Gaoyuzhuang Formation (see Figure 6–8). The lower layers of the Gaoyuzhuang Formation consist of moderately-thick grey bedded dolomite with some chert nodules; the upper layers feature grey or dark grey moderately-thick bedded chert-banded dolomite. In addition, Quaternary deposits are widespread over the region.

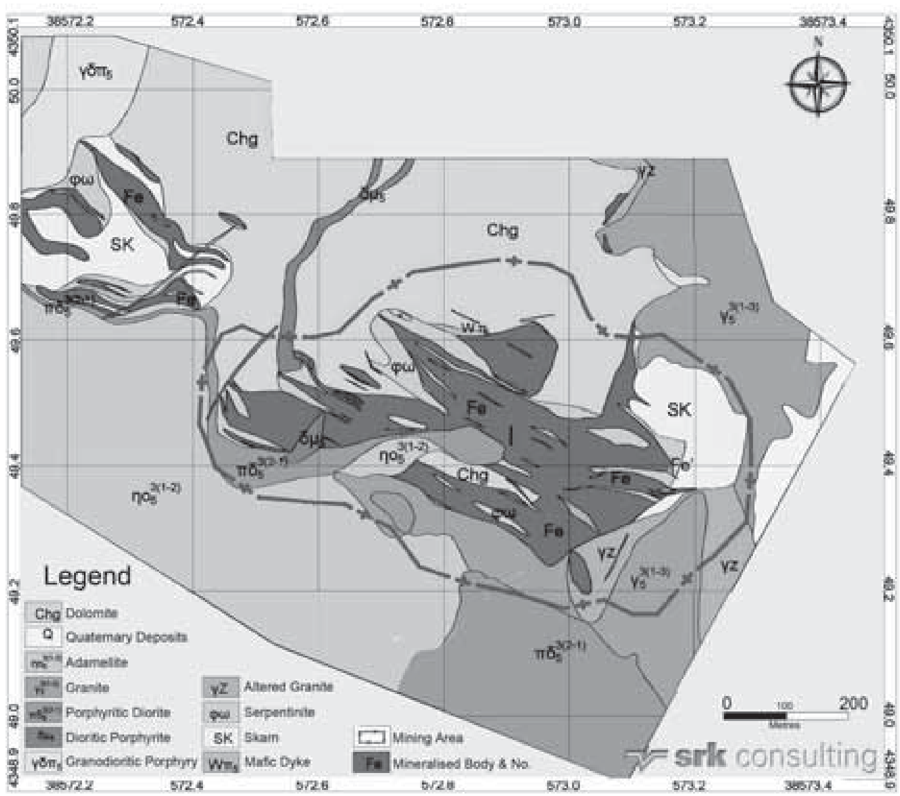


Figure 6–8: Simplified Geological Map of Zhijiazhuang Mine

6.2.2.2 Structure

Folds and faults are well developed in the Zhijiazhuang mining area. The Zhijiazhuang-Qiaomaidi anticline developed in association with a number of subsidiary synclines and anticlines, as a result of the effect of intruding granites from east to west. These north-northeast (NNE) trending folds control the spatial distribution of the iron deposits to a certain extent, by thickening or thinning out mineralised zones in the hinge zones.

The Zhijiazhuang-Qiaomaidi anticline is recognised as the major ore-controlling structure in the area. The axis of the anticline strikes approximately north. Strata on the west limb dip west or northwest with dip angles varying from 10° to 30°. Strata in the east limb dip northeast or east with a dip angle of 30°.

6.2.2.3 Alteration

Alterations such as marbleisation, serpentinization and skarnisation are widely developed in the region. Skarnisation is recognised as a prospecting indicator for magnetite deposits and serpentine skarn is thought to serve as the ore-bearing wall rocks.

6.2.2.4 Intrusion

Igneous rocks outcropping in this region belong to the Yanshanian Wanganzhen complex. Early Yanshanian igneous rocks are the primary source rocks of the iron deposit. The iron element derived from hydrothermal fluids and wall rocks was enriched and deposited during the intrusion of the granite. Igneous rocks in the region consist of adamellite, granite, porphyritic diorite, granodioritic porphyry and dioritic porphyry. Some mafic dykes including diabase, gabbro and amphibolite, strike at 30° to 60° with nearly vertical dip angles and are 2 m to 10 m wide with lengths varying from 40 m to 230 m. These dykes disrupt the mineralised zones but caused generally imperceptible degrees of dislocations.

6.2.3 Mineralised Zone Geology

6.2.3.1 Characteristics of Mineralised Zone

A total of three mineralised zones were defined in the region and numbered 1 through 3. Mineralised zone No. 1 is recognised as the major zone which accounts for nearly 97% of the total Zhijiazhuang resources (Figure 6–9). The occurrence and spatial distribution of the deposit is controlled by the contact metamorphic zones, most of which are lensoidal in shape.

Mineralised zone No. 1 was defined by 21 trenches and 54 drillholes. It is approximately 900 m long, 20 m to 320 m wide and extends for 97 m to 500 m down dip, in a lensoidal shape. This mineralised zone is distributed along the Zhijiazhuang-Qiaomaidi anticline. The western part of the mineralised zone lies in the west limb of the anticline and dips southwest with dip angles varying from 40° to 60°. The eastern part of the zone lies in the east limb of the anticline, dipping northeast with dip angles varying from 40° to 70°.

The other two mineralised zones are relatively small and defined by several drillholes each. In addition, they are both located outside of the Zhijiazhuang mining license area.

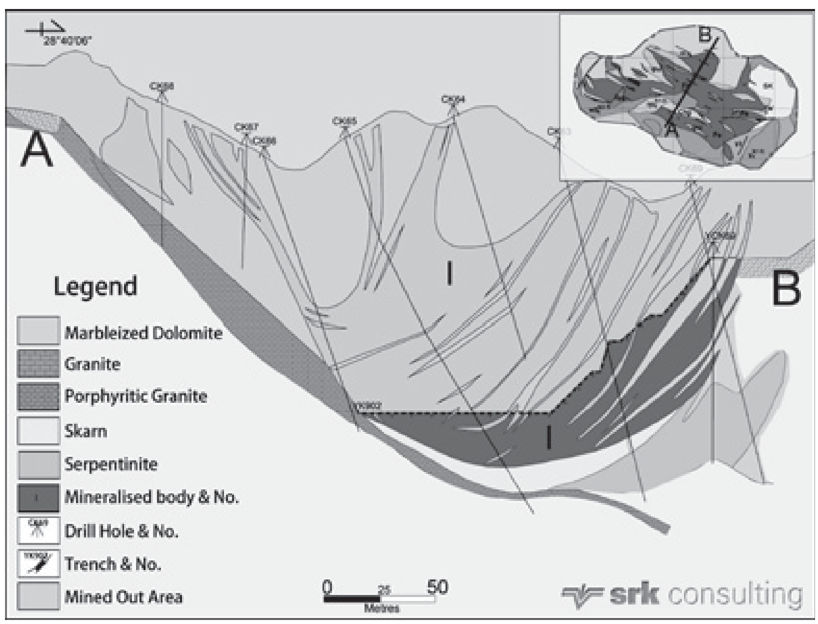


Figure 6–9: Schematic Exploration Section in Zhijiazhuang Mine

6.2.3.2 Ore Mineralogy

The target ore mineral in Zhijiazhuang mine is magnetite, content of which is generally between 30% and 50%. The secondary associated minerals mostly comprise limonite, pyrite and chalcopyrite, with content usually less than 1%. Gangue minerals mostly consist of serpentine and olivine.

Magnetite mostly presents in fine grained, xenomorphic-hypidiomorphic granular or metasomatic relict textures, and appears in banded or taxitic structures associated with less disseminated structures and massive structures.

The accompanying useful minerals consist of cobalt ("Co", with an average grade of 0.005%), copper ("Cu", with an average grade of 0.006%), manganese ("Mn," with an average grade of 0.57%), gallium ("Ga", with an average grade of 0.0005%) and vanadium ("V", 0.01% to 0.001%). None of these minerals can be economically recovered. The harmful elements are sulphur ("S", with an average grade of 0.062%), phosphorus ("P", with an average grade of 0.017%) and arsenic ("As", with an average grade of 0.002%), but these occur in low enough quantities to be ignored.

6.3 Exploration, Sampling, Analytical Procedures, Quality Assurance and Quality Control

Under SRK's supervision, the Baoding Geological and Engineering Exploration Institute ("Baoding Geological Institute") conducted drilling and trenching programs at the Gufen, Wang'ergou, Shuanmazhuang and Zhijiazhuang deposits from July to September 2011 and from June to July 2012. Figure 6–10 shows the distribution of all drillholes and trenches used for the resource estimates presented in this Report. The following sections summarise the resource data verification and reconciliation for the properties.

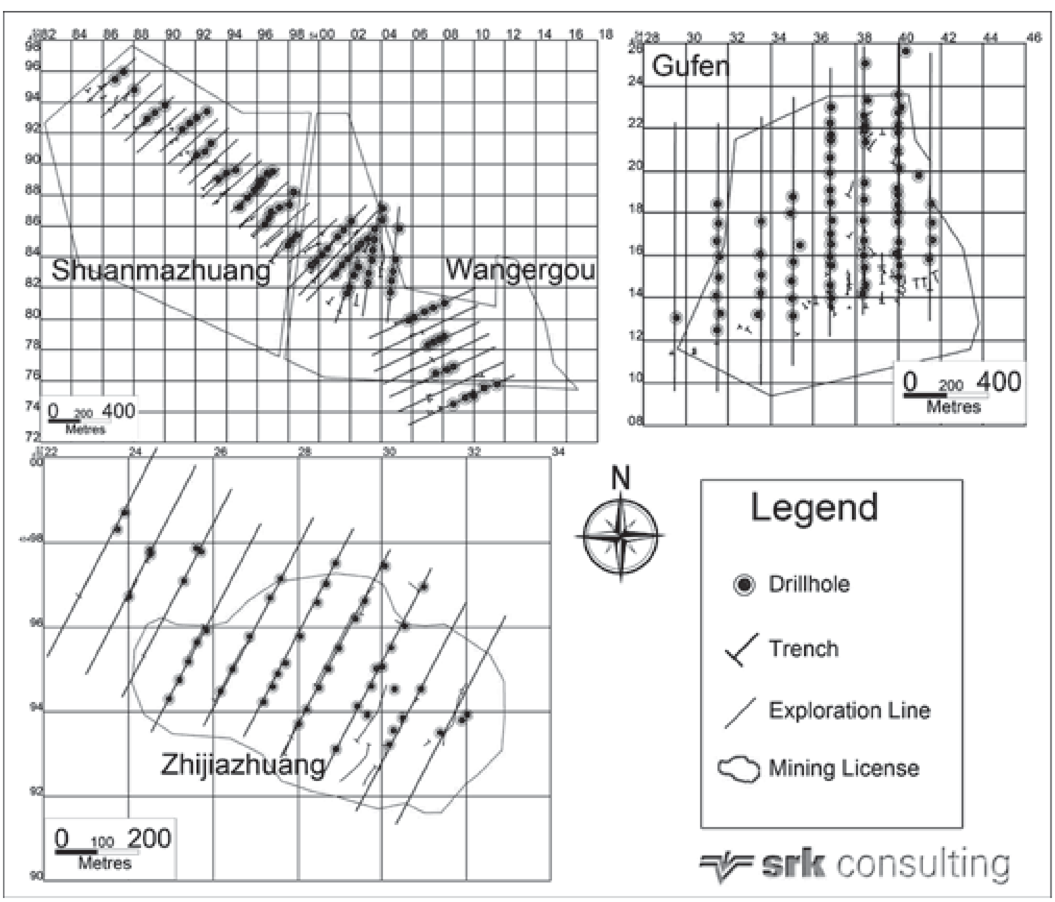


Figure 6–10: Drill Hole Distribution Plan Map

6.3.1 Exploration and Sampling Procedures and Quality Control

As of the end of 2012, a total of 150 trenches and 207 drillholes had been carried out at the four mines. Of these, 65 trenches and 71 drillholes were in the Gufen Property, 33 trenches and 47 drillholes were in the Wang'ergou Property, 31 trenches and 33 drillholes were in the Shuanmazhuang Property and 21 trenches and 56 drillholes were in the Zhijiazhuang Property. The collars of the drill holes were properly surveyed and down-hole surveying was undertaken at minimum 50 m intervals. The drill cores were logged completely. The recovery rates for all cores and for all mineralised drill cores exceeded 95%. Figure 6–11 shows core logging and mineralised core splitting as observed on site in drill cores.

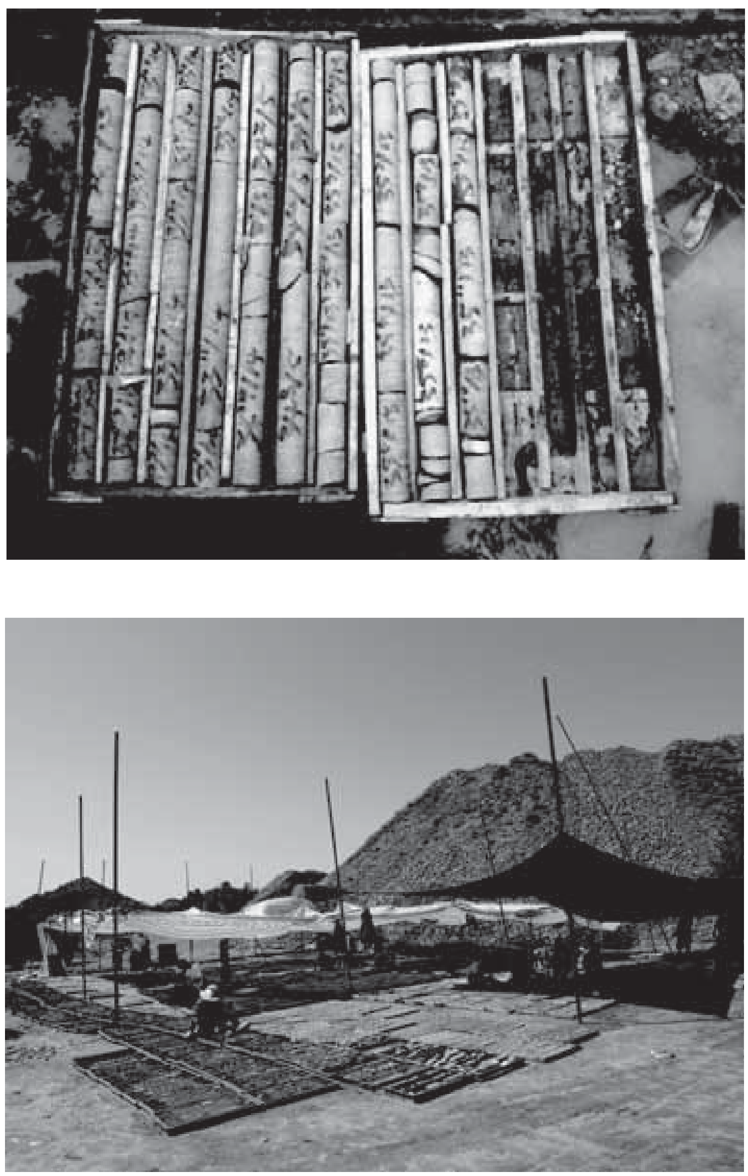


Figure 6–11: Drill Cores with High Recovery Rate (upper) and, On-site Geological Logging and Core Splitting (bottom)

All trenches were arranged along exploration lines. The bottom of each trench was 0.8 m wide and tops were 1.2 m wide.

Samples were taken from drill cores by splitting along the core axis. Trench samples were collected from fresh rocks in the floor of trenches by channelling. The channel section size was about 10 cm long by 3 cm wide. Sample intervals were marked by geologists and ranged from 1 m to 3 m in length. Sample intervals of 2 m are most common in drillhole cores and sample intervals of 2 m to 3 m are more common in trench samples. Wall rocks and ore were sampled separately. Upon completion of each hole/trench, preliminary logging was carried out by a geologist to record various aspects including weathering, texture, lithology, alteration and structure. After logging, the core was stored in core trays and each core tray was digitally photographed before being transported to core shed for storage. Core trays were clearly marked with box and hole numbers and the start and end depths. Further details of each run were also recorded on a paper chart and kept in a sealed plastic envelope inside the tray. The trench samples were directly bagged and labelled for sample processing and analysis.

6.3.2 Analytical Procedures and Quality Control

6.3.2.1 Sample Preparation and Analysis

A total of 19,614 samples from the four deposits were collected and utilised for resource estimate, of which 2,698 samples from 11 trenches and 32 drillholes in Zhijiazhuang deposit, which were prepared and analysed by the Laboratory of the Laiyuan Geological Brigade ("Laiyuan Brigade"), part of the Hebei Office of Ministry of Geology. The remaining 16,916 samples were processed and analysed by the Baoding Mineral Resource Supervision and Testing Centre of the Ministry of Land and Resources ("Baoding Testing Centre").

Samples were first crushed to 1 mm. The crushed samples were then divided into four portions using a quartering approach in which the two portions diagonally opposite each other were taken for further processing while the other half of the samples was kept as a spare (coarse reject). Following crushing the samples were pulverised to –200 mesh (0.074 mm). A 30 gram ("g") charge was then taken for assay and the remains of the pulverised material were stored in the laboratories. Total iron ("TFe") and magnetic iron ("mFe") were assayed using dichromate titration and mFe was manually separated using strong magnet.

6.3.2.2 Control Sample Insertion

Samples were divided into 100 sample batches that each included 10 QA/QC samples, consisting of two types of certified reference materials ("CRM") including high grade and low grade materials, two blanks, two core duplicates, two coarse rejects and two pulp duplicates. Additionally, five (5) out of every 100 samples were randomly chosen and sent to a third independent laboratory for the external check. A total of 2,102 QA/QC samples were inserted, consisting of 924 external check samples, 238 CRMs, 237 blanks, 236 core duplicates, 234 coarse rejects, and 233 pulp duplicates.

6.3.2.3 CRM

The certified standards for magnetite were purchased from the Chinese National Institute of Metrology. CRM performance is considered acceptable, and the assay process well-controlled, if at least 90% of the results fall within ±10% of the accepted value. As shown in Figure 6–12, only one (1) sample out of the 238 assayed CRMs (with a disqualification rate of 0.4%) fell outside of the control limits. There is no indication of systematic assaying problems in the TFe and mFe analysis.

6.3.2.4 Blank

A total of 237 blank samples were submitted for analysis. The results are all within the control limit for the blank material assays, with all TFe and mFe grades assayed less than 0.5% (Figure 6–13). The results of blank samples suggest that there neither considerable nor systematic contamination occurred during sample preparation.

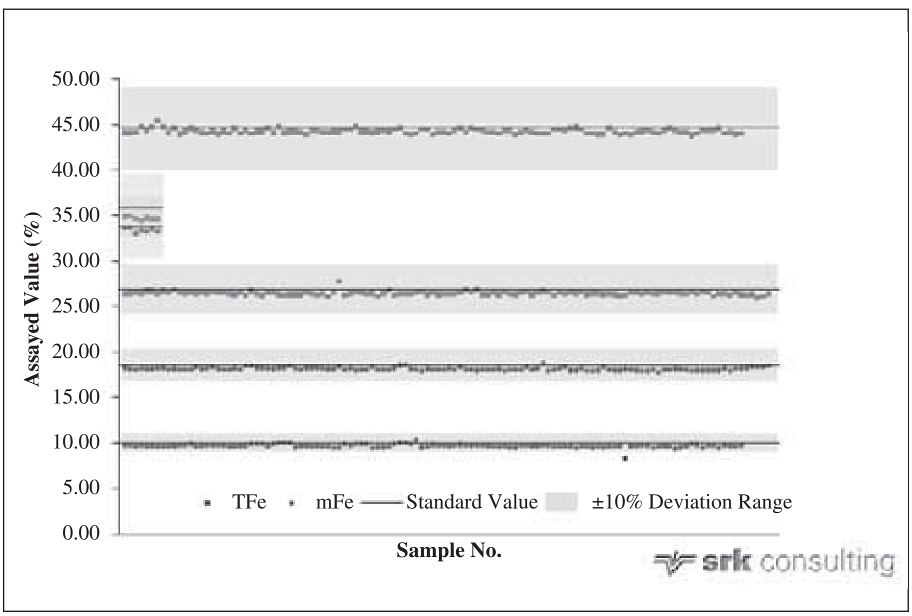


Figure 6–12: CRM Performance

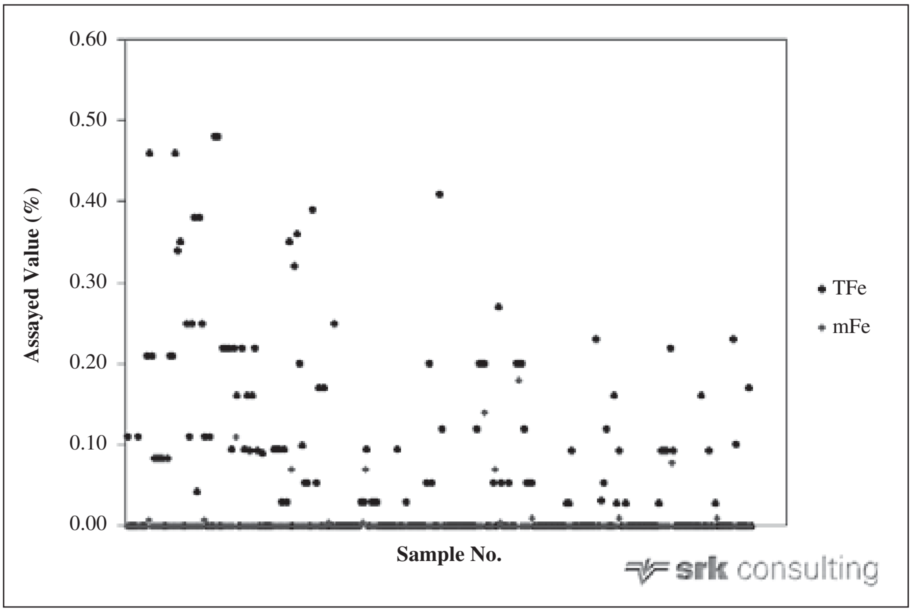


Figure 6–13: Blank Performance for TFe and mFe results

6.3.2.5 Duplicates

Duplicate samples, including core duplicates, coarse rejects and pulps, were inserted into each batch of regular samples during the assaying procedure to ensure the quality of the assay. SRK completed a repeatability analysis of the regular samples and duplicates, as shown in Figure 6–14. The duplicates display good correspondence with the regular samples, with only a small number of samples returning relatively large deviations. The assays are considered accurately repeatable.

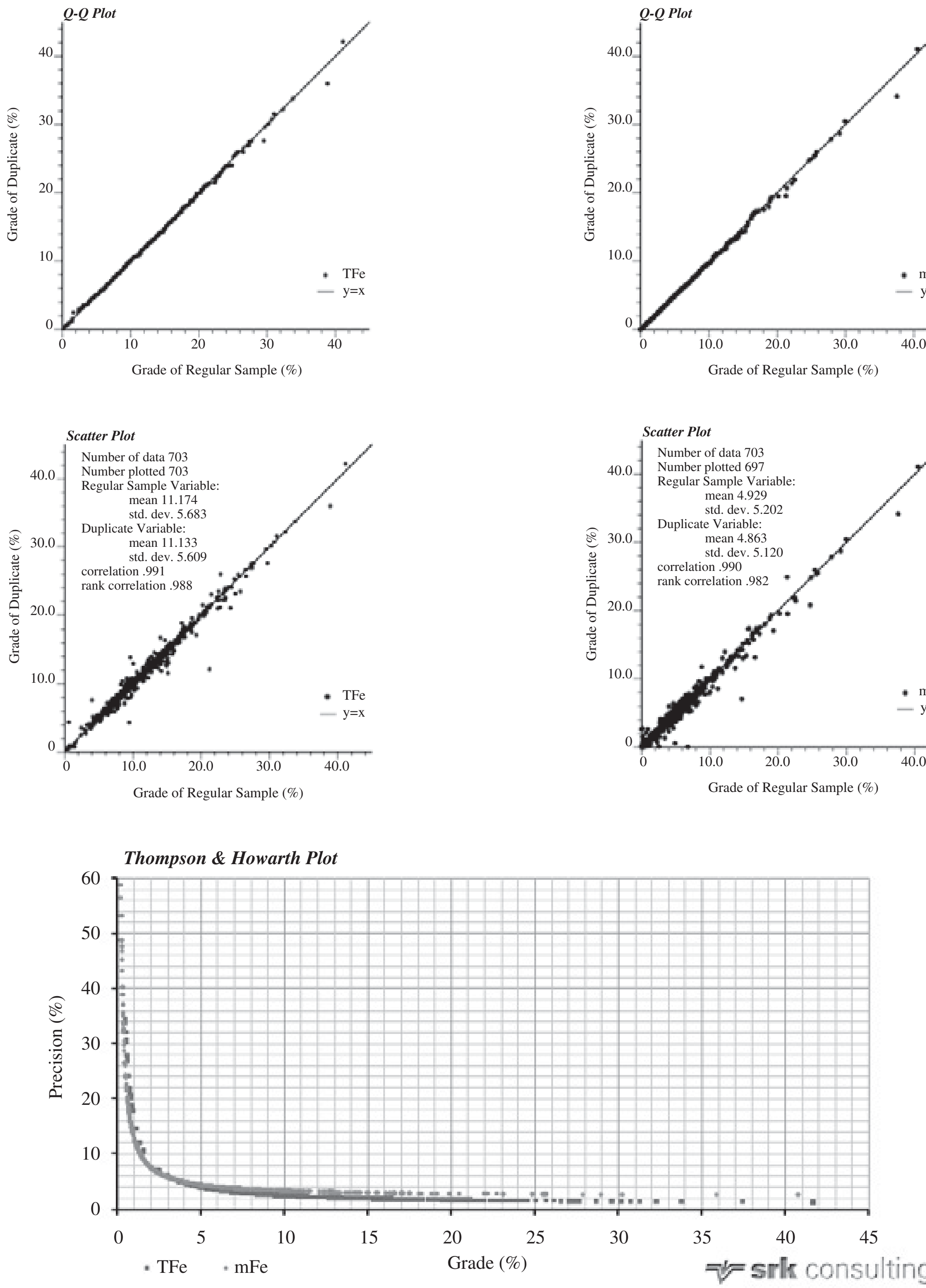


Figure 6–14: Duplicate Performance

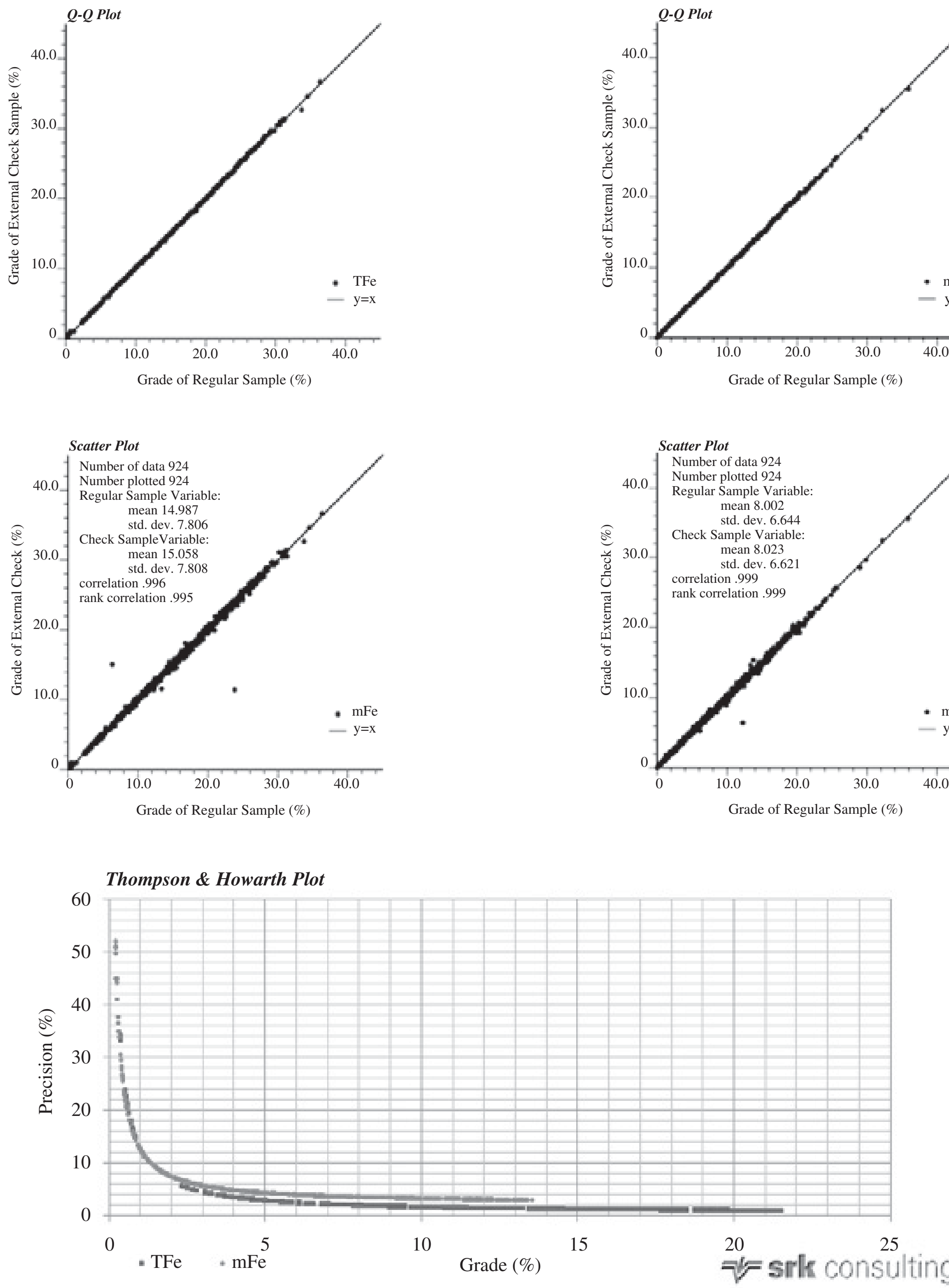


Figure 6–15: External Check Sample Performance

6.3.2.6 External Sample Performance

External checks of the primary assay were performed by Inner Mongolia Minerals Experimental Research Institute and Testing Centre of the China Metallurgical Geology Bureau No. 1 ("IMMERI") on approximately 5% of the total samples. SRK compared the resulting data with the regular sample tests; the results are shown in Figure 6–15. The external checks indicate a strong correspondence with regular samples, with only a small number of samples returning relatively large deviations. The repeatability of the assay conducted by the Baoding Testing Centre is considered excellent.

6.3.2.7 Bulk Density Sample Analysis

A total of 178 bulk density samples were collected from various ore bodies and locations in the four mining areas, and were measured by the Baoding Testing Centre for ore density. Scatter diagrams for the sample's bulk density versus TFe grade in the four mines are shown in Figure 6–16. Overall, there is an upward trend of density as the TFe grade increases. For the Gufen, Wang'ergou and Shuanmazhuang properties, the trends are relatively gradual and the densities mostly concentrate in the range from 2.9 grams per cubic centimetre ("g/cm^3") to 3.4 g/cm^3. The average densities for the Gufen, Wang'ergou and Shuanmazhuang deposits are 3.08 g/cm^3, 3.10 g/cm^3, and 3.18 g/cm^3 respectively. For the Zhijiazhuang property, the trend is swifter and the density varies from 3.0 g/cm^3 to 4.5 g/cm^3 as the TFe grade changes, with an average density of 3.55 g/cm^3.

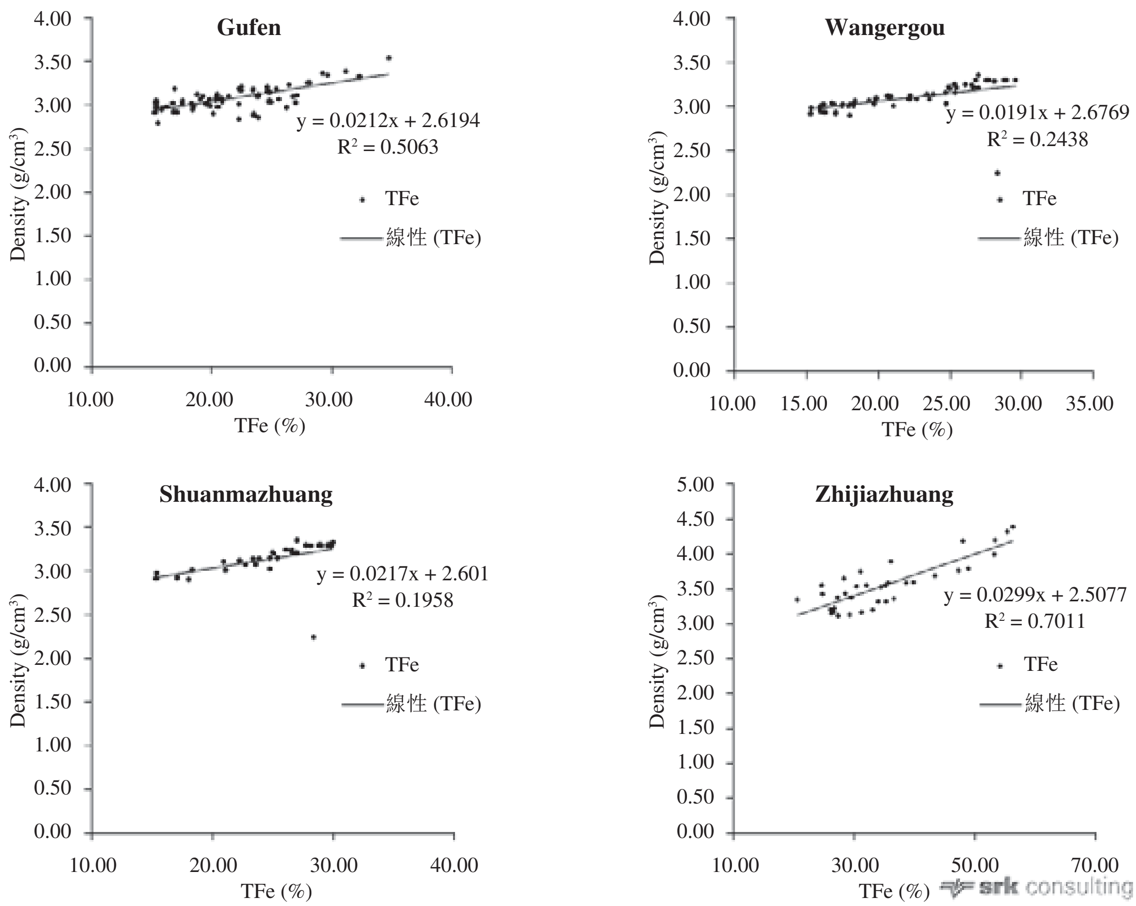


Figure 6–16: Scatter Diagrams for Bulk Density vs. Grade of TFe

In general, SRK is satisfied with the quality and result of the sample preparation and assay performed by the Baoding Testing Centre and is confident that the primary sample results are suitably reliable for use in resource estimation.

6.4 Resource Estimation under the JORC Code

6.4.1 Introduction

The Mineral Resource Statement presented herein represents the Gufen, Wang'ergou, Shuanmazhuang and Zhijiazhuang mineral resource evaluations prepared for the Aowei Project in accordance with the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code").

This section describes the resource estimation methodology and summarizes the key assumptions considered by SRK. In SRK's opinion, the resource evaluation reported herein is a reasonable representation of the global iron mineral resources found in the Gufen, Wang'ergou, Shuanmazhuang and Zhijiazhuang Mines at the current level of sampling. The mineral resources are reported in accordance with the JORC Code.

The project limits are based on the Beijing Geodetic Coordinate System 1954 ("BJS54"). The database used to estimate the mineral resources was audited by SRK. SRK is of the opinion that the current drilling information is sufficiently reliable to interpret with confidence the boundaries for mineralisation and that the assay data are sufficiently reliable to support mineral resource estimation.

Surpac Version 6.1 was used to construct the geological solids, prepare assay data for geostatistical analysis, construct the block model, estimate metal grades and tabulate mineral resources. The Geostatistical Software Library ("GSLib") family of software and Excel were used for geostatistical analysis.

6.4.2 Resource Database

The drillhole database used for the resource estimation consists of 150 trenches and 207 core holes. Of these, 65 trenches and 71 drillholes are in the Gufen Property, 33 trenches and 47 drillholes are in the Wang'ergou Property, 31 trenches and 33 drillholes are in the Shuanmazhuang Property and 21 trenches and 56 drillholes are in the Zhijiazhuang Property. A total of 5,262 intervals were sampled at Gufen Mine, representing 10,251 m of sampled drilling and channelling; 6,629 intervals were sampled at Wang'ergou Mine, representing 13,456 m of sampled drilling and channelling; 4,087 intervals were sampled at Shuanmazhuang Mine, representing 8,073 m of sampled drilling and channelling; and 3,636 intervals were sampled in Zhijiazhuang Mine, representing 6,607 m of sampled drilling and channelling. Each interval contains assays for TFe and mFe. Drillhole collars for the holes and trenches used in this estimate are shown in Figure 6–10.

All drilling data as well as the digital topographic surface have been provided to SRK in the BJS54 coordinate system and resource modelling and grade estimation work was conducted in this coordinate space.

Wireframe digital terrain models ("DTM") of the surface topographies of the four mines were modelled by SRK based on the contour maps provided by the Customer. A visual comparison between the trenches/drillhole collars and the topographies shows very good agreement in most areas, and SRK considers that the topographic maps covering the deposits as provided by the Customer are appropriate for use in the resource estimation.

6.4.3 Solid Modeling

Mineralised zones were modelled by SRK based on cross-sectional interpretations. A total of nine (9) mineralised zones at Gufen Mine, 12 mineralised zones at Wang'ergou Mine, eight (8) mineralised zones at Shuanmazhuang Mine and three (3) mineralised zones at Zhijiazhuang Mine were modelled and their 3-dimensional ("3D") views are shown in Figure 6–17. A cut-off grade of 8% TFe was used for boundary interpretations. For the four mines, the minimum mineable thickness is 1 m with a maximum allowed band thickness of 1 m.

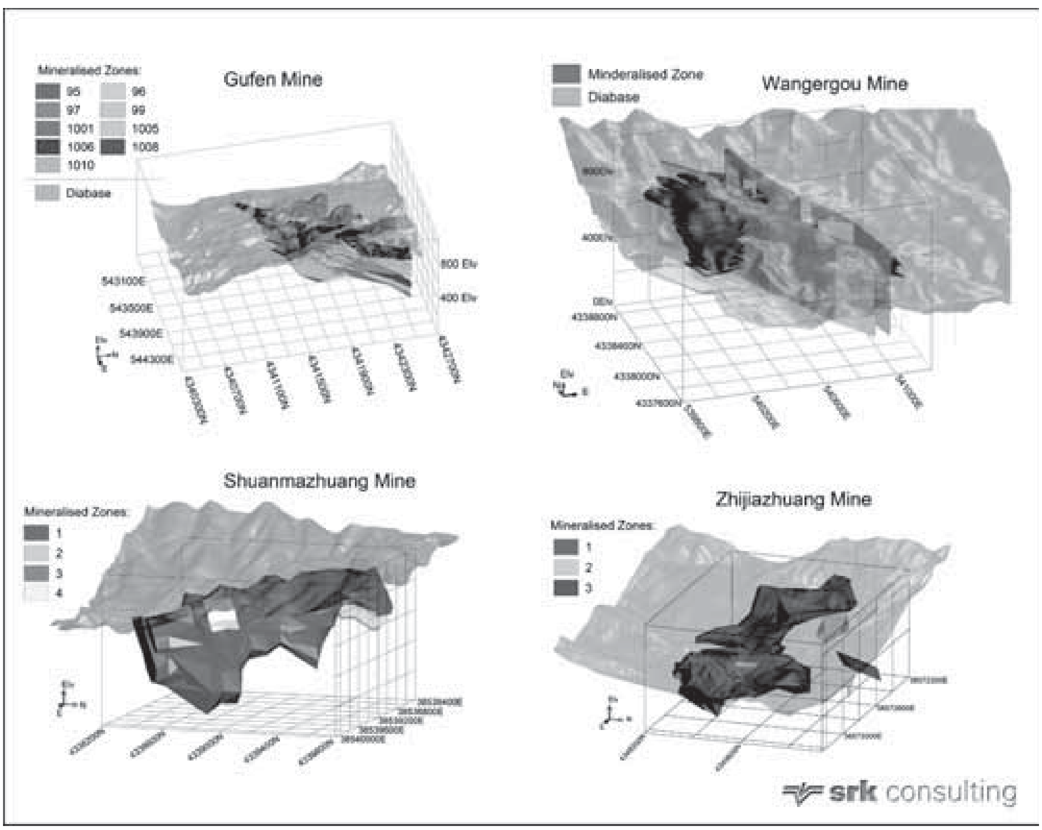


Figure 6–17: Three-Dimensional View of Mineralised Zones in Gufen, Wang'ergou, Shuanmazhuang and Zhijiazhuang Mines

6.4.4 Compositing

The cumulative probability plots for TFe and mFe are provided in Figure 6–18 and Figure 6–19, respectively. No assay cap was applied for the four deposits and composites were created at 2 m down-hole intervals, broken at zone boundaries, as the majority of the core lengths were 2 m.

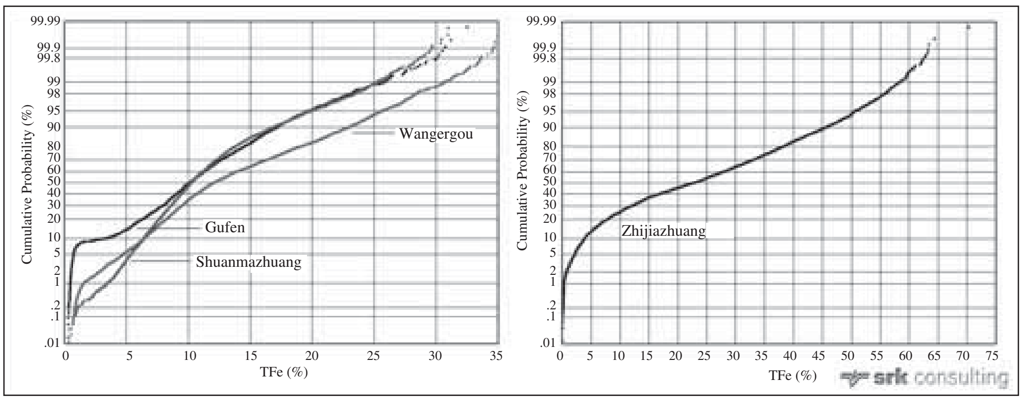


Figure 6–18: Cumulative Probability Plot for TFe in Four Mines

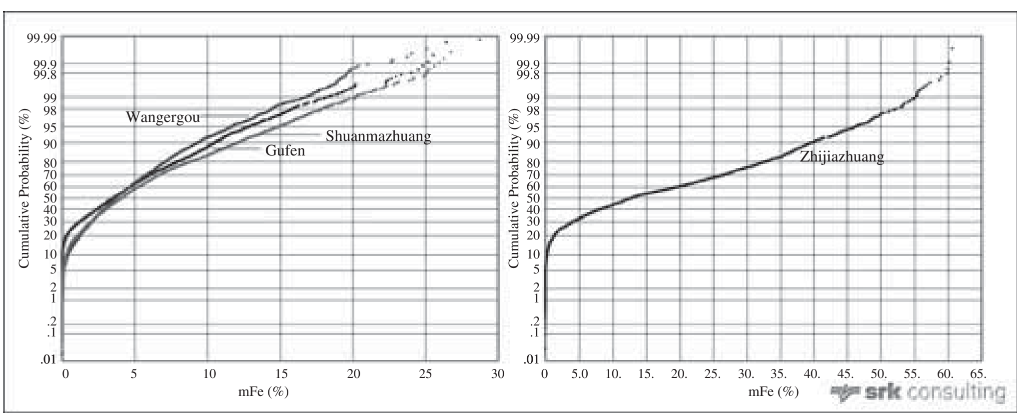


Figure 6–19: Cumulative Probability Plot for mFe in Four Mines

6.4.5 Statistical Analysis

The histograms of the composited TFe data from Gufen, Wang'ergou, Shuanmazhuang and Zhijiazhuang Mines are displayed in Figure 6–20. Histogram analysis indicates that the distributions of TFe composites in Gufen, Wang'ergou and Shuanmazhuang deposits all approach normality, while the distribution of TFe in Zhijiazhuang deposit approach log normality.

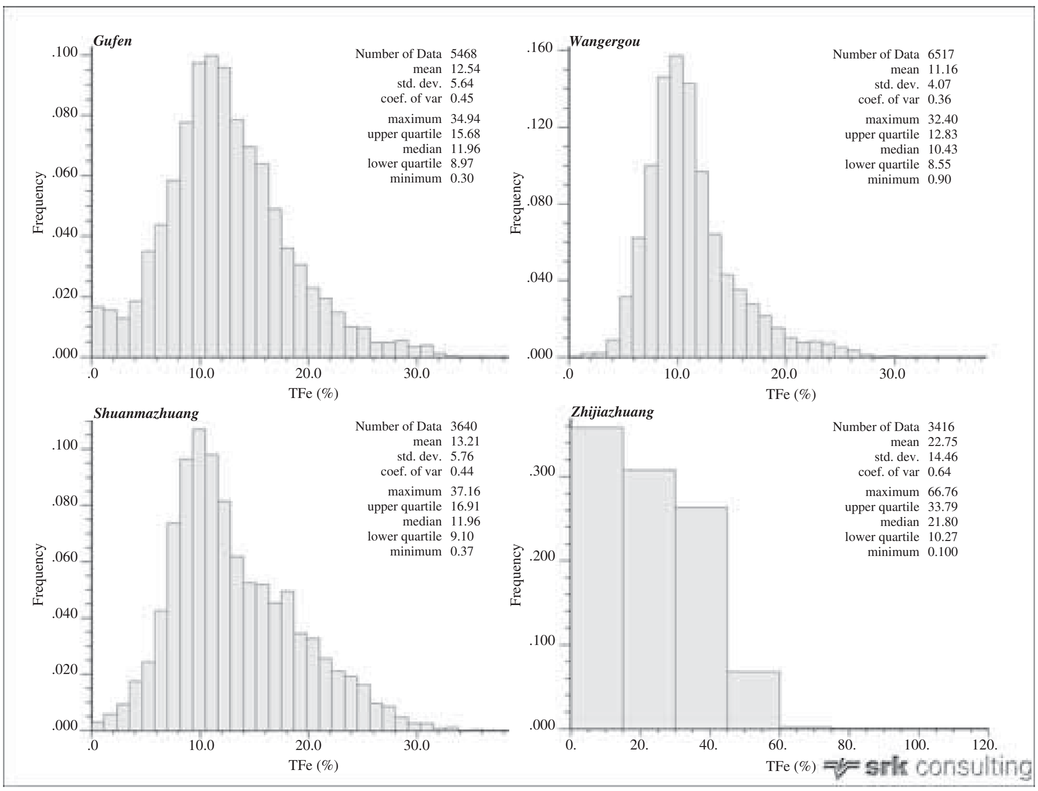


Figure 6–20: Frequency Distribution Histograms for TFe in Gufen, Wang'ergou, Shuanmazhuang and Zhijiazhuang Mines

6.4.6 Block Model and Grade Estimation

Grade estimations for Gufen, Wang'ergou, Shuanmazhuang and Zhijiazhuang Mines were done using inverse-distance squared ("IDS") method for all mineralised zones. The maximum and minimum numbers of composites used for grade estimation were 15 and 3, respectively. In all cases two passes were used for block estimation, controlled by a search ellipsoid with attitudes adjusted for each mineralised body. The search radius and ellipsoid parameters used for each deposit are listed in Table 6–1. The coordinate extents of the block model in each property are represented in Table 6–2.

Table 6–1: Search Parameters Used for Grade Estimation

	Search Radius (m)		Major/	
Property	**1st pass**	**2nd pass**	**Semi-Major**	**Major/ Minor**
Gufen	200	400	1	4
Wang'ergou	150	300	1.2	1.5
Shuanmazhuang	200	400	2	4
Zhijiazhuang	100	200	1.5	2

An average bulk density of 3.08 g/cm^3 was used for the purposes of reporting resources and reserves for Gufen deposit; similarly, average bulk densities of 3.10 g/cm^3 and 3.18 g/cm^3 were used for Wang'ergou and Shuanmazhuang deposits, respectively. For Zhijiazhuang deposit, the used bulk density varies as the TFe grade changes, as detailed in Table 6–3.

Table 6–2: Coordinate Extents of Block Model in each Property

Mine	Coordinate	Min	Max	Block Size
Gufen	Northing	4340404.56	4342604.56	20
	Easting	38542804.36	38544404.36	20
	Elevation	120.00	1020.00	10
Wang'ergou Part 1	Northing	4338090.00	4338730.00	8
	Easting	38539820.00	38540540.00	8
	Elevation	400.00	900.00	4
Wang'ergou Part 2	Northing	4337450.00	4338150.00	8
	Easting	38540400.00	38541040.00	8
	Elevation	400.00	860.00	4
Wang'ergou Part 3	Northing	4337380.00	4338620.00	8
	Easting	38539940.00	38540940.00	8
	Elevation	240.00	840.00	4

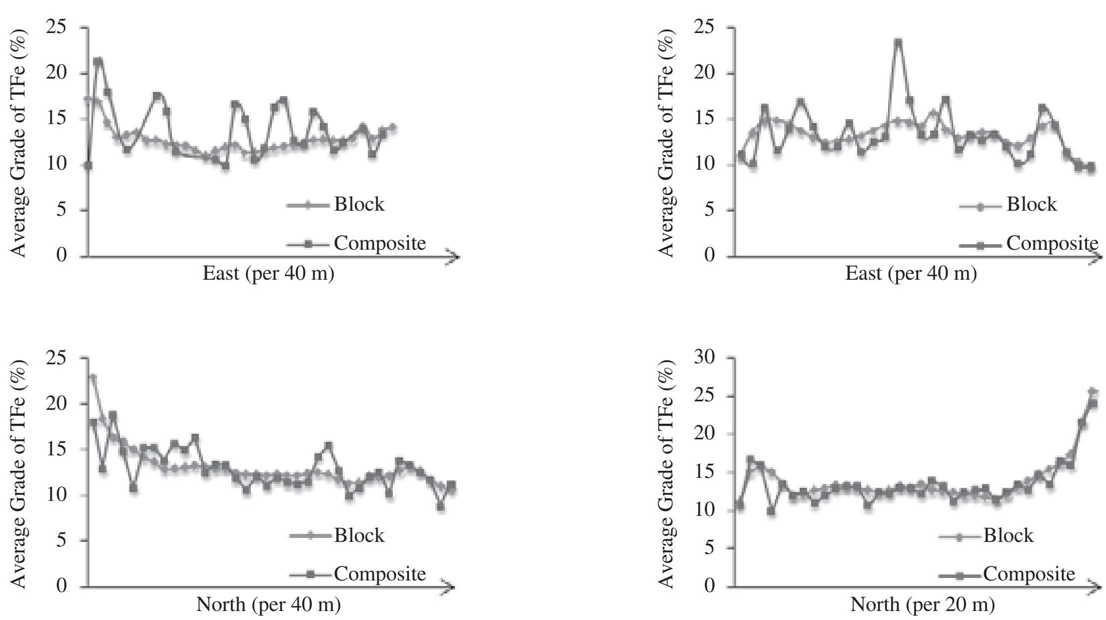
Mine	Coordinate	Min	Max	Block Size
Shuanmazhuang	Northing	4338340.00	4339660.00	30
	Easting	38538500.00	38539924.00	30
	Elevation	400.00	860.00	10
Zhijiazhuang	Northing	4349200.00	4349750.00	4
	Easting	38572400.00	38573300.00	4
	Elevation	820.00	1240.00	4

Table 6–3: Bulk Densities Chosen for Zhijiazhuang Mine

TFe Grade	Density *(g/cm³)*
8%≤TFe<20%	3.08
20%≤TFe<30%	3.32
30%≤TFe<40%	3.55
TFe≥40%	3.98

6.4.7 Model Validation

Swaths plot of TFe were implemented in three orthogonal directions (north, east and vertical) for all mines to validate the resultant block models, as shown in Figure 6–21 and Figure 6–22. The block models and composites match reasonably well in all orthogonal directions. This comparison shows close agreement between the block models and composites in terms of overall distribution as a function of X, Y and Z locations.



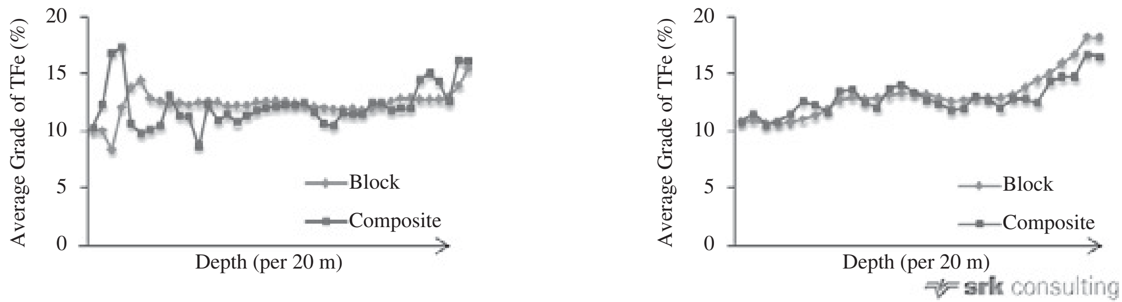


Figure 6–21: Swath Plots of Gufen (left) and Wang'ergou (right) Mines

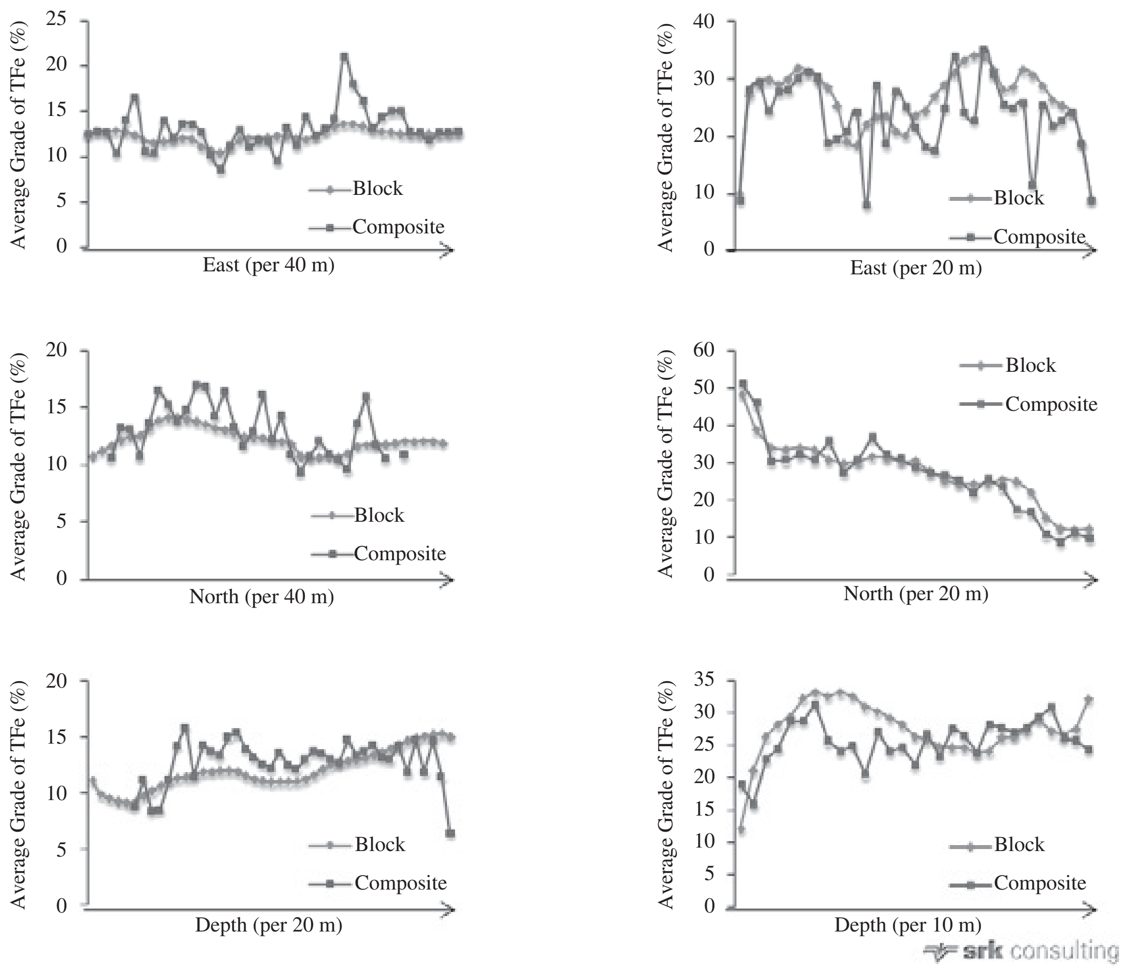


Figure 6–22: Swath Plots of Shuanmazhuang (left) and Zhijiazhuang (right) Mines

6.4.8 Mineral Resource Classification

Block model quantities and grade estimates for the Aowei Project were classified according to the JORC Code. Mineral resource classification is typically a subjective concept; industry best practices suggest that resource classification should consider both the level of confidence in the geological continuity of the mineralized structures and the quality and quantity of exploration data supporting the estimates and the geostatistical confidence in the tonnage and grade estimates. Appropriate classification criteria should aim at integrating both concepts to delineate regular areas at similar resource classification.

SRK is satisfied that the geological modelling presented in this report honours the current geological information and knowledge. The locations of the samples and the assay data are sufficiently reliable to support resource evaluation. The sampling information was acquired primarily by core drilling and trenching on sections spaced 200 m apart for Gufen, Wang'ergou and Shuanmazhuang Mines and 100 m apart for Zhijiazhuang Mine.

Generally, for main mineralised zones exhibiting good geological continuity investigated at an adequate spacing with reliable sampling information accurately located, SRK considers that blocks estimated within an exploration grid of 200 m × 200 m in Gufen, Wang'ergou, and Shuanmazhuang Mines, or within an exploration grid of 100 m × 100 m in Zhijiazhuang Mine, can be classified as Indicated Resources as defined in the JORC Code. For those blocks, SRK considers that the level of confidence is sufficient to allow appropriate application of technical and economic parameters to support mine planning and to allow evaluation of the economic viability of the deposit. Conversely, other blocks beyond the grid in the main mineralised zones and all blocks in the small mineralised zones should be classified as Inferred Resources, because the confidence in the estimate is insufficient to allow for the meaningful application of technical and economic parameters or to enable an evaluation of economic viability.

6.4.9 Mineral Resources and Competent Person Statement

In general, the Mineral Resources of the Gufen, Wang'ergou, Shuanmazhuang and Zhijiazhuang Properties as estimated according to the JORC Code are calculated based on a TFe cut-off grade of 8%. The information in this report which relates to Mineral Resources is based on information compiled by Mr Yuanjia Zhu and Dr Yiefei Jia, full time employees of SRK Consulting (China) Ltd and Members of the Australasian Institute of Mining and Metallurgy. They have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves". Mr Zhu and Dr Jia consent to the reporting of this information in the form and context in which it appears.

6.4.9.1 Gufen Mine

As of August 31, 2011, the Gufen deposit, under a cut-off grade of 8% TFe, was estimated to contain 161.88 Mt of Indicated Resource at average grades of 13.25% TFe and 6.53% mFe; and 101.10 Mt of Inferred Resource at average grades of 12.44% TFe and 6.03% mFe as shown in Table 6–4.

Table 6–4: Estimated Resources at Gufen Mine, as of August 31, 2011

	Indicated			Inferred		
Zone	**Tonnage**	**TFe**	**mFe**	**Tonnage**	**TFe**	**mFe**
	('000t)	*(%)*	*(%)*	*('000t)*	*(%)*	*(%)*
97	50,021	13.59	6.54	13,839	13.59	6.39
96	54,411	14.08	6.94	14,293	13.17	6.02
99	135	9.80	3.80	8,227	10.86	4.91
1008	15,092	12.36	5.80	15,750	12.09	5.08
1001	7,970	13.30	6.87	3,616	13.73	6.87
1005	9,015	12.03	6.23	12,550	12.52	7.16
1006	18,282	11.35	5.89	19,165	11.55	5.96
95	2,031	12.45	6.11	3,702	11.84	5.59
1010	4,921	12.94	6.86	9,957	12.98	6.53
Total	161,878	13.25	6.53	101,100	12.44	6.03

Based on the monthly mining records, a total of 3,122,508 t of Probable Reserves at average grades of 13.50% TFe and 6.79% mFe were mined out from September 1, 2011 to June 30, 2013. On the basis of mining loss rate of 3%, dilution rate of 3% and waste mixed rate of 4%, a total of 3,090,317 t of Indicated Resources at average grades of 13.92% TFe and 7.00% mFe were consumed by the end of June 2013. The remaining Indicated Resource and Inferred Resource at Gufen Mine were 158.79 Mt at average grades of 13.24% TFe and 6.53% mFe, and 101.10 Mt at average grades of 12.44% TFe and 6.03% mFe, respectively as of June 30, 2013.

6.4.9.2 Wang'ergou Mine

As of August 31, 2011, the Wang'ergou deposit, under a cut-off grade of 8% TFe, was estimated to contain 79.36 Mt of Indicated Resource at average grades of 13.82% TFe and 6.40% mFe; and 39.25 Mt of Inferred Resource at average grades of 13.03% TFe and 5.85% mFe (see Table 6–5).

Table 6–5: Estimated Resources at Wang'ergou Mine, as of August 31, 2011

	Indicated			Inferred		
Zone	**Tonnage**	**TFe**	**mFe**	**Tonnage**	**TFe**	**mFe**
	('000t)	*(%)*	*(%)*	*('000t)*	*(%)*	*(%)*
1	11,548	17.52	7.01	2,577	14.97	6.12
2	9,449	12.85	6.34	8,485	12.64	6.31
3	769	12.33	5.79	1,267	13.25	5.82
4	5,707	12.85	4.79	7,035	12.58	4.82
5				404	12.82	5.55
6	10,991	13.49	6.43	3,804	13.29	6.38
7	7,590	12.53	5.07	1,316	12.28	5.38
8				1,083	11.61	4.95
9				343	11.65	5.03
10	3,564	12.77	6.00	2,054	13.12	6.04
11	29,740	13.49	6.88	10,545	13.36	6.10
12				337	11.93	5.13
Total	79,358	13.82	6.40	39,250	13.03	5.85

Based on the monthly mining records, a total of 2,956,664 t of Probable Reserves at average grades of 13.57% TFe and 5.90% mFe were mined out from September 1, 2011 to June 30, 2013. On the basis of mining loss rate of 3%, dilution rate of 3% and waste mixed rate of 4%, a total of 2,926,183 t of Indicated Resources at average grades of 13.99% TFe and 6.08% mFe were consumed by the end of June 2013. The remaining Indicated Resource and Inferred Resource at Wang'ergou Mine were 76.43 Mt at average grades of 13.81% TFe and 6.41% mFe, and 39.25 Mt at average grades of 13.03% TFe and 5.85% mFe, respectively as of June 30, 2013.

6.4.9.3 Shuanmazhuang Mine

As of August 31, 2011, the Shuanmazhuang deposit, under a cut-off grade of 8% TFe, was estimated to contain 157.14 Mt of Indicated Resource at average grades of 13.98% TFe and 5.74% mFe; and 73.94 Mt of Inferred Resource at average grades of 12.81% TFe and 4.92% mFe (see Table 6–6).

Table 6–6: Estimated Resources at Shuanmazhuang Mine, as of August 31, 2011

	Indicated			Inferred		
Zone	**Tonnage**	**TFe**	**mFe**	**Tonnage**	**TFe**	**mFe**
	('000t)	*(%)*	*(%)*	*('000t)*	*(%)*	*(%)*
1	153,676	14.03	5.58	69,011	12.98	5.05
2				144	9.16	2.73
3				182	9.83	3.09
4	3,462	11.62	3.97	3,422	10.51	3.17
5				279	9.22	3.31
6				16	8.19	2.69
7				520	10.75	2.99
8				361	10.51	2.67
Total.	157,137	13.98	5.74	73,935	12.81	4.92

Based on the monthly mining records, a total of 1,859,358 t of Probable Reserves at average grades of 13.42% TFe and 5.84% mFe were mined out from September 1, 2011 to June 30, 2013. On the basis of mining loss rate of 3%, dilution rate of 3% and waste mixed rate of 4%, a total of 1,840,190 t of Indicated Resources at average grades of 13.83% TFe and 6.03% mFe were consumed by the end of June 2013. As of June 30, 2013, the remaining Indicated Resource and Inferred Resource at Shuanmazhuang Mine were 155.30 Mt at average grades of 13.98% TFe and 5.73% mFe, and 73.94 Mt at average grades of 12.81% TFe and 4.92% mFe, respectively.

6.4.9.4 Zhijiazhuang Mine

As of August 31, 2011, the Zhijiazhuang deposit, under a cut-off grade of 8% TFe, was estimated contain 26.24 Mt of Indicated Resource at average grades of 25.48% TFe and 24.27% mFe; and 9. 43 Mt of Inferred Resource at average grades of 27.58% TFe and 25.82% mFe (see Table 6–7).

Table 6–7: Estimated Resources at Zhijiazhuang Mine, as of August 31, 2011

	Indicated			Inferred		
Zone	**Tonnage**	**TFe**	**mFe**	**Tonnage**	**TFe**	**mFe**
	('000t)	*(%)*	*(%)*	*('000t)*	*(%)*	*(%)*
1	25,424	25.83	24.63	8,920	28.16	26.39
2	591	12.92	11.19	76	17.44	15.95
3	221	19.29	17.83	430	17.32	15.82
Total	26,236	25.48	24.27	9,426	27.58	25.82

Based on the monthly mining records, a total of 3,205,896 t of Probable Reserves at average grades of 24.12% TFe and 22.59% mFe were mined out from September 1, 2011 to June 30, 2013. On the basis of mining loss rate of 3%, dilution rate of 3% and waste mixed rate of 4%, a total of 3,172,845 t of Indicated Resources at average grades of 24.86% TFe and 23.29% mFe were consumed by the end of June 2013. As of June 30, 2013, the remaining Indicated Resource and Inferred Resource at Zhijiazhuang Mine were 23.06 Mt at average grades of 25.57% TFe and 24.40% mFe, and 9.43 Mt at average grades of 27.58% TFe and 25.82% mFe, respectively.

6.4.10 Grade Sensitivity Analysis

The cut-off grade was selected based on the data gained from the feasibility study report. The cut-off grade mostly depends on the market price of the iron concentrate, followed by the operating costs and the processing recovery rates. Giving the relatively good mining conditions and easy and simple mineral separation process at the four mines and having considered the average price of iron concentrate in China in the last three years, the Company's mining and processing methodologies, mining and processing capacity and equipment, costs of production as well as parameters from operating iron mines with similar geology in this region cited from the feasibility study, SRK believes the cut-off grade of 8% TFe is reasonable. Table 6–8 lists the parameters used for the estimation of cut-off grade. The following formula was applied by SRK to calculate the cut-off grade:

$$G = \frac{(MC+PC+GC)\cdot CG}{P\cdot PR\cdot(1-STR)\cdot(1-MD)}$$

The cut-off grade is sensitive to the selection of the iron concentrate price. Consequently, the tonnages and grades of the mineral resources of the Gufen, Wang'ergou, Shuanmazhuang and Zhijiazhuang Mines are sensitive to the selection of the reporting cut-off grade. To illustrate this sensitivity, a global grade and tonnage table is presented in Table 6–9. The reader is cautioned that the figures presented in this table should not be mistaken for a Mineral Resource Statement. The figures in Table 6–9 are only presented to show the sensitivity of the block model estimates to the choice of cut-off grade. Figure 6–23 presents this sensitivity as grade tonnage curves for the Gufen, Wang'ergou, Shuanmazhuang and Zhijiazhuang mines.

Table 6–8: Assumptions Used for Cut-Off-Grade Calculation

Parameter	Value	Unit
Iron Concentrate Price (P)	900	RMB per tonne
Concentrate Grade (CG)	66	percent
Sale Tax Rate (STR)	17	percent
Mining Cost (MC)	17.85	RMB per tonne of ore
Processing Cost (PC)	16.61	RMB per tonne of ore
General and Administration Cost (GC)	3.4	RMB per tonne of ore
Mining Dilution (MD)	3.0	percent
Processing Recovery Rate (PR)	43.3	percent
In Situ Cut-Off-Grade (G)	8.00	percent

Table 6–9: Global Grade-Tonnage Table*, as of June 30, 2013

			Indicated Resource			Inferred Resource		
Company	Mine	Cut-offs	Resource	TFe	mFe	Resource	TFe	mFe
		(TFe%)	*(1,000t)*	*(%)*	*(%)*	*(1,000t)*	*(%)*	*(%)*
Xinxin Mining	Gufen Mine	**8**	**158,788**	**13.24**	**6.53**	**101,100**	**12.44**	**6.03**
		10	138,326	13.83	7.00	83,903	13.10	6.60
		12	91,102	15.29	8.13	54,207	14.23	7.51
		15	42,254	17.56	9.91	13,492	17.07	9.82
		20	5,304	22.20	14.39	1,328	21.89	13.71
Jingyuancheng Mining	Wang'ergou Mine	**8**	**76,432**	**13.81**	**6.41**	**39,250**	**13.03**	**5.85**
		10	66,080	14.60	7.30	37,118	14.08	6.66
		12	46,854	15.75	8.16	19,570	15.38	8.06
		15	25,215	17.81	10.28	7,318	17.74	10.07
		20	4,803	21.78	13.55	1,697	21.66	13.39
Jingyuancheng Mining	Shuanmazhuang Mine	**8**	**155,297**	**13.98**	**5.73**	**73,935**	**12.81**	**4.92**
		10	133,712	14.75	5.97	55,173	14.07	5.65
		12	100,448	16.00	6.64	36,635	15.70	6.54
		15	58,997	17.84	7.76	20,072	17.49	7.35
		20	7,839	21.72	9.62	2,826	21.25	8.45
Jiheng Mining	Zhijiazhuang Mine	**8**	**23,064**	**25.57**	**24.40**	**9,426**	**27.58**	**25.82**
		10	21,081	27.13	26.02	9,096	28.26	26.44
		12	19,317	28.62	27.48	8,657	29.13	26.99
		15	17,746	29.97	28.61	7,932	30.57	27.99
		20	15,194	32.06	30.25	6,620	33.14	29.82
		25	14,669	32.42	30.13	6,272	33.65	29.99

* The reader is cautioned that the figures in this table should not be misconstrued as a Mineral Resource Statement. The figures are only presented to show the sensitivity of the block model estimates to the choice of cut-off grade.

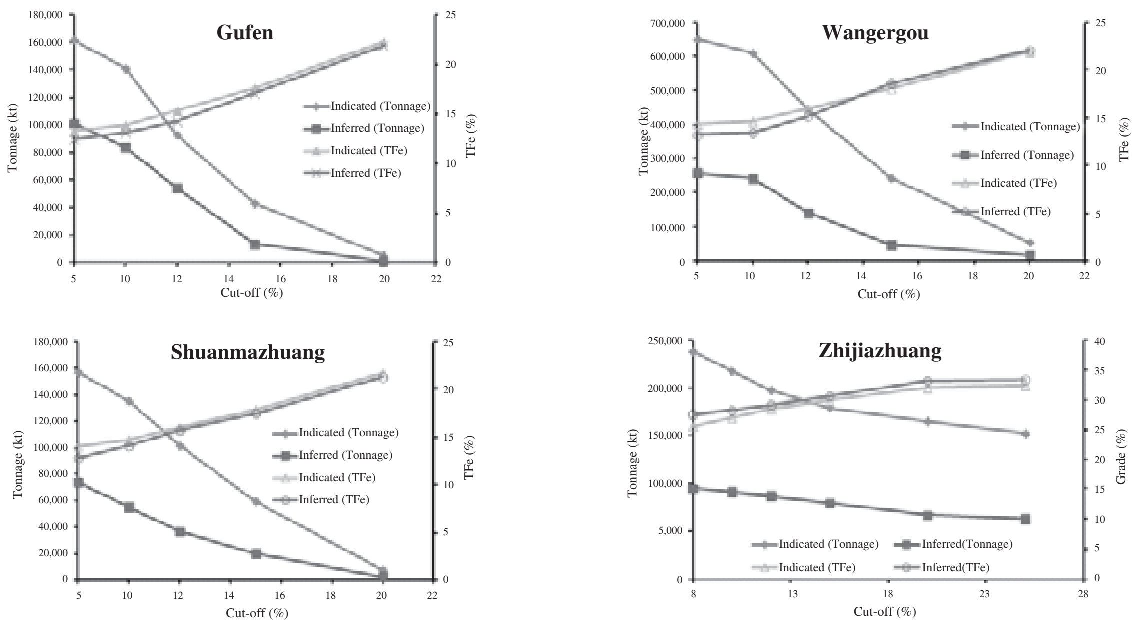


Figure 6–23: Grade Tonnage Curves for the Four Mines

6.5 Exploration and Mining History

6.5.1 Gufen, Wang'ergou and Shuanmazhuang Mines

Historical explorations in the Dushancheng iron area (including the Gufen, Wang'ergou and Shuanmazhuang regions) began in 1954. Between 1954 and 1979, a series of geological and geophysical exploration activities were conducted in this area by several geological brigades, including the No. 244 Brigade of the North China Geological Bureau, the No. 8 Geological Brigade of Hebei Province and the No. 6 Geological Brigade of Hebei Province Geology and Mineral Bureau.

From 1998 to 2002, the Baoding Geological Institute conducted a geological prospecting in the area. In 2005, the Handan Branch of the Geological Exploration Institute of China Metallurgical Geology Bureau No. 1 conducted geological prospecting in the region and in 2008 they conducted general exploration.

6.5.2 Zhijiazhuang Mine

From 1953 to 1955, the Nos. 101, 224 and 225 Brigades of the North China Geological Bureau conducted a series of geological exploration activities in the Zhijiazhuang area. In 1958, the Laiyuan Brigade submitted a detailed exploration report of Zhijiazhuang iron deposit in which a total of 45.84 Mt were estimated resources in Chinese Categories B and C1.

6.6 Exploration Potential

The geological characteristics of the Gufen, Wang'ergou, Shuanmazhuang and Zhijiazhuang deposits have been investigated competently and studied by a number of geological brigades and institutes. The occurrence and spatial distribution of the major mineralised zones are also suitably controlled by the exploration grid of the channelling and drilling and well interpreted. In addition, major features that affect the mineral distribution, such as faults, folds, intrusions and shear zones, were logged and interpreted competently. Considering all of the above, SRK still recommends infill drilling in all four mines because it is expected to lead to an upgrade in the resource categories. As the current resources are not completely closed off down-dip in Gufen, Wang'ergou and Shuanmazhuang deposits, SRK suggests additional step out drilling to extend the current resource base. As there is evidence of iron mineralisation surrounding the main mineralised zones of Zhijiazhuang, more drilling programs around the mineralisation anomaly are recommended which may increase the resource tonnages.

7 MINING ASSESSMENT

7.1 General Information

Open-pit mining is currently used at the Gufen, Shuanmazhuang, Wang'ergou and Zhijiazhuang mines. In 2012, as by products during stripping, mining development and mining stope preparation, a total of 1.17 Mt ore from Gufen Mine; 1.67 Mt ore from Shuanmazhuang Mine and Wang'ergou Mine; and 0.97 Mt ore from Zhijiazhuang Mine were extracted at a cut-off grade of 8% TFe, respectively. During the first half of 2013, a total of 1.49 Mt ore from Gufen Mine; 2.57 Mt ore from Shuanmazhuang Mine and Wang'ergou Mine; and 1.59 Mt ore from Zhijiazhuang Mine were extracted at a cut-off grade of 8% TFe, respectively.

In keeping with Chinese legislative requirements for mineral resource integration in Hebei province, Aowei Mining produced a plan of the production capacities and overall layouts of Xinxin Mining, Jingyuancheng Mining and Jiheng Mining and commissioned Sinosteel Ma'anshan Engineering Investigations and Design Co., Ltd ("Sinosteel") to compile the *Feasibility Study on the Construction Project of Laiyuan Aowei Mining Investment Co., Limited* ("FS"). Properties operated by Xinxin Mining and Jingyuancheng Mining are proposed to be mined in two stages: open-pit mining in stage 1 and underground mining in stage 2; a property operated by Jiheng Mining is proposed to be mined by open-pit.

Based on currently available ore reserves and the production capacities of the existing and proposed dry processing plants, the proposed production schedule is as follows:

- Gufen Mine: 5 million tonnes per year ("Mtpa") in stage 1 and 4 Mtpa in stage 2;
- Wang'ergou Mine and Shuanmazhuang Mine (cumulative totals): 14 Mtpa in stage 1 and 3 Mtpa in stage 2; and
- Zhijiazhuang Mine: 2.4 Mtpa.

The proposed development methods, mining methods and main technical parameters given in the FS are shown in Table 7–1.

Table 7–1: Mine General Information and Main Technical Parameters

Item	Unit	Xinxin Mining	Jingyuancheng Mining	Jiheng Mining
Open-pit Mining				
Capacity	1,000tpa	5,000	14,000	2,400
Life of Mine	Year	13	12	10
Development		Road–truck	Road–truck	Road–truck
Highest Mining level	m	1,016	1,152	1,200
Pit Bottom Level	m	608	600	880
Closed Level	m	815	768	1080
Upper Pit Size (Length × Width)	m	1,030×780	3,100×720	900×600
Pit Bottom Size (Length × Width)	m	460 × 245	1,030 × 150	130 × 50
Bench Height	m	12	12	10
Bench Width	m	8 to 15	8 to 15	8
Bench Slope	°	65	65	
Final Slope Angle	°	45–49	45–49	<50
Stripping Ratio	t/t	1.49	1.16	1.50
Average Grade of Extracted Ore (TFe)	%	12.83	13.50	27.11
Ore Loss Rate	%	3	3	3
Dilution Rate	%	3	3	3
Underground Mining				
Capacity	1,000tpa	4,000	3,000	
Life of Mine	Year	14	17	
Development		Shaft – Decline	Adit + Shaft – Decline	
Level Height	m	120	120	
Mining Level	mRl	700, 580, 460, 340	820, 700, 580, 460	
Mining Method		Sublevel caving	Sublevel caving	
Average Grade of Extracted Ore (TFe)	%	15.35	15.96	
Ore Loss Rate	%	20	20	
Dilution Rate	%	7	7	

Note: The life of mine estimate has included the production expansion years.

SRK opines that the feasibility study of the three mines produced by Sinosteel satisfies the basic requirements for a professional feasibility study and the mining design meets the minimum quality requirements as well. Considering that the LOMs of the properties operated by Xinxin Mining and Jingyuancheng Mining for open-pit mining are each more than 10 years and significant changes are likely to occur in both the mines and the iron market over the next decade and a new design for underground mining may be needed.

7.2 Mining Conditions

7.2.1 Geotechnical Conditions

7.2.1.1 Geotechnical Conditions in Dushancheng Mining Area

Gufen Mine, operated by Xinxin Mining, and Wang'ergou and Shuanmazhuang Mines, operated by Jingyuancheng Mining, are part of Dushancheng iron mining area and present similar conditions in mineralization genesis, ore type and structure. In 2011, Shuanmazhuang Mine was merged into Jingyuancheng Mining as a response to Hebei government's call for mineral resource consolidation. Gufen mine, Wang'ergou Mine and Shuanmazhuang Mine have similar geotechnical and hydrogeological conditions.

Based on the historical geotechnical investigation, the Dushancheng mining area is classified into three engineering geological groups.

- Hard mass igneous rock group: based on the borehole engineering geological logging data, the rock quality designation ("RQD") value of the weathering zone generally ranges from 6% to 8%, and the RQD value of the zone beneath generally ranges from 28% to 98%. The quality index of rock mass ranges between 0.023 and 0.368 and the average is 0.196, which indicates that the rock quality is moderate. The results of physical mechanical and hydro-physical analysis on borehole core samples returned a water absorption rate of 0.06% to 0.08%, water content of 0.02% to 0.05%, compressive strength of 87.0% to 177.5 Megapascals ("Mpa"), and an anti-shear strength of 9.43% to 21.6 MPa. The results indicate that most of the igneous rock is hard rock.

- Hard to semi-hard mass metamorphic rock group: based on the borehole engineering geological logging data, the RQD value of the weathering zone generally ranges between 0 and 59%, and the RQD value of the zone beneath generally ranges between 35% and 80%. The quality index of rock mass ranges between 0.165 and 0.376, and the average is 0.271, which indicates that the rock quality is moderate. The results of physical mechanical and hydro-physical analysis on borehole core samples indicate a water absorption rate of 0.17%, water content of 0.12%, compressive strength of 112.6 MPa, and anti-shear strength of 17.4 MPa. The results indicate that the vein rock is not impacted by the structure and most of the metamorphic rock is hard to semi-hard rock.

- Loose soft rock group: this group is represented by layers of alluvial sandy gravel, deluvial gravel, and accumulated slag gravel; it is 0.5–110 m thick and is characterised by an unconsolidated rock stratum with loose structure and poor stability.

Iron ore bodies in the Dushancheng area are widely distributed and buried deeply. The topographic conditions are simple and good for natural drainage. The stratum is characterized by simple lithology and geological structure; the boundaries between most of the ore bodies and wall rocks are clear; most of the rock occurs in massive structures; weathering intensity is low to moderate; rock strength at depth is high and stable. In general, the Dushancheng mining area comprises bedded rock deposits with simple engineering geological conditions.

7.2.1.2 Geotechnical Conditions in Zhijiazhuang Iron Mine

Most of the wall rock is hard dolomite and igneous rock; folds and fractures are developed locally; the rock is not badly broken except in the floor of the ore body within the contact zone of the igneous rock and ore body, which should be noted during mining activities; the ore is magnetic iron ore with a compact texture, in moderate to coarse sizes and compact structures in massive and stripped shapes; and the hardness coefficient of ore and wall rock is f = 8 to 12; and the boundaries between most of the ore bodies and wall rocks are clear.

7.2.2 Hydrogeological Conditions

7.2.2.1 Hydrogeological Conditions in Dushancheng Mining Area

Based on available information, Dushancheng mining area is characterized by a continental semiarid climate zone with four distinctive seasons. The annual average temperature is +12.6°C, with summer highs reaching 42.4°C and winter lows dropping to -20°C. The annual average rainfall is 556 mm, about 70%–80% of which falls between July and September. The annual evaporation is 2170 mm. The frozen period lasts for 75 days on average, from December to the following March, and winter lasts from October to March. The maximum depth of frozen earth is 53 cm.

Tanghe River is the largest nearby surface water body. Approximately 2.8 km of the Tanghe River flow through the mining area in a cut 80–200 m in width, with an erosion base level of 530 m. Several seasonal streams, such as Baidao'an stream, Zhangkoushicai stream, and Xiaoqiao stream are distributed approximately northeast to southwest on both sides of Tanghe River, and temporary torrential flood pour into Tanghe River during the rainy season. These seasonal streams are 7.61 to 4.3 km in length, 45 to 240 m wide, and have an erosion base level of about 560 m to 790 m. The mining area is mainly located northwest of Baidao'an stream, whose catchment area within this region is 14.07 km^2.

According to the available geological exploration report, the groundwater is classified into two types based on the conditions of their occurrence: quaternary loose rock pore water and igneous rock/metamorphic rock fissure water.

The quaternary pore aquifer zone is distributed around the Tanghe River and the main streambed of Baidao'an stream. Most of this aquifer is composed of a gravel layer with a general width from 2.2 m to 10.5 m. The groundwater is 0.3 m to 3.5 m below the surface. According to the available water supply data, the water inflow is about 30 to 90 cubic metres per day ("m^3/d").

The igneous rock/metamorphic rock fissure water aquifer is distributed in the north central part of the license area. Based on borehole intersection data, the fissure zone is about 25 to 55 m deep, and the upper part is an intensely weathered zone 15 to 45 m wide. The groundwater level varies with the topology. Based on limited borehole water inflow observation, the water inflow rate is approximately 0.281 litres per second ("L/s").

Groundwater in the deposit area is recharged only by rainfall. Due to the limited amount of rainfall and the integrity of the deep metamorphic rock, surface water does not pose significant impacts on the water recharge rate in the deep aquifers.

7.2.2.2 Hydro-geological Conditions in Zhijiazhuang Mine

The mine is at high altitude with steep terrain. The lowest altitude is 1,004 m ASL and the highest altitude is 1,312 m ASL, with an altitude difference of 308 m. The mine area is characterized by low to moderate hills and slopes downward from south to north.

Xiaodonghe River, 2 km away from the mining area, is the main surface water system. It cuts through the Qiaomaidi ore body east of the Zhijiazhuang Mine, flows through Zhijiazhuang and neighbouring Dongjiazhuang mine, and converges with other rivers to flow into Jumahe River. The Xiaodonghe River is quite narrow in its upstream bed. It flows from its source, at an elevation of 1,350 m ASL, through the Qiaomaidi eastern ore body, at an elevation of 1,030 m, with a downward slope of 16%. The normal water flow is 1.9 to 172.0 L/s, and increases dramatically to 10 cubic metres per second ("m^3/s") in the rainy season when the water level rises by 1.5 m to 2 m. Floods last 24 hours at most. Diversion engineering on the Xiaodonghe River has been completed.

Groundwater and surface water are only recharged by rainfall. Although rain falls heavily during the rainy season, groundwater is not significantly affected by local rainfall due to its steep terrain, poor surface permeability and good surface runoff conditions.

The main aquifer is a dolomite fissure aquifer, whose yield is greatly reduced due to the fact that large fractures and fissures are filled with various veins. No karst is developed locally.

Most of the ore body, which occurs at the elevation of 827.65 m to 1,243.37 m, is above the local base of erosion at 940 m. This was verified by a pumping test on two boreholes, which indicated that there is no close hydraulic relationship between groundwater and surface water and that the local hydrogeological conditions are quite simple.

7.2.3 Geological Resource

Based on available geological exploration reports, Gufen Mine, Shuanmazhuang Mine, and Wang'ergou Mine are metamorphosed sedimentary iron mines, and Zhijiazhuang Mine is a skarn-type iron deposit. Magnetic ore is the main ore mineral for the four iron mines.

A total of nine (9) ore bodies have been delineated in Gufen Mine. Mineralised bodies No. 96, No. 97, No. 1006 and No. 1008 are the main ore bodies; the remaining six are small and most were intersected by only a single borehole.

A total of eight (8) ore bodies have been delineated in Shuanmazhuang iron mine, numbered 1 through 8. The No. 1 ore body is the main and largest body; the others are small and most were intersected by only a single borehole.

A total of 12 ore bodies were identified in the Wang'ergou iron mine and numbered 1 through 12. Mineralised zones No. 1, No. 2, and No. 11 are recognised as the major ore bodies; the others are small and most were intersected by only a single borehole.

Ore body 1 is the main ore body of Zhijiazhuang iron mine and occurs in the east and west wings of Zhijiazhuang-Qiaomaidi anticline. The Zhijiazhuang iron deposit was divided into three blocks including the Qiaomaidi eastern block, the Qiaomaidi western block and Zhijiazhuang northern block. The Zhijiazhuang iron mine owns the Qiaomaidi eastern block which accounts for most of the total resource. In addition, the Qiaomaidi western block and the Zhijiazhuang northern block are covered by five mining licenses which are owned by other mining companies. The characteristics of the main ore bodies are shown in Table 7–2.

Table 7–2: Characteristics of Main Ore Bodies

Mine (Block)	No.	Occurrence level	Strike length	Extension length	Dip angle	Orebody width	Average grade (%) TFe	mFe	Indicated Resource
		(m)	*(m)*	*(m)*		*(m)*			*(1,000t)*
Gufen.	96	145 to 910	927	1,200	27	5 to 90	14.08	6.94	54,411
	97	120 to 830	1,050	1,350	26	10 to 80	13.57	6.52	49,252
	1006	240 to 864	387	1,120	26	10 to 90	11.35	5.89	18,282
	1008	240 to 867	377	1,140	28	8 to 70	12.36	5.80	15,092
Shuanmazhuang .	1	300 to 1,087	1,720	670	52	10 to 120	14.04	5.59	152,951
	1	531 to 875	527	455	49	10 to 60	17.56	7.02	10,062
Wang'ergou . . .	2	473 to 866	700	508	50	12 to 52	12.85	6.34	9,449
	11	430 to 870	835	667	50	11 to 50	13.51	6.89	22,729
Zhijiazhuang . . .	1	847 to 1,132	900	500	53	20 to 320	27.08	25.96	23,122

The ore bodies listed in Table 7–2 are the main ore bodies currently being exploited by open-pit mining. Large scale open-pit mining is appropriate because of the quantity of resources and because the upper parts of the resources are shallowly buried. SRK notes that some ore bodies which are of comparatively small scale and buried much deeper are not included in the feasibility study produced by Sinosteel. For a better use of the resource, SRK suggests that the Company consider mining the small ore bodies adjacent to the main ore bodies listed in the above table.

7.3 Ore Reserves

Sinosteel optimized the open-pit limits of Gufen, Wang'ergou, Shuanmazhuang and Zhijiazhuang mines based on the resource block model provided by SRK. The optimized limit parameters are shown in Table 7–1 and the open-pit limit model is shown in Figure 7–1.

Based on the open-pit limit model and the parameters listed in Table 7–1 and benchmarking against similar project, the JORC Code compliant Ore Reserves were estimated with cut-off grades of 8% TFe for open-pit mining and 12% TFe for underground mining at the four iron mines. Table 7–3 lists a summary of the estimated Probable Ore Reserves of the four mines, as of June 30, 2013.

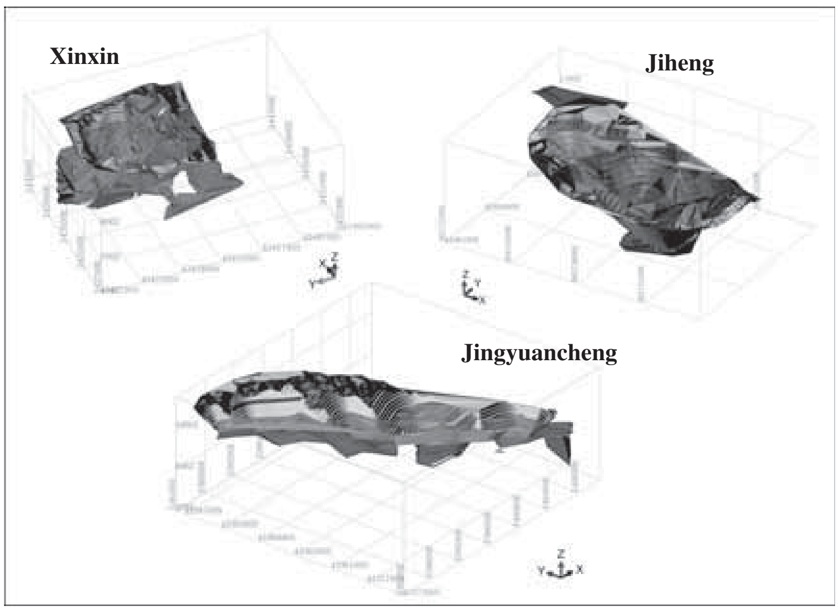


Figure 7–1: Open-pit Model Designed in the Feasibility Study

Table 7–3: Estimated Ore Reserves of the Four Mines, as of June 30, 2013

Company	Mine	Mining Method	Category	Ore Reserve	TFe	MFe
				('000t)	*(%)*	*(%)*
Xinxin Mining	Gufen	Open-pit	Probable	56,103	12.82	6.31
		Underground	Probable	58,750	15.35	8.50
		Subtotal	Probable	114,853	14.11	7.43
Jingyuancheng Mining.	Wang'ergou	Open-pit	Probable	45,145	13.39	6.23
		Underground	Probable	18,077	15.87	8.50
		Subtotal	Probable	63,222	14.10	6.88
Jingyuancheng Mining.	Shuanmazhuang	Open-pit	Probable	93,199	13.56	5.56
		Underground	Probable	35,723	16.00	7.11
		Subtotal	Probable	128,922	14.24	5.99
Jiheng Mining	Zhijiazhuang	Open-pit	Probable	19,794	27.16	25.93
		Subtotal	Probable	19,794	27.16	25.93
Total		Open-pit	Probable	214,241	14.59	7.78
		Underground	Probable	112,550	15.64	8.06
		Open-pit +Underground	Probable	326,791	14.95	7.88

The information in this report which relates to Ore Reserves is based on information compiled by Mr Huang, a full time employee of SRK Consulting China Ltd who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Huang has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Huang consents to the reporting of this information in the form and context in which it appears.

According to JORC Code, only Measured and Indicated Resource are convertible to Reserve and the Measured Resource is usually convertible to Proved Reserve while the Indicated Resource is convertible to Probable Reserve. Based on the geological exploration results and the technical parameters designed in the feasibility study, SRK estimated the Ore Reserves of all the mines operated by Aowei Mining and concludes that in terms of available Ore Reserves, Gufen, Wang'ergou and Shuanmazhuang mines are large-scale mines whether the open-pit or underground mining method is used and Zhijiazhuang mine is a medium-scale mine.

SRK notes that Gufen, Wang'ergou, Shuanmazhuang and Zhijiazhuang mines still have potential for further exploration to identify more geological resources and reserves because the mineralisation at these mines are open at depth.

SRK has been informed that some of the mineralisation with lower degrees of exploration and grades below cut-off grade of 8% has previously been mined, which is called "weakly mineralised wall rock" by the Company, although they are not accounted for in the ore reserves as this would not comply with JORC Code. However, SRK is of the opinion that it is reasonable to make use of the mineralisation with lower grades if a positive economic return can be assured. Furthermore, it is encouraged by the government to utilize low grade ore in China.

7.4 Mine Design

7.4.1 Mining Method and Scope

The mining methods and scopes selected by Sinosteel are presented in Table 7–4 according to the occurrence conditions and depths of the ore bodies.

Table 7–4: Mining Method and Scope Summaries

Company name	Mine name	Mining method	Mining scope	Planned capacity	Life of mine
				(1,000t/a)	*(years)*
Xinxin Mining . . .	Upper Part of Gufen Mine	Open-pit	Above 608 m ASL	5,000	13
	Lower Part of Gufen Mine	Underground	Beneath 608 m ASL	4,000	14
Jingyuancheng Mining	Wang'ergou Block	Open-pit	Above 600 m ASL	14,000	12
	Shuanmazhuang Block	Open-pit	Above 600 m ASL	14,000	12
	Wang'ergou Block	Underground	Beneath 600 m ASL	3,000	17
	Shuanmazhuang Block	Underground	Beneath 600 m ASL	3,000	17
Jiheng Mining . . .	Zhijiazhuang Mine	Open-pit	Above 880 m ASL	2,400	10

Based on the site visit and review of related information, SRK's opinion is that the mining methods and limits recommended by Sinosteel are reasonable and feasible. Meanwhile, the production capacity and life of each mine are in line with the actual mineral resource tonnages and situations. However, there is considerable amount of resource beneath 880 m ASL in Zhijiazhuang mine. For a better use of mineral resource, SRK suggests the Company consider underground mining at Zhijiazhuang based on the results of deep exploration. SRK recommends the Company to acquire the Zhijiazhuang northern block and the Qiaomaidi western block resources, which will extend the life of mine operated by Jiheng Mining by three to four years longer.

7.4.2 Ultimate Pit Limits Definition

Open-pit mining is used in all mines operated by Aowei Mining at present. After open-pit mining is completed, underground mining will be employed in Gufen, Wang'ergou and Shuanmazhuang mines. In the FS prepared by Sinosteel, the pit limits were optimized and delineated based on the occurrences of the ore bodies and the actual production situations. The key parameters are shown in Table 7–5.

Table 7–5: Ultimate Pit Limits Parameters

Pit limit parameters	Unit	Gufen Mine	Wang'ergou and Shuanmazhuang Mines	Zhijiazhuang Mine
Elevation of Final Pit Surface	m	1,016	1,152	1,200
Elevation of Closed Circle	m	815	768	1,030
Elevation of Final Pit Bottom	m	608	600	880
Upper Part Size of the Pit	m	1,030×780	3,100×720	900×600
Bottom Part Size of the Pit	m	460×245	1030×150	130×50
Bench Height	m	12	12	10
Final Bench Combination Height	m	24	24	20
Bench Width	m	15	15	8
Road Width (Double Lane/Single Lane)	m	18/16	16	
Bench Slope Angle (Operational)	°	75	75	75
Bench Slope Angle (Finished)	°	65	65	65
Final Slope Angle	°	45 to 49	45 to 49	50
Average Stripping Ratio	t/t	1.49	1.16	1.5
Mining Loss Ratio	%	3	3	3
Mining Dilution Ratio	%	3	3	3

SRK reviewed the FS prepared by Sinosteel and is of the opinion that the pit limit parameters are within a reasonable range. Figure 7–2 shows the proposed ultimate pit limit of Gufen Mine as designed by Sinosteel.

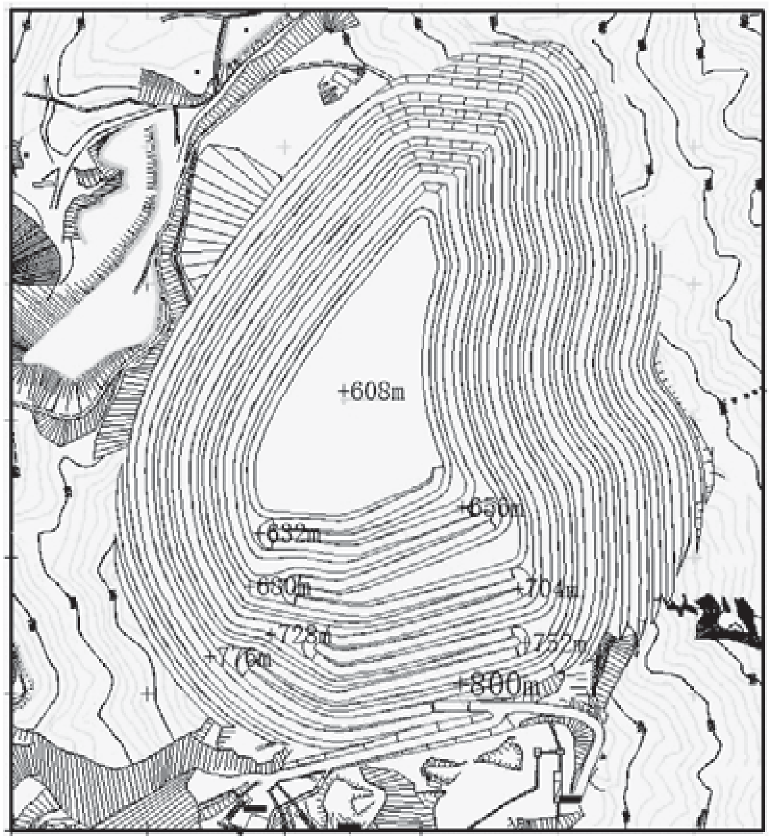


Figure 7–2: Proposed Ultimate Pit Limit of Gufen Mine

It is noted by SRK that there are currently several mines owned by other firms in the periphery of Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine, which poses restrictions to the final open limit optimisation made by Sinosteel. SRK is informed by the Company leadership that the local government prefers that the mining activities in the whole Dushancheng mining area are carried out alone by Hengshi Mining, a highly competent company, as a response to the call for resource consolidation. Hengshi Mining is currently under the negotiation with relevant firms about the acquisition. Once the acquisition is implemented as scheduled, the mining right owned by Hengshi Mining would cover more areas, which will accordingly allow the limit extension of the open-pit and extend the life of open-pit. In terms of economy and safety, open-pit cost is far less and much safer than underground mining. Therefore, SRK recommends the Company to acquire the nearby mines as soon as possible to further optimize the open-pit limits.

7.4.3 Open-pit Development

Since consolidating the mines, Aowei Mining has focused on slope correction and mining engineering work. Iron ore has been incidentally recovered along with weakly mineralized wall rocks, as a result of the blasting and associated operations to correct the slope and to optimize the open pit. All of the iron ore was recovered due to such correction work.

The open-pit development and the main parameters designed by Sinosteel are shown in Table 7–6.

Table 7–6: Open-pit Development and Main Parameters

Item	Gufen Mine	Wang'ergou Mine	Shuanmazhuang Mine	Zhijiazhuang Mine
Development	Road – Truck	Road – Truck	Road – Truck	Road – Ramp*
Road Width	15 m	15 m	15 m	13 m
Minimum Turning Radius	15 m	15 m	15 m	15 m
Minimum Gentle Slope Length	50 m	40 m	40 m	50–80 m
Maximum Longitudinal Degree	i=8%	i=8%	i=8%	i=9%
Slope Length with Limited Degree	<300 m	<300 m	<300 m	<200 m

Note:

* The ramp portal is at 1,006 m ASL and bottom at 880 m ASL. The ramp is 1418m long and with a section of 7.6 m × 5.1 m

Based on the occurrences of the various ore bodies and the actual technological conditions, SRK is of the opinion that the mine development method recommended by Sinosteel is appropriate, technically feasible, and economically viable.

7.4.4 Open-pit Mining

Based on Sinosteel's design, the typical mining sequence for each mine is proposed to proceed downward bench by bench with a gentle operating slope. The usual procedure comprises drilling, blasting, loading, and haulage.

For Gufen mine, Wang'ergou mine and Shuanmazhuang mine, drilling is done using YZ-35 rotary drills on a 9 m by 7 m drill pattern. Each hole is 13 m deep. For Zhijiazhuang mine, the drills used are KQG-150 down-the-hole drills, the drill spacing is 5 m by 4.4 m, and the hole length is 12.64 m.

Ammonium nitrate/fuel oil ("ANFO") and emulsified explosives are used for multi-row compression blasting with millisecond delays. Non-electrical conduits and remote detonating devices are used for initiation. Pre-splitting blasting is employed if the blasting row is near the pit limit in order to reduce damage to the slope. Secondary rock breaking is completed by GT150 type hydraulic hammers.

Broken ore and waste rock are loaded by 4 cubic metre ("m^3") capacity electric shovels or 2 m^3 hydraulic excavators into 45 to 50 tonne ("t") dump trucks and hauled to the stockpiles or waste dumps.

SRK is of the opinion that the mining method is widely applied to similar iron mines worldwide and the technology is mature. The mining method is applicable to the topographic conditions and mining technical conditions.

SRK notes that the equipment actually used by the mine is not exactly the same as designed by Sinosteel. For example, down-the-hole drills are employed for drilling rather than rotary drills, and hydraulic excavators are employed for loading rather than electric shovels. SRK was told that as the mining operation is contracted out to professional engineering firms, they are not required to follow the strict requirements exactly in terms of equipment model, specification, and quantity except when the contractors' chosen equipment interferes with achieving the promised production targets. SRK opines that this is a reasonable arrangement. The operating open-pit of Gufen mine is shown in Figure 7–3.

Figure 7–3: Operating Open-pit of Gufen Iron Mine

7.4.5 Open-pit Mining Equipment

The major mining and auxiliary equipment used by the mines operated by Aowei Mining are presented in Table 7–7. This list is based on the information provided by the Company and the contractors. SRK opines that the equipment configuration meets the normal production needs.

Table 7–7: Main Equipment for Open-pit Mining

Series No.	Equipment name and type	Unit	Gufen Mine	Wang'ergou Mine, Shuanmazhuang Mine	Zhijiazhuang Mine
1	KQG-120 Down-the-hole Drill	Set	8	11	10
2	Excavator (1.2–1.5 m^3)	Set	21	35	30
3	Dump Truck (30–45t)	Set	68	80	130
4	Mobile Air Compressor	Set	8	11	10
6	ZL50 Front-end Loader	Set	6	8	6
8	Water Spray Truck	Set	2	4	2

SRK is informed during the site visit that the drilling equipment is owned by the Company and the drilling operation is carried out by the mine itself. However, the blasting, loading and transporting operations are contracted out to professional firms and the necessary equipment is supplied by the contractors themselves. Usually, the contractor is able to provide sufficient equipment to meet production needs.

7.4.6 Underground Development

According to the feasibility study, the Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine will convert from open-pit mining to underground mining after the open-pit is mined out. Based on Sinosteel's design, a development plan utilising main and auxiliary shaft – ramp development within the mining areas covered by the existing mining rights permits will be used for underground mining. The main shaft will be used for ore transportation via a skip. The auxiliary shaft will be used as the main passage for personnel, materials, and waste rock. The ramps, the access channel for trackless equipment, will connect each level and sublevel and will be used for the transportation of some material and equipment. They will also serve as secondary emergency exits. The main development parameters designed by Sinosteel are presented in Table 7–8 and Table 7–9.

Table 7–8: Main Development Parameters of Gufen Mine

Development	Diameter	Elevation(m) Portal	Elevation(m) Bottom	Depth	Hoisting container	Usage
	(m)			*(m)*		
Main Shaft	4.5	810	250	560	Skip	Transport Ore
Auxiliary Shaft	5.5	815	320	495	Cage	Transport Personnel, Materials and Waste
East Ventilation Shaft	6	890	700	190		Air Discharge
West Ventilation Shaft	6	695	580	115		Air Discharge
Decline	4.2 x 3.5	815	700	620		Transport Trackless Equipment and Safety Exit

Table 7–9: Main Development Parameters of Wang'ergou Mine and Shuanmazhuang Mine

Development	Diameter	Elevation (m) Portal	Elevation (m) Bottom	Depth	Hoisting container	Usage
	(m)			*(m)*		
Main Shaft	4.5	780	370	510	Skip	Transport Ore
Auxiliary Shaft	5.5	780	440	340	Cage	Transport Personnel, Materials and Waste
Downcast Shaft	6	830	460	370		Air Inlet
South Ventilation Shaft	6	780	460	320		Air Discharge
South Ventilation Shaft	6	1,120	700	420		Air Discharge
820 m Adit		820				Mining the Ore above 820 m ASL
Decline	4.2 x 3.5	850				Transport Trackless Equipment and Safety Exit

Based on the consideration of the mineralization condition and ore controlling factors, Sinosteel determined an appropriate level height of 120 m. A total of four levels are laid out at elevations of 700 m, 580 m, 460 m, and 340 m ASL for Gufen Mine. For Wang'ergou and Shuanmazhuang Mines, four levels will be developed at 820 m, 700 m, 580 m, and 460 m ASL. It should be noted that 820 m is an adit level. Sublevel caving stoping will be employed, which will involve many sublevel drives, winzes, and ore passes. In order to speed up the preparation and development of cutting works, a sublevel is needed between two adjacent levels.

Considering that the LOMs of the mines operated by Xinxin Mining and Jingyuancheng Mining for open-pit mining each exceed 10 years and significant changes are likely to occur in all the mines and the iron market over the next decade, and the current underground mining design will have to be upgraded and amended according to actual mine development and economic conditions.

In terms of mining technology, SRK opines that the development plan for underground mining presented in the feasibility study is generally reasonable. The level height of 120 m seems rather too high, but a sublevel is designed between every two levels to shorten the actual level height to 60 m, a reasonable level. Figure 7–4 shows a sketch map of the development system.

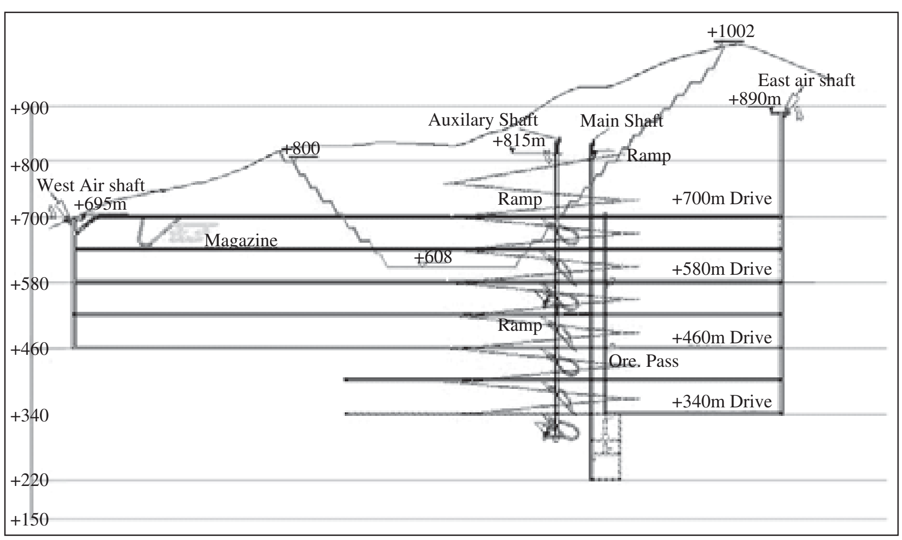


Figure 7–4: Sketch Map of Development System

7.4.7 Underground Mining Method

Based on the FS, sublevel caving mining method is recommended for Gufen, Wang'ergou and Shuanmazhuang mines after a comparison of sublevel open stoping and sublevel caving. SRK agrees with this selection.

For Gufen Mine, the final pit bottom is 608 m ASL and the first mining sublevel is 580 m ASL. Therefore, the pit pillar is about 28 m thick. Longhole drilling and blasting are used; ore will be removed from the crosscut works. The overburden thickness is 28 m. Stripped waste will be dumped on the top of the ore body in the final pit as artificial overburden.

For Wang'ergou and Shuanmazhuang Mines, the final pit bottom is 600 m ASL and the first mining sublevel is 580 m ASL. Therefore, the pit pillar is about 20 m thick. The mining method and characteristics are similar to those at Gufen Mine.

Sublevel caving mining techniques are detailed below.

7.4.7.1 Stope Layout and Structure Parameters

Stope arrangement: The stope will be arranged across the strike of the ore body and a few stopes may be laid along the strike if the ore body is thin.

Panel and block division: A 180 m long panel will be divided evenly along the ore body into three blocks. Each block will be 60 m long. Three crosscuts will be contained in each block, spaced 20 m apart. The width of the panel, equal to the distance between any two adjacent drifts along the vein, will usually be less than 100 m.

Stope structure parameters: The level height will be 120 m, and sublevels will be 20 m high. A total of six sublevel stopes will be laid out.

Preparation and cutting work: Two to three preparation drifts along the ore body will be set in each sublevel. Along the drift, one ore pass will be set up every 60 m, one air returning well will be arranged every 180 m, and one waste pass will be laid out every 200 m. A slot and winze will be set at the end of each crosscut.

Stoping sequence: Stoping will retreat from north to south, and the ore body will be mined from hanging wall to footwall. In addition, the stope at the hanging wall should be one sublevel ahead of the stope at the footwall.

7.4.7.2 Stope Operation and Equipment

Drilling: Holes will be drilled in fan shapes by Atalas Simba 1354 rigs. The hole diameters will be 76 mm, and the maximum hole depth will be 27 m. A total of 8 t of ore will be blasted for each 1 m of drilling hole.

Blasting: Emulsion explosives will be charged by Charmet6315XCR chargers. Non-electric blasting tubes will be used for detonating. The explosive specific charge will be 0.42 kilograms per tonne ("kg/t"). Secondary rock breaking will be completed by TM15HD crushers rather than blasting in order to reduce adverse impacts on production. The blasted ore will be 0 to 650 mm.

Ore removal: Blasted ore will be removed from draw points to ore passes using TORO-400E electric load-haul-dumps ("LHD") whose bucket capacity is 4.6 m^3. Each LHD can haul 600 t of ore per shift. Blasted waste rock will be transported by ST-3.5 diesel boggers to the waste pass.

Ground support: Bolt supports will be used in crosscuts using BoLtec 235H bolting rigs.

Ventilation: One JK55-No. 4.5 local fan will be set in each crosscut for air inlet. Blasting fumes will be drawn into ventilation shafts through the air return wells.

The mining methods and main technological parameters recommended by Sinosteel are shown in Table 7–10.

Table 7–10: Mining Method and Parameter

Technological Parameters	Unit	Item
Mining Method		Sublevel Caving
Stope Arrangement		Across Strike Direction of Ore Body
Level Height	m	120
Block Length	m	60
Sublevel Height	m	20
Panel Length	m	180
Panel Width	m	100
Crosscut Distance	m	20
Throughput of Each Block	1,000tpa	710
Mining Loss Rate	%	20
Mining Dilution rate	%	7

SRK is of the opinion that sublevel caving is a mature technology widely used in large iron mines all over the world. Figure 7–5 presents a sketch map of sublevel caving.

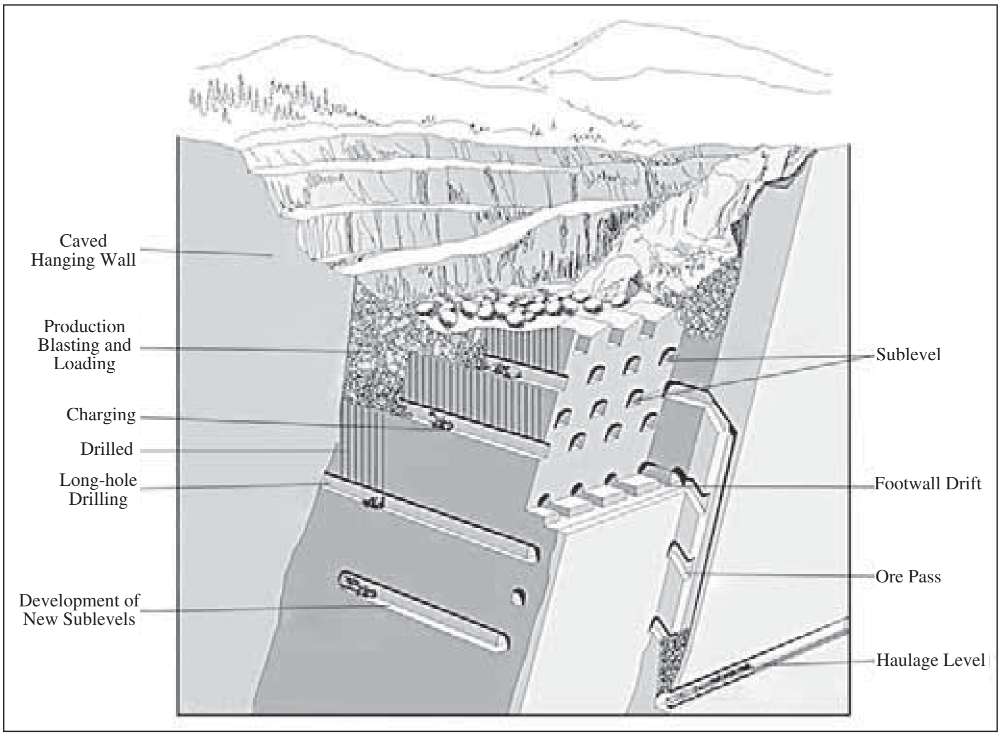


Figure 7–5: Sketch Map of Sublevel Caving Mining

7.5 Mine Production Plan

7.5.1 Operation Schedule, Production Capacity and LoM

Based on the feasibility study report, the planned production capacity, operation schedule, and LoM are shown in Table 7–11. The LoM is calculated based on the current available probable extractable reserve and the planned mining capacity of open-pit and underground mining.

Table 7–11: Production Capacity, LOM Summary

	Item	Unit	Xinxin	Jingyuancheng	Jiheng	Remark
Capacity	Open-pit Mining	1,000tpa	5,000	14,000	2,400	
	Underground Mining	1,000tpa	4,000	3,000		
LOM	Open-pit Mining	year	13	12	10	
	Underground Mining	year	14	17		
	Total	year	27	29	10	
Pre-production Period	Open-pit Reconstruction and Expansion	year	3	3	2	Included in O/P LOM
	Pre-production for Underground Mining	year	3	3		Excluded in U/G LOM
Operation Schedule		day	330	330	330	
		shift/d	3	3	3	
		h/shift	8	8	8	
Starting Year of Pre-production			2013	2013	2013	
First Year with Full Capacity (O/P)			2016	2016	2015	
Last Year of Mine			2039	2041	2022	

In SRK's opinion, the proposed production capacity and LOM are generally reasonable, and the 330 working days per year in this region is reasonable as well.

7.5.2 Production Plan

Aowei Mining currently holds 100% of shares in Xinxin Mining and Jingyuancheng Mining and 90% of shares in Jiheng Mining. Supplementary geological exploration was carried out on all four properties after they were acquired. Based on the exploration results, reconstruction and expansion work is being carried out on mining and processing facilities and plants; the recovered material as a by product was processed during the reconstruction and expansion work. Mining data figures of all mines operated by Aowei Mining from 2010 to 2012 are shown in Table 7–12. Mining production data from January to September 2013 was also provided by the client after the second site visit in July 2013 and is listed in Table 7–13.

Table 7–12: Mining and Processing Figures 2010–2012

Item	Unit	Xinxin Mining 2010	Xinxin Mining 2011	Xinxin Mining 2012
Excavated by product during stripping	1,000t	3,917	3,386	2,778
Inc.: ≥15% TFe raw ore	1,000t	461	391	313
8%–15% TFe raw ore	1,000t	1,267	1,073	859
8%–5% TFe weakly mineralised wall rocks	1,000t	2,189	1,923	1,606
Ore and Rock (Slope Fixing Excluded)	1,000t	6,978	7,141	6,900
Stripping ratio in production	t/t	3,04	3,88	4,89
Ore and Rock (Including Slope Fixing)	1,000t	6,978	7,141	6,900
Total stripping ratio	t/t	3.04	3.88	4.89
Average ore grade	%TFe	9.47	9.41	9.34

		Jingyuancheng Mining					
		Wang'ergou			Shuanmazhuang		
Item	Unit	2010	2011	2012	2010	2011	2012
Excavated by product during stripping	1,000t	2,601	3,266	3,380	1,476	1,759	1,820
Inc.: 15% TFe raw ore	1,000t	349	414	382	199	222	206
8%–15% TFe raw ore	1,000t	638	753	696	360	406	375
8%–5% TFe weakly mineralised wall rocks	1,000t	1,614	2,099	2,302	917	1,131	1,239
Ore and Rock (Slope Fixing Excluded)	1,000t	2,727	4,562	5,734	1,529	1,996	3,396
Stripping ratio in production	t/t	1.76	2.91	4.32	1.74	2.18	4.85
Ore and Rock (Including Slope Fixing)	1,000t	2,727	4,562	5,734	1,529	1,996	3,396
Total stripping ratio	t/t	1.76	2.91	4.32	1.74	2.18	4.85
Average ore grade	%TFe	9.38	9.24	9.04	9.21	9.00	8.55

Item	Unit	Jiheng Mining 2010	2011	2012
Excavated by product during stripping	1,000t	326	3,113	3,501
Inc.: ≥25% TFe raw ore	1,000t	145	397	570
8%–25% TFe raw ore	1,000t	0	953	403
8%–5% TFe weakly mineralised wall rocks	1,000t	181	1,763	2,528
Ore and Rock (Slope Fixing Excluded)	1,000t	2,773	12,743	14,997
Stripping ratio in production	t/t	18.12	8.44	14.41
Ore and Rock (Including Slope Fixing)	1,000t	2,773	12,743	14,997
Total stripping ratio	t/t	18.12	8.44	14.41
Average ore grade	%TFe	18.80	14.00	12.62

Table 7–13: Mining Production Figures, January–September 2013

Item		Unit	Xinxin Mining Jan.	Feb.	Mar.	Apr.	May	Jun.	1H 2013	Jul.	Aug.	Sep.
Production	Raw Ore (TFe: ≥15%)	1,000t	71	12	94	77	122	88	464	53	28	39
	Raw Ore (TFe: <15%, ≥8%)	1,000t	166	28	219	174	244	193	1,025	147	67	69
	8%–5% TFe weakly mineralised wall rocks	1,000t	0	0	0	0	0	0	0	0	0	0
Ore and Rock (Slope Fixing Excluded)		1,000t	397	82	620	409	595	463	2,566	329	154	179
Stripping Ratio in Production		t/t	0.68	1.01	0.98	0.63	0.62	0.65	0.72	0.64	0.62	0.65
Ore and Rock (Including Slope Fixing)		1,000t	754	127	1,148	1,222	1,205	943	5,399	954	905	1,031
Total Stripping Ratio		t/t	2.18	2.13	2.67	3.86	2.29	2.36	2.63	3.77	8.53	8.50
Average Ore Grade		% TFe	13.46	13.79	13.57	13.62	13.69	14.17	13.71	13.77	14.24	12.81

Item		Unit	Jingyuancheng Mining Jan.	Feb.	Mar.	Apr.	May	Jun.	1H 2013	Jul.	Aug.	Sep.
Production												
Wang'ergou	Raw Ore (TFe: ≥15%)	1,000t	46	16	68	6	47	35	217	20	35	11
	Raw Ore (TFe: <15%, ≥8%)	1,000t	77	26	114	400	357	307	1,283	217	235	69
	8%–5% TFe weakly mineralised wall rocks	1,000t	109	37	161	0	0	0	307	0	0	0
Ore and Rock (Slope Fixing Excluded)		1,000t	307	108	470	577	542	499	2,504	336	451	302
Stripping Ratio in Production		t/t	1.49	1.59	1.59	0.42	0.34	0.46	0.67	0.42	0.67	0.66
Ore and Rock (Including Slope Fixing)		1,000t	583	167	1,007	1,058	1,028	870	4,713	988	750	825
Total Stripping Ratio		t/t	3.73	3.01	4.54	1.60	1.54	1.54	2.14	3.17	1.78	3.53
Average Ore Grade		% TFe	10.5	11.55	10.89	12.83	13.07	13.29	12.25	13.33	12.87	14.23
Shuanmazhuang	Raw Ore (TFe: ≥15%)	1,000t	25	8	36	4	37	32	143	16	105	195
	Raw Ore (TFe: <15%, ≥8%)	1,000t	42	14	62	272	277	266	932	112	296	112
	8%–5% TFe weakly mineralised wall rocks	1,000t	59	20	87	0	0	0	165	0	0	0
Ore and Rock (Slope Fixing Excluded)		1,000t	217	74	317	440	452	443	1,943	213	576	447
Stripping Ratio in Production		t/t	2.26	2.30	2.24	0.59	0.44	0.48	0.81	0.65	0.43	0.46
Ore and Rock (Including Slope Fixing)		1,000t	411	116	580	777	730	702	3,315	708	767	876
Total Stripping Ratio		t/t	5.18	4.15	4.92	1.82	1.32	1.35	2.08	4.50	0.91	1.86
Average Ore Grade		% TFe	10.41	11.45	10.79	12.88	13.15	13.38	12.46	13.84	13.22	14.36

Item		Unit	Jiheng Mining Jan.	Feb.	Mar.	Apr.	May	Jun.	1H 2013	Jul.	Aug.	Sep.
Production	Raw Ore (TFe: ≥25%)	1,000t	144	45	0	96	185	80	550	70	59	68
	Raw Ore (TFe: <25%, ≥8%)	1,000t	325	67	270	212	64	104	1,041	26	18	25
	8%–5% TFe weakly mineralised wall rocks	1,000t	229	195	383	288	21	59	1,175	79	41	95
Ore and Rock (Slope Fixing Excluded)		1,000t	1,121	438	881	903	320	292	3,955	215	164	239
Stripping Ratio in Production		t/t	1.39	2.91	2.26	1.93	0.29	0.59	1.48	1.24	1.10	1.57
Ore and Rock (Including Slope Fixing)		1,000t	1,794	534	2,130	1,388	670	592	7,108	506	426	567
Total Stripping Ratio		t/t	2.83	3.77	6.89	3.51	1.69	2.22	3.47	4.27	4.47	5.10
Average Ore Grade		% TFe	26.56	24.65	18.71	23	28.74	25.76	24.56	31.11	31.60	31.72

Before being acquired by Aowei Mining, ores were extracted in a disorderly manner; not enough waste rocks were stripped at any of the mines. As a result, the slopes became steeper and steeper and the tonnages of ores minable within the pit limits decreased, posing difficulties for normal mine operations and creating a large number of potential safety hazards. To resolve all these issues, Aowei Mining decided to correct the slope angles based on designed open-pit limits before it conducts trial or commercial production. Since commencing trial or commercial production, Aowei Mining has focused on continuing stripping engineering and technical renovation works as it ramps up toward full capacity. It is expected to take as long as three years to complete this project. SRK is informed that after the ramp-up period, mines will start normal production at full capacity as designed in the

FS. SRK has been provided with the future production plan for the next five years, as shown in Table 7–14, Table 7–15 and Table 7–16.

Table 7–14: Production Plan of Gufen Mine from 2013 to 2017

Item		Unit	Technical Renovation			Years with Full Capacity	
			2H 2013	2014	2015	2016	2017
Capacity	Raw Ore (TFe: ≥8%)	1,000tpa	711	2,900	3,900	5,000	5,000
Production	Raw Ore (TFe: ≥15%)	1,000t	130	783	1,016	1,350	1,350
	Raw Ore (TFe: <15%, ≥8%)	1,000t	581	2,117	2,747	3,650	3,650
	Waste Rock	1,000t	463	2,030	2,640	6,500	6,500
Slope Fixing	Raw Ore (TFe: ≥8%)	1,000t			138		
	Waste rock	1,000t	4,627	6,970	5,359		
Ore and Rock (Slope Fixing Excluded)		1,000t	1,174	4,930	6,402	11,500	11,500
Stripping Ratio in Production		t/t	0.65	0.70	0.68	1.30	1.30
Ore and Rock (Including Slope Fixing)		1,000t	5,801	9,783	9,152	11,500	11,500
Total Stripping Ratio		t/t	7.16	3.10	2.05	1.30	1.30
Average Ore Grade		% TFe	14.18	12.83	12.83	12.83	12.83

Table 7–15: Production Plan of Wang'ergou and Shuanmazhuang Mines from 2013 to 2017

Item		Unit	Technical Renovation			Years with Full Capacity	
			2H 2013	2014	2015	2016	2017
Capacity	Raw Ore (TFe: ≥8%)	1,000tpa	2,953	8,000	11,000	14,000	14,000
Production	Raw Ore (TFe: ≥15%)	1,000t	1,573	2,912	3,914	5,096	5,096
	Raw Ore (TFe: <15%, ≥8%)	1,000t	1,380	5,088	6,839	8,904	8,904
	Waste Rock	1,000t	1,601	4,000	5,400	16,000	16,000
Slope Fixing	Raw Ore (TFe: ≥8%)	1,000t			247		
	Waste rock	1,000t	5,418	8,000	8,243		
Ore and Rock (Slope Fixing Excluded)		1,000t	4,554	12,000	16,153	30,000	30,000
Stripping Ratio in Production		t/t	0.54	0.50	0.50	1.14	1.14
Ore and Rock (Including Slope Fixing)		1,000t	9,972	20,000	24,643	30,000	30,000
Total Stripping Ratio		t/t	2.38	1.50	1.24	1.14	1.14
Average Ore Grade		% TFe	13.50	13.50	13.50	13.50	13.50

Table 7–16: Production Plan of Zhijiazhuang Mine from 2013 to 2017

Item		Unit	Technical Renovation 2H 2013	Technical Renovation 2014	Technical Renovation 2015	Years with Full Capacity 2016	Years with Full Capacity 2017
Capacity	Raw Ore (TFe: ≥8%)	1,000tpa	558	2,300[1]	2,400	2,400	2,400
Production	Raw Ore (TFe: ≥25%)	1,000t	428	990	958	958	958
	Raw Ore (TFe: <25%, ≥8%)	1,000t	130	1,310	1,442	1,442	1,442
	Waste Rock	1,000t	765	2,990	3,120	3,120	3,120
Slope Fixing	Raw Ore (TFe: ≥8%)	1,000t					
	Waste rock	1,000t	1,747				
Ore and Rock (Slope Fixing Excluded)		1,000t	1,323	5,290	5,520	5,520	5,520
Stripping Ratio in Production		t/t	1.37	1.30	1.30	1.30	1.30
Ore and Rock (Including Slope Fixing)		1,000t	3,070	5,290	5,520	5,520	5,520
Total Stripping Ratio		t/t	4.50	1.30	1.30	1.30	1.30
Average Ore Grade		% TFe	32.09	27.11	27.11	27.11	27.11

Note:

1 half of raw ore will be sold directly and the rest half will be processed to produce iron concentrate.

In SRK's opinion, the production plans of all mines operated by Aowei Mining for the next five years have taken into account the Permit Approved Grade stated on the mining permits and are reasonable and feasible. According to the production data of Jiheng Mining during the past two years, a total of 5.6452 Mt of weakly mineralised wall rock was produced from November 2010 to June 2013, of which a total of 2.043 Mt (audited) was in stock as of June 30, 2013. The Company will continue to produce more weakly mineralised wall rock in the future.

SRK is informed by the Company management that given the adequate capacity of dry processing facilities and favourable economic returns, the Company processes the weakly mineralised wall rocks with TFe% more than 5% and less than 8% in dry if the production cost and market iron price permit. SRK is in favour of this kind of practice. SRK is also informed that about 1.6 Mt weakly mineralised wall rocks at Zhijiazhuang Mine are expected to be mined out and processed in 2014 with the similar cost and recovery rate as 2013, and the ratio of raw ore feed to concentrate output is expected to be 12.

In SRK's opinion, the progress of the slope correction project and the price fluctuation of iron in the market will have the most significant impacts on these plans. Therefore, SRK suggests the mines to adhere to the implementation of their efforts on stripping engineering and slope fixing and make timely and appropriate adjustments to cut-off grades and mining limits in response to market price fluctuations to achieve better economic returns.

7.6 Conclusions

Based on available documents and findings made during the site visits, SRK is of the opinion that there are no significant faults that must be addressed in terms of mining technology except the insufficient stripping engineering, which is already being remedied by appropriate measures.

Resource integration and supplementary exploration have further expanded the mining limits and increased the mineral resource, which lays a sound foundation for future capacity expansion. The feasibility study made by Sinosteel for the four mines generally satisfies the basic requirements, and the mine design meets the minimum requirements as well. Considering that underground mining is to be employed in 10 years when the open-pit mining production ends, it is SRK's opinion that the existing design for underground mining will likely be have to be re-evaluated and adjusted according to the status of the mine development and market conditions in due course.

SRK opines that the market price of iron concentrate may pose the most significant impact on the mines' economic returns. Therefore, better management and lower mining costs seem essential to the mines. At the same time, appropriate and timely adjustments of cut-off grades and mining limits in response to fluctuations of iron's market price are also very important.

8 METALLURGY AND PROCESS

8.1 Ore Properties and Beneficiability

8.1.1 Dushancheng Ore

Ore from Shuanmazhuang Mine, Wang'ergou Mine and Gufen Mine presents the same properties and beneficiability because they are all located in the Dushancheng mining area, and are metamorphic iron mines. Quartz, hornblende, plagioclase, and biotite are the main components of local minerals, followed by magnetite. The ore is classified as low grade magnetite ore. Iron is the only valuable element, and most iron occurs in magnetite, hematite, limonite, pyrite, chalcopyrite, and some iron-bearing non-metal minerals. Magnetite is a strongly magnetic mineral, and can be recovered by magnetic separation. Other minerals have extremely low or no magnetism, and cannot be recovered by magnetic separation. Additionally, the low content of iron in other minerals renders them economically unrecoverable. Therefore, the target of ore processing is to liberate the magnetite grains from all other minerals and enrich the magnetite separately to obtain iron concentrate.

In September 2011, Hebei Province Central Laboratory of Geology and Mineral Resources ("Hebei Laboratory") conducted an ore property study and processing test on three sets of samples with different grades. According to the processing test report on Dushancheng ore, the magnetite occurs in automorphic to xenomorphic crystalline shape with various grain sizes, generally ranging from 0.03 to 0.70 mm. Magnetite is distributed among and closely associated with quartz, hornblende, potash, feldspar, and biotite. The contact between magnetite and other minerals is flat and straight, making it easy to disassociate, so the ore is easy to process. Some magnetite occurs as fine grains, generally from 0.015 to 0.045 mm, contained in quartz, hornblende, potash, feldspar and biotite grains. This fine-grained magnetite is difficult to disassociate due to its small size and low content. A small amount of magnetite is replaced by hematite or limonite at the verges of grains or in fissures. Another small amount of magnetite is closely associated with pyrite and chalcopyrite and is distributed sporadically.

The processing test followed a flowsheet calling for dry magnetic separation with tailings discarded in advance + dry concentrate grinding + wet magnetic separation. The ore was crushed to less than 10 mm, and then separated by dry magnetic separation to produce preliminary concentrates. The preliminary concentrate was ground to 45%–50% less than 0.074 mm, then processed by wet magnetic separation (one stage of roughing and one stage of cleaning) to produce the final concentrate. The test results are shown in Table 8–1 and indicate that Dushancheng ore is easy to process and the recovery rate of magnetic iron can exceed 95%. The value of mFe and TFe increases with the increase of ore grade, and therefore the TFe recovery rate also increases with the increase of ore grade.

Table 8–1: Dushancheng Ore Processing Test Results

		Grade (%)		Recovery (%)	
Operations	**Mass Recovery (%)**	**TFe**	**mFe**	**TFe**	**mFe**
Sample Set 1					
Ore Feed		12.19	5.36		
Dry Magnetic Pre-separation	30.37	23.77	17.03	59.22	96.49
Wet Magnetic Separation	26.24	66.23	64.02	73.11	98.64
Whole Flow Sheet	7.97	66.23	64.02	43.3	95.19
Sample Set 2					
Ore Feed		18.50	11.74		
Dry Magnetic Pre-separation	61.69	24.53	18.80	81.80	98.79
Wet Magnetic Separation	27.96	66.73	66.25	76.06	98.53
Whole Flow Sheet	17.25	66.73	66.25	62.22	97.34
Sample Set 3					
Ore Feed		22.64	16.59		
Dry Magnetic Pre-separation	68.48	29.86	24.05	90.31	99.27
Wet Magnetic Separation	36.30	66.14	65.47	80.41	98.83
Whole Flow Sheet	24.86	66.14	65.47	72.62	98.11

8.1.2 Zhijiazhuang Ore

Zhijiazhuang is a skarn iron mine. Humite, diopside, serpentine, and magnetite are the main components of minerals. Most iron occurs in magnetite, and smaller amounts in hematite, limonite, silicate minerals, carbonate minerals and pyrite. Magnetite is the only target mineral for recovery in processing.

In September 2011 and July 2012, Hebei Laboratory conducted an ore property study and processing test on three sets of samples with different grades. According to the processing test report on Zhijiazhuang ore, magnetite occurs in xenomorphic crystalline shapes with various grain sizes, generally ranging from 0.03 to 0.75 mm. Humite, in granoblastic texture, is replaced in various degrees by magnetite that was formed after the formation of humite along the edge of grains and in fissures. As most humite has been replaced along the edges of grains, humite grains have become round and smooth. Magnetite, distributed among humite grains, acts as a cement to bind humite grains and occurs in sideronitic crystalloblastic texture. Small amounts of humite contain magnetite in extremely small grain sizes of about 0.012 mm. Some diopside has been replaced by magnetite. Some magnetite is replaced by serpentine only along the edge of magnetite grains, and small amounts of magnetite are seen in serpentine aggregates in acicular or particulate shapes. This portion of magnetite occurs in extremely small grain sizes and is closely associated with serpentine, so it is difficult to separate. A positive correlation is presented between magnetite and humite grain sizes. A small amount of magnetite in acicular or particulate shape is distributed in chlorite veins, caused by the disruption of serpentine aggregates by later-forming chlorite vein. This portion of magnetite and gangue minerals are replaced by each other and are closely associated with each other. To obtain qualified iron concentrate and favourable recovery rate, it has a higher level of requirement on grinding fineness to disassociate the magnetite grain.

The processing test results are shown in Table 8–2. Sample set 1 is low grade ore, Sample set 2 is industrial ore and Sample set 3 is weakly mineralised wall rock. Two samples were crushed to less than 8 mm and separated by dry magnetic separation to produce preliminary concentrate. The preliminary concentrate was then ground in two stages and then separated in two-stage magnetic separation to produce the final concentrate. In stage one grinding, 38.5%–39.8% of the ore was ground to less than 0.074 mm; in stage two, 90.8% of the ore was ground to less than 0.074 mm. The third sample was composed of weakly mineralised wall rock. This sample was crushed to less than 15 mm, and separated by dry magnetic separation. The preliminary concentrate was ground in two stages and then separated to get the final concentrate in three-stage magnetic separation. In stage one grinding, 47% of the ore was ground to less than 0.074 mm; in stage two, 88.5% of the ore was ground to less than 0.074 mm. The results indicate that Zhijiazhuang ore comprises fine-grained magnetite. To obtain qualified iron concentrate and favourable recovery rate, at least 90% of the ore must be ground to less than 0.074 mm. If 74.44% of the preliminary concentrate is further ground to less than 0.038 mm in size through stage three grinding, the iron concentrate is obtained with a grade as high as 65.26%, but the recovery rates are 58.03% for TFe and 80.18% for mFe.

Table 8–2: Processing Test Result of Zhijiazhuang Ore

		Grade (%)		Recovery (%)	
Operations	**Mass Recovery(%)**	**TFe**	**mFe**	**TFe**	**mFe**
Sample Set 1	Final grinding fineness: 90.8%-200 mesh				
Ore Feed		20.13	17.92		
Dry Magnetic Separation	66.18	28.79	26.87	94.63	99.23
1st Wet Magnetic Separation	55.03	48.11	46.47	92.00	95.18
2nd Wet Magnetic Separation	74.48	62.38	61.43	96.58	98.47
Whole Flow Sheet	27.13	62.38	61.43	84.07	92.99
Sample Set 2	Final grinding fineness: 90.8%-200 mesh				
Ore Feed		33.93	31.69		
Dry Magnetic Separation	77.92	42.1	40.27	96.68	99.01
1st Wet Magnetic Separation	75.00	54.8	53.47	97.61	99.58
2nd Wet Magnetic Separation	85.03	62.88	61.39	97.58	98.75
Whole Flow Sheet	49.69	62.88	61.39	92.09	97.36
Sample Set 3	Final grinding fineness: 88.5%-200 mesh				
Ore Feed		7.54	5.42		
Dry Magnetic Separation	32.29	19.40	16.50	83.08	98.30
1st Wet Magnetic Separation	32.89	49.26	–	83.45	–
2nd Wet Magnetic Separation	75.52	61.03	–	93.56	–
3rd Wet Magnetic Separation	93.39	63.45	–	97.09	–
Whole Flow Sheet	7.49	63.45	62.89	63.01	86.87
Sample Set 3	Final grinding fineness: 74.44%-400 mesh				
Ore Feed		7.54	5.42		
Dry Magnetic Separation	32.29	19.40	16.50	83.08	98.30
1st Wet Magnetic Separation	32.89	49.26	–	83.45	–
2nd Wet Magnetic Separation	73.35	61.62	–	91.76	–
3rd Wet Magnetic Separation	86.01	65.26	–	91.09	–
Whole Flow Sheet	7.49	65.26	64.89	58.03	80.18

8.1.3 Quality of Iron Concentrate

The analysis results of the iron concentrate produced in the processing tests are listed in Table 8–3. It is indicated that the iron concentrate is of good quality. Ores from Dushancheng area and Zhijiazhuang area are processed to obtain iron concentrate with grade above 66% and 62%, respectively, and low content of harmful impurities, i.e., SiO_2, P and S. The iron concentrate of ores from Zhijiazhuang area is alkaline concentrate with high content of MgO. It can be blended with acid iron concentrate in appropriate proportion to adjust the pH value of the component in blast furnace with an effect that no or minimal flux would be needed in iron making, thus largely preventing the grade decrease of the component materials. Furthermore, it reduces the coke consumption by improving metallurgical performance of sinter, improves the furnace efficiency and lowers down the iron making cost. This kind of iron concentrate is popular among the market.

Table 8–3: Quality of Iron Concentrate

	TFe	SiO_2	Al_2O_3	CaO	MgO	P	S	C/A*
From Dushancheng								
Sample Set 1	66.23	2.2	0.59	0.94	0.16	0.017	0.091	0.39
Sample Set 2	66.73	4.75	0.8	1.13	0.23	0.017	0.091	0.25
Sample Set 3	66.14	3.06	0.77	0.96	0.18	0.017	0.057	0.3
From Zhijiazhuang								
Sample Set 1	62.38	2.46	1.11	0.78	6.16	0.01	0.054	1.94
Sample Set 2	62.88	1.98	0.96	0.56	5.16	0.015	0.039	1.95
Sample Set 3	63.45	3.28	1.06	1.02	0.57	0.038	0.047	0.37#

Note: *C/A = $(CaO+MgO)/(SiO_2+Al_2O_3)$. The ore is acid if C/A<0.5, half self-fluxed if c/a = 0.5 to 0.8, self-fluxed if C/A = 0.8 to 1.2, and alkaline if C/A>1.2. No flux or less flux is needed for making iron from the self-fluxed ore. This kind of ore is considered of good performance in iron making as it reduces the coke consumption and improves the furnace efficiency.

Sample set 3 represents low grade rock which is not representative of the Zhijiazhuang deposit.

8.2 Processing Flow Sheet

Both dry magnetic separation and wet magnetic separation processes are included in the flowsheet. The extracted ore, transported by truck to the dry processing facilities, is crushed and then separated by using dry magnetic separation. Dry magnetic separation aims to pre-discard waste rocks in the run of mine ore ("ROM") and improve the feed grade for grinding to an appropriate level. Two flowsheets, as shown in Figure 8–1, are used in the dry processing plants. Flowsheet I is simple and applicable to small-scale and older facilities. Its product is usually less than 25 mm in grain size. Most of the newly-built dry processing facilities follow the flowsheet II, in which another process is introduced to concentrate the preliminary concentrate using a second magnetic pulley prior to dry magnetic separation. It is more efficient and the product is usually less than 12 mm in grain size. Aowei Mining plans to introduce high-pressure roller crusher and dry magnetic separator for further grinding and classification to the preliminary concentrate, reducing its grain size to less than 6 mm and improving its grade. It is expected to upgrade the capacities of wet magnetic separation and eventually increase the output of iron concentrate and lower the production cost.

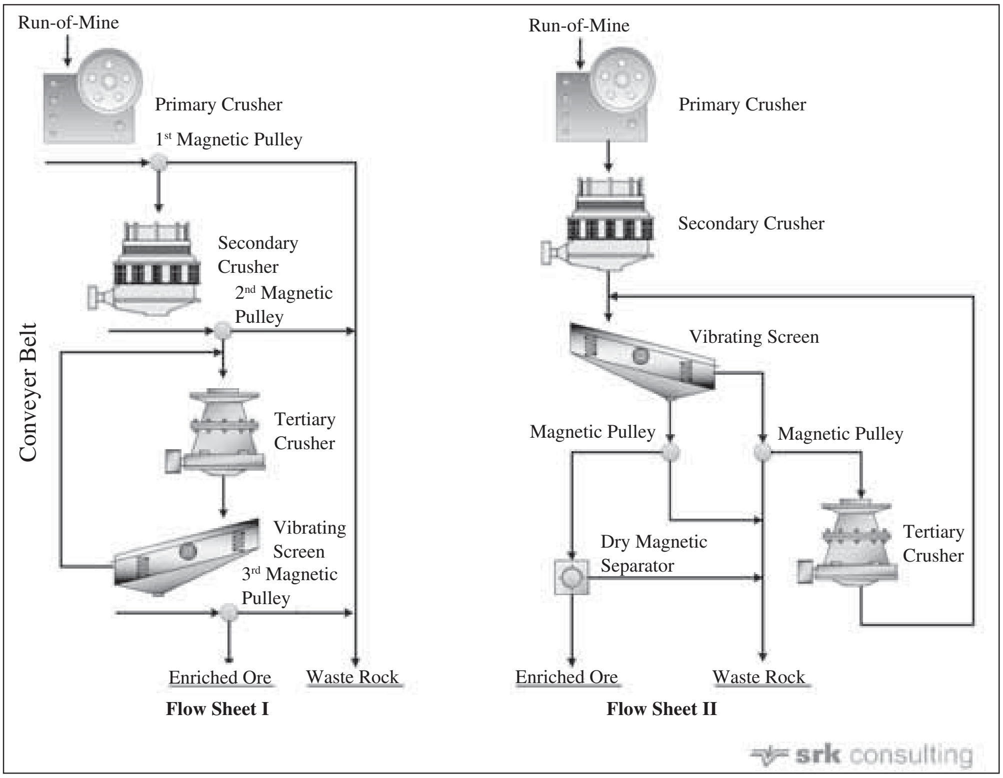


Figure 8–1: Flow Sheets in Dry Processing Plant

The preliminary concentrate is sent to the wet processing plants for further grinding to disassociate the target mineral with gangue minerals. The magnetite is separated by wet magnetic separators and enriched to obtain iron concentrate. The concentrate is then dewatered to get the final concentrate. All the wet processing plants operated by Aowei Mining follow basically the same flowsheet: two-stage grinding + multi-stage magnetic separation. The only minor difference is in the classifying facilities. The wet processing flowsheet is shown in Figure 8–2.

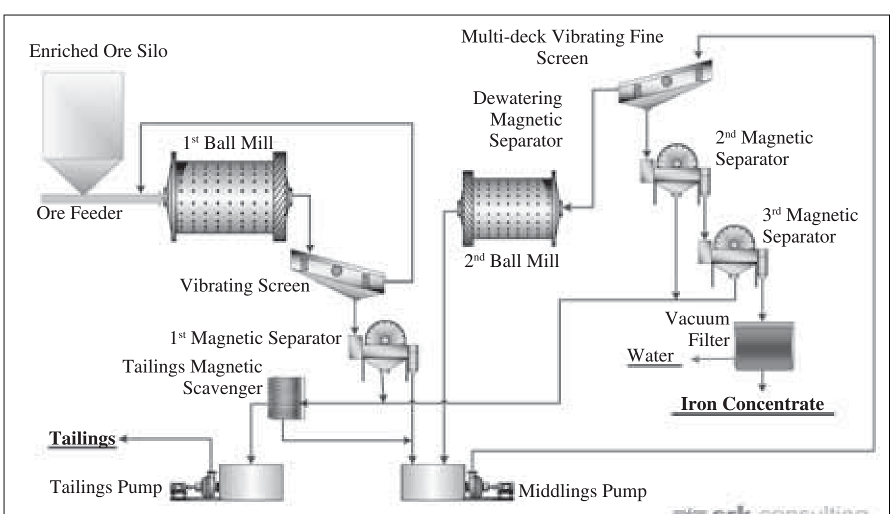


Figure 8–2: Flow Sheet in Wet Processing Plant

8.3 Processing Capacity and Upgrade Plan

Hengshi Mining plans to conduct a technical upgrade to some of the existing processing plants and build a new dry processing facility and two wet processing plants from 2013 to 2015 to improve their processing capacity, reduce tailings discharge and extend the life of tailings storage facilities. Sinosteel produced the design for this technical upgrade in their feasibility study conducted in December 2012. Table 8–4 shows the existing capacities and planned capacities of dry processing facilities and wet processing plants in 2013, 2014 and 2015.

Table 8–4: Existing Capacities and Planned Capacities of Processing Facilities and Plants

	Existing capacity (Mtpa)	Planned Capacity (Mtpa)		
	as of 30 June, 2013	as of 31 December, 2013	as of 31 December, 2014	as of 31 December, 2015
Dry Processing Facilities				
Xinxin Mining	4.50	5.75	5.75	5.75
Jingyuangcheng Mining	7.30	9.60	17.60	17.60
Jiheng Mining	3.70	4.20	4.20	4.20
Wet Processing Plants				
Xinxin Mining	1.36	1.60	1.60	1.60
Jingyuancheng Mining	2.40	2.40	3.50	4.70
Jiheng Mining	–	–	1.60	1.60

8.3.1 Xinxin Mining

Xinxin Mining owns Gufen Mine, three dry processing facilities, and two wet processing plants. Two wet processing plants are adjacent to each other. The dry processing facilities No. 1 and No. 3 are 10.3 km away from the wet processing plants, and No.2 is 10.6 km away from the wet processing plants. Figure 8–3 shows the wet processing plant operated by Xinxin Mining.

Figure 8–3: Wet Processing Plant Operated by Xinxin Mining

The Company plans to spend Chinese Yuan ("RMB") 9.79 million ("M") from April to November in 2013 to renovate the processing plants in the following aspects:

- Replace the belt conveyer's waste rock electrical roller with a magnetic pulley to scavenge the discard material to improve magnetite recovery (the renovation had been accomplished as of the end of June 2013);
- Build a high-press roller crusher workshop for dry processing facilities No. 1 and No. 3. Employ a 160–140 high-press roller crusher to reduce the grain size of preliminary concentrate to less than 6 mm; employ two rotary dry magnetic separators to improve the preliminary concentrate's grade from 21% to more than 28% Fe;
- Add one 100–80 high-press roller crusher and one rotary dry magnetic separator in dry processing facility No. 2 to reduce the grain size of the preliminary concentrate to less than 6 mm and improve the grade up to more than 28% Fe; and
- Add two more ball mills and one set of hydrocyclone to the existing stage-two grinding in the wet processing plant to upgrade the grinding capacity; replace GTB1018 magnetic separator by LCTY-1021 magnetic separator in stage-one separation, replace GTB0918 magnetic separator by LCTY-1018 magnetic separator in stage-two separation, and replace three GTB0918 magnetic separators by the existing two GTB1021 magnetic separators and one GTB1018 magnetic separator in stage-three separation; replace three outdated GN20 cylinder internal filters by one ZPG96-8 disc filter. The processing capacity is expected to increase from 1.36 Mtpa to 1.6 Mtpa and the iron concentrate output is expected to increase by 30% to 35%.

The list of equipment employed before and after renovation is shown in Table 8–5 and the production capacity comparison is shown in Table 8–5.

Table 8–5: Main Equipment in Xinxin Mining's Processing Facilities

No.	Equipment Name	Specification	Quantity	Power (KW)
1	**Dry Separation Facility No. 1**			
1.1	Jaw Crusher	C110	1	160
1.2	Cone Crusher	PYB1750	1	180
1.3	Cone Crusher	GP11F	1	160
1.4	Raw Ore Vibrating Feeder	JZD1642	1	5.5×2
1.5	Vibrating Screen	YA2460	1	30
1.6	Dry Pre-Separator	CCXCY-111-814	2	11×4
1.7	End Product Vibrating Feeder	GZG1103	1	1.1×2

No.	Equipment Name	Specification	Quantity	Power (KW)
2	**Dry Separation Facility No. 2**			
2.1	Jaw Crusher	PEWD 900×1200	1	110
2.2	Vibrating Feeder.	G2T 1642	1	5.5×2
2.3	Cone Crusher	PYB 1750	1	155
2.4	Cone Crusher	PYD 1750	2	155×2
2.5	Vibrating Screen.	YA2460	1	30
2.6	Magnetic Separator	CCXG-3-814	2	11×4
3	**Dry Separation Facility No. 3**			
3.1	Bar Screen Feeder.	GZT1642	1	5.5×2
3.2	Jaw Crusher	C125	1	160
3.3	Cone Feeder	GZG1231	2	2.2×2
3.4	Cone Crusher	GP100S	1	90
3.5	Cone Crusher	GP11F	1	160
3.6	Vibrating Screen.	2YAH2460	1	30
3.7	Feeder for Magnetic Separation.	Home made	1	2.2
3.8	Magnetic Separator	CTF0930	1	7.5
4	**Wet Separation Plants**			
4.1	Inertial Vibrating Feeder .	GZG	4	(0.75+1.1)×4
4.2	Grate Antifriction Bearing Ball Mill	MQCG2727	4	320×4
4.3	Spiral Classifier	2FG-15	4	7.5×8
4.4	Overflow Antifriction Bearing Ball Mill	MQCY2727	2	320×2
4.5	Permanent Magnet Drum Magnetic Separator . . .	CTB-1021	4	5.5×4
4.6	Permanent Magnet Drum Magnetic Separator . . .	CTB-918	4	4×4
4.7	Slurry Pump (Middlings).	100ZJ-1-A50	4	75×4
4.8	Slurry Pump (Tailings) . .	150GZB	4	280×4
4.9	Slurry Pump (Secondary pump station)	150GZB	4	280×4
4.10	Cylinder Type Inner Vacuum Filter	GN20	4	4.75×4
4.11	Tailings Recovery	ZX-1200-7	2	8

No.	Equipment Name	Specification	Quantity	Power (KW)
5	**Equipment Proposed for Technical Renovation**			
5.1	Magnetic Pulley Belt Conveyor		3	12×3
5.2	High Pressure Roller Mill	160-140	1	400
5.3	High Pressure Roller Mill	100-80	1	230
5.4	Rotary Magnetic Separator	GTGY-1021	3	18.5×3
5.5	Overflow type ball mil . .	MQY2727	2	320×2
5.6	Wet Permanent Magnetic Cylinder Magnetic Separator	GTGY-1021	3	18.5×3
5.7	Hydrocyclone	GN500	1	
5.8	Wet Permanent Magnetic Cylinder Magnetic Separator	LCTY1021	3	5.5×3
5.9	Wet Permanent Magnetic Cylinder Magnetic Separator	LCTY1018	3	5.5×3
5.10	Vacuum Filter	ZPG-96-8	1	55

Table 8–6: Capacities before and after Renovation in Xinxin Mining

Operation	Existing Capacity (1,000tpa)	Capacity after Renovation (1,000tpa)
Mining (Raw Ore)		
Gufen Iron Mine	2,200	5,000
Total	2,200	5,000
Dry Separation (Raw Ore Feed)		
Dry Processing Facility No. 1	1,350	1,750
Dry Processing Facility No. 2	1,350	1,750
Dry Processing Facility No. 3	1,800	2,250
Total	4,500	5,750
Wet Separation (Pre-concentrate Feed)		
Wet Processing Plant No. 1	6,800	8,000
Wet Processing Plant No. 2	6,800	8,000
Total	13,600	16,000
Wet Separation (Concentrate Output)		
Wet Processing Plant No. 1	150	250
Wet Processing Plant No. 2	230	250
Total	380	500

8.3.2 Jingyuancheng Mining

Jingyuancheng Mining owns the Shuanmazhuang Mine and Wang'ergou Mine, six dry processing facilities, and five wet processing plants. As of May 2013, Jingyuancheng Mining has temporarily closed four dry processing facilities and four wet processing plants which employed outdated technologies and equipment, and plans to build one dry processing plant and one wet processing plant. The distance between each dry processing facility and wet processing plant is shown in Table 8–7. Figure 8–4 shows an overview of dry processing facility No. 1, and Figure 8–5 is an overview of wet processing plant No. 1.

Table 8–7: Distance between Dry Processing Facilities and Wet Processing Plants

Facilities/Plants	Wet Processing Plant No.1	Wet Processing Plant No.2 (to be constructed)
Dry processing facility No.1	10.2km	11.2km
Dry processing facility No.2	5.9km	6.9km
Dry processing facility No.3 (to be constructed)	6.9km	7.9km

Figure 8–4: Dry Processing Facility No. 1 Operated by Jingyuancheng Mining

Figure 8–5: Wet Processing Plant No. 1 Operated by Jingyuancheng Mining

The Company plans to spend RMB11.38 million from July to November in 2013 to renovate dry processing facilities No. 1 and No. 2 to reduce the product's grain size and increase the grade. The Company also plans to invest RMB51.95 million from January to September in 2014 to build a dry processing facility No. 3 and RMB40.69 million from January to October in 2015 to build a new wet processing plant No. 2. Specifically the Company plans to:

- Increase the conveying speed of all belt conveyers to enhance the transport capacity in all dry processing facilities;

- Add one high-press roller crusher and two dry magnetic separators for each dry processing facility for further crushing, reducing the grain size of preliminary concentrate to less than 6 mm and improving the preliminary concentrate grade from 20% to 26%–29% Fe;

- Build a new dry processing facility No. 3 with a capacity of 8.0 Mtpa in Wang'ergou area. After the finish of construction and renovation, the total capacity of dry processing facilities of No. 1, No. 2, and No. 3 will sum to 17.6 Mtpa; and

- Build a new wet processing plant No. 2 with a production capacity of 0.4 Mtpa of iron concentrate. When the construction is complete, the cumulative capacity of wet processing plants No. 1 and No. 2 will reach a production capacity of 1.3 Mtpa of iron concentrate.

The list of equipment employed after renovation and construction is shown in Table 8–8 and the production capacity comparison is shown in Table 8–9.

Table 8–8: Main Equipment in Jingyuancheng Mining's Processing Facilities

No	Equipment Name	Specification	Quantity	Power (KW)
1	**Dry Separation Facility No. 1**			
1.1	Jaw Crusher	C125	1	160
1.2	Standard Cone Crusher	HP400	1	315
1.3	Short Head Cone Crusher	HP400	1	315
1.4	Vibrating Screen	2YAH3073	2	22×2
1.5	Magnetic Pulley	CT1412-3800	2	11×1+45×1
1.6	Permanent Magnet Rotary Magnetic Separator	GYGY-1021	2	18.5×2
2	**Dry Separation Facility No. 2**			
2.1	Jaw Crusher	C140	1	200
2.2	Standard Cone Crusher	HP500	1	400
2.3	Short Head Cone Crusher	HP500	1	400
2.4	Vibrating Screen	2YAH3375	2	3×20
2.5	Magnetic Pulley	CT1612-3800	2	75×1+45×1
2.6	Dry Magnetic Separator	GTGY-1021	2	18.5×2

No	Equipment Name	Specification	Quantity	Power (KW)
3	**Dry Separation Facility No. 3**			
3.1	Jaw Crusher	C140	1	200
3.2	Standard Cone Crusher . .	HP500	1	400
3.3	Short Head Cone Crusher	HP500	1	400
3.4	Vibrating Screen	2YAH3375	2	3×20
3.5	Magnetic Pulley	CT1612	2	75×2
3.6	Dry Magnetic Separator .	GTGY-1021	2	18.5×2
3.7	Grizzly Feeder	GZZ1560	1	37
3.8	High Pressure Roller Mill	160-140	1	400
4	**Wet Separation Plant No. 1**			
4.1	Grate Ball Mill	MQG3600×6000	2	1,250×2
4.2	Overflow Ball Mill	MQY3000×5400	2	630×2
4.3	Hydrocyclone Group	FX610-GT×6	2	
4.4	Hydrocyclone Group	FX500-GT×4	2	
4.5	Magnetic Separator	XCTB-1530	2	14.5×2
4.6	Magnetic Separator	XCTB-1230	3	11×3
4.7	Magnetic Separator	CTB-1030	3	7.5×3
4.8	Dish Filter	ZPG-45	3	(90+5.5+7.5)×3
5	**Wet Separation Plant No. 2**			
5.1	Ball Mill	MQY3600×6000	1	1,250
5.2	Ball Mill	MQY3000×5400	1	630
5.3	Cyclone Classifier	FX610-6	1	220
5.4	Cyclone Classifier	FX500	1	110
5.5	High Frequency Fine Screen	DXF1014	2	6.85×2
5.6	Magnetic Separator	CTB-1230	1	11
5.7	Magnetic Separator	CTB-1030	2	7.5×2
5.8	Filter	GPT2000-45	2	(90+5.5+7.5)×2
6	**Equipment proposed for technical renovation on dry separation**			
6.1	High Pressure Roller Mill	140-120	2	375×2
6.2	Dry Magnetic Separator .	GTGY-1021	4	18.5×4

Table 8–9: Capacities before and after Technical Renovation in Jingyuancheng Mining

Operation	Existing Capacity (1,000tpa)	Capacity after Renovation (1,000tpa)
Mining (Raw Ore)		
Shuanmazhuang Iron Mine	3,750	8,750
Wang'ergou Iron Mine	2,250	5,250
Total	6,000	14,000
Dry Separation (Raw Ore Feed)		
Dry Processing Facility No. 1	3,300	4,300
Dry Processing Facility No. 2	4,000	5,300
Dry Processing Facility No. 3		8,000
Total	7,300	17,600
Wet Separation (Pre-concentrate Feed)		
Wet Processing Plant No. 1	2,400	3,500
Wet Processing Plant No. 2		1,200
Total	2,400	4,700
Wet Separation (Concentrate Output)		
Wet Processing Plant No. 1	800	900
Wet Processing Plant No. 2		400
Total	800	1,300

8.3.3 Jiheng Mining

Jiheng Mining owns the Zhijiazhuang Mine and two dry processing facilities. The newer dry processing facility (No. 1 Plant) was built in January 2013 (Figure 8–6). The dry processing facility has a designed ore processing capacity of 2.5 Mtpa. Jiheng Mining plans to employ high-pressure roller crusher and dry magnetic separator to reduce the grain size and improve the grade of the preliminary concentrate in the fourth quarter of 2013. It is anticipated to upgrade the capacities of the dry processing facility to more than 3 Mtpa. The No. 2 dry processing facility was temporarily closed in April 2013 to prepare for the upcoming technical renovation in the third quarter of 2013. Jiheng Mining does not currently have a wet processing plant. Historically and at the moment, the ore with high grade is sold without processing, while the weakly mineralised wall rock are processed by dry magnetic separation to enrich and produce preliminary concentrate for sale. From March 2013, part of the preliminary concentrate was sent to Xinxin Mining's wet processing plant for processing into iron concentrates which are sold to third party customers. Jiheng Mining plans to invest RMB84.42 million from January to June in 2014 to build a wet processing plant with a production capacity of 1.0 Mtpa of iron concentrate, and RMB14.43 million to construct an associated tailings storage facility. The plant is proposed to be built in Yangjiazhuang Town, Laiyuan County, where the Jumahe River flows nearby. The chosen location has favourable access to local power supply. It is about 8 km away from Zhijiazhuang iron mine and is 3 km from National Highway No. 108. It is anticipated to commence operation in July 2014.

Figure 8–6: Dry Processing Facility Operated by Jiheng Mining

Table 8–10 lists the main processing facilities and Table 8–11 lists the production capacities.

Table 8–10: Main Equipment in Jiheng Mining

No	Equipment Name	Specification	Quantity	Power (KW)
1	**Dry Separation Facility No. 1**			
1.1	Grizzly Feeder	ZSW-600×150	1	37
1.2	Jaw Crusher	C125	1	160
1.3	Standard Cone Crusher	GP300S	1	250
1.4	Short Head Cone Crusher	HP400	1	315
1.5	Vibrating Screen	2YKR2460	2	37×2
1.6	Magnetic Pulley	LCT0814	2	
1.7	Dry Magnetic Separator	LCG-1021	2	18.5×2
2	**Wet Separation Plant No. 1 (planned to be constructed)**			
2.1	Grate Ball Mill	MQG4260	1	1,500
2.2	Overflow Ball Mill	MQY3660	1	750
2.3	Hydrocyclone Group	FX610-GT×6	2	
2.4	Cyclone Feeder	200ZJB-A65	4	220×4
2.5	Hydrocyclone Group	FX500-GT×6	1	
2.6	Cyclone Feeder	150ZJB-A65	2	110×2
2.7	High Frequency Fine Screen		2	7.5×2
2.8	Magnetic Separator	XCTB-1530	2	14.5×2
2.9	Magnetic Separator	XCTB-1230	1	11
2.10	Magnetic Separator	CTB-1030	1	7.5
2.11	Dish Filter	ZPG-45	2	103x2

Table 8–11: Capacities before and after Renovation in Jiheng Mining

Operation	Existing Capacity (1,000tpa)	Capacity after Renovation and planned (1,000tpa)
Mining (Raw Ore)		
Zhijiazhuang Iron Mine	2,150	2,400
Total	2,150	2,400
Dry Separation (Raw Ore Feed)		
Dry Processing Facility No. 1	2,500	3,000
Dry Processing Facility No. 2	1,200	1,200
Total	3,700	4,200
Wet Separation (Pre-concentrate Feed)		
Wet Processing Plant No. 1		1,600
Total		1,600
Wet Separation (Concentrate Output)		
Wet Processing Plant No. 1		1,000
Total		1,000

8.4 Historical Production Data and Designed Production Plan

8.4.1 Historical Production Data

During the past three years, the main activities carried out in Dushancheng and Zhijiazhuang areas are waste stripping, mining development, and mining stope preparation. The weakly mineralized wall rock are processed in processing facilities. The historical production data for the past three years for Xinxin Mining, Jingyuancheng Mining and Jiheng Mining are shown in Table 8–12. There is no wet processing plant in Jiheng Mining. The ores are sold without processing while the weakly mineralized wall rock are processed by dry magnetic separation to produce preliminary concentrate for sale.

Table 8–12: Historical Production Records from 2010 to 2012

Xinxin Mining	Unit	2010	2011	2012
Dry processing				
By-product feed	1,000t	3,898	3,406	2,758
Pre-concentrate output	1,000t	841	749	637
By-product feed/pre-concentrate output	t/t	4.64	4.55	4.33
Feed grade	TFe%	9.47	9.41	9.34
Pre-concentrate grade	TFe%	22.35	21.78	20.38
Recovery rate	TFe%	50.90	50.89	50.41
Wet processing				
Pre-concentrate feed	1,000t	933	776	624
Concentrate output	1,000t	218	186	150
Pre-concentrate output/concentrate output	t/t	4.28	4.18	4.17
Concentrate grade	%	66.23	66.31	65.78
Recovery rate	TFe%	69.16	72.77	77.31
By-product feed/concentrate output	t/t	19.86	19.02	18.07
Total recovery rate	TFe%	35.20	37.03	38.97

Jingyuancheng Mining	Unit	2010	2011	2012
Dry processing				
By-product feed	1,000t	4,048	5,052	5,191
Pre-concentrate output	1,000t	1,164	1,395	1,197
By-product feed/pre-concentrate output	t/t	3.48	3.62	4.34
Feed grade	TFe%	9.32	9.15	8.87
Pre-concentrate grade	TFe%	17.50	17.81	18.8
Recovery rate	TFe%	53.99	53.74	48.86
Wet processing				
Pre-concentrate feed	1,000t	1,107	1,423	1,181
Concentrate output	1,000t	203	257	243
Pre-concentrate output/concentrate output	t/t	5.46	5.54	4.87
Concentrate grade	%	66.88	66.69	66.71
Recovery rate	TFe%	70.00	67.53	72.89
By-product feed/concentrate output	t/t	18.99	20.07	21.12
Total recovery rate	TFe%	37.79	36.29	35.61

Jiheng Mining	Unit	2010	2011	2012
Dry processing				
By-product feed	1,000t	73	555	1,155
Pre-concentrate output	1,000t	19	188	360
By-product feed/pre-concentrate output	t/t	3.83	2.95	3.21
Feed grade	TFe%	6.40	7.65	7.60
Pre-concentrate grade	TFe%	20.63	19.14	21.63
Recovery rate	TFe%	84.21	84.77	84.77

8.4.2 Facility and Plant Operation Rate

The operation rate, or capacity utilization rate, of a processing plant is calculated by dividing the volume of feed material (raw ore for dry processing plant and preliminary concentrate for wet processing plant) processed during the year with the designed annual production capacity on a pro rata basis in accordance with the actual number of months in a year during which the processing plant in operation. The plant operation rates of Xinxin Mining, Jingyuancheng Mining and Jiheng Mining are shown in Table 8–13. The historical plant operation rates are quite low. The outdated facility is one of the reasons, but the main reason is that the raw ore output was so few during the past three years' focus on stope correction rather than active production that the dry and wet processing plants do not have sufficient feed to process. In 2012, a total of about 3.8 Mt weakly mineralized wall rocks were produced in Jiheng Mining. The designed capacity of the dry processing facilities is 1.2 Mtpa, but actually a total of 155 Mt was processed in 2012 by extending the effective plant operation time. Thereby, there was about 2.6 Mt in stock as of early 2013.

Table 8–13: Facility and Plant Operation Rate

		Unit	2010	2011	2012	2013.1-6
Xinxin Mining	Designed capacity					
	Ore feed for dry processing. .	1,000t	4,500	5,650	4,550	2,250
	Pre-concentrate feed for wet processing	1,000t	1,360	1,360	1,360	680
	Actual processed					
	Ore feed for dry processing. .	1,000t	3,898	3,406	2,758	1,391
	Pre-concentrate feed for wet processing	1,000t	933	776	624	425
	Facility and plant operation rate					
	Dry processing facility . . .	%	**86.63**	**60.28**	**60.61**	**61.82**
	Wet processing plant	%	**68.59**	**57.08**	**45.88**	**62.55**
Jingyuancheng Mining	Designed capacity					
	Ore feed for dry processing. .	1,000t	6,252	8,235	9,218	5,270
	Pre-concentrate feed for wet processing	1,000t	1,540	2,163	2,090	1,268
	Actual processed					
	Ore feed for dry processing. .	1,000t	4,048	5,052	5,197	2,836
	Pre-concentrate feed for wet processing	1,000t	1,107	1,423	1,181	1,030
	Facility and plant operation rate.					
	Dry processing facility . . .	%	**64.74**	**61.34**	**56.38**	**53.81**
	Wet processing plant	%	**71.87**	**65.76**	**56.51**	**81.23**

		Unit	2010	2011	2012	2013.1-6
Jiheng Mining	Designed ore feed for dry processing	1,000t	200	1,200	1,200	1,650
	Actual ore feed for dry processing	1,000t	73	555	1,155	1,805
	Dry plant operation rate	**%**	**36.60**	**46.23**	**96.28**	**109.40**[1]

Note:

1 During the six months ended June 30, 2013, the actual volume of feed material exceeded the designed processing capacity as the actual operating days of the dry processing plant of Jiheng Mining exceeded the initially designed operating days of 300 days per year.

8.4.3 Designed Production Plan

Xinxin Mining plans to produce 5 Mtpa of raw ore with an average grade of 12.83% TFe from open-pit mining upon full capacity during stage one and to produce 4 Mtpa of ore with an average grade of 15.35% TFe from underground mining during stage two. The designed production plan is shown in Table 8–14.

Table 8–14: Designed Parameters in Technical Renovation for Xinxin Mining

		Technical Renovation			Full Capacity	
Item	**Unit**	**2H 2013**	**2014**	**2015**	**2016**	**2017**
Dry Magnetic Separation						
Raw Ore Feed	1,000t	809	2,900	3,900	5,000	5,000
Pre-Concentrate Output	1,000t	309	895	998	1,280	1,280
Raw Ore Feed/Pre-Concentrate Output	t/t	2.62	3.24	3.91	3.91	3.91
Feed Raw Ore Grade	TFe%	14.18	12.83	12.83	12.83	12.83
Pre-Concentrate Grade	TFe%	20.30	24.00	28.00	28.00	28.00
Dry Separation Recovery Rate	%	54.64	57.70	55.87	55.87	55.87
Wet Magnetic Separation						
Pre-Concentrate Feed	1,000t	334	895	998	1,280	1,280
Concentrate Output	1,000t	74.00	243.97	326.14	418.13	418.13
Pre-Concentrate Feed/ Concentrate Output	t/t	4.51	3.67	3.06	3.06	3.06
Concentrate Grade	TFe%	66.65	66.00	66.00	66.00	66.00
Wet Separation Recovery Rate	%	72.80	75.00	77.00	77.00	77.00
Raw Ore Feed/Concentrate Output	t/t	11.81	11.89	11.96	11.96	11.96
Total Recovery Rate	%	39.78	43.28	43.02	43.02	43.02

Jingyuancheng Mining plans to produce 14 Mtpa of raw ore with an average grade of 13.50% TFe from open-pit mining upon full capacity during stage one and produce 3 Mtpa of ore with an average grade of 15.96% TFe from underground mining during stage two. The designed production plan is shown in Table 8–15.

Table 8–15: Designed Parameters in Technical Renovation for Jingyuancheng Mining

		Technical Renovation			Full Capacity	
Item	**Unit**	**2H 2013**	**2014**	**2015**	**2016**	**2017**
Dry Magnetic Separation						
Raw Ore Feed	1,000t	3,164	8,000	11,000	14,000	14,000
Pre-Concentrate Output	1,000t	1,204	2,441	2,797	3,560	3,560
Raw Ore Feed/ Pre-Concentrate Output	t/t	2.63	3.28	3.93	3.93	3.93
Feed Raw Ore Grade	TFe%	13.50	13.50	13.50	13.50	13.50
Pre-Concentrate Grade	TFe%	20.50	24.00	28.00	28.00	28.00
Dry Separation Recovery Rate	%	57.74	54.24	52.73	52.73	52.73
Wet Magnetic Separation						
Pre-Concentrate Feed	1,000t	1,240	2,441	2,797	3,560	3,560
Concentrate Output	1,000t	274.34	647.92	889.88	1,132.57	1,132.57
Pre-Concentrate Feed/ Concentrate Output	t/t	4.52	3.77	3.14	3.14	3.14
Concentrate Grade	TFe%	66.65	66.00	66.00	66.00	66.00
Wet Separation Recovery Rate	%	72.25	73.00	75.00	75.00	75.00
Raw Ore Feed/Concentrate Output	t/t	11.84	12.35	12.36	12.36	12.36
Total Recovery Rate	%	41.72	39.60	39.55	39.55	39.55

The designed processing parameters of Xinxin Mining and Jingyuancheng Mining for underground mining in stage two are shown in Table 8–16.

Table 8–16: Designed Processing Parameters of Xinxin and Jingyuancheng for Underground Mining

Item	Unit	Xinxin Mining	Jingyuancheng Mining
Dry Magnetic Separation			
Raw Ore Feed	1,000t	4,000	3,000
Feed Raw Ore Grade	TFe%	15.35	15.96
Pre-Concentrate Output	1,000t	1,526	1,125
Pre-Concentrate Grade	%	30.00	30.00
Raw Ore Feed/Pre-Concentrate Output	t/t	2.62	2.67
Recovery Rate	%	74.56	70.50
Wet Magnetic Separation			
Pre-Concentrate Feed	1,000t	1,526	1,125
Concentrate Output	1,000t	527.19	388.70
Concentrate Grade	%	66.00	66.00
Pre-Concentrate Feed/Concentrate Output	t/t	2.89	2.89
Recovery Rate	%	76.00	76.00
Total Recovery Rate	%	56.67	53.58
Raw Ore Feed/Concentrate Output	t/t	7.59	7.72

Jiheng Mining plans to produce 2.4 Mtpa of ore from open-pit mining at Zhijiazhuang Mine. The average grade of ore is 27.11% TFe. The designed production plan is shown in Table 8–17. The proposed new wet processing plant is anticipated to operate starting from July 2014. Before that, the products of Jiheng Mining remain to be the preliminary concentrate and high grade raw ore. By the end of 2012, Jiheng Mining has about 2.6 million tones of by product with TFe <8% excavated during stripping and mine development, which is also processed in the dry processing plant to produce preliminary concentrate for sale. Jiheng mining plans to technically renovate the outdated dry processing facility No. 2 to handle this kind of material from the third quarter of 2013.

Table 8–17: Designed Parameters in Technical Renovation for Jiheng Mining

		Technical Renovation			Full Capacity	
Item	**Unit**	**2H 2013**	**2014**	**2015**	**2016**	**2017**
Dry Magnetic Separation						
Raw Ore Feed	1,000t	2,162[1]	1,150	2,400	2,400	2,400
Pre-Concentrate Output	1,000t	515	724	1,511	1,511	1,511
Raw Ore Feed/Pre-Concentrate Output	t/t	4.20	1.59	1.59	1.59	1.59
Feed Grade	TFe%	7.80	27.11	27.11	27.11	27.11
Pre-Concentrate Grade	TFe%	24.50	41.00	41.00	41.00	41.00
Dry Separation Recovery Rate	%	74.79%	95.22	95.22	95.22	95.22
Wet Magnetic Separation						
Pre-Concentrate Feed	1,000t	429	724	1,511	1,511	1,511
Concentrate Output	1,000t	155.80	454.86	949.27	949.27	949.27
Pre-Concentrate Feed/ Concentrate Output	t/t	2.75	1.59	1.59	1.59	1.59
Concentrate Grade	%	62.00	62.00	62.00	62.00	62.00
Wet Separation Recovery Rate	%	92.02	95.00	95.00	95.00	95.00
Raw Ore Feed/Concentrate Output	t/t	11.55	2.53	2.53	2.53	2.53
Total Recovery Rate	%	68.82	90.46	90.46	90.46	90.46

Note:

1 Raw ore feed in 2H 2013 at Jiheng dry processing facilities is weakly mineralised wall rock.

The dry and wet processing plants are both capable of processing more than what is mined out annually. Therefore, the weakly mineralised wall rock is also processed to achieve a better use of the mineral resource and a larger output of the iron concentrate. SRK is in favour of this kind of practice, and recommends timely and appropriate control of the feed grade according to the market condition for a better cost control, which would eventually bring more profit to Jiheng Mining.

8.4.4 Assessment on Designed Production Plan

Based on the processing test results, it is possible for Xinxin Mining and Jingyuancheng Mining to reach the designed levels of recovery and concentration ratios (feed ore/concentrate) if the feed grade is as high as the designed value. However, considering that the processing tests were conducted under laboratory conditions with strict controls on ore size, magnetic intensity, and washing water quantity, the actual operational conditions must also be strictly controlled to achieve the expected technical parameters.

The designed level of recovery rate for Jiheng Mining is much higher compared with the processing test results. In the processing test, 84.07% of the iron was recovered from feed ore grading 20.13% TFe, and 92.09% of the iron was recovered from feed ore grading 33.93% TFe. Given that the ore grade is designed as 27.11%. SRK opines that it can achieve the designed level of recovery rates between 90% and 92%.

Improving recovery rates and reducing production costs are both important ways to obtain higher economic returns. For low grade magnetite, grinding costs are the key input in total processing costs. A higher recovery rate puts stricter requirements on grinding fineness, which would accordingly increase the cost. Considering that the magnetite in the three Dushancheng mines and Zhijiazhuang mine is fine-grained and the magnetite in Zhijiazhuang mine, a skarn iron mine, occurs as cement in gangue minerals, SRK is of the opinion that the existing two-stage grinding procedure poses restrictions on the improvement of production capacity and cost reduction, and it is feasible to introduce the high pressure roller crushers between the existing dry and wet processing operations. SRK opines that it is hard to achieve a satisfactory result to separate the fine-grained ore in dry, and recommends Aowei Mining to employ wet magnetic separator instead of dry magnetic separator after the high pressure roller crushing. Aowei Mining states that they will implement these recommendations.

Generally, maintaining a much high requirement on concentrate grade will inevitably cause a fall of recovery rate to some extent. Zhijiazhuang ore is alkaline. Iron making has a lower level of requirement on the grade of alkaline ore than acid ore. It is recommended that in the future production Jiheng Mining adjust the product grade to appropriate levels according to various market conditions so as to maintain an appropriate level of recovery rate and maximize the economic returns.

8.4.5 Production Plan of 2013

Jiheng Mining's wet processing plant is planned to commence production in July 2014. During the construction period, to fully utilize the current wet processing capacities and improve the economic benefit, Aowei Mining has temporarily re-arranged the production plan for all current wet processing plants:

The preliminary concentrate produced from Jiheng Mining is transferred to Xinxin Mining's wet processing plant to produce iron concentrate. Xinxin Mining's wet processing plant has been expanded its original two lines to three, which can process both the preliminary concentrate from Jiheng Mining and Xinxin Mining. With regard to the concentrate's low grade issue, one set of magnetite separation column has been installed at the end of its original flowsheet to improve the final iron concentrate's grade. By the time of SRK's second site visit in July 2013, the magnetite separation column is under the trial and testing procedure. The preliminary testing result shows the concentrate's grade has been improved from 62% to 62.9% to 63.4%. Since March 2013, the preliminary concentrate produced by Jiheng has been transferred to Xinxin for wet processing. About 2 Mt weakly mineralised rock which is in stock currently will all be processed by Jiheng's dry processing facility, the preliminary concentrate from which will be transferred to Xinxin for wet processing during the second half of 2013.

Part of the preliminary concentrate produced from Xinxin Mining is transferred to Jingyuancheng Mining for wet processing. The main reasons behind of using Jingyuancheng Mining's wet processing plant to treat Xinxin Mining's preliminary concentrate are: Jinyuancheng Mining's Shuanmazhuang Mine and Wang'ergou Mine are now under the pit correction procedure which limited the mining and concentrating output which released some of the processing capacity and Jingyuancheng Mining's wet processing plant can treat both the preliminary product without any further adjustment of the flowsheet. Since April 2013, part of the preliminary concentrate from Xinxin has been transferred to Jingyuancheng for wet processing.

The above production plan will be effective until July 2014 when the wet processing plant in Jiheng is put into service. The production records from January to September 2013 are presented in Table 8–18.

Table 8–18: Processing Production, January–September 2013

		Actual Production									
Item	**Unit**	**Jan.**	**Feb.**	**Mar.**	**Apr.**	**May.**	**Jun.**	**1H 2013**	**Jul.**	**Aug.**	**Sep.**
Xinxin Mining Dry Magnetic Separation											
Raw Ore Feed	1,000t	256.86	33.42	299.02	244.66	303.19	253.79	1,390.94	181.91	125.23	130.42
Pre-Concentrate Output	1,000t	93.31	12.45	102.09	92.73	116.30	97.53	514.45	69.33	47.88	49.86
Raw Ore Feed/Pre-Concentrate Output	t/t	2.75	2.68	2.93	2.64	2.61	2.60	2.70	2.62	2.62	2.62
Feed Grade	%	13.41	13.82	13.49	13.68	13.77	14.03	13.68	13.53	13.94	12.98
Pre-Concentrate Grade	%	20.32	20.73	19.32	19.33	20.32	20.20	19.93	19.82	19.57	20.29
Dry Separation Recovery Rate	%	55.05	55.86	48.89	53.57	56.61	55.34	53.90	55.82	53.67	59.76
Xinxin Wet Magnetic Separation											
Pre-Concentrate Feed	1,000t	106.47	2.42	98.30	61.04	27.83		296.06	6.20	32.32	38.52
Concentrate Output	1,000t	26.00	0.61	23.20	13.61	6.98		74.32[1]	1.57	7.52	8.84
Pre-Concentrate Feed/Concentrate Output	t/t	4.09	3.97	4.24	4.49	3.99		3.98	3.95	4.30	4.36
Feed Grade	%	20.42	20.73	20.22	19.96	20.57		20.28	20.13	19.28	19.54
Concentrate Grade	%	66.07	66.05	66.26	66.65	66.42		66.28	66.67	66.17	66.72
Wet Separation Recovery Rate	%	79.01	80.76	77.33	74.43	80.93		82.04	83.86	79.82	78.38
Transferred to Jingyuancheng Wet Magnetic Separation											
Pre-Concentrate Feed	1,000t				22.95	102.73	67.82	193.50	69.03	13.52	15.75
Concentrate Output	1,000t				5.10	22.83	15.07	43.00	15.34	3.01	3.50
Pre-Concentrate Feed/Concentrate Output	t/t				4.50	4.50	4.50	4.50	4.50	4.50	4.50
Feed Grade	%				20.22	20.01	19.82	19.97	20.55	19.98	20.73
Concentrate Grade	%				66.59	66.52	66.45	66.50	66.70	66.53	66.66
Wet Separation Recovery Rate	%				73.18	73.87	74.51	74.01	71.88	73.80	71.10

Item	Unit	Actual Production Jan.	Feb.	Mar.	Apr.	May.	Jun.	1H 2013	Jul.	Aug.	Sep.
Jingyuancheng Mining Dry Magnetic Separation											
Raw Ore Feed	1,000t	362.26	104.86	475.18	705.45	696.64	491.46	2,835.84	467.92	527.76	526.68
Pre-Concentrate Output	1,000t	108.01	35.61	150.34	204.04	207.47	186.21	891.68	180.03	203.00	201.07
Raw Ore Feed/Pre-Concentrate Output	t/t	3.35	2.95	3.16	3.46	3.36	2.64	3.18	2.60	2.60	2.62
Feed Grade	%	10.50	11.55	10.89	12.35	12.75	13.52	12.14	13.51	13.58	13.70
Pre-Concentrate Grade	%	18.45	18.96	19.05	20.37	20.51	21.04	20.03	20.55	20.61	20.84
Dry Separation Recovery Rate	%	52.40	55.73	55.31	47.71	47.90	58.96	51.87	58.52	58.38	58.08
Jingyuancheng Wet Magnetic Separation											
Pre-Concentrate Feed	1,000t	122.51	25.67	152.34	213.70	166.80	155.01	836.04	194.66	193.36	220.80
Concentrate Output	1,000t	27.16	5.45	32.62	44.91	35.40	34.33	179.86	43.06	42.84	48.80
Concentrate Feed/Concentrate Output	t/t	4.51	4.71	4.67	4.76	4.71	4.52	4.65	4.52	4.51	4.52
Feed Grade	%	18.95	18.96	19.05	19.79	20.01	19.82	19.55	20.55	19.98	20.73
Concentrate Grade	%	66.93	66.63	66.50	66.57	66.52	66.45	66.58	66.70	66.53	66.66
Dry Separation Recovery Rate	%	78.31	74.57	74.76	70.68	70.55	74.26	73.24	71.88	73.80	71.10

Item	Unit	Actual Production Jan.	Feb.	Mar.	Apr.	May.	Jun.	1H 2013	Jul.	Aug.	Sep.
Jiheng Mining Dry Magnetic Separation											
Raw Ore Feed	1,000t	200.24	210.16	376.20	344.77	336.05	337.71	1,805.12[2]	336.88	312.59	345.07
Pre-Concentrate Output	1,000t	72.23	76.36	126.45	126.22	123.87	75.61	600.73	79.53	74.99	83.17
Raw Ore Feed/Pre-Concentrate Output	t/t	2.77	2.75	2.98	2.73	2.71	4.47	3.00	4.24	4.17	4.15
Feed Grade	%	9.04	8.24	8.31	10.09	8.51	6.77	8.47	7.81	7.58	7.76
Pre-Concentrate Grade	%	22.16	19.38	21.20	24.58	20.09	23.24	21.82	25.32	24.33	26.74
Dry Separation Recovery Rate	%	88.43	85.45	85.75	89.18	87.02	76.86	85.72	76.54	77.00	83.05
Transferred to Xinxin Wet Magnetic Separation											
Pre-Concentrate Feed	1,000t			2.82	25.87	37.04	63.53	129.26	87.34	66.51	69.71
Concentrate Output	1,000t			1.21	8.79	12.29	25.88	48.17	29.34	24.05	25.43
Pre-Concentrate Feed/Concentrate Output	t/t			2.33	2.94	3.01	2.45	2.68	2.98	2.77	2.74
Feed Grade	%			27.97	23.26	22.72	27.66	25.37	23.18	24.52	24.77
Concentrate Grade	%			61.97	62.38	61.92	61.93	62.01	62.22	62.74	62.85
Wet Separation Recovery Rate	%			95.05	91.12	90.41	91.23	91.09	90.16	92.53	92.55

Note:

1 The figure includes inventory overage of 3924.77 t;

2 The figure includes 1,738,977.9 t weakly mineralised wall rock and 66,142 t raw ore with TFe grade ≥8%.

8.5 Tailing Storage Facilities

8.5.1 Conditions of the Tailings Storage Facilities

Tailing storage facilities ("TSF") are important for mine production. Dry magnetic separation facilities are built around the open-pits to pre-separate the waste rocks from the ores. The waste rocks are stored at the waste dump, and the ores are delivered to the wet separation plants for further processing. Tailings are generated after the iron is concentrated, and stored in the tailings dam.

Xinxin Mining currently has two tailings dams in use, namely Xiaomazong and Taohuazui. Tailings are dumped in wet, and the sub-dam is built upstream. Tailings pulps from the processing plant are pumped to the tailings dams.

Xiaomazong tailings dam is located in the south of the wet processing facility, with a distance of about 600 m. This dam was designed by Beijing Dongfang Yanjing Geological and Mining Design Institute in April 2004 and was put into use in the end of June that year. The initial dam, constructed by compaction of permeable rock, 25 m high, is 3 m wide on the top and 83 m wide at most at the bottom. The slope ratio is 1:1.6. The dam base of the initial dam is bed rock. The upstream slope is lined by geotextile and dry stone; the downstream slope is lined by dry stone. The actual height of the initial dam is 13 m. The designed total height of the tailing dam is 60 m and the embankment height is 45 m. The total capacity is 1.2 M m^3, and the effective capacity is 0.92 M m^3. It is classified as the fourth category. The technical renovation, safety design section and working drawing design was completed by Sinosteel in 2011 and was approved for construction. The technical renovation work has been finished, increasing the total height of the dam to 89 m. Therefore, the total capacity of the dam is increased to 5.4 M m^3 and the effective capacity is increased to 3.8 M m^3.

Taohuazui tailings dam is located in the north of the wet processing facility, with a distance of about 800 m. This dam was designed by Sinosteel in June 2005 and was put into use in October that year. The initial dam, constructed by compaction of permeable rock, 21 m high, is 3.5 m wide and 102 m long on the top. The slope ratio is 1:1.6. The slope is lined by dry stone. The initial dam is lined with sand and gravel which is 3–5 m thick. The stacking dam, or sub dam, is constructed by tailings. The designed average exterior slope ratio is 1:4 and the average interior slope ratio is 1:40. The designed embankment height is 64 m, the total height of the dam is 85 m, and the total capacity is 6.2 M m^3. The effective capacity is 4.3 M m^3, and the balance by the end of 2012 is 3.5 M m^3.

An overview of Xiaomazong tailing dam is shown in Figure 8–7. The drainage system under construction is visible in the foreground, and the dam surface is visible in the distance.

Figure 8–7: Overview of Xiaomazong Tailing Dam

Jingyuancheng Mining owns one tailing dam, i.e., Chengzigou tailing dam, which was designed by Sinosteel and was put into use in March 2013. Figure 8–8 shows the tailings' dewatering facility and discharging after dewatering of Chengzigou TSF.

Tailings will be dumped in dry at Chengzigou dam. Thickened tailings from the wet separation plant will be pumped to the tailings dam for dewatering. After classification by hydrocyclone, coarse tailings will be dewatered by belt filter and fine tailings will be thickened and dewatered. The dewatered tailings, whose water content will be less than 15% according to the design, will be delivered to the tailings dam by belt conveyer, and piled up in compaction. The design for Dabugou tailing dam has been completed and the Company has finished the governmental procedures to open the dam, which is expected to start construction in the fourth quarter of 2013 with an investment estimated at RMB7 million.

Figure 8–8: Tailings' Dewatering Facility and Discharge after Dewatering of Chengzigou TSF

As the life of the existing tailing dams is not as long as the lives of their associated mines, the Company plans to take the following measures to ensure the proper storage of tailings. First, two new tailing dams, one for Jingyuancheng Mining named Dabugou tailings dam and another for Jiheng Mining, will be constructed in 2014; after that one more tailing dam (Xiaobugou tailings dam) for Jingyuancheng Mining will be constructed in the future. Second, tailings will be dumped in dry at Dabugou tailings dam rather than wet. Finally, the dry separation process will be improved (i.e., by reducing the grain size of the preliminary concentrates and improving their grade) to reduce tailings output, which could thereby extend the lives of the tailings dams. They are capable to accommodate all the tailings expected in future production. The service life of all the tailing dams can support about eleven years for all mines. Summaries of the capacities of the tailings dams after the above measures are taken are shown in Table 8–19.

Table 8–19: Summaries of Tailing Dams Service Lives

TFS Name	Xinxin Mining		Jingyuancheng Mining		
	Xiaomazong	Taohuazui	Chengzigou	Dabugou	Xiaobugou
Storage (1,000 m^3)	5,400	6,200	4,490	8,000	6,000
Effective Storage (1,000 m^3)	3,800	4,300	4,250	7,500	4,900
Remaining Effective Storage (1,000 m^3)	3,800	3,500	4,250	7,500	4,900
Initial Dam Height (m)	25	21	24	22	23
Accumulated Dam Height (m)	64	64	68	77	75
Total Height (m)	89	85	92	99	98
Total Existing Height (m)	56	54			
Total Remaining Effective Storage (1,000 m^3)	7,300		16,650		
Total Tailings Output from 2013 (1,000 m^3)	16,128		24,890		
Remaining Life (Year)	13.4		11.4		

Note:

The data in above table is as of 31 December, 2012

9 WORKFORCE ASSESSMENT

9.1 Workforce Numbers

Workforce numbers at the end of June 2013 are shown in Table 9–1 and Table 9–2. Aowei Mining's headquarter employs 78 personnel including 15 for management and 30 professional technical personnel, and 33 supporting staff (Table 9–1). The four operating mines and their associated ore processing plants and others have a total of 1,192 personnel (Table 9–2). SRK considers that the workforce numbers are completely adequate to meet the Company's production capacities.

Table 9–1: Company Headquarter Workforce Numbers

Department	Corporate Leadership	Audit & Supervision	Production Technology	Financial	Human Resource	Equipment & Material Supply
Personnel	6	2	8	4	4	9

Department	Marketing	Business Planning	Administration & Management	Key Office	Project	Others
Personnel	10	2	9	2	5	17

Table 9–2: Workforce Numbers of Operating Mines

Department	Xinxin Mining	Jingyuancheng Mining	Jiheng Mining
Mine Management	**54**	**83**	**56**
Mine manager and Assistant	3	5	3
Geologists and engineers	1	6	1
Accountant and others	3	3	3
Others	47	69	49
Mining Department	**74**	**90**	**96**
Management	2	6	3
Technology	4	3	4
Mining and transport workers	68	81	89
Ore Processing Plant	**160**	**248**	**62**
Management	3	7	3
Technology	2	2	1
General workers	155	239	58
Workshop & Maintenance	**37**	**57**	**17**
Management	3	2	1
General workers	34	55	16
Safety Department	**43**	**75**	**40**
Total	**368**	**553**	**271**

9.2 Assessment of Workforce

According to the law of the Chinese National Ministry Labour and the work contract regulations of Hebei Province Bureau of Work and Social Security, all Company staff and employees have signed work contracts. The Company has also acquired endowment, medical, work injury, unemployment, and pension insurance, plus housing accumulation funds, for employees on May 1, 2013. SRK was informed during the site visit that the Company staff and contractors have relatively low turnover.

As of June 30, 2013, a total of workforce numbers were 1,270 persons, including 78 for the Aowei Mining headquarters, 193 in subsidiary company mine management, 260 in the mining departments, 470 in the ore processing plants, 111 for workshop and maintenance, and 158 in the safety department. The total staff turnover is about 5% per year, mostly due to migrant workers in the mining department. SRK was informed during the site visit that the Company is planning to decrease the turnover rate and build more stable management and production teams by further improving safety conditions and increasing salary levels.

10 OCCUPATIONAL HEALTH AND SAFETY

10.1 Project Safety Assessment and Approvals

SRK sighted the safety production permits for mining activities operated for Zhijiazhuang Mine of Jiheng Mining, for Gufen Mine of Xinxin Mining, and for Wang'ergou Mine and Shuanmazhuang Mine of Jingyuancheng Mining respectively. In addition, SRK sighted and three other safety production permits for the Taohuazui TSF operation and Xiaomazong TSF operation in Xinxin Mining and Chengzigou TSF operation in Jingyuancheng Mining respectively.

10.2 Occupational Health and Safety Management and Observations

During SRK's site visit, SRK observed that safety signs were in place, safety provisions and rules were also displayed within the work areas, moving machinery parts were appropriately guarded and covered, guard railings were installed on all gantries, and proper Personal Protection Equipment ("PPE") was provided and was being used by the workers, such as hardhats, traffic vests, and steel toed shows.

SRK has sighted the OHS management system and procedures, which provide the following summary in respect to the proposed OHS management measures for the Project:

- Mining, crushing, blasting and explosives handling,
- Side slope failure prevention,
- Waste rock disposal,
- Environmental dust and noise suppression,
- Emergency response,
- Fire protection and fire extinguishment,
- Sanitary provision,
- Power provision,
- Labour and supervision, and
- Safety administration.

SRK notes that the above site occupational health and safety ("OHS") management measures are generally in line with recognised Chinese industry practices and Chinese safety regulations.

10.3 Historical Occupational Health and Safety Records

The company's safety records indicate that there are two minor injuries but no serious injuries or fatalities in the past three years. Incident analysis reports for these two minor injuries were also provided to SRK for review. These two reports analysed the cause of injuries and identified measures to prevent a recurrence, which are in line with international recognized OHS accident monitoring practice.

11 CAPITAL EXPENDITURES AND OPERATING COSTS

11.1 Capital Expenditures

11.1.1 Designed Production Plan in Feasibility Study

All four mines owned by Aowei Mining are in normal operation, and have a long history of investment and production, during which a large amount of fixed assets have been established. Some of the fixed assets are still in use, some are abandoned, and some are out of use. In December 2012, Sinosteel compiled the *Feasibility Study on the Construction Project of Laiyuan Aowei Mining Investment Co. Limited*, which includes a design for the technical renovation of all the mines. The designed production plans are shown in Table 11–1 and Table 11–2.

Table 11–1: Designed Production Plan in Stage One (Open-pit Mining)

Company	Product (1,000t)	Years with Production Capacities						
		2013	2014	2015	2016	2017	2018	2019
Xinxin	Raw Ore	2,200	2,900	3,900	5,000	5,000	5,000	5,000
Mining[1]	Concentrate	191.24	243.97	326.14	418.13	418.13	418.13	418.13
Jingyuancheng	Raw Ore	6,000	8,000	11,000	14,000	14,000	14,000	14,000
Mining[1]	Concentrate	454.15	647.92	889.88	132.57	132.57	132.57	132.57
Jiheng	Raw Ore	2,150	2,300	2,400	2,400	2,400	2,400	2,400
Mining[2]	Concentrate	204.04	454.86	949.27	949.27	949.27	949.27	949.27
Total	**Raw Ore**	**10,350**	**13,200**	**17,300**	**21,400**	**21,400**	**21,400**	**21,400**
	Concentrate	**849.43**	**1,346.75**	**2,165.29**	**2,499.98**	**2,499.98**	**2,499.98**	**2,499.98**

Company	Product (1,000t)	Years with Production Capacities					
		2020	2021	2022	2023	2024	2025
Xinxin Mining	Raw Ore	5,000	5,000	5,000	5,000	5,000	4,615
	Concentrate	418.13	418.13	418.13	418.13	418.13	385.94
Jingyuancheng	Raw Ore	14,000	14,000	14,000	12,000	6,683	
Mining	Concentrate	1,132.57	1,132.57	1,132.57	970.77	540.67	
Jiheng Mining	Raw Ore	2,400	1,400	900			
	Concentrate	949.27	553.74	355.98			
Total	**Raw Ore**	**21,400**	**20,400**	**19,900**	**17,000**	**11,683**	**4,615**
	Concentrate	**2,499.98**	**2,104.44**	**1,906.68**	**1,388.91**	**958.81**	**385.94**

Notes:

1 Technical renovation will be carried out from 2013 to 2015 and the underground development and infrastructure construction will be carried out from 2022 to 2025.

2 The concentrate in 2013 was produced from weakly mineralised wall rock of Jiheng which was processed by Jiheng's dry processing facilities and Xinxin's wet processing plants. The pre-concentrate and high grade ore from Jiheng Mining will be processed into iron concentrate at Jiheng Mining's own wet processing plant starting from July 2014. SRK is informed by the Company management that about 1.6 Mt weakly mineralised wall rocks at Zhijiazhuang Mine are expected to be mined out and processed in 2014 with the similar cost and recovery rate as 2013, and the ratio of raw ore feed to concentrate output is expected to be about 12.

Table 11–2: Designed Production Plan in Stage Two (Underground Mining)

Company	Product (1,000t)	Years with Production Capacities					
		2025	2026	2027	2028	2029	2030
Xinxin Mining	Raw Ore		4,000	4,000	4,000	4,000	4,000
	Concentrate		527.19	527.19	527.19	527.19	527.19
Jingyuancheng Mining	Raw Ore	3,000	3,000	3,000	3,000	3,000	3,000
	Concentrate	388.70	388.70	388.70	388.70	388.70	388.70
Total	**Raw Ore**	**3,000**	**7,000**	**7,000**	**7,000**	**7,000**	**7,000**
	Concentrate	**388.70**	**915.89**	**915.89**	**915.89**	**915.89**	**915.89**

Company	Product (1,000t)	Years with Production Capacities					
		2031	2032	2033	2034	2035	2036
Xinxin Mining	Raw Ore	4,000	4,000	4,000	4,000	4,000	4,000
	Concentrate	527.19	527.19	527.19	527.19	527.19	527.19
Jingyuancheng Mining	Raw Ore	3,000	3,000	3,000	3,000	3,000	3,000
	Concentrate	388.70	388.70	388.70	388.70	388.70	388.70
Total	**Raw Ore**	**7,000**	**7,000**	**7,000**	**7,000**	**7,000**	**7,000**
	Concentrate	**915.89**	**915.89**	**915.89**	**915.89**	**915.89**	**915.89**

Company	Product (1,000t)	Years with Production Capacities				
		2037	2038	2039	2040	2041
Xinxin Mining	Raw Ore	4,000	4,000	2,714		
	Concentrate	527.19	527.19	357.69		
Jingyuancheng Mining	Raw Ore	3,000	3,000	3,000	2,000	1,058
	Concentrate	388.70	388.70	388.70	259.13	137.08
Total	**Raw Ore**	**7,000**	**7,000**	**5,714**	**2,000**	**1,058**
	Concentrate	**915.89**	**915.89**	**746.40**	**259.13**	**137.08**

11.1.2 Estimated Capital Expenditures in Feasibility Study

Two stages for construction are proposed in the design. In stage one, open-pit mining is used; existing processing facilities and plants and tailing storage facilities are to be expanded and new ones are built as part of the technical upgrade. In stage two, underground mining is proposed for Gufen, Wang'ergou, and Shuanmazhuang Mines, and construction work will begin three years before the end of open-pit mining. In the feasibility study, RMB1,952.77 million, where the loan interest is excluded, covering the slope correction and processing and tailings storage facility renovation and upgrade. Of the investments, RMB961.82 million was invested before June 30, 2013, and RMB990.94 million will be invested between April 2013 and 2015. Details of the total investment and the investments between 2013 and 2015 are shown in Table 11–3. The total investment in stage two for undergrounding mining from 2023 to 2025 is estimated to be RMB738.97 million on new underground workings and equipment (Table 11–4).

Table 11–3: Estimated Investment of Stage One (Open-pit) in Feasibility Study

Xinxin Mining	Total (Million RMB)	Annual Investment (Million RMB) 1H 2013	2H 2013	2014	2015	Subtotal
Engineering	244.21	23.84	53.72	53.87	40.42	171.84
Including: Development Engineering	132.81	19.54	30.22	46.49	36.56	132.81
Construction	42.23	3.58	8.24	1.00	1.00	13.82
Facility Purchase	67.60	0.72	14.43	6.38	2.11	23.64
Installation	1.57	0.00	0.83	0.00	0.74	1.57
Others Expenditures	55.81	1.02	4.77	1.97	25.48	33.24
Contingency allowance	8.88	0.00	4.17	2.79	1.92	8.88
Intangible Assets	27.52	0.00	0.00	0.00	0.00	0.00
Mining right	33.22	21.7	0.00	10.00	1.52	33.22
Working capital	25.96	3.38	1.62	5.00	15.96	25.96
Total investment	**395.61**	**49.94**	**64.28**	**73.63**	**85.30**	**273.15**
Including: new facilities to be invested between July 1, 2013 and 2015	223.22					
Investment before June 30, 2013	172.39					

Jingyuancheng Mining	Total (Million RMB)	Annual Investment (Million RMB)				
		1H 2013	2H 2013	2014	2015	Subtotal
Engineering	639.09	42.64	107.34	113.53	102.24	365.76
Including: Development Engineering	170.56	24.61	32.63	50.88	53.57	161.69
Construction	387.09	18.03	56.43	29.11	19.05	122.62
Facility Purchase	70.49	0.00	16.80	28.59	25.10	70.49
Installation	10.95	0.00	1.48	4.95	4.52	10.95
Other Expenditures	247.12	10.18	9.63	19.21	32.13	71.14
Contingency Allowance	20.86	0.00	8.49	6.64	5.73	20.86
Intangible Assets	19.74	0.00	0.00	0.00	0.00	0.00
Mining Right	89.19	34.16	0.00	18.00	37.03	89.19
Working Capital	58.92	13.30	12.89	13.09	19.64	58.92
Total Investment	**1,074.92**	**100.28**	**138.35**	**170.46**	**196.77**	**605.87**
Including: new facilities to be invested between July 1, 2013 and 2015	505.58					
Investment before June 30, 2013	569.34					

Jiheng Mining	Total (Million RMB)	Annual Investment (Million RMB)				
		1H 2013	2H 2013	2014	2015	Subtotal
Engineering	221.25	43.36	22.53	100.25		166.15
Including: Development Engineering	63.98	33.68	13.81	4.40		51.89
Construction	86.11	6.73	0.00	49.36		56.09
Facility Purchase	62.99	2.95	8.57	38.47		49.99
Installation	8.17	0.00	0.15	8.02		8.17
Other Expenditures	78.82	4.70	0.00	1.23		5.93
Contingency Allowance	6.82	0.00	3.41	3.41		6.82
Intangible Assets	0.00	0.00	0.00	0.00		0.00
Mining Right	142.33	0.00	20.00	20.00	66.73	106.73
Working Capital	33.01	8.43	2.96	21.62		33.01
Total Investment	**482.23**	**56.49**	**48.90**	**146.51**	**66.73**	**318.63**
Including : new facilities to be invested between July1, 2013 and 2015	262.14					
Investment before June 30, 2013	220.09					

Table 11–4: Estimated Investment of Stage Two (Underground Mining) in Feasibility Study

	Annual Investment (Million RMB)			
Xinxin Mining	**2023**	**2024**	**2025**	**Subtotal**
Main shaft, auxiliary shaft, air shaft and ramp engineering	27.75	19.17		46.93
Roadway engineering		85.62		85.62
Underground mining, tunneling and haulage equipment and installation			76.65	76.65
Mechanical engineering			19.42	19.42
Underground electric and installation	10.39		8.07	18.46
Construction engineering	5.75			5.75
Mining right	17.82	17.82	17.82	53.46
Total	**61.71**	**122.61**	**121.96**	**306.29**

	Annual Investment (Million RMB)			
Jingyuancheng Mining	**2022**	**2023**	**2024**	**Subtotal**
Main shaft, auxiliary shaft, air shaft and ramp engineering	35.76	11.17		46.94
Roadway engineering		179.86		179.86
Underground mining, tunneling and haulage equipment and installation			114.97	114.97
Mechanical engineering			19.42	19.42
Underground electric and installation			18.46	18.46
Construction engineering	5.75			5.75
Mining right	15.76	15.76	15.76	47.28
Total	**57.28**	**206.80**	**168.61**	**432.68**

11.2 Operating Costs

11.2.1 Historical Operating Costs

The historical unit costs were sourced from the management accounts of the Aowei Mining's subsidiaries, Xinxin Mining, Jingyuancheng Mining, and Jiheng Mining. Auditing these data is not SRK's workscope. In addition, SRK has no reason to doubt the reliability of the information provided by Aowei Mining. SRK only classified the costs based on the Chapter 18 requirements on the HKEx. Table 11–5 and Table 11–6 show the historical unit costs, which indicate substantial increases in production costs over the past three years. One reason for the cost increase is the increasing costs in salary and raw materials, but the main reason is that in recent years the mines have been focusing on the stope correction project and on stripping waste rock as the Company focused on performing consolidation and correction work in consolidation of the mines and preparing them for production. The ore incidentally extracted has been low in grade, which results in higher direct production costs, and small in quantity, which results in higher indirect production costs. SRK opines that with the on-going technological upgrade, as well as the expected increase in production volume and TFe grade of our iron ores, the unit operating costs after the commencement of the trial or commercial production will decrease substantially as compared with the costs in 2010, 2011 and 2012, and optimisation of the processing flowsheet is expected to further reduce production costs. SRK also noted an increase in unit operating costs at Xinxin Mining and Jingyuancheng Mining from 2015 to 2016, due to an increase in the forecasted stripping ratios as a result of the expansion of the areas to be mined after the ramp-up period and the specific occurrence of orebodies of these mines.

As there is no existing wet processing plant in Jiheng Mining, some high grade raw ores and preliminary concentrate are currently being sold, which will allow it to capture further profits from processing. Jiheng Mining plans to build a new wet processing plant with a production capacity of 1.0 Mtpa iron concentrate with a grade of 62%.

Table 11–5: Historical Unit Costs of Xinxin Mining and Jingyuancheng Mining, 2010 to 2012

	Xinxin Mining			Jingyuancheng Mining		
Cash Operating Costs	2010	2011	2012	2010	2011	2012
Mining (Unit Raw Ore)	**10.85**	**15.57**	**19.17**	**7.44**	**11.37**	**13.91**
Mining contracting	3.70	5.22	6.65	2.69	5.14	5.76
Workforce employment	0.18	0.40	0.76	0.03	0.00	0.67
Consumables	3.05	3.16	5.29	1.36	2.07	3.37
Fuel, electricity, water and other services	0.81	1.26	0.85	2.20	2.48	0.81
Transportation of ore	3.00	5.53	5.61	1.00	1.62	3.29
Safety Production	0.00	0.00	0.00	0.00	0.06	0.00
Environmental protection and monitoring	0.00	0.00	0.00	0.00	0.00	0.00
On-site administration	0.10	0.00	0.01	0.15	0.01	0.02
Dry Processing (Unit Pre-Concentrate)	**18.40**	**23.68**	**24.12**	**18.50**	**25.19**	**24.67**
Workforce employment	4.16	6.90	6.85	4.31	5.93	6.49
Consumables	3.69	5.34	4.23	2.39	3.25	3.80
Fuel, electricity, water and other services	10.24	8.95	6.39	5.60	9.25	7.56
Transportation of preliminary concentrate	0.15	2.43	6.46	5.53	6.58	6.70
Safety Production	0.00	0.00	0.00	0.04	0.00	0.00
Environmental protection and monitoring	0.00	0.00	0.00	0.00	0.00	0.00
On-site administration	0.15	0.06	0.19	0.64	0.18	0.11
Wet Processing (Unit Concentrate)	**113.40**	**116.12**	**114.96**	**120.50**	**148.49**	**140.27**
Workforce employment	9.14	14.55	17.31	12.50	19.18	17.41
Consumables	25.51	36.02	33.62	41.22	43.05	32.81
Fuel, electricity, water and other services	50.55	56.38	54.17	57.24	65.15	61.49
Safety Production	0.29	8.90	9.09	6.85	7.51	1.55
Environmental protection and monitoring	0.00	0.00	0.00	2.68	13.60	27.01
On-site administration	27.90	0.26	0.77	0.00	0.00	0.00
Off-site administration (Unit Concentrate)	**40.77**	**75.43**	**88.28**	**57.38**	**118.74**	**84.14**
Workforce employment	13.05	15.59	30.23	10.73	18.53	32.25
Environmental protection and monitoring	2.77	3.82	3.50	2.41	4.05	3.00
Safety Production	0.00	0.00	0.00	0.00	0.00	0.00
Other administration	24.94	56.02	54.55	44.24	96.17	48.89
Product marketing and sales (Unit Concentrate)	**18.33**	**11.08**	**0.08**	**21.80**	**12.78**	**0.00**
Non-income taxes, royalties and other governmental charges (Unit Concentrate)	**53.56**	**55.53**	**56.12**	**43.85**	**43.59**	**47.57**
Total Cash Operating Cost (Unit Concentrate)	**520.37**	**653.42**	**706.53**	**485.85**	**691.54**	**685.85**

Table 11–6: Historical Unit Costs of Jiheng Mining, 2010 to 2012

	Unit Ore			Unit Pre-Concentrate		
Cash Operating costs	2010	2011	2012	2010	2011	2012
Mining (Unit Ore)	**90.45**	**43.10**	**42.19**	**90.45**	**43.10**	**42.19**
Mining contracting	31.81	16.54	14.13	31.81	16.54	14.13
Workforce employment	3.08	1.42	1.83	3.08	1.42	1.83
Consumables	18.56	7.48	7.24	18.56	7.48	7.24
Fuel, electricity, water and other services	4.25	1.61	1.72	4.25	1.61	1.72
Transportation of ore	32.74	16.03	16.15	32.74	16.03	16.15
Safety Production	0.00	0.01	1.11	0.00	0.01	1.11
Environmental protection and monitoring	0.00	0.00	0.00	0.00	0.00	0.00
On-site administration	0.02	0.01	0.01	0.02	0.01	0.01
Dry Processing (Unit Pre-Concentrate)				**36.16**	**14.90**	**13.42**
Workforce employment				5.60	2.36	1.53
Consumables				2.22	1.95	0.87
Fuel, electricity, water and other services				15.75	6.32	5.97
Transportation of preliminary concentrate				12.54	4.04	2.58
Safety Production				0.00	0.00	0.00
Environmental protection and monitoring				0.00	0.00	0.00
On-site administration				0.05	0.23	2.48
Off-site admin (Unit Ore/Pre-Concentrate)	**37.25**	**19.50**	**17.54**	**142.59**	**57.19**	**56.25**
Workforce employment	1.65	1.12	1.91	6.32	3.28	6.12
Environmental protection and monitoring	0.00	6.95	6.95	0.00	20.38	22.29
Safety Production	0.00	0.00	0.00	0.00	0.00	0.00
Other admin	35.59	11.43	8.68	136.27	33.53	27.83
Product marketing and sales (Unit Ore/Pre-Concentrate)	**0.00**	**0.00**	**0.81**	**0.00**	**0.00**	**2.58**
Non-income taxes, royalties and other governmental charges (Unit Ore/Pre-Concentrate)	**0.00**	**8.98**	**10.37**	**0.00**	**13.62**	**14.36**
Total Cash Operating Costs	**127.70**	**71.58**	**70.91**	**525.01**	**212.86**	**222.04**

11.2.2 Operating Costs from January to September 2013

Aowei re-arranged the wet processing plan in 2013, Xinxin wet processing plant started to treat the preliminary concentrate from Jiheng and Jingyuancheng we processing plant started to treat the preliminary concentrate from Xinxin. Such arrangement leads to some discrepancies between the actual operating cost and the budget in the feasibility study. The operating cost's record from January to September 2013 is shown in Table 11–7, Table 11–8, Table 11–9, Table 11–10 and Table 11–11.

Table 11–7: Operating Costs from January to September 2013 – Xinxin Mining

	2013									
Cash Operating Costs	Jan.	Feb.	Mar.	Apr.	May	Jun.	1H 2013	Jul.	Aug.	Sep.
Mining (Unit Ore)	**11.74**	**14.05**	**14.27**	**11.10**	**11.16**	**12.05**	**12.14**	**12.81**	**14.69**	**11.84**
Mining contracting	2.29	-10.13	7.22	4.13	4.30	5.06	4.32	4.46	4.43	4.56
Workforce employment	0.56	3.26	0.58	0.48	0.47	0.83	0.65	0.65	0.67	0.63
Consumables	5.05	13.61	2.38	3.20	3.06	2.50	3.44	3.31	3.54	2.48
Fuel, electricity, water and other services	0.71	3.88	0.62	0.55	0.52	0.75	0.71	0.53	0.74	0.66
Transportation of ore	3.14	3.44	3.46	2.74	2.81	2.91	3.02	2.76	2.73	2.84
Safety Production	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.10	2.58	0.67
Environmental protection and monitoring	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
On-site administration	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dry Processing (Unit Pre-Concentrate)	**15.04**	**46.75**	**12.06**	**13.71**	**9.52**	**13.05**	**13.35**	**15.12**	**22.90**	**24.17**
Workforce employment	3.89	14.94	3.61	4.29	3.32	5.05	4.26	7.05	10.38	10.52
Consumables	1.47	15.73	4.05	4.09	2.01	2.77	3.17	2.70	3.40	3.40
Fuel, electricity, water and other services	4.55	10.47	4.40	5.33	4.19	5.23	4.85	5.37	5.33	5.20
Transportation of preliminary concentrate	5.14	5.61	0.00	0.00	0.00	0.00	1.07	0.00	3.79	5.05
Safety Production	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Environmental protection and monitoring	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
On-site administration	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Wet Processing (Unit Concentrate)[1]	**80.04**	**361.96**	**91.60**	**127.73**	**126.28**	**137.59**	**116.09**	**125.60**	**95.72**	**97.41**
Workforce employment	10.15	74.93	9.88	12.05	8.39	11.07	11.48	6.40	11.59	10.62
Consumables	17.32	53.54	32.95	27.25	30.74	31.34	28.23	27.21	17.67	16.65
Fuel, electricity, water and other services	44.74	197.13	40.51	68.34	58.94	58.07	56.60	55.90	54.80	58.81
Safety Production	7.82	36.36	8.27	12.16	7.27	8.01	9.11	0.00	0.00	0.00
Environmental protection and monitoring	0.00	0.00	0.00	2.08	5.50	7.64	2.80	16.95	5.64	5.35
On-site administration	0.00	0.00	0.00	5.85	15.45	21.46	7.87	19.13	6.01	5.98

Cash Operating Costs	2013 Jan.	Feb.	Mar.	Apr.	May	Jun.	1H 2013	Jul.	Aug.	Sep.
Off-site administration (Unit Concentrate)	**42.93**	**345.65**	**34.56**	**61.84**	**28.63**	**76.15**	**51.41**	**98.63**	**153.22**	**74.47**
Workforce employment	24.65	169.33	18.41	23.13	13.34	25.67	23.45	57.66	52.58	45.64
Environmental protection and monitoring	2.43	24.31	2.73	3.38	1.99	4.20	3.24	1.23	20.91	0.00
Safety Production	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other admin	15.85	152.01	13.43	35.33	13.30	46.29	24.72	39.74	79.73	28.84
Product marketing and sales (Unit Concentrate)	**0.00**	**0.00**	**0.18**	**0.00**	**0.00**	**0.00**	**0.03**	**0.00**	**0.00**	**0.00**
Non-income taxes, royalties and other governmental charges (Unit Concentrate)	**37.60**	**40.70**	**41.36**	**36.57**	**43.52**	**32.20**	**37.77**	**35.26**	**36.97**	**42.26**
Total Cash Operating Cost (Unit Concentrate)	**354.55**	**826.94**	**395.97**	**419.15**	**357.24**	**445.74**	**398.01**	**476.26**	**553.11**	**456.71**

Note:

1 Including concentrate produced from Xinxin preliminary concentrate processed at Jingyuancheng.

Table 11–8: Operating Costs from January to September 2013 – Jingyuancheng Mining

	2013									
Cash Operating Costs	Jan.	Feb.	Mar.	Apr.	May	Jun.	1H2013	Jul.	Aug.	Sep.
Mining (Unit Ore)	**10.55**	**10.63**	**10.42**	**10.31**	**10.03**	**10.34**	**10.31**	**10.63**	**10.94**	**10.97**
Mining contracting	4.62	1.74	5.65	4.72	4.70	5.66	4.23	3.69	5.49	4.16
Workforce employment	0.41	0.38	0.49	0.27	0.24	0.31	0.33	0.33	0.42	0.37
Consumables	2.84	5.05	1.67	2.67	2.33	1.58	2.30	3.60	2.27	3.52
Fuel, electricity, water and other services	0.30	1.38	0.15	0.09	0.15	0.09	0.19	0.11	0.12	0.10
Transportation of ore	2.08	2.04	2.46	2.56	2.61	2.52	2.47	2.57	2.53	2.73
Safety Production	0.30	0.04	0.00	0.01	0.00	0.17	0.07	0.32	0.10	0.08
Environmental protection and monitoring	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
On-site administration	0.00	0.00	0.00	0.00	0.00	0.00	0.72	0.00	0.00	0.00
Dry Processing (Unit pre concentrate)	**20.39**	**25.65**	**20.88**	**18.37**	**17.22**	**19.17**	**19.23**	**19.35**	**17.06**	**18.36**
Workforce employment	5.17	7.49	5.55	3.67	3.57	3.28	4.22	3.19	3.09	3.14
Consumables	2.77	4.81	3.68	3.61	3.25	4.73	3.72	5.88	4.50	4.97
Fuel, electricity, water and other services	7.82	9.21	7.09	5.85	5.98	6.31	6.56	6.04	5.45	5.57
Transportation of preliminary concentrate	4.63	4.14	4.56	5.24	4.41	4.86	4.74	4.24	4.01	4.67
Safety Production	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Environmental protection and monitoring	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
On-site administration	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Wet Processing (Unit concentrate)	**116.52**	**263.25**	**98.64**	**76.89**	**83.56**	**92.61**	**96.72**	**98.93**	**113.80**	**105.03**
Workforce employment	12.91	30.49	13.70	7.61	5.91	6.66	9.69	6.06	7.19	6.04
Consumables	20.17	82.48	24.99	22.36	26.66	26.26	25.92	25.28	29.40	33.81
Fuel, electricity, water and other services	63.33	104.35	43.79	45.09	47.72	48.21	50.52	50.59	56.31	48.34
Safety Production	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Environmental protection and monitoring	19.75	45.94	16.17	1.82	3.27	11.48	10.59	17.01	20.91	16.85
On-site administration	0.35	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Off-site administration (Unit concentrate)	**74.81**	**240.92**	**47.47**	**41.43**	**54.77**	**65.66**	**60.86**	**31.05**	**57.47**	**21.70**
Workforce employment	22.57	123.58	25.58	15.66	20.20	20.05	23.50	20.51	20.24	16.94
Environmental protection and monitoring	5.33	26.57	4.44	3.22	4.09	4.22	4.83	0.38	9.70	0.72
Safety Production	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other administration	46.91	90.77	17.46	22.55	30.48	41.40	32.53	10.16	27.52	4.04
Product marketing and sales (Unit concentrate)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Non-income taxes, royalties and other governmental charges (Unit concentrate)	**35.77**	**28.80**	**37.85**	**38.86**	**43.28**	**32.29**	**37.15**	**37.02**	**35.08**	**34.22**
Total Cash Operating Cost (Unit Concentrate)	**478.68**	**801.37**	**435.27**	**414.21**	**421.45**	**400.32**	**436.51**	**379.35**	**411.71**	**373.95**

Table 11–9: Operating Costs from January to September 2013 – Jiheng Mining (Ore Mined for Sale)

	2013									
Cash Operating Costs	Jan.	Feb.	Mar.	Apr.	May	Jun.	1H2013	Jul.	Aug.	Sep.
Mining (Unit Ore)	**16.67**	**15.17**	**14.34**	**16.28**	**14.45**	**12.12**	**15.25**	**15.30**	**17.31**	**15.29**
Mining contracting	1.16	3.29	2.27	1.33	0.70	1.53	1.68	3.60	4.41	3.61
Workforce employment	0.54	0.84	0.57	0.67	1.00	1.20	0.71	1.60	2.09	1.50
Consumables	3.61	1.15	1.59	2.85	3.01	2.21	2.52	2.29	2.04	2.32
Fuel, electricity, water and other services	1.04	0.32	0.59	0.73	1.00	1.04	0.78	0.63	0.63	0.81
Transportation of ore	10.29	9.57	9.31	10.71	8.72	6.05	9.55	5.20	5.18	5.04
Safety Production	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.98	2.96	2.02
Environmental protection and monitoring	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
On-Site administration	0.04	0.01	0.01	0.00	0.01	0.10	0.02	0.00	0.00	0.00
Off-site administration (Unit Ore)	**4.71**	**23.00**	**2.01**	**3.65**	**3.26**	**0.96**	**3.05**	**1.39**	**2.23**	**1.80**
Workforce employment	0.69	20.09	–0.38	0.73	0.73	0.30	0.74	0.51	1.23	0.76
Environmental protection and monitoring	0.68	7.14	0.70	0.63	0.66	0.27	0.67	0.04	0.05	0.05
Safety Production	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other administration	3.34	–4.23	1.69	2.30	1.88	0.39	1.64	0.84	0.95	0.99
Product marketing and sales	**1.49**	**0.63**	**1.48**	**1.34**	**1.64**	**0.57**	**1.24**	**0.91**	**0.98**	**0.94**
Non-income taxes, royalties and other governmental charges	**11.37**	**10.36**	**12.02**	**11.74**	**12.03**	**10.46**	**11.43**	**10.85**	**11.13**	**11.25**
Total Cash Operating Cost (Unit Ore)	**34.24**	**49.16**	**29.85**	**33.01**	**31.38**	**24.11**	**30.97**	**28.46**	**31.64**	**29.28**

Table 11–10: Operating Costs from January to September 2013 – Jiheng (Ore Treated to Produce Pre-Concentrate)

	2013									
Cash Operating Costs	Jan.	Feb.	Mar.	Apr.	May	Jun.	1H2013	Jul.	Aug.	Sep.
Mining (Unit Ore)	**16.67**	**15.17**	**14.34**	**16.28**	**14.45**	**12.12**	**15.25**	**15.30**	**17.31**	**15.29**
Mining contracting	1.16	3.29	2.27	1.33	0.70	1.53	1.68	3.60	4.41	3.61
Workforce employment	0.54	0.84	0.57	0.67	1.00	1.20	0.71	1.60	2.09	1.50
Consumables	3.61	1.15	1.59	2.85	3.01	2.21	2.52	2.29	2.04	2.32
Fuel, electricity, water and other services	1.04	0.32	0.59	0.73	1.00	1.04	0.78	0.63	0.63	0.81
Transportation of ore	10.29	9.57	9.31	10.71	8.72	6.05	9.55	5.20	5.18	5.04
Safety Production	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.98	2.96	2.02
Environmental protection and monitoring	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
On-site administration	0.04	0.01	0.01	0.00	0.01	0.10	0.02	0.00	0.00	0.00
Dry Processing (Unit pre-concentrate)	**20.26**	**21.21**	**19.41**	**14.25**	**11.91**	**19.32**	**17.10**	**18.21**	**21.01**	**19.27**
Workforce employment	4.65	4.28	2.71	1.83	2.11	3.52	2.94	4.59	4.83	5.00
Consumables	0.99	3.12	2.08	2.45	2.09	3.34	2.32	2.87	3.51	2.37
Fuel, electricity, water and other services	4.59	3.40	4.05	4.81	4.40	7.40	4.69	5.83	5.79	5.51
Transportation of preliminary concentrate	10.04	10.42	10.56	5.16	3.28	4.92	7.13	0.00	1.23	1.47
Safety Production	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Environmental protection and monitoring	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
On-site administration	0.00	0.00	0.00	0.00	0.02	0.15	0.02	4.91	5.64	4.92
Off-site administration (Unit pre concentrate)	**13.06**	**63.30**	**5.98**	**9.98**	**8.85**	**4.29**	**9.16**	**5.90**	**9.28**	**7.47**
Workforce employment	1.92	55.30	–1.13	1.99	1.98	1.32	2.23	2.17	5.15	3.13
Environmental protection and monitoring	1.88	19.64	2.07	1.71	1.79	1.21	2.01	0.19	0.19	0.22
Safety Production	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other administration	9.26	–11.63	5.04	6.28	5.09	1.76	4.93	3.55	3.94	4.12
Product marketing and sales (Unit pre concentrate)	**4.13**	**1.74**	**4.41**	**3.67**	**4.45**	**2.54**	**3.71**	**3.87**	**4.08**	**3.88**
Non-income taxes, royalties and other governmental charges (Unit pre concentrate)	**14.50**	**11.69**	**16.80**	**15.38**	**16.19**	**13.43**	**15.10**	**14.88**	**15.96**	**16.45**
Total Cash Operating Cost (Unit pre-concentrate)	**98.16**	**139.69**	**89.26**	**87.75**	**80.60**	**93.71**	**90.89**	**107.67**	**122.50**	**110.54**

Table 11–11: Operating Costs from January to September 2013 – Jiheng (Ore Treated to Produce Concentrate)

	2013									
Cash Operating Costs	Jan.	Feb.	Mar.	Apr.	May	Jun.	1H2013	Jul.	Aug.	Sep.
Mining (Unit Ore)			**14.34**	**16.28**	**14.45**	**12.12**	**15.25**	**15.30**	**17.31**	**15.29**
Mining contracting			2.27	1.33	0.70	1.53	1.68	3.60	4.41	3.61
Workforce employment			0.57	0.67	1.00	1.20	0.71	1.60	2.09	1.50
Consumables			1.59	2.85	3.01	2.21	2.52	2.29	2.04	2.32
Fuel, electricity, water and other services			0.59	0.73	1.00	1.04	0.78	0.63	0.63	0.81
Transportation of ore			9.31	10.71	8.72	6.05	9.55	5.20	5.18	5.04
Safety Production			0.00	0.00	0.00	0.00	0.00	1.98	2.96	2.02
Environmental protection and monitoring			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
On-site administration			0.01	0.00	0.01	0.10	0.02	0.00	0.00	0.00
Dry Processing (Unit pre concentrate)			**19.41**	**14.25**	**11.91**	**19.32**	**17.10**	**18.21**	**21.01**	**19.27**
Workforce employment			2.71	1.83	2.11	3.52	2.94	4.59	4.83	5.00
Consumables			2.08	2.45	2.09	3.34	2.32	2.87	3.51	2.37
Fuel, electricity, water and other services			4.05	4.81	4.40	7.40	4.69	5.83	5.79	5.51
Transportation of preliminary concentrate			10.56	5.16	3.28	4.92	7.13	0.00	1.23	1.47
Safety Production			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Environmental protection and monitoring			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
On-site administration			0.00	0.00	0.02	0.15	0.02	4.91	5.64	4.92
Wet Processing (Unit concentrate)[1]			**185.98**	**204.30**	**206.21**	**178.35**	**190.39**	**191.75**	**183.45**	**183.75**
Workforce employment			14.10	14.91	13.94	12.54	13.37	12.65	14.78	13.30
Consumables			47.02	27.51	34.12	30.70	31.40	25.55	18.04	21.66
Fuel, electricity, water and other services			57.81	77.22	71.44	64.29	68.31	69.36	73.33	69.54
Safety Production			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Environmental protection and monitoring			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
On-site administration			67.06	84.67	86.72	70.81	77.30	84.19	77.30	79.25
Off-site administration (Unit concentrate)				**29.36**	**26.69**	**10.52**	**24.59**	**17.57**	**25.66**	**20.47**
Workforce employment				5.86	5.96	3.25	5.97	6.45	14.23	8.59
Environmental protection and monitoring				5.03	5.38	2.96	5.39	0.56	0.54	0.59
Safety Production				0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other administration				18.47	15.34	4.32	13.23	10.55	10.90	11.28
Product marketing and sales (Unit concentrate)				**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Non-income taxes, royalties and other governmental charges (Unit concentrate)				**41.00**	**43.85**	**33.41**	**38.76**	**39.72**	**41.59**	**42.79**
Total Cash Operating Cost (Unit Concentrate)			**330.66**	**477.47**	**430.82**	**402.57**	**422.58**	**496.21**	**508.37**	**473.84**

Note:

1 Processed at Xinxin's wet processing plant. The concentrate is mostly produced from weakly mineralised wall rock of Zhijiazhuang Mine.

11.2.3 Forecast on Operating Costs in Feasibility Study

Table 11–12, Table 11–13, and Table 11–14 show the forecast of the operating costs of open-pit mining in Stage one. Table 11–5 shows the forecast of the operating costs of underground mining in Stage two estimated in the feasibility study conducted by Sinosteel. The major costs are salary, consumables, fuel, electricity and other costs, on and off-site administration, and non-income taxes, royalties and other governmental charges. The forecast cost estimates are sourced from the Sinosteel's feasibility study. The consumption of the consumable materials, fuel and electricity is estimated based on the historical data as well as the conditions after technical renovation of the four mines, where their prices are based on the local market level. The labour cost is estimated based on the local mining industrial salary level. SRK classified the costs based on the requirements of the HKEx in the Chapter 18.

Table 11–12: Forecast on Operating Costs for Open-pit Operation – Xinxin Mining

Cash Operating Costs	2H2013	2013	2014	2015	2016	2017
Mining (Unit Ore)	**13.36**	**12.54**	**12.84**	**12.84**	**16.84**	**16.84**
Mining contracting	4.34	4.32	0.00	0.00	0.00	0.00
Workforce employment	0.66	0.65	0.51	0.51	0.69	0.69
Consumables[1]	3.21	3.37	9.03	9.03	12.21	12.21
Fuel, electricity, water and other services	0.64	0.69	1.81	1.81	2.44	2.44
Transportation of ore	2.83	2.96	0.00	0.00	0.00	0.00
Safety Production	1.68	0.55	1.50	1.50	1.50	1.50
Environmental protection and monitoring	0.00	0.00	0.00	0.00	0.00	0.00
On-site administration	0.00	0.00	0.00	0.00	0.00	0.00
Dry Processing (Unit pre concentrate)	**21.93**	**16.58**	**24.71**	**29.64**	**29.74**	**29.74**
Workforce employment	9.78	6.34	5.51	6.65	6.65	6.65
Consumables[2]	3.38	3.25	14.32	17.28	17.28	17.28
Fuel, electricity, water and other services	5.47	5.08	3.47	4.18	4.18	4.18
Transportation of preliminary concentrate	3.30	1.91	0.00	0.00	0.00	0.00
Safety Production	0.00	0.00	0.00	0.00	0.00	0.00
Environmental protection and monitoring	0.00	0.00	0.00	0.00	0.00	0.00
On-site administration	0.00	0.00	1.42	1.52	1.63	1.63

Cash Operating Costs	2H2013	2013	2014	2015	2016	2017
Wet Processing (Unit concentrate)	**108.13**	**112.98**	**84.33**	**70.64**	**70.96**	**70.96**
Workforce employment	7.85	10.06	9.84	8.20	8.20	8.20
Consumables	25.20	27.05	30.46	25.40	25.40	25.40
Fuel, electricity, water and other services	58.77	57.44	38.83	32.37	32.37	32.37
Safety Production	0.00	5.56	0.00	0.00	0.00	0.00
Environmental protection and monitoring	7.70	4.71	0.00	0.00	0.00	0.00
On-site administration	8.61	8.16	5.21	4.66	4.99	4.99
Off-site administration (Unit concentrate)	**97.97**	**69.57**	**27.10**	**27.09**	**27.12**	**27.12**
Workforce employment	48.50	33.22	16.39	12.27	9.57	9.57
Safety Production	3.21	3.23	2.00	2.00	2.00	2.00
Other administration	46.25	33.12	8.71	12.82	15.55	15.55
Product marketing and sales (Unit concentrate)	**0.00**	**0.02**	**1.72**	**1.72**	**1.70**	**1.70**
Non-income taxes, royalties and other governmental charges (Unit concentrate)	**39.12**	**38.27**	**45.60**	**46.02**	**45.08**	**45.08**
Total Cash Operating Cost (Unit Concentrate)	**499.07**	**435.41**	**402.16**	**389.31**	**437.37**	**437.37**

Notes:

1 Consumables costs contain the mining contact fees and transportation of ore from 2014 to 2017.

2 Consumables costs contain the transportation of preliminary concentrate fees from 2014 to 2017.

Table 11–13: Forecast on Operating Costs for Open Pit Operation – Jingyuancheng Mining

Cash Operating Costs	2H2013	2013	2014	2015	2016	2017
Mining (Unit Ore)	**10.89**	**10.60**	**10.68**	**10.68**	**14.75**	**14.75**
Mining contracting	4.94	4.58	0.00	0.00	0.00	0.00
Workforce employment	0.37	0.35	0.45	0.45	0.64	0.64
Consumables[1]	2.73	2.51	7.50	7.50	10.70	10.70
Fuel, electricity, water and other services	0.12	0.15	1.59	1.59	2.27	2.27
Transportation of ore	2.62	2.54	0.00	0.00	0.00	0.00
Safety Production	0.12	0.10	1.14	1.14	1.14	1.14
Environmental protection and monitoring	0.00	0.00	0.00	0.00	0.00	0.00
On-site administration	0.00	0.36	0.00	0.00	0.00	0.00
Dry Processing (Unit pre concentrate)	**18.04**	**18.54**	**19.23**	**22.99**	**23.86**	**23.86**
Workforce employment	2.98	3.50	4.36	5.23	5.23	5.23
Consumables[2]	4.53	4.18	11.09	13.28	13.28	13.28
Fuel, electricity, water and other services	6.39	6.46	2.82	3.38	3.38	3.38
Transportation of preliminary concentrate	4.14	4.39	0.00	0.00	0.00	0.00
Safety Production	0.00	0.00	0.00	0.00	0.00	0.00
Environmental protection and monitoring	0.00	0.00	0.00	0.00	0.00	0.00
On-site administration	0.00	0.00	0.96	1.10	1.97	1.97
Wet Processing (Unit concentrate)	**95.29**	**95.86**	**73.13**	**61.36**	**64.08**	**64.08**
Workforce employment	6.70	7.89	8.03	6.69	6.69	6.69
Consumables	27.47	26.85	31.18	25.97	25.97	25.97
Fuel, electricity, water and other services	50.40	50.44	30.31	25.25	25.25	25.25
Safety Production	0.00	0.00	0.00	0.00	0.00	0.00
Environmental protection and monitoring	10.73	10.68	0.00	0.00	0.00	0.00
On-site administration	0.00	0.00	3.61	3.46	6.18	6.18
Off-site administration (Unit concentrate)	**41.95**	**49.47**	**27.15**	**27.04**	**27.06**	**27.06**
Workforce employment	20.31	21.58	8.49	6.18	5.50	5.50
Safety Production	3.38	3.95	2.00	2.00	2.00	2.00
Other administration	18.27	23.94	16.66	18.86	19.56	19.56
Product marketing and sales (Unit concentrate)	0.00	0.00	1.72	1.71	1.71	1.71
Non-income taxes, royalties and other governmental charges (Unit concentrate)	**36.99**	**37.06**	**38.81**	**38.79**	**38.45**	**38.45**
Total Cash Operating Cost (Unit Concentrate)	**384.72**	**405.57**	**345.39**	**332.93**	**388.28**	**388.28**

Notes:

1 Consumables costs contain the mining contact fees and transportation of ore from 2014 to 2017.

2 Consumables costs contain the transportation of preliminary concentrate fees from 2014 to 2017.

Table 11–14: Forecast on Operating Costs for Open Pit Operation – Jiheng Mining

Cash Operating Costs	2H2013	2013	2014	2015	2016	2017
Mining (Unit Ore)	**15.95**	**15.45**	**23.97**	**23.97**	**23.97**	**23.97**
Mining contracting	3.71	2.24	0.00	0.00	0.00	0.00
Workforce employment	1.65	0.97	3.45	3.45	3.45	3.45
Consumables[1]	2.17	2.42	17.04	17.04	17.04	17.04
Fuel, electricity, water and other services	0.63	0.74	2.44	2.44	2.44	2.44
Transportation of ore	5.13	8.32	0.00	0.00	0.00	0.00
Safety Production	2.65	0.74	1.04	1.04	1.04	1.04
Environmental protection and monitoring	0.00	0.00	0.00	0.00	0.00	0.00
On-site administration	0.00	0.02	0.00	0.00	0.00	0.00
Dry Processing (Unit pre concentrate)	**20.04**	**18.46**	**11.18**	**11.17**	**11.68**	**11.68**
Workforce employment	4.32	3.58	2.70	2.70	2.70	2.70
Consumables[2]	3.09	2.68	6.31	6.31	6.31	6.31
Fuel, electricity, water and other services	6.16	5.37	1.70	1.70	1.70	1.70
Transportation of preliminary concentrate	0.66	4.13	0.00	0.00	0.00	0.00
Safety Production	0.00	0.00	0.00	0.00	0.00	0.00
Environmental protection and monitoring	0.00	0.00	0.00	0.00	0.00	0.00
On-site administration	5.80	2.70	0.46	0.46	0.96	0.96
Wet Processing (Unit concentrate)	**186.29**	**187.27**	**30.94**	**30.94**	**31.74**	**31.74**
Workforce employment	13.49	13.46	4.26	4.26	4.26	4.26
Consumables	21.96	24.22	13.20	13.20	13.20	13.20
Fuel, electricity, water and other services	70.49	69.97	12.75	12.75	12.75	12.75
Safety Production	0.00	0.00	0.00	0.00	0.00	0.00
Environmental protection and monitoring	0.00	0.00	0.00	0.00	0.00	0.00
On-site administration	80.34	79.61	0.73	0.73	1.53	1.53
Off-site administration (Unit concentrate)	**25.66**	**26.25**	**26.23**	**26.24**	**26.24**	**26.24**
Workforce employment	10.97	8.52	5.28	5.06	5.06	5.06
Safety Production	0.60	3.48	2.53	2.53	2.53	2.53
Other administration	14.08	14.25	18.43	18.65	18.65	18.65
Product marketing and sales (Unit concentrate)	**0.00**	**0.00**	**1.63**	**1.62**	**1.62**	**1.62**
Non-income taxes, royalties and other governmental charges (Unit concentrate)	**41.81**	**40.84**	**17.75**	**17.87**	**17.46**	**17.46**
Total Cash Operating Cost (Unit Concentrate)	**496.64**	**457.49**	**154.93**	**155.03**	**156.24**	**156.24**

Notes:

1 Consumables costs contain the mining contact fees and transportation of ore from 2014 to 2017.

2 Consumables costs contain the transportation of preliminary concentrate fees from 2014 to 2017.

Table 11–15: Forecast on Operating Costs for Underground Mining

Item	Xinxin Mining (RMB/t)		Jingyuancheng (RMB/t)	
	Raw ore	Concentrate	Raw ore	Concentrate
Workforce employment	17.72	134.50	17.70	136.67
Consumables	17.22	130.62	17.39	134.24
Fuel, electricity, water & other services	17.85	135.40	17.95	138.52
On and off-site administration	7.93	60.17	6.90	53.25
Environmental protection & monitoring				
Transportation of workforce				
Product marketing and transport	0.50	3.79	0.50	3.86
Non-income taxes, royalties and other governmental charges	5.95	45.16	5.92	45.70
Contingency allowance	1.91	14.47	1.85	14.26
Total Cash Cost	**69.08**	**524.11**	**68.21**	**526.50**

12 INFRASTRUCTURE

12.1 Access

All four iron mines owned by Aowei Mining are located in Laiyuan County, Hebei Province. The roads from Laiyuan County town to the mines are in good condition, and the mine products and materials are transported by road or railway.

12.1.1 Xinxin Mining

Gufen Mine, operated by Xinxin Mining, is located 23 km southwest of Laiyuan County urban centre. It is part of the Dushancheng mining area, and is under the administration of Shuibao Town, Laiyuan County. The geographic coordinates of the mine centre are 114°30'28" East and 39°12'26" North. The mine is accessible by a provincial highway (Tianzhen – Zoumayi) which passes across the western edge of the mine.

12.1.2 Jingyuancheng Mining

Jingyuancheng Mining operates two mines, Shuanmazhuang Mine and Wang'ergou Mine. These two mines are adjacent to each other and are located in the southwestern part of the Dushancheng mining area. The geographic coordinates of the mine centre are 114°27°00" East and 39°10°50" North. The mine is 6 km from the Tianzhen–Zoumayi highway and 28 km from the Laiyuan urban centre.

12.1.3 Jiheng Mining

Zhijiazhuang Iron Mine, operated by Jiheng Mining, is located in the township of Yangjiazhuang, 25 km southeast of Laiyuan County. It has road access to Gaobeidian City and Laiyuan County. The Jingyuan railway (from Beijing to Yuanping, Shanxi Province) runs by the mining area. There is a 3 km special rail spur from Futuyu railway station on the Jingyuan railway to Laiganggongren station, from where a 9 km highway leads to Zhijiazhuang mine.

It is SRK's opinion that the three mines mentioned above are easily accessible.

12.2 Power Supply

The power supply is adequate to satisfy the need for production and domestic usage. Detailed information is as follows:

12.2.1 Xinxin Mining

Gufen Mine is powered by a 10 kilovolt ("kV") overhead line from the Dushancheng 110 kV substation by the (Dushancheng – Xiyaoyu), through which a T connector from pole No. 032 is connected to the mine. Dushancheng 110 kV substation is 3 km away from pole No. 032 which is 1 km from the mine. The line is overheaded in the mine area and transmits electricity to all facilities and plants.

The electricity is transmitted to two transformers (one 800 kilovolt-ampere ("kVA") and one 500 kVA), located at the east and west boundaries respectively, by a 10 kV electricity line after a T connection. Electricity is sent from the transformers to the low-voltage distributor to supply electricity consumers such as down-the-hole drills.

The mine is divided into a mining area and a processing area, which are supplied respectively by the Dushancheng 110 kV substation and the Shuibao 35 kV substation. In addition, Gaojiatai 35 kV substation serves as a standby power supply for the mine.

12.2.2 Jingyuancheng Mining

Power for Jingyuancheng Mining is supplied by a new 35 kV substation at Gemengou. A 16 km 10 kV special line (Gaojiatai–Jingyuancheng) between the Gaojiatai 35 kV substation and Shuanmazhuang Mine, which had supplied power for Jingyuancheng Mining before the Gemengou substation was constructed, serves as a standby power supply. Currently two 10 kV overhead lines are sourced from the Jingyuancheng 35 kV substation. One line leads to the wet processing plants and dry discharging facilities and the other one leads to the mine and dry processing facilities. Either the Gemengou substation or the back-up substation would provide sufficient power supply for Jingyuancheng Mining's current and future operations.

A dual power supply is for the mining area and wet processing plant. One supply is planned from Dushancheng 110 kV substation as the main power source and the other would come from the Gaojiatai 35 kV substation as standby. The newly built 35 kV Gemengou substation is shown in Figure 12–1.

Figure 12–1: Newly Built 35 KV Gemengou Substation

12.2.3 Jiheng Mining

Previously, electrical power for Jiheng Mining was transmitted from Yangjiazhuang 35 kV substation to the 35 kV substation in the mine. A new 35/10 kV substation has been built in the mine, with two main transformers of 3,150 kVA and 2,000 kVA capacities.

A total of three (3) lines are sourced from the 10 kV substation. One leads to the new 2.5 Mtpa dry processing plant, the other two lead to the mine from the south and north respectively, forming a loop circuit.

The 10 kV substation mainly supplies the two box-type 800 kVA substations and is used for the low-voltage electricity consumers such as the down-the-hole drill rigs.

SRK notes that the power supply is sufficient to meet the requirement of normal production. SRK is informed by Company management that total annual blackout times caused by line repair and maintenance activities comes to less than three days and additional power supplies for capacity expansion have been approved by the local power supply bureau. A new substation at Jingyuancheng was completed and put into use in March 2013.

12.3 Water Supply

SRK notes that water supplies at the three mines mentioned above are sufficient for normal production, as described below.

12.3.1 Xinxin Mining

According to the water quality monitor report, the Tanghe River, located near the mining area, fails to meet the requirements for mine production water quality. Therefore, the water is sent to filtration galleries and cleaned. The cleaned water is pumped to the processing plant's 1,000 m^3 elevated water tank, which is used to store water for processing production.

Fresh water for processing is provided by the water tank with an initial input of 475 cubic metres per hour ("m^3/h"). Once normal production starts, the water is recycled with a circulating volume of 450 m^3/h. The water is pumped to the water tank at a rate of 25 m^3/h.

A total of six (6) water pumps are used to pump water at the beginning of production, four in operation and two on standby. Once the production is into normal operation when most of the water is recycled, two operating pumps are expected to be sufficient.

A domestic water system has been constructed and is sourced from groundwater. The water quality meets the requirements set out in China's Domestic Water Standards. Based on a quota of 120 L per person per day, the total water consumption is 39.6 m^3/d.

12.3.2 Jingyuancheng Mining

Jingyuancheng Mining also uses the Tanghe River as a primary water source. The cleaned water is pumped to a 3,000 m^3 elevated water tank.

Fresh water for the processing plant is pumped from the water tank with an initial input of 1,379 m^3/h. Once normal production starts, the water is recycled with a circulating volume of 1,293 m^3/h. The water is pumped to the water tank at a rate of 86 m^3/h.

A domestic water system has been constructed and its water quality meets the Chinese Domestic Water Standard requirements. Based on a quota of 120 L per person per day, the total water consumption is 39.6 m^3/d.

12.3.3 Jiheng Mining

Production water for Jiheng Mining is supplied from the drainage water of the open-pit, which is pumped to a 500 m^3 elevated water tank near the processing plant. Currently the water supply is adequate for the dry processing plant.

Water consumption for dust removal in the primary crushing facilities is 15 m^3/h at most, averaging 5 m^3/h. The annual water consumption is 30,000 m^3. The domestic water comes from a well, with an hourly consumption of 0.5 m^3 and annual consumption of 3,000 m^3.

SRK notes that the water supplies for both Xinxin Mining and Jingyuancheng Mining are sourced from the Tanghe River, which is generally able to meet the requirement of mine production. For Jiheng Mining, the drainage water from the open-pit is used to supply water for mining production and crushing. Since the water demand is low, SRK opines that the available water supply is sufficient for mine production.

12.4 Mechanical Maintenance

All the mines have their own maintenance workshop to handle daily maintenance work. There are also some maintenance plants in the nearby towns and counties capable of providing such services. For complicated overhauling work, professional maintenance companies are available in Laiyuan County or Baoding City.

SRK opines that the available mechanical maintenance service is sufficient for the mines' daily production needs.

12.5 Office Buildings and Accommodation

A full range of occupational and domestic facilities have been built at all the mines, including office buildings, materials storage facilities, dormitories, cafeterias and associated facilities. It is SRK's opinion that the working and domestic situations meet the needs of daily operation and living activities. A picture of the office building of Jingyuancheng Mining is shown in Figure 12–2.

Figure 12–2: The Office Building of Jingyuancheng Mining

It is SRK's opinion that the conditions of the occupational and domestic facilities at the mines owned by Aowei Mining are superior to those at most mines in China, which is a reflection of company's culture.

13 ENVIRONMENTAL AND SOCIAL ASSESSMENT

13.1 Environmental and Social Review Objective

The objective of this preliminary environmental due diligence review is to identify any existing and potential environmental liabilities and risks, and to assess and comment on any associated proposed remediation measures for the Aowei Project, comprising Xinxin Mining, Jingyuancheng Mining, and Jiheng Mining. SRK conducted two site visits in these three sites in Laiyuan County, Hebei Province, in late August 2012 and mid-July 2013 respectively. Historically, small mining companies have been operating the mining and processing activities in the Project areas, but under the guidance of the Hebei Provincial Government, all small mining companies are being consolidated into larger mining companies.

13.2 Environmental and Social Review Process, Scope and Standards

The process for the verification of the environmental compliance and conformance for the Project comprised a review and inspection of the project's environmental management performance against:

- Chinese National environmental regulatory requirements (Appendix 3);
- World Bank/International Finance Corporation (IFC) environmental and social standards and guidelines (Appendix 4); and
- Internationally recognised environmental management practices (Appendix 4).

13.3 Status of Environmental Approvals

The details of the Environmental Impact Assessment ("EIA") reports and approvals for each project site are presented in Table 13–1.

Table 13–1: EIA Reports and Approvals

Project	Produced By	Production date	Approved By	Approval date
Xinxin Mining				
Gufen Mine Production Capacity Upgrading (3Mtpa)	Hebei Zhonglian Energy and Environment Technology Inc.	December 2012	Hebei Environmental Protection Bureau	December 28, 2012

Project	Produced By	Production date	Approved By	Approval date
Phase I Wet Processing Plant and Taohuazui TSF.	Ministry of Metallurgical Industry Exploration Research Academy Environmental Quality Research Institute	June 2004	Baoding Environmental Protection Bureau	July 23, 2004
Phase II Wet Processing plant, 3 Dry Processing Plants and Xiaomazong TSF.	Hebei Zhonglian Energy and Environment Technology Inc.	April 2013	Hebei Environmental Protection Bureau	May 28, 2013
Jingyuancheng				
Shuanmazhuang Mine Production capacity Upgrading (4 Mtpa)	Hebei Zhonglian Energy and Environment Technology Inc.	December 2012	Hebei Environmental Protection Bureau	December 26, 2012
Wang'ergou Mine Production capacity Upgrading (2.4 Mtpa).	Hebei Zhonglian Energy and Environment Technology Inc.	December 2012	Hebei Environmental Protection Bureau	December 25, 2012
2 New Dry Processing Plants and 1 Wet Processing Plant and Chengzigou TSF.	Hebei Zhonglian Energy and Environment Technology Inc.	April 2013	Hebei Environmental Protection Bureau	May 28, 2013
2 New Dry Processing Plants and 1 Wet Processing Plant and Dabugou TSF	Hebei Zhonglian Energy and Environment Technology Inc.	April 2013	Hebei Environmental Protection Bureau	May 28, 2013
Jiheng Mining				
Zhijiazhuang Mine Production Capacity Upgrading (1 Mtpa).	Hebei Zhonglian Energy and Environment Technology Inc.	July 2011	Hebei Environmental Protection Bureau	September 2, 2011
Iron Ore Dry Processing Plant (2.5Mtpa)	Zhongkan Smelting and Exploration Design and Research Institute	October 2012	Baoding Environmental Protection Bureau	November 16, 2012

The details of the Water and Soil Conservation ("WSCP") reports and approvals for each project site are presented in Table 13–2.

Table 13–2: WSCP Reports and Approvals

Project	Produced By	Production date	Approved By	Approval date
Xinxin Mining				
Gufen Mine Production Capacity Upgrading (3 Mtpa)	Hebei Water Conservancy and Hydropower No. 2 Survey, Design and Research Institute	October 2012	Hebei Water Resources Bureau	November 6, 2012
Phase I Wet Processing Plant and Taohuazui TSF	Laiyuan Hydraulic Engineering Service Station	May 13, 2004	Laiyuan Water Resources Bureau	May 17, 2004
Phase II Wet Processing plant, 3 Dry Processing Plants, and Xiaomazong TSF	Hebei Water Conservancy and Hydropower No. 2 Survey, Design and Research Institute	January 2013	Hebei Water Resources Bureau	January 28, 2013
Jingyuancheng Mining				
Shuanmazhuang Mine Production Capacity Upgrading (4Mtpa)	Hebei Water Conservancy and Hydropower No. 2 Survey, Design and Research Institute	October 2012	Hebei Water Resources Bureau	November 6, 2012
Wang'ergou Iron Mine Production Capacity Upgrading (2.4 Mtpa)	Hebei Water Conservancy and Hydropower No. 2 Survey, Design and Research Institute	October 2012	Hebei Water Resources Bureau	November 6, 2012
2 New Dry Processing Plants and 1 Wet Processing Plant and Chengzigou TSF	Hebei Water Conservancy and Hydropower No. 2 Survey, Design and Research Institute	January 2013	Hebei Water Resources Bureau	January 28, 2013
2 New Dry Processing Plants and 1 Wet Processing Plant and Dabugou TSF.	Hebei Water Conservancy and Hydropower No. 2 Survey, Design and Research Institute	January 2013	Hebei Water Resources Bureau	January 28, 2013

Project	Produced By	Production date	Approved By	Approval date
Jiheng Mining				
Zhijiazhuang Mine production capacity upgrading (1 Mtpa)	Hebei Water Conservancy and Hydropower Design and Research Institute	June 2011	Hebei Water Resources Bureau	July 7, 2011
Iron Ore Dry Processing Plant (2.5 Mtpa)	Langfang Transportation and Exploration Design Institute	August 2012	Baoding Water Resources Bureau	September 3, 2012

The details of the Final Check and Acceptance ("FCA") reports and approvals for each project site are presented in Table 13–3.

Table 13–3: Final Check and Acceptance Reports and Approvals

Project	Report	Approval
Xinxin Mining		
Gufen Mine Production Capacity Upgrading (3Mtpa)	Y	Y
Phase I Wet Processing Plant and Taohuazui TSF	Y	Y
Phase II Wet Processing plant, 3 Dry Processing Plants, and Xiaomazong TSF	NYR	NYR
Jingyuancheng Mining		
Shuanmazhuang Mine Production Capacity Upgrading (4 Mtpa)	Y	Y
Wang'ergou Mine Production Capacity Upgrading (2.4 Mtpa)	Y	Y
2 New Dry Processing Plants and 1 Wet Processing Plant and Chengzigou TSF	NYR	NYR
2 New Dry Processing Plants and 1 Wet Processing Plant and Dabugou TSF	NYR	NYR
Jiheng Mining		
Zhijiazhuang Mine production capacity upgrading (1 Mtpa)	Y	Y
Iron Ore Dry Processing Plant (2.5Mtpa)	Y	Y

Note:

"Y" denotes the licence/permit is granted and has been sighted by SRK; "NS" denotes that the licence/permit has not been sighted; and "NYR" denotes that the licence/permit has not yet required.

13.4 Environmental Compliance and Conformance

SRK notes that these sighted EIA reports have been compiled in accordance with relevant Chinese laws and regulations. SRK has reviewed these EIA reports and approvals and conducted two environmental site visits in late August 2012 and mid-July 2013 respectively against recognized international industry environmental management standards, guidelines, and practices. At the time of the site visits, SRK noted the Project sites were in the stage of production capacity and technique upgrading, and they were generally being developed and/or operated in accordance with the project environmental management and approval conditions.

In the following sections, SRK provides comments in respect to the project's proposed environmental management measures.

13.5 Land Disturbance

The main impact on the surrounding ecological environment is due to disturbance and contamination caused by surface stripping, waste rock and tailings storage, processing plant drainage, processing wastewater, explosions, transportation, and associated buildings that are erected. If effective measures are not taken to manage and rehabilitate the disturbed areas, the surrounding land can become polluted, and the land utilization function will be changed, causing an increase in land degradation, water loss and soil erosion. Given the size and scale of the areas impact by the open mining activities and based on the site visits, SRK opines that the environmental risk is medium.

The project's EIAs provide initial estimates of areas of disturbances for main surface facilities for the projects. No other documented, estimated, and/or currently surveyed areas of land disturbance or rehabilitated areas for any of the Project's mines have been sighted as part of this review.

SRK has not sighted any land disturbance or rehabilitation registry that record areas and extents of disturbances and remediation work that has been conducted or track areas yet to be remediated. This information could feed into the projects' operational Mine Closure Planning procedure. The Company plans to regularly conduct surveys to record areas disturbed by the mining and processing activities, as required by the newly released regulation in March 2013. In light of the above, SRK considers that this medium environmental risk is under control.

13.6 Flora and Fauna

The development of mining and mineral processing projects may also result in impacts to or loss of flora and fauna habitat. The project development EIA should determine the extent and significance of any potential impacts to flora and fauna habitat. Where these potential impacts to flora and fauna habitat are determined to be significant, the EIA should also propose effective measures to reduce and manage these potential impacts.

The project EIA's covering the projects include the following:

- This project sites are located in the Taihang mountain area in Hebei Province and the major vegetations are common species, such as bush and grass;
- No protected animal species, protected flora, or protected natural area are identified within the project area;
- The ecological environment is fairly fragile due to the mining activities in these areas and therefore, measures to protect the ecological system are very critical for this project; and
- Potential measures to protect the ecological environment may include: topsoil protection and reuse, limitations on the area to be disturbed by this project and revegetation on industrial area.

13.7 Waste Rock and Tailings Management

13.7.1 Waste Rock Management (WRD)

The project's waste rock generation rates and the waste rock dump have been previously discussed with the Mining Assessment section. SRK observed significant waste rock generated by the stripping and mining activities during the site visits, which occupied quite amount of surface areas. Depending on the components in the waste rock, the waste rock may release hazardous leach into the environment. It is SRK's opinion that the environmental risk caused by the waste rock is medium.

According to the EIA reports, some of the waste rocks will be backfilled into the mined out open-pit area or reused as construction material for roadways, retaining walls, and swales, which can reduce the waste rock volume. The rest will be sent to waste rock dump areas in each mine site. During the site visit, SRK observed multiple waste rock dumping areas on site, and the condition of vegetation in the waste rock dumping areas was poor. Some of the waste rock dump areas have retaining walls with a height of 2 m installed at the toe. Aowei Mining plans to continue to conduct high frequent inspections at the waste rock dump areas during raining season.

The EIA reports also states that two extracted leachate sampling tests were conducted with sample taken, one from the Gufen open-pit and one from the waste rock areas near the Zhijiazhuang open-pit. The samples were for comparison with Chinese identification standards for hazardous wastes and identification for extraction toxicity (GB5085.3-2007). The analysis results of the two leachate samples extracted from the samples showed that all the waste rocks in the two areas were not hazardous wastes and are considered general industrial waste. No extracted leachate sampling test was conducted in Shuanmazhuang open-pit area or Wang'ergou open-pit area to analyse the waste rock and the related EIA reports only refer to the results from Xinxin Mining since the waste rocks from both sites are similar.

The EIA approvals require monitoring of leachate from waste rock dump areas and monitoring of groundwater in surrounding villages to monitor heavy metals pollution. The EIA reports propose a 2 m by 2 m leachate monitoring pond with depth of 1 m to be installed 50 m downgradient from each waste rock dump area and propose that the leachate be analysed on a monthly basis. In addition, groundwater monitoring wells will be installed in the villages to be impacted by the waste rock leachate, and the groundwater will be sampled and analysed three times a year. During SRK's site visits, these leachate sample ponds and groundwater monitoring wells were not sighted. Aowei Mining is taking preparation to implement these measures at the moment this report is written.

Sulphur and metals presented in the waste rock may have the potential to generate acid, although the average sulphur content is below 1%. According to the results of geological analysis on the iron ores, the sulphur content ranges from 0.12% to 0.2% and pyrite, pyrrhotite, and chalcopyrite contents are fairly low, less than 1%. Therefore, the potential to release acid rock drainage ("ARD") to pollute environment is low. In addition, SRK did not observe any evidence of ARD from waste rock dump area during the site visits. In light of the above, SRK considers that this medium environmental risk is under control.

13.7.2 Tailings Management

The project tailings generation rates and engineering descriptions of the TSFs (designs and storage capacities) have been previously discussed within the Metallurgical and Processing Assessment section.

During the site visits, SRK noted that Xinxin Mining and Jingyuancheng Mining had multiple TSFs on each site, but there was no existing TSF facility in Jiheng Mining where no tailings were generated. SRK also noted that in Jingyuancheng mine site, some tailings were dried by vacuums in the wet processing plants and these dried tailings were sent to the TSFs, which is a method of saving space in the TSF. In addition, the Company stated that some TSFs in Jingyuancheng were closed and would be rehabilitated.

The TSFs for the Project were constructed with water return systems for the reuse of tailings water within the processing plants. Water is returned via pump stations from either seepage collection pools or decant collection pools at the base of the TSF dams. The Company states that no discharge of water from the TSFs takes place and all tailings water is recycled for processing. However, SRK observed that overflows from the seepage and decant collection pools were allowed to discharge down the natural gullies. Seepage to groundwater is likely also occurring which does not appear to be accounted for. SRK has not been provided any monitoring of water quality for review. SRK recommends monitoring wells be installed near the toe of TSFs and regular groundwater sampling program be developed to monitor ground water conditions.

The Company states that no geochemical characterization of tails or ARD assessment has been carried out for the Project operations. However, according to the results of geological analysis on the iron ores, the sulphur content ranges from 0.12% to 0.2% and pyrite, pyrrhotite, and chalcopyrite contents are fairly low, less than 1%. Therefore, the potential to release ARD to pollute environment is low. In addition, SRK did not observe any evidence of ARD from TSFs area during the site visits.

13.8 Water Aspects

The main water protection objective (as stated in the EIA reports) for this project is to protect surface water resources and groundwater resources, and to maximize water conservation and recycling. The Tanghe River is located near the Xinxin Mining site, and is a main water resource for Xinxin Mining's processing and operations. Baidao'an Creek is located near Jingyuancheng Mining, and Xiaodonghe Creek is located near Jiheng Mining. Jingyuancheng Mining and Jiheng Mining source water for operation from mine water pumped out of the open-pits. The open pit mining method by its nature could damage the ground water aquifers, and iron ore processing activities may pollute the ground water and surface water by chemicals, lubricants and waste oils. In addition, SRK notes that previous small mining companies may have caused some environmental impacts to the water bodies due to improper environmental management. SRK opines that the environmental risk for the water aspects is medium, and the Company put significant efforts to control and manage this risk.

Based on SRK's site visits, no sedimentation tanks were installed in the wet processing plants in this Project. According to the EIA reports, all processing water on this Project is sent to the TSFs. The Company states that all domestic wastewater on site is treated biologically with belowground sewage treatment facilities and the treated wastewater is sent to the TSFs as well.

SRK noted that the stormwater management for this Project overall is poor due to a lack of site-wide operational designs for open-pit areas and waste rock dumping areas, except in Zhijiazhuang Mine. The Company states that site-wide designs for the open-pit areas are under consideration, and stormwater swales and sedimentation ponds will be installed accordingly. All stormwater is eventually discharged into the surface water bodies nearby, including Tanghe River, Baidao'angou Creek, and Xiaodonghe Creek. The EIA reports state that all mine water and stormwater will be treated by sedimentation ponds and the treated water will be reused as operating water or dust suppression water for the Project and the rest will be discharged into the surface water bodies nearby. The Company states that these sedimentation ponds near open-pit areas will be constructed to meet the requirements of EIA reports, by which all stormwater and mine water will be treated before they are discharged into the environment and SRK considers that the water pollution from the mining areas can be avoided.

The EIA approvals require this Project to protect groundwater resources from heavy metals pollution with anti-infiltration measures and groundwater monitoring wells. SRK opines that these requirements should be fully implemented to protect ground water.

In mid-June 2012, a third party took two groundwater samples each at the following five places: Dushancheng Village, Northern Sanhe Village, Southern Sanhe Village, Northern Shaguoyuan Village and Southern Shaguoyuan Village. The purpose was to check the groundwater quality for pH, heavy metals, cyanide, ammonia nitrogen, halide salts, sulphide, and other contaminants. The analysis results showed that the groundwater quality from these samples met the related groundwater standards.

Surface runoff from the Xinxin Mining area as well as mine water from the open-pit area are discharged into the Tanghe River, which is approximately 400 m away from the open-pit area. In mid-June 2012, two surface water samples were taken from the Tanghe River at 500 m upstream and 2 km downstream from the project area. These samples were tested for the same chemical parameters as the groundwater taken from the nearby villages and petroleum hydrocarbon levels were also analysed. The sampling results showed that no exceedance was identified.

At the same time, the same third party took two groundwater samples each at the following five places: Shuanmazhuang Village, Wang'ergou Village, Shangkouer Village, Northern Baidao'an Village, and Gemengou Village. The purpose was still to check the groundwater quality for pH, heavy metals, cyanide, ammonia nitrogen, halide salts, sulphide, and other pollutants. The analysis results showed that the groundwater quality from these samples satisfied the related groundwater standards, except the samples from Shangkouer Village, which showed a slight nitrite exceedance. According to the EIA report, the nitrite exceedance may be caused by fertilizing in the farmland nearby. The Company also plans to conduct follow-up sampling to continuously monitor the ground water qualities.

Surface runoff from the Jingyuancheng Mining area as well as mine water from the open-pit area are discharged into the Baidao'an Creek, which is approximately 1,300 m away from the two open-pit areas. In mid-June of 2012, two surface water samples were taken in the Baidao'an Creek at 500 m upstream and at 2 km downstream from the open-pit areas respectively. These were tested for the same chemical parameters as the groundwater, and included an analysis of petroleum hydrocarbon levels. The sampling results showed that no exceedance was identified, but iron concentrations were relatively high.

Two groundwater sampling events were conducted in mid-April 2011 and mid-June 2011 for the chemical analysis of pH, heavy metals, cyanide, ammonia nitrogen, halide salts, sulphide, and other pollutants. In mid-April 2011, groundwater samples were taken from 3 m below the ground surface in the groundwater wells in Shanjiawan Village and Zhijiazhuang Village and from the mining water in the Zhijiazhuang open-pit area. In mid-June 2011, groundwater samples were taken in the groundwater well in Zhijiazhuang Village only. According to the analysis results from these two reports, no exceedances were identified.

The mine water from the open-pit of Jiheng Mining is discharged into the Xiaodonghe Creek. Since this creek has been generally dry since 2000, only the mine water was sampled for petroleum hydrocarbon analysis as well as for the chemicals tested for in the groundwater mentioned above (the sampling date is not available). The analysis results satisfied the discharge criteria.

Based on these analytical results above, the groundwater and surface water qualities are generally managed well, except few slight exceedances. SRK recommends that water quality be monitored regularly and clean water access be provided to the local residents if the water is further polluted. In light of the above, SRK considers that this medium environmental risk is under control.

13.9 Air Emissions

13.9.1 Dust and Gas Emissions

The dust emission sources for the project are from the boilers for heating and from the open-pit area, the waste rock dump area, and the processing plant during operation under dry and windy weather conditions. Open pit mining method is always criticized by the significant dust emission, comparing with underground mining method, and therefore SRK opines that dust impact to the environment is medium. The Company states that the boilers are equipped with dust collection equipment. SRK observed comprehensive dust collection systems installed in crushing and screening rooms and transfer points in the processing plants, such as wet dust collectors and bag dust collectors. The Company also states that the open-pit areas are provided with several water trucks to depress the dust, and SRK observed water trucks in Zhijiazhuang open-pit area. During the site visit, SRK did not observe significant site dust emissions impacting the air in these areas, and in light of the above, SRK considers that this medium risk is controlled and managed properly..

The gas emission sources for the project are predominantly from boilers for heating, other fixed and mobile plants at use in the mine site, and blasting emissions. The Company states that sulphide removal equipment is installed in boilers to control sulphide emissions. In addition, SRK noted that the onsite heavy equipment was maintained properly and did not observe severe exhaust gas particulate emissions.

13.10 Noise Emissions

The main noise emission sources for this project are from the operation of the processing plant (crushers, compressors, and pumps) and mobile equipment (mainly drilling, blasting, and haulage activities). SRK notes that the potential for significant offsite noise impacts is low due to the sites being remote and the sparse local population. In addition, SRK notes that all noise generating fixed equipment are in enclosed areas.

13.11 Hazardous Substances Management

The use of reagents is not required for iron processing at this Project as magnetic separation is the method of mineral separation. The Company states that all blasting jobs are subcontracted to certified contractors and no explosives are stored on site. As such, the hazardous substances used at the sites will mainly constitute fuels and lubricants, waste oils, and other hydrocarbons. SRK noticed some surface staining from the abandoned processing plants, and the land contamination is caused by the previous small mining companies.

The projects' EIA reports do not discuss any practices in relation to environmental control and management of the above hazardous materials. Oil (diesel and motor) stored on site was seen to have no secondary containment at the time of the site investigation. Diesel oil was stored in aboveground tanks at the processing plants, though according to the Company, underground storages shall be built in the future. Motor oil and lubricants were stocked in an ad-hoc manner about the processing plants on bare ground. Surface staining was observed in maintenance warehouses in Jingyuancheng Mining mainly due to spills and leakage of waste oils and lubricants.

The Company will develop upgraded procedures for hazardous materials management and use along with appropriate storage facilities and conditions to comply with national regulations. SRK recommends that all fuels and lubricants storage and handling facilities for the Project be constructed with secondary containment (i.e., lined and bunded areas) and waste oils be collected and recycled. At the time this report was written, SRK was provided with waste oil recycling plans defining procedures to collect waste oils in processing plants and maintenance warehouses. In light of the above, SRK considers that this medium environmental risk is under control.

13.12 General Waste Management

The Company states that burnt coal from boilers is recycled as construction material and the municipal solid waste is collected in designated areas and disposed of offsite. SRK noted during the site visits that Xinxin Mining and Jiheng Mining had good housekeeping and SRK did not observe any littering, but observed poor housekeeping in old camps near the old dry processing plants in Jingyuancheng Mining, especially kitchen garbage causing smelly odours. The Company states that this old camps will be demolished soon. Aowei Mining states that all garbage will be collected regularly and disposed of offsite in an approved manner.

13.13 Environmental Protection and Management Plan

The purpose of an operational Environmental Protection and Management Plan ("EPMP") is to direct and coordinate the management of the project's environmental risks. The EPMP documents the establishment, resourcing, and implementation of the project's environmental management programs. The site environmental performance should be monitored and feedback from this monitoring could then be utilised to revise and streamline the implementation of the EPMP.

No such a plan has been developed for the Project operations that cover the above mentioned components. However, the project EIA reports reviewed by SRK describe the various components of a comprehensive operational EPMP for each of the respective sites, such as environmental protection objective, control strategies, environmental administration, regular air/water/noise monitoring to be conducted by the local environmental protection bureau monitoring stations, environmental inspection during site construction, and site environmental management.

13.14 Site Closure Planning and Rehabilitation

The open pit mining method itself can cause ecological damage without proper site closure and rehabilitation, and no proper site closure plans and rehabilitation plans generated by previous mining companies were provided to SRK for review, and SRK considers that this is a medium environmental risk. The Chinese national requirements for mine closure are covered under *Article 21 of the Mineral Resources Law of People's Republic of China (1996)*, the *Rules for Implementation of the Mineral Resources Law of the People's Republic of China (2006)*, *Mine Site Geological Environment Protection Regulations (May 1, 2009)*, and *the Land Rehabilitation Regulation (2011)* issued by the State Council. In summary, these legislative requirements cover the need to conduct land rehabilitation, to prepare a site closure report, and to submit a site closure application for assessment and approval.

The recognised international industry practice for managing site closure is to develop and implement an operational site closure planning process and document this through an operational Closure Plan. While this site closure planning process is not specified within the Chinese national requirements for mine closure, the implementation of this process for a Chinese mining project will:

- Facilitate achieving compliance with these Chinese national legislative requirements; and

- Demonstrates conformance to a recognised international industry management practice.

SRK was provided with four mine site geological environment protection and rehabilitation plans for the four mining license areas, which were Gufen, Shuanmazhuang, Wang'ergou, and Zhijiazhuang. The plan for Zhijiazhuang was produced by China University of Geosciences at Wuhan in August 2010, the plan for Wang'ergou were prepared by Hebei Hydrology Engineering Geological Exploration Institute in September 2012, and the plans for the rest two mines were prepared by Hebei Province Baoding Geology Engineering Exploration Institute in September 2012. These plans generally provide the following in respect to the proposed site closure and rehabilitation measures:

- Site rehabilitation objective – The rehabilitation program is aimed at rehabilitating land disturbed with mining operations to control soil loss and improve ecological environment.

- Progressive rehabilitation – The rehabilitation will be conducted progressively with mining.

- Top soil stripping – Top soil will be stripped from the mine sites, waste dumps, TSFs, and infrastructure areas, and then stockpiled for reuse in rehabilitation.

- Replanting – Where required, seeding will be undertaken and seedlings will be planted. The species to be used will be local perennials that are capable of growing in the cold, dry conditions obtaining at the mine sites.

- The open-pit areas, waste dump areas, and TSF areas – At the time of the project completion, the associated land will be rehabilitated by being covered with 0.3 m top soil and seeds to allow for revegetation.

- Rehabilitation monitoring – Monitoring will be carried out throughout the project lifetime and for three years after closure.

- A cost estimate and financial accrual process for site closure is established, and the total environmental rehabilitation cost is estimated to be RMB11,404,000, RMB20,035,700, RMB15,072,600, and RMB9,957,200 for Zhijiazhuang Mine, Gufen Mine, Shuanmazhuang Mine, and Wang'ergou Mine, respectively. In accordance with related regulations, the Company must deposit the abovementioned amounts into a designated account setup by the local government. SRK sighted 100% payment receipts from the local government for Zhijiazhuang and 50% payment receipts for the rest three mines. According to the Company, the payments for the remaining 50% of the three mining license areas will be made next year.

SRK notes that the above proposed approach to the site rehabilitation is generally in line with the relevant recognised Chinese industry practices. In light of the above, SRK considers that this medium environmental risk is under control.

13.15 Social Aspects

The Project's Xinxin Mining, Jingyuancheng Mining and Jiheng Mining sites are located in the northern branch of Taihang Mountain in Hebei Province, approximately 25 km away from Laiyuan County town.

The primary land use for the general surrounding area of the project sites is agricultural with a number of other mining activities. The local economy mainly relies on agriculture. The Company states that it has obtained all proper land use access permits to carry out the mining and processing. SRK was provided with a summary of land compensation agreements with key information, such as land owner names, locations, areas, and costs. SRK was also provided with scanned land use agreements with the local residents and maps showing their locations. In addition, according to the EIA reports, there are no significant cultural heritage sites within or surrounding any of the Project sites.

Public participation projects were undertaken as part of the project's EIA reports. The survey results showed that a majority of local residents support the Project, and presented a predominant view that the development of the project will contribute to improvements in the local economy and will increase the local employment rate. However, local residents did raise some concerns regarding the local ecological system and safety of the local environment for this project, which shows that the local people are very concerned about environmental protection measures to be implemented. The Company states that all requirements in the environmental approvals will be fully implemented to prevent these environmental impacts.

As part of this review, SRK has not sighted any documentation in relation to any actual or potential impacts of non-governmental organizations on the sustainability of the Project.

13.16 Evaluation of Environmental and Social Risks

At the time of the most recent site visit (mid July 2013), the Project was under stripping and construction phase for a planned technical and production capacity upgrade, and it was generally being developed and/or operated in accordance with the Project's environmental management and approval conditions.

In summary the most significant compliance and environmental risks for the development of the Project, currently identified as part of the project assessment, are:

- Land disturbance, rehabilitation and site closure;
- Water management (i.e., tailings and mine water);
- Waste rock management;
- Dust management; and
- Land contamination (hazardous substances storage and handling).

It is SRK's opinion that the above environmental risks are categorised as moderate/tolerable risks (i.e., requiring risk management measures) and they are generally manageable. Since various environmental protection measures have been planned or conducted by the Company to solve these environmental issues and the Company determines to put more efforts to incorporate responsible environmental protection policies and practices into their operations, SRK considers that these environmental risks are controlled properly and not to develop into higher grade risks.

14 PROJECT RISK ASSESSMENT

Mining is a relatively high risk industry. In general, the risk may decrease as a project moves from exploration to development and through to the production stage. The Aowei Project is a production project. Risks exist in different areas. SRK considers various technical aspects which may affect the feasibility and future cash flow of the project and conducted a qualitative risk analysis which has been summarised in Table 14–1. In this risk analysis, various risk sources/issues have been assessed for Likelihood and Consequence and then a Risk Rating has been assigned. The qualitative risk analysis uses the following definitions for likelihood and consequence:

- Likelihood:
  - Certain: The event is expected to occur in most circumstances.
  - Likely: The event probably will occur in most circumstances (or could occur on a regular basis such as weekly or monthly).
  - Possible: The event should occur at some time (i.e., once in a while).
  - Unlikely: The event could occur at some time.
  - Rarely: The event may occur only in exceptional circumstances.
- Consequence:
  - Catastrophic: Disaster with potential to lead to business failure.
  - Major: Critical event/impact which, if uncorrected, will have a material effect on the project cash flow and performance and could lead a project failure; but with proper remedial management, will be endured.
  - Moderate: Significant event/impact which, if uncorrected, will have a significant effect on the project cash flow and performance, but may be managed under normal procedures.
  - Minor: Consequences/impacts that may be readily absorbed and will have little or no effect on the project cash flow and performance, but some remedial management effort is still required.
  - Insignificant: No additional/remedial management required.

The subsequent risk ratings are defined as:

- **Extreme/high risks** – unacceptable risks to the project, which if uncorrected, may result in business failure or critical impacts to business.
- **Medium risks** – tolerable risks to the project, which require the application of specific risk management measures so as to not develop into high risks.
- **Low/negligible risks** – acceptable risks to the project, which generally comprise low probability/low impact events that do not require additional specific risk management measures.

The full qualitative risk analysis process is described in Appendix 5.

Table 14–1: Project Risk Assessment of the Aowei Iron Mine

Risk Issue	Likelihood	Consequence	Overall
Geology and Resource			
Lack of Significant Resource	Unlikely	Minor	Low
Lack of Significant Reserve	Unlikely	Minor	Low
Significant Unexpected Geological Faulting	Unlikely	Moderate	Low
Unexpected Groundwater Ingress	Unlikely	Moderate	Low
Mining			
Production Shortfalls	Possible	Minor	Low
Excessive Surface Subsidence	Possible	Minor	Low
Poor Mine Plan	Unlikely	Moderate	Low
Poor Road Transportation/safety	Unlikely	Moderate	Low
Ore Processing			
Lower Processing Plant Yields	Possible	Minor	Low
Unsuitable Processing Flow Sheet	Unlikely	Moderate	Low
Poor Plant Reliability	Unlikely	Moderate	Low
Environmental			
Land disturbance, rehabilitation and site closure	Certain	Moderate	Medium
Water management (i.e. tailings and mine water)	Possible	Moderate	Medium
Waste rock management	Possible	Moderate	Medium
Tailings storage (i.e. TSF design, construction and operation)	Possible	Minor	Low
Dust management	Likely	Moderate	Medium
Land contamination (hazardous substances storage and handling)	Likely	Moderate	Medium
Capital and Operating Costs			
Mine Management Plan	Possible	Minor	Low
Capital Costs – Ongoing	Unlikely	Minor	Low
Operating Cost Underestimated	Possible	Moderate	Medium

The environmental measures and practices to manage environmental risk of the land disturbance, rehabilitation and site closure include proposed progressive rehabilitation, proposed topsoil stripping, proposed replanting, proposed rehabilitation monitoring and a geological rehabilitation fund deposit of RMB34.0 million; the storm-water and mine water treatment facilities and the water reuse systems in TSFs are the measures to control the risk of water pollution; reuse of waste rock as construction materials to reduce waste rock volume, low concentrations of hazardous components in the waste rock, and no evidence of on-site acid rock drainage indicate that the environmental risk of waste rock is manageable; dust management measures such as regular watering in the mining area and comprehensive dust collection system in the processing plants show that the risk of dust pollution is controlled; and the comprehensive hazardous materials management system and the waste oil recycling system can make the risk of land contamination under control. Therefore, it is SRK's opinion that the medium environmental risks identified above are generally under control and not to develop into higher grade risks due to various environmental measures conducted and more efforts the Company has determined to make to improve environment management.

A few factors may lead potential risks in increase of operating costs; they include: 1) decrease in the grade of mined ore; 2) worsening in the quality of production management; 3) significant increase in tax level in China; 4) increase in raw materials, power, fuel and labour costs as a result of inflation; and 5) mandatory interruption in production required by the authorities. SRK is of the review that of the above five situations, 2 is extremely unlikely scenarios, whereas there is a possibility that the other three situations may occur. As a result, SRK opines that increase of operating costs is a medium risk.

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Xinxin Mining

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Jingyuancheng Mining

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Jiheng Mining

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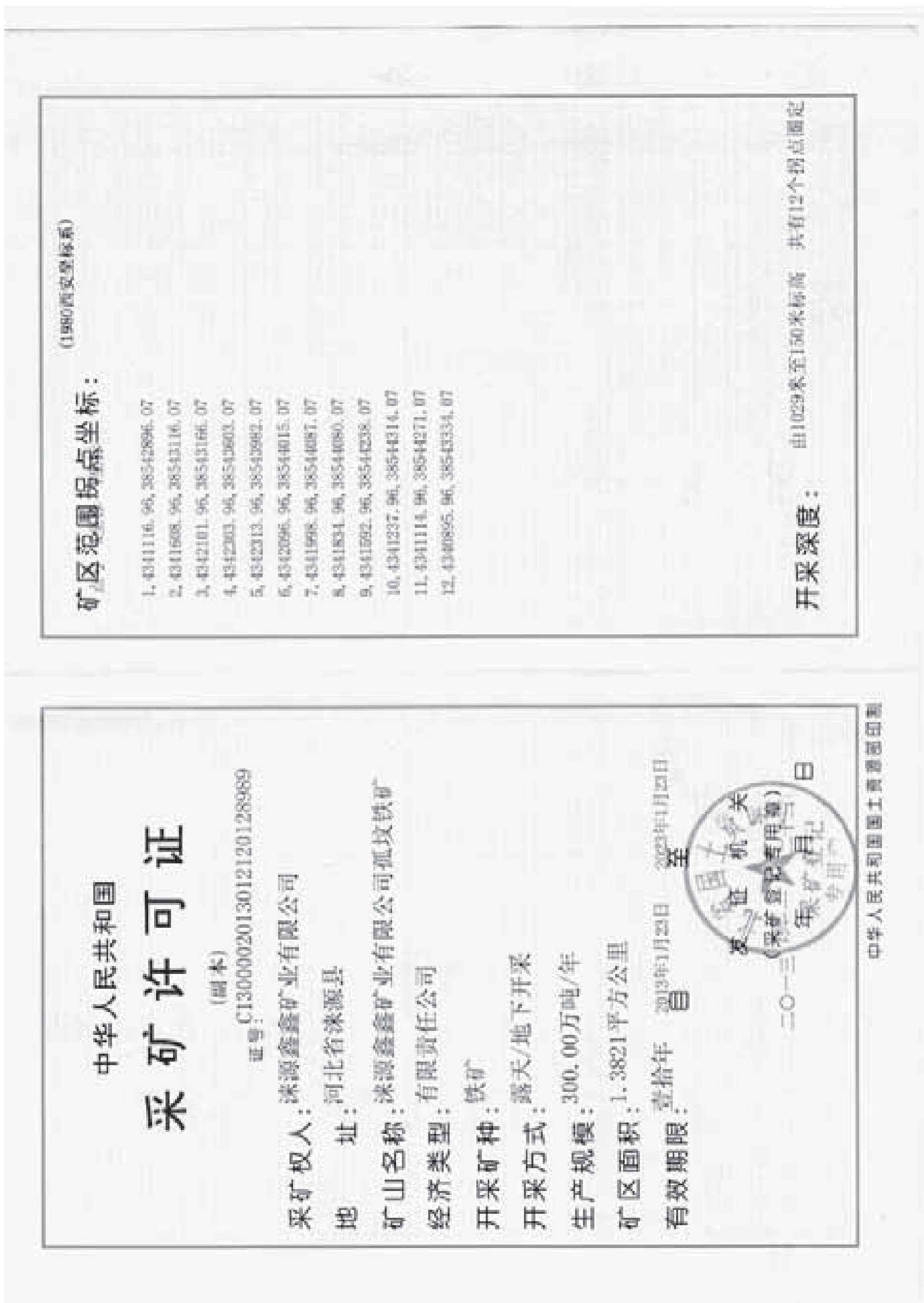
6. Baoding Geology and Engineering Exploration Institute, *Resource/Reserve Audit Report of Zhijiazhuang Iron Mine Qiaomaidi Block,* October 2012.

7. Baoding Geology and Engineering Exploration Institute, *Resource/Reserve Audit Report of Zhijiazhuang Iron Mine Qiaomaididong Block,* March 2010.

APPENDICES

Appendix 1: Mining Licences



中华人民共和国

采矿许可证

（副本）

证号：C1300002013012120128989

采矿权人：涞源鑫鑫矿业有限公司

地　　址：河北省涞源县

矿山名称：涞源鑫鑫矿业有限公司孤坟铁矿

经济类型：有限责任公司

开采矿种：铁矿

开采方式：露天/地下开采

生产规模：300.00万吨/年

矿区面积：1.3821平方公里

有效期限：壹拾年 自2013年1月23日 至2023年1月23日

发证机关

二〇一三年 月 日

中华人民共和国国土资源部印制

矿区范围拐点坐标：（1980西安坐标系）

1, 4341116.96, 38542896.07
2, 4341608.96, 38543116.07
3, 4342101.96, 38543166.07
4, 4342303.96, 38543603.07
5, 4342313.96, 38543982.07
6, 4342096.96, 38544015.07
7, 4341998.96, 38544087.07
8, 4341834.96, 38544080.07
9, 4341892.96, 38544238.07
10, 4341237.96, 38544314.07
11, 4341114.96, 38544271.07
12, 4340895.96, 38543334.07

开采深度：由1029米至150米标高　共有12个拐点圈定

中华人民共和国

采 矿 许 可 证

（副本）

证号：C1300002013012120128988

采矿权人：涞源县京源城矿业有限公司

地　　址：河北省涞源县

矿山名称：涞源县京源城矿业有限公司旺儿沟铁矿

经济类型：有限责任公司

开采矿种：铁矿

开采方式：露天/地下开采

生产规模：240.00万吨/年

矿区面积：1.5287平方公里

有效期限：壹拾年　自2013年1月23日　至2023年1月23日

发证机关
（采矿登记专用章）

二〇一三年　月　日

中华人民共和国国土资源部印制

矿区范围拐点坐标：（1980西安坐标系）

1, 4339285.96, 38539919.07
2, 4339285.96, 38540121.07
3, 4338152.96, 38540493.07
4, 4338035.96, 38541076.07
5, 4338363.96, 38541080.07
6, 4338334.96, 38541213.07
7, 4337909.96, 38541393.07
8, 4337662.96, 38541456.07
9, 4337497.96, 38541609.07
10, 4337577.96, 38539970.07
11, 4337694.96, 38539714.07

开采深度：由1140米至100米标高　共有11个拐点圈定

中华人民共和国

采矿许可证

（副本）

证号：C1300002013012120128987

采矿权人：涞源县京源城矿业有限公司

地　　址：河北省涞源县

矿山名称：涞源县京源城矿业有限公司栓马桩铁矿

经济类型：有限责任公司

开采矿种：铁矿

开采方式：露天/地下开采

生产规模：400.00万吨/年

矿区面积：2.1871平方公里

有效期限：壹拾年　自2013年1月23日　至2023年1月23日

发证机关

（采矿登记专用章）

二〇一三年　月　日

中华人民共和国国土资源部印制

矿区范围拐点坐标：（1980西安坐标系）

1，4339721.96，38538724.07
2，4339285.96，38539439.07
3，4339285.96，38539879.07
4，4337712.96，38539676.07
5，4338305.96，38538384.07
6，4339220.96，38538159.07

开采深度：由1265米至300米标高　共有6个拐点圈定

中华人民共和国

采矿许可证

（副本）

证号：C1300002011012120105565

采矿权人：涞源县冀恒矿业有限公司

地　　址：河北省涞源县

矿山名称：涞源县冀恒矿业有限公司支家庄铁矿

经济类型：有限责任公司

开采矿种：铁矿

开采方式：露天/地下开采

生产规模：100.00万吨/年

矿区面积：0.3337平方公里

有效期限：壹拾年　自 2012年4月12日 至 2022年4月12日

发证机关（采矿登记专用章）

二〇一二年　月　日

中华人民共和国国土资源部印制

矿区范围拐点坐标：（1980西安坐标系）

点号　X坐标　Y坐标

1

1, 4349563.25, 38573082.17
2, 4349529.25, 38573132.17
3, 4349496.25, 38573189.17
4, 4349427.25, 38573222.17
5, 4349346.25, 38573223.17
6, 4349265.25, 38573216.18
7, 4349211.25, 38573164.18
8, 4349183.25, 38573129.18
9, 4349118.25, 38573074.18
10, 4349118.25, 38573033.18
11, 4349140.25, 38572989.18
12, 4349127.25, 38572925.18
13, 4349152.25, 38572841.18
14, 4349168.25, 38572769.17
15, 4349193.25, 38572695.17
16, 4349255.25, 38572650.17
17, 4349293.25, 38572576.17
18, 4349296.24, 38572527.17
19, 4349304.24, 38572439.17
20, 4349351.24, 38572370.17
21, 4349422.24, 38572344.17
22, 4349503.24, 38572349.17
23, 4349563.24, 38572379.17
24, 4349677.24, 38572412.17
25, 4349661.25, 38572449.17
26, 4349659.25, 38572526.17
27, 4349667.25, 38572566.17
28, 4349620.25, 38572620.17
29, 4349663.25, 38572684.17
30, 4349674.25, 38572755.17
31, 4349683.25, 38572825.17
32, 4349674.25, 38572903.17
33, 4349657.25, 38572937.17
34, 4349593.25, 38572965.17
35, 4349563.25, 38572992.17
36, 4349558.25, 38573035.17

开采深度：由1220米至840米标高　共有36个拐点圈定

Appendix 2: Chinese Resource and Reserve Standards

Categorization of Mineral Resources and Ore Reserves

The system for the categorisation of mineral resources and ore reserves in China is in a period of transition which commenced in 1999. The traditional system, which is derived from the former Soviet system, uses five categories based on decreasing levels of geological confidence – Categories A, B, C, D and E. The new system (Rule 66) promulgated by the Ministry of Land and Resources (MLR) in 1999 uses three-dimensional matrices, based on economic, feasibility/mine design and geological degrees of confidence. These are categorised by a three number code of the form "123". This new system is derived from the UN Framework Classification proposed for international use. All new projects in China must comply with the new system, however, estimates and feasibility studies carried out before 1999 will have used the old system.

Wherever possible, the Chinese Resource and Reserve estimates have been reassigned by SRK to categories similar to those used by the JORC Code to standardise categorisation. Although similar terms have been used, SRK does not mean to imply that in their present format they are necessarily classified as 'Mineral Resources' as defined by the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code").

A broad comparison guide between the Chinese classification scheme and the JORC Code is presented in the following table.

	Chinese Resource Category	
JORC Code Resource Category	**Previous system**	**Current system**
Measured	A, B	111, 111b, 121, 121b, 2M11, 2M21, 2S11, 2S21, 331
Indicated	C	122, 122b, 2M22, 2S22, 332
Inferred	D	333
Non-equivalent	E	334

Definition of the New Chinese Resource and Reserve Category Scheme

Category	Denoted	Comments
Economic	1	Full feasibility study considering economic factors has been conducted
	2	Pre feasibility to scoping study which generally considers economic factors has been conducted
	3	No pre feasibility or scoping study conducted to consider economic analysis
Feasibility	1	Further analysis of data collected in "2" by an external technical department
	2	More detailed feasibility work including more trenches, tunnels, drilling, detailed mapping
	3	Preliminary evaluation of feasibility with some mapping and trenches
Geologically controlled	1	Strong geological control
	2	Moderate geological control via closely-spaced data points (e.g. small scale mapping)
	3	Minor work which is projected throughout the area
	4	Review stage

Relationship between JORC Code and the Chinese Reserves System

In China, the methods used to estimate the resources and reserves are generally prescribed by the relevant Government authority, and are based on the level of knowledge for that particular geological style of deposit. The parameters and computational methods prescribed by the relevant authority include cut-off grades, minimum thickness of mineralisation, maximum thickness of internal waste, and average minimum 'industrial' or 'economic' grades required. The resource classification categories are assigned largely on the basis of the spacing of sampling, trenching, underground tunnels and drill holes.

In the pre-1999 system, Category A generally included the highest level of detail possible, such as grade control information. However, the content of each category B, C and D may vary from deposit to deposit in China, and therefore must be carefully reviewed before assigning to an equivalent "JORC Code type" category. The traditional Categories B, C and D are broadly equivalent to the 'Measured', 'Indicated', and 'Inferred' categories that are provided by the JORC Code and USBM/USGS systems used widely elsewhere in the world. In the JORC Code system the 'Measured Resource' category has the most confidence and the 'Inferred' category has the least confidence, based on the increasing levels of geological knowledge and continuous of mineralisation.

Old Chinese Classification		A & B		C			D	E & F
New Chinese Classification								
"E" Economic Evaluation (1XX)	Designed Mining Loss Accounted	Recoverable Reserve (111)	Probable Recoverable Reserve (121)		Probable Recoverable Reserve (122)			
	Designed Mining Loss NOT Accounted (b)	Basic Reserve (111b)	Basic Reserve (121b)		Basic Reserve (122b)			
Marginal Economic (2MXX)		Basic Reserve (2M11)	Basic Reserve (2M21)		Basic Reserve (2M22)			
Submarginal Economic (2SXX)		Resource (2S11)	Resource (2S21)		Resource (2S22)			
Intrinsic Economic (3XX)				Resource (331)		Resource (332)	Resource (333)	Resource (334)
"F" Feasibility Evaluation		Feasibility (010)	Pre-Feasibility (020)	Scoping (030)	Pre-Feasibility (020)	Scoping (030)	Scoping (030)	Scoping (030)
"G" Geological Evaluation		Measured (001)			Indicated (002)		Inferred (003)	Predicted (004)
Comparision to JORC Code								*Unclassified*
							Inferred Resource	
					Probable Reserve or Indicated Resource			
		Proved / Probable Reserve or Measured Resource						

Appendix 3: Chinese Environmental Legislative Background

The *Mineral Resources Law of the People's Republic of China (1996)* and *Environmental Protection Law (1989)* provide the main legislative framework for the regulation and administration of mining projects within China. The *Environmental Protection Law (1989)* provides the main legislative framework for the regulation and administration of mining projects environmental impacts.

The following articles of the *Mineral Resources Law of the People's Republic of China (1996)* summarise the specific provisions in relation to environmental protection:

- ***Article 15 Qualification & Approval*** *– Anyone who wishes to establish a mining enterprise must meet the qualifications prescribed by the State, and the department in charge of examination and approval shall, in accordance with law and relevant State regulations examine the enterprise's mining area, its mining design or mining plan, production and technological conditions and safety and environmental protection measures. Only those that pass the examination shall be granted approval.*

- ***Article 21 Closure Requirements*** *– If a mine is to be closed down, a report must be prepared with information about the mining operations, hidden dangers, land reclamation and utilisation, and environmental protection, and an application for examination and approval must be filed in accordance with relevant State regulations.*

- ***Article 32 Environmental Protection Obligations of Mining License Holders*** *– In mining mineral resources, a mining enterprise or individual must observe the legal provisions on environmental protection to prevent pollution of the environment. In mining mineral resources, a mining enterprise or individual must economise on the use of land. In case cultivated land, grassland or forest land is damaged due to mining, the mining enterprise concerned shall take measures to utilize the land affected, such as by reclamation, tree and grass planting, as appropriate to the local conditions. Anyone who, in mining mineral resources, causes losses to the production and well-being of other persons shall be liable for compensation and shall adopt necessary remedial measures.*

The following articles of the *Environmental Protection Law of the People's Republic of China (1989)* summarise the specific provisions for environmental protection in relation to mining:

- ***Article 13 Environmental Protection*** *– Units constructing projects that cause pollution to the environment must observe the state provisions concerning environmental protection for such construction projects. The environmental impact statement on a construction project must assess the pollution the project is likely to produce and its impact on the environment and stipulate the preventive and curative measures; the statement shall, after initial examination by the authorities in charge of the construction project, be submitted by specified procedure to the competent department of environmental protection administration for approval. The department of planning shall not ratify the design plan descriptions of the construction project until after the environmental impact statement on the construction project is approved.*

- ***Article 19 Statement of Requirement for Environmental Protection*** *– Measures must be taken to protect the ecological environment while natural resources are being developed or utilised.*

- ***Article 24 Responsibility for Environmental Protection*** *– Units that cause environmental pollution and other public hazards shall incorporate the work of environmental protection into their plans and establish a responsibility system for environmental protection, and must adopt effective measures to prevent and control the pollution and harms caused to the environment by waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities.*

- ***Article 26 Pollution Prevention & Control*** *– Installations for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of the project. No permission shall be given for a construction project to be commissioned or used, until its installations for the prevention and control of pollution are examined and considered up to the standard by the competent department of environmental protection administration that examined and approved the environmental impact statement.*

- ***Article 27 Report on Pollution Discharge*** *– Enterprises and institutions discharging pollutants must report to and register with the relevant authorities in accordance with the provisions of the competent department of environmental protection administration under the State Council.*

- ***Article 38 Violation Consequences*** *– An enterprise or institution which violates this Law, thereby causing an environmental pollution accident, shall be fined by the competent department of environmental protection administration or another department invested by law with power to conduct environmental supervision and management in accordance with the consequent damage; in a serious case, the persons responsible shall be subject to administrative sanction by the unit to which they belong or by the competent department of the government.*

In addition to the above articles, the following article in the *Environmental Impact Assessment (EIA) Law (2002)* summarises the provisions in relation to the approval of EIA reports of construction projects and the commencement of construction:

- ***Article 25*** *– If the environmental impact assessment documents of construction projects are not examined by the law-stipulated examining and approving department or are not approved after being examined, the examining and approving department of the construction project must not approve its construction and the construction unit must not start construction.*

The following articles of the *Regulations on the Administration of Construction Project Environmental Protection (November 1998)* summarise the specific provisions for undertaking a project's Environmental Final Checking and Acceptance process:

- ***Article 20*** *– The construction unit should, upon completion of a construction project, file an application with the competent department of environmental protection administration that examined and approved the said construction project environmental impact report, environmental impact statement or environmental impact registration form for acceptance checks on completion of matching construction of environmental protection facilities required for the said construction project. Acceptance checks for completion of construction of environmental protection facilities should be conducted simultaneously with the acceptance checks for completion of construction of the main body project. Where trial production is required for the construction project, the construction unit should, within 3 months starting from the date of the said construction project going into trial production, file an application with the competent department of environmental protection administration that examined and approved the said construction project environmental impact report, environmental impact statement or environmental impact registration form for acceptance checks on completion of matching construction of environmental protection facilities required for the said construction project.*

- ***Article 21*** *– For construction projects that are built in phases, go into production or are delivered for use in phases, acceptance checks for their corresponding environmental protection facilities should be conducted in phases.*

- ***Article 22*** *– Competent departments of environmental protection administration should, within 30 days starting from the date of receipt of the application for acceptance checks on completion of construction of the environmental protection facilities, complete the acceptance checks.*

- ***Article 23*** *– The said construction project may only formally go into production or be delivered for use when the matching construction of the environmental protection facilities required for the construction project has passed acceptance checks.*

The following article of the *Water & Soil Conservation Law of the People's Republic of China (2011)* summarises the provisions for the preparation and approval of Water and Soil Conservation Plans:

- ***Article 25 and Article 27*** *– When a construction is carried out in a mountainous, hilly or sandstorm area, a water and soil conservation programme must be prepared by a certified organization and approved by the department of water administration. Water and soil conservation facilities in a construction project must be designed, constructed and put into operation simultaneously with the principal part of the project. When a construction project is completed and checked for acceptance, the water and soi1 conservation facilities shal1 be checked for acceptance at the same time, with personnel from the department of water administration participating.*

The following are other Chinese laws that provide environmental legislative support to the *Minerals Resources Law of the People's Republic of China (1996)* and the *Environmental Protection Law of the People's Republic of China (1989)*:

- *Environmental Impact Assessment (EIA) Law (2002).*

- *Law on Prevention & Control of Atmospheric Pollution (2000).*

- *Law on Prevention & Control of Noise Pollution (1996).*

- *Law on Prevention & Control of Water Pollution (2008).*

- *Law on Prevention & Control Environmental Pollution by Solid Waste (2004).*

- *Forestry Law (1998).*

- *Water Law (2002).*

- *Water Conservancy Industrial Policy (1997).*

- *Land Administration Law (2004).*

- *Protection of Wildlife Law (2004).*
- *Energy Conservation Law (2007).*
- *Electric Power Law (1995).*
- *Management Regulations of Prevention & Cure of Tailings Pollution (1992).*
- *Management Regulations of Dangerous Chemical Materials (2011).*

The relevant environmental protection related Chinese legislation that are required to be utilised for project's design are a combination of the following National design regulations and emissions standards:

- *Environment Protection Design Regulations of Construction Project by Environment Protection Committee of State Council of PRC and State Development Planning Committee (1987).*
- *Regulations on the Administration of Construction Project Environmental Protection (1998).*
- *Regulations for Quality Control of Construction Projects (2000).*
- *Regulations for Environmental Monitoring (2007).*
- *Regulations on Nature Reserves (1994).*
- *Regulations on Administration of Chemicals Subject to Supervision & Control (1995).*
- *Environment Protection Design Regulations of Metallurgical Industry (YB9066-55).*
- *Emission standard of pollutants for mining and mineral processing industry (GB28661-2012)*
- *Emisson standard for industrial enterprises noise at boundary (GB12348-2008)*
- *Emission standard of environment noise for boundary of construction site (GB12523-2011)*
- *Comprehensive Emission Standard of Wastewater (GB8978-1996).*
- *Environmental Quality Standard for Surface Water (GB3838-2002).*
- *Environmental Quality Standard for Groundwater (GB/T14848-1993).*
- *Ambient Air Quality Standard (GB3095-1996).*

- *Comprehensive Emission Standard of Atmospheric Pollutants (GB16297-1996).*
- *Emission Standard of Atmospheric Pollutants from Industrial Kiln (GB9078-1996).*
- *Emission Standard of Atmospheric Pollutants from Boiler (GB13271-2001) – II – stage coal-fired boiler.*
- *Emission Standard for Pollutants from Coal Industry (GB20426-2006)*
- *Environmental Quality Standard for Soils (GB15618-1995).*
- *Standard of Boundary Noise of Industrial Enterprise (GB12348-90).*
- *Emissions Standard for Pollution from Heavy Industry; Non-Ferrous Metals (GB4913-1985).*
- *Control Standard on PCB's for Wastes (GB13015-1991).*
- *Control Standard on Cyanide for Waste Slugs (GB12502-1990).*
- *Standard for Pollution Control on Hazardous Waste Storage (GB18597-2001).*
- *Standards for pollution control on the storage and disposal site for general industrial solid wastes (GB18599-2001)*
- *Identification Standard for Hazardous Wastes-Identification for Extraction Procedure Toxicity (GB5085.3-1996).*
- *Standard of Landfill and Pollution Control of Hazardous Waste (GB18598-2001).*

Appendix 4: Equator Principles and Internationally Recognised Environmental Management Practices

In seeking to obtain project financing or to list on a stock exchange, these institutions require the proponent to comply with such documents as the Equator Principles and the International Finance Corporation (IFC) Performance Standards and Guidelines. This is exemplified by the following preamble from the *Equator Principles (July 2006)*:

Project financing, a method of funding in which the lender looks primarily to the revenues generated by a single project both as the source of repayment and as security for the exposure, plays an important role in financing development throughout the world. Project financiers may encounter social and environmental issues that are both complex and challenging, particularly with respect to projects in emerging markets.

The Equator Principles Financial Institutions (EPFIs) have consequently adopted these Principles in order to ensure that the projects we finance are developed in a manner that is socially responsible and reflect sound environmental management practices. By doing so, negative impacts on project-effected ecosystems and communities should be avoided where possible, and if these impacts are unavoidable, they should be reduced, mitigated and/or compensated for appropriately. We believe that adoption of and adherence to these Principles offers significant benefits to ourselves, our borrowers and local stakeholders through our borrowers' engagement with locally affected communities. We therefore recognise that our role as financiers affords us opportunities to promote responsible environmental stewardship and socially responsible development. As such, EPFIs will consider reviewing these Principles from time-to-time based on implementation experience, and in order to reflect ongoing learning and emerging good practice.

These Principles are intended to serve as a common baseline and framework for the implementation by each EPFI of its own internal social and environmental policies, procedures and standards related to its project financing activities. We will not provide loans to projects where the borrower will not or is unable to comply with our respective social and environmental policies and procedures that implement the Equator Principles.

The following Tables provide a brief summary of the Equator Principles and the IFC Performance Standards respectively. These documents are used by the EPFI's and stock exchanges in their review of the social and environmental performance of proponent companies.

Table A4–1: Equator Principles

Equator Principles	Title	Key Aspects (Summary)
1	Review and Categorisation	Categorise such project based on the magnitude of its potential impact and risks.
2	Social and Environmental Assessment	Conduct a Social and Environmental Assessment ("Assessment"). The Assessment should also propose mitigation and management measures appropriate to the nature and scale of the proposed project.
3	Applicable Social and Environmental Standards	The Assessment will refer to the applicable IFC Performance Standards, and applicable Industry Specific EHS Guidelines ("EHS Guidelines") and overall compliance with same.
4	Action Plan and Management System	Prepare an Action Plan (AP) which addresses the relevant findings of the Assessment. The AP will describe and prioritise the actions, mitigation measures, corrective actions and monitoring to manage the impacts and risks identified in the Assessment. Maintain a Social and Environmental Management System that addresses the management of these impacts, risks, and corrective actions required to comply with host country laws and regulations, and requirements of the applicable Standards and Guidelines, as defined in the AP.
5	Consultation and Disclosure	Consult with project affected communities. Adequately incorporate affected communities' concerns.
6	Grievance Mechanism	Establish a grievance mechanism as part of the management system to receive and resolve concerns about the project by individuals or groups from among project-affected communities. Inform the affected communities about the grievance mechanism in the course of the community engagement process and ensure that the mechanism addresses concerns promptly and transparently, and is readily accessible to all segments of the affected communities.
7	Independent Review	Independent social or environmental expert will review the Assessment, AP and consultation process to assess Equator Principles compliance.
8	Covenants	Covenant in financing documentation: a) to comply with all relevant host country social and environmental laws, regulations and permits; b) to comply with the AP during the construction and operation of the project; c) to provide periodic reports not less than annually, prepared by in-house staff or third party experts, that (i) document compliance with the AP, and (ii) provide compliance with relevant local, state and host country social and environmental laws, regulations and permits; and d) to decommission the facilities, where applicable and appropriate, in accordance with an agreed decommissioning plan.
9	Independent Monitoring and Reporting	Appoint an independent environmental and/or social expert, or require that the borrower retain qualified and experienced external experts to verify its monitoring information.
10	EPFI Reporting	Each EPFI adopting the Equator Principles commits to report publicly at least annually about its Equator Principles implementation processes and experience, taking into account appropriate confidentiality considerations.

Table A4–2: IFC Performance Standards

IFC Performance Standard	Title	Objective (Summary)	Key Aspects (Summary)
1	Social and Environmental Assessment and Management Systems	Social and EIA and improved performance through use of management systems.	Social & Environmental Management System (S&EMS). Social & Environmental Impact Assessment (S&EIA). Risks and impacts. Management Plans. Monitoring. Reporting. Training. Community Consultation.
2	Labour and Working Conditions	EEO. Safety and Health	Implement through the S&EMS. HR policy. Working condition. EEO. Forced & child labour. OH&S.
3	Pollution Prevention and Abatement	Avoid pollution. Reduce Emissions.	Prevent pollution. Conserve resources. Energy efficiency. Reduce waste. Hazardous materials. EPR. Greenhouse Gases.
4	Community Health, Safety and Security	Avoid or minimise risks to community.	Implement through the S&EMS. Do risk assessment. Hazardous materials safety. Community exposure. ERP.
5	Land Acquisition and Involuntary Resettlement	Avoid or minimise resettlement. Mitigate adverse social impacts	Implement through the S&EMS. Consultation. Compensation. Resettlement planning. Economic displacement.
6	Biodiversity Conservation and Sustainable Natural Resource Management	Protect and conserve biodiversity	Implement through the S&EMS. Assessment. Habitat. Protected areas. Invasive species.
7	Indigenous Peoples	Respect. Avoid and minimise impacts. Foster good faith	Avoid adverse impacts. Consultation. Development benefits. Impacts to traditional land use. Relocation.
8	Cultural Heritage	Product cultural heritage	Heritage Survey. Site avoidances. Consultation.

Summary Background Information on Some Key Internationally Recognised Environmental Management Practices.

The following provides background information on some key internationally recognised environmental management practices:

- **Land disturbance** – The main impact on the surrounding ecological environment is due to disturbance and contamination caused by surface stripping, waste rock and tailings storage, processing plant drainage, processing waste water, explosions, transportation and associated buildings that are erected. If effective measures are not taken to manage and rehabilitate the disturbed areas, the surrounding land can become polluted and the land utilization function will be changed, causing an increase in land degradation, water loss and soil erosion.

- **Flora and fauna** – Land disturbance from the development of mining and mineral processing projects may also result in impacts to or loss of flora and fauna habitat. The project development EIA should determine the extent and significance of any potential impacts to flora and fauna habitat. Where these potential impacts to flora and fauna habitat are determined to be significant, the EIA should also propose effective measures to reduce and manage these potential impacts.

- **Contaminated Sites Assessment** – The assessment, recording and management of contaminated sites within mining or mineral processing operations, is a recognised international industry practice (i.e. forms part of the IFC Guidelines) and in some cases a National regulatory requirement (e.g. an Australian environmental regulatory requirement). The purpose of this process is to minimise the level of site contamination that may be generated throughout a project's operation while also minimising the level and extent of site contamination that will need to be addressed at site closure.

  – A contaminated site or area can be defined as; 'An area that has substances present at above background concentrations that presents or has the potential to present a risk of harm to human health, the environment or any environmental value'.

  – Contamination may be present in soil, surface water or groundwater and also may affect air quality through releases of vapours or dust. Examples of typical contaminated areas within a mining/mineral processing project are spillages to soil/water of hydrocarbons and chemicals, and uncontained storage and spillages to soil/water of ores and concentrates. The process to assess and record the level of contamination basically involves a combination of visual (i.e. suspected contamination observed from spillages/releases) and soil/water/air sampling and testing (i.e. to confirm contaminant levels). Once the level of contamination is defined, the area's location and contamination details are then recorded within a site register.

  – Remediation/clean up of contamination areas involves the collection and removal of the contaminated materials for treatment and appropriate disposal, or in some cases the in-situ treatment of the contaminated (e.g. use of bioremediation absorbents on hydrocarbon spillage). The other key component to the management of contaminated areas is to also remove or remedy the source of the contamination (e.g. place hydrocarbon storage and handling within secondary containment).

- **Environmental Protection and Management Plan** – The purpose of an operational Environmental Protection and Management Plan (EPMP) is to direct and coordinate the management of the project's environmental risks. The EPMP documents the establishment, resourcing and implementation of the project's environmental management programs. The site environmental performance is monitored and feedback from this monitoring is then utilised to revise and streamline the implementation of the EPMP.

- **Emergency Response Plan** – The IFC describes an emergency as 'an unplanned event when a project operation loses control, or could lose control, of a situation that may result in risks to human health, property, or the environment, either within the facility or in the local community'. Emergencies are of a scale that have operational wide impacts, and do not include small scale localised incidents that are covered under operational area specific management measures. Examples of an emergency for a mining/mineral processing project are events such as pit wall collapse, underground mine explosion, the failure of a TSF or a large scale spillage/discharge of hydrocarbons or chemicals. The recognised international industry practice for managing emergencies is for a project to develop and implement an Emergency Response Plan (ERP). The general elements of an ERP are:

  – Administration – policy, purpose, distribution, definitions of potential site emergencies and organisational resources (including setting of roles and responsibilities).

  – Emergency response areas – command centres, medical stations, muster and evacuation points.

  – Communication systems – both internal and external communications.

  – Emergency response procedures – work area specific procedures (including area specific training).

  – Checking and updating – prepare checklists (role and action list and equipment checklist) and undertake regular reviews of the plan.

  – Business continuity and contingency – options and processes for business recovery from an emergency.

- **Site Closure Planning and Rehabilitation** – The recognised international industry practice for managing site closure is to develop and implement an operational site closure planning process and document this through an operational Closure Plan. This operational closure planning process should include the following components:

  – Identify all site closure stakeholders (e.g. government, employees, community etc.).

  – Undertake stakeholder consultation to develop agreed site closure criteria and post operational land use.

  – Maintain records of stakeholder consultation.

  – Establish a site rehabilitation objective in line with the agreed post operational land use.

– Describe/define the site closure liabilities (i.e. determined against agreed closure criteria).

– Establish site closure management strategies and cost estimates (i.e. to address/reduce site closure liabilities).

– Establish a cost estimate and financial accrual process for site closure.

– Describe the post site closure monitoring activities/program (i.e. to demonstrate compliance with the rehabilitation objective/closure criteria).

Appendix 5: Project Technical Review – Qualitative Risk Analysis

To ensure the technical integrity of the risk analysis process as applied in the project technical review process, the following Australian Standards for risk analysis and risk management have been utilised for overall guidance:

- *AS/NZS 3931:1998 Risk Analysis of Technological Systems – Application Guide;*
- *AS/NZS 4360:1999 Risk Management; and*
- *HB 203:2004 Environmental Risk Management – Principles and Process.*

These Australian Standards have been developed in line with comparable international standards.

A risk is generally described in terms of the severity/consequence and likelihood of an undesirable occurrence or incident. The greater the potential severity and likelihood of an undesirable occurrence, the higher the level of risk associated with the related activity.

The generic approach for this project technical review qualitative risk analysis has the following three steps:

- Establish the context/define the scope of the analysis – goals/objectives, the analysis strategy and evaluation criteria.
- Identify and analyse the risks in terms of consequence and likelihood.
- Evaluate and rank the risks.

Qualitative Risk Analysis – Scope

The scope definition and context for the qualitative risk analysis can be summarised as follows:

- **Goals/Objectives** – The primary objective is to analyse the qualitative risks associated with the project's development, operational and closure aspects.

- **Strategy** – The strategy employed comprises the application of a qualitative risk analysis where the 'relative magnitude' of risks associated with the project are estimated. Inclusive within this process are also the concepts of inherent and residual risks. Inherent risks being those hazards that are present within the project without any remedial management, and residual risks are defined as those hazards remaining after the application of remedial risk management measures. The risks analysed are those considered as the 'inherent risks' for the project at the time of the technical review.

This qualitative risk analysis strategy has the following key steps:

- **Step 1** – Develop a qualitative risk matrix. This has relative significance rankings for the potential consequences/impacts, levels of event likelihood and the corresponding risk rankings from negligible to extreme.

- **Step 2** – Define the inherent risks (i.e. at the time of the technical review). List the sources of risks and apply the qualitative risk analysis to define the level of risk.

Qualitative Risk Analysis Matrix

The proposed qualitative risk matrix uses the following definitions for consequence and likelihood:

- Likelihood:

  – **Certain**: The event is expected to occur in most circumstances.

  – **Likely**: The event probably will occur in most circumstances (i.e. also could be on a regular basis such as weekly or monthly).

  – **Possible**: The event should occur at some time (i.e. once in a while).

  – **Unlikely**: The event could occur at some time.

  – **Rarely**: The event may occur only in exceptional circumstances.

- Consequence:
  - **Catastrophic**: Disaster with potential to lead to business failure.
  - **Major**: Critical event/impact which, if uncorrected, will have a material effect on the project cash flow and performance and could lead a project failure; but with proper remedial management, will be endured.
  - **Moderate**: Significant event/impact which, if uncorrected, will have a significant effect on the project cash flow and performance, but may be managed under normal procedures.
  - **Minor**: Consequences/impacts that may be readily absorbed and will have little or no effect on the project cash flow and performance, but some remedial management effort is still required.
  - **Insignificant**: No additional/remedial management required.

Based on these definitions the Qualitative Risk Matrix is presented below.

	Consequences				
Likelihood	Insignificant	Minor	Moderate	Major	Catastrophic
Certain	Low risk	Moderate risk	Moderate risk	High risk	Extreme risk
Likely	Low risk	Moderate risk	Moderate risk	High risk	High risk
Possible	Negligible risk	Low risk	Moderate risk	Moderate risk	High risk
Unlikely	Negligible risk	Low risk	Low risk	Moderate risk	Moderate risk
Rarely	Negligible risk	Negligible risk	Negligible risk	Low risk	Moderate risk

The subsequent risk ratings are defined as:

- **Extreme/high risks** – unacceptable risks to the project, which if uncorrected, may result in business failure or critical impacts to business.
- **Medium risks** – tolerable risks to the project, which require the application of specific risk management measures so as to not develop into high risks.
- **Low/negligible risks** – acceptable risks to the project, which generally comprise low probability/low impact events that do not require additional specific risk management measures.

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS LAW

1 Memorandum of Association

The Memorandum of Association was conditionally adopted on November 3, 2013 and effective on the Listing Date and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix VII to this prospectus.

2 Articles of Association

The Articles of Association were conditionally adopted on November 3, 2013 and effective on the Listing Date and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The authorised share capital of the Company at the date of adoption of the Articles of Association is HK$1,000,000 divided into 10,000,000,000 shares of HK$0.0001 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Cayman Companies Law and the Memorandum of Association and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Cayman Companies Law and to any special rights conferred on any Shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof is, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the articles of association of the Company expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the articles of association of the Company or the Cayman Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Law and of the articles of association of the Company and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the articles of association of the Company, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such 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).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) 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 any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, 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 any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his associates 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.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission, or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if 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;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he 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) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. 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.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum of Association or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Cayman Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Cayman Companies Law.

2.6 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised 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 and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been 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 may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Cayman Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and 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, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) 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

(b) 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 95% in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(a) the declaration and sanctioning of dividends;

(b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;

(c) the election of Directors in place of those retiring;

(d) the appointment of auditors;

(e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;

(f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and

(g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 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.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such maximum as the Stock Exchange may from time to time 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.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to 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 of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Cayman Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other moneys payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company 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 Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall 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 of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. 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.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than

48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, 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, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to 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 of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by 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.

2.18 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, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the Directors or other governing body of such corporation or by power of attorney 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.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority Shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company 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 of the Company 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. And if in a winding up 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 amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Cayman Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any 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 of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Cayman Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to 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 of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since 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 for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Cayman Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was registered by way of continuation in the Cayman Islands on 23 May 2013 as an exempted company with limited liability. As such, its 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 size of its authorised share capital.

3 Share Capital

The Cayman Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman 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 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 Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(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 the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any 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 of business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised 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 authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors 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 member of the company holding 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.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company 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 to act 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.

4 Dividends and Distributions

With the exception of section 34 of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman 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 (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class 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 where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands 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 Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands 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.

Claims against a company by its Shareholders must, as a general rule, 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.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Cayman Companies Law contains no specific restrictions on the powers of Directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the Directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Cayman Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) 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.

9 Register of Members

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 its Directors may from time to time think fit. There is no requirement under the Cayman 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.

10 Inspection of Books and Records

Members of a company will have no general right under the Cayman 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 of association.

11 Special Resolutions

The Cayman Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person 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. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Cayman Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The Directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Cayman Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the Directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting Shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of Shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the Shareholders with a fair value for their shares, the Grand 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 and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting Shareholders of United States corporations.

15 Take-overs

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 90% 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 require the dissenting Shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand 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.

16 Indemnification

Cayman Islands 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 Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (Shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 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.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company will obtain an undertaking from the Governor in Cabinet:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) 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:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking is for a period of twenty years.

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 that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in the BVI on January 14, 2011. In anticipation of the listing of its Shares on the Stock Exchange, our Company re-domiciled from the BVI to the Cayman Islands on May 23, 2013 under the Cayman Companies Law. Our registered office is at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. We have registered a place of business in Hong Kong at 3907–08, 39/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and have been registered as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance. Ms. Kwong Yin Ping has been appointed as our agent for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Company in Hong Kong is the same as its registered place of business in Hong Kong set out above.

As we are incorporated in the Cayman Islands, our corporate structure, our Memorandum of Association and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our Memorandum of Association and Articles of Association and certain relevant aspects of Cayman Companies Law are set out in Appendix V to this Prospectus.

2. Changes in Share Capital

As at the date of our incorporation on January 14, 2011, the authorized share capital of the Company was US$50,000 divided into 50,000 Shares of par value of US$1.00 each. The following sets out the changes in the Company's issued share capital since the date of its incorporation:

On January 18, 2011, 100 Shares of a par value of US$1.00 were allotted, issued to Hengshi Investments as the initial subscriber, which were credited as fully paid up.

On August 20, 2013, Hengshi Investments transferred three Shares in our Company to Aowei Developments.

On November 3, 2013, pursuant to a Shareholder' resolution, the Company underwent a capitalization issue with the main steps as follows:

(a) the authorized share capital of our Company was increased from US$50,000 divided into 50,000 Shares of a par value of US$1.00 each to US$50,000 divided into 50,000 Shares of a par value of US$1.00 each and HK$1,000,000 divided into 10,000,000,000 Shares of a par value of HK$0.0001 each, by the creation of an additional 10,000,000,000 Shares with a par or nominal value of HK$0.0001 each to rank pari passu in all respects with the existing Shares;

(b) the Company issued 1,091,250,000 and 33,750,000 Shares with a par value of HK$0.0001 to Hengshi Investments and Aowei Developments, respectively;

(c) immediately following the above step being effected, the Company repurchased 97 and three Shares with a par value of US$1.00 (the "**US$ Shares**") in issue for a consideration of HK$109,125 and HK$3,375 from Hengshi Investments and Aowei Developments, respectively; and

(d) immediately following the above step being effected, the Company cancelled all authorized US$ ordinary shares, as a result, the authorized share capital of the Company became HK$1,000,000 divided into 10,000,000,000 Shares of a nominal or par value of HK$0.0001 each.

Immediately following the completion of the Global Offering, our authorized share capital upon completion of the Global Offering will be HK$1,000,000 divided into 10,000,000,000 Shares, of which 1,500,000,000 Shares will be issued fully paid or credited as fully paid, and 8,500,000,000 Shares will remain unissued.

Save as disclosed in this Appendix and in the section headed "History, Development and Reorganization" in this Prospectus, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Shareholders' Resolutions

Pursuant to the extraordinary general meeting held on November 3, 2013, our Shareholders resolved, among other matters, that:

(a) the Memorandum of Association and Articles of Association were approved and adopted conditional upon Listing;

(b) the capitalization issue as set out in the subsection headed "2. Changes in Share Capital" above;

(c) conditional upon all the conditions set out in "Structure of the Global Offering – Conditions of the Global Offering" in this Prospectus being fulfilled:

1) the Global Offering, the proposed Listing of the Shares on the Main Board of the Stock Exchange and the Over-allotment Option be and are hereby approved and the Board be and is hereby authorized to effect the same; and

2) the Board be and is hereby authorized to allot and issue, and approve the transfer of such number of Shares in connection with the Global Offering.

(d) a general unconditional mandate was hereby granted to our Directors to exercise all the powers of our Company to allot, issue and deal with Shares and to make and grant offers or agreements or options which might require Shares to be allotted and issued, otherwise than pursuant to a rights issue or issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, not exceeding 20% of the aggregate nominal amount of the Shares in issue immediately following completion of the Global Offering, and such mandate shall remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws, or until such mandate is revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever occurs first;

(e) a general unconditional mandate was given to the Directors authorizing them to exercise all the powers of our Company to repurchase its own Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with an aggregate nominal value of Shares to be repurchased by our Company not exceeding 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, and such mandate shall remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws, or until such mandate is revoked or varied by an ordinary resolution of Shareholders in a general meeting, whichever occurs first; and

(f) the general mandate mentioned in paragraph (d) above be extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by the Company pursuant to the mandate to purchase Shares referred to in paragraph (e) above.

4. Repurchases of our own Shares

This section includes information relating to the repurchase of our Shares, including information required by the Hong Kong Stock Exchange to be included in this Prospectus concerning such repurchase.

(a) Relevant Legal and Regulatory Requirements

The Listing Rules permit our Shareholders to grant to our Directors a general mandate to repurchase our Shares that are listed on the Hong Kong Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by our Shareholders in a general meeting.

(b) Shareholders' Approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

On November 3, 2013, our Directors were granted a general unconditional mandate to repurchase up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering on the Hong Kong Stock

Exchange or on any other stock exchange on which our securities may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose before any exercise of the Over-allotment Option. This mandate will expire at the earliest of (i) the conclusion of our next annual Shareholders' general meeting, (ii) the date by which our next Shareholders' general meeting is required by applicable laws and our Articles of Association to be held, or (iii) such mandate being revoked or varied by ordinary resolutions of our Shareholders in a general meeting (the "**Relevant Period**").

(c) Source of Funds

Our repurchase of the Shares listed on the Hong Kong Stock Exchange must be funded from the funds legally available for the purpose in accordance with our Memorandum of Association and Articles of Association and the applicable laws of the Cayman Islands. We may not repurchase our Shares on the Hong Kong Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange. Subject to the above, we may make repurchases with funds which would otherwise be available for dividend or distribution or out of an issuance of new Shares for the purpose of the repurchase.

(d) Reasons for Repurchases

Our Directors believe that it is in the Company's and our Shareholders' best interests for our Directors to have general authority to execute repurchases of our Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit the Company and our Shareholders.

(e) Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Memorandum of Association and Articles of Association, the applicable laws of the Cayman Islands and the Listing Rules.

On the basis of the current financial position of our Company as disclosed in this Prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this Prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(f) Share Capital

The exercise in full of the current repurchase mandate, on the basis of 1,500,000,000 Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised), could accordingly result in up to 150,000,000 Shares being repurchased by us during the Relevant Period.

(g) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any of our Shares to us or our subsidiaries.

Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, our Memorandum of Association and Articles of Association, the Cayman Companies Law and any other applicable laws of the Cayman Islands.

If, as a result of any repurchase of our Shares, a shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

No connected person as defined by the Listing Rules has notified us that he or it has a present intention to sell his or its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

5. Changes in the Share Capital of Subsidiaries

Our subsidiaries are referred to 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 our subsidiaries have taken place within the two years immediately preceding the date of this Prospectus:

(a) Sichuan Panshi

In June 2011, Sichuan Panshi was established under the laws of the PRC with a registered capital of RMB120 million which was fully paid up.

In July 2011, Aowei Group transferred its entire equity interest in Sichuan Panshi to Hengshi HK at a consideration of RMB120 million.

In September 2011, the registered capital of Sichuan Panshi was increased to RMB150 million which was fully paid up as of the Latest Practicable Date.

(b) Sichuan Hengwen

In June 2011, Sichuan Hengwen was established under the laws the PRC with a registered capital of RMB120 million which was fully paid up as of the Latest Practicable Date.

In June 2011, Aowei Group transferred its entire equity interest in Sichuan Hengwen to Sichuan Panshi at a consideration of RMB120 million.

(c) Aowei Mining

In June 2011, Aowei Mining was established under the laws of the PRC with a registered capital of RMB120 million which was fully paid up as of the Latest Practicable Date.

In June 2011, Aowei Group transferred its entire equity interest in Aowei Mining to Sichuan Hengwen at a consideration of RMB120 million.

(d) Jingyuancheng Mining

In June 2011, Aowei Group transferred its entire equity interest in Jingyuancheng Mining to Aowei Mining at a consideration of RMB65 million.

In May 2012, the registered capital of Jingyuancheng Mining was increased from RMB15 million to RMB80 million which was fully paid up as of the Latest Practicable Date.

(e) Xinxin Mining

In June 2011, Mr. Wang Jianjun and Mr. Zhang Fuqing each transferred 10% of the equity interest in Xinxin Mining to Aowei Group at nil consideration. After such share transfer, Xinxin Mining became wholly owned by Aowei Group.

In June 2011, Aowei Group transferred its entire equity interest in Xinxin Mining to Aowei Mining at a consideration of RMB55 million.

In May 2012, the registered capital of Xinxin Mining was increased from RMB3 million to RMB50 million, of which RMB28 million was transferred from capital surplus and RMB19 million was contributed by Aowei Mining. As of the Latest Practicable Date, the registered capital of Xinxin Mining was fully paid up.

(f) Jiheng Mining

In July 2011, Jiantou Mining transferred its 50% equity interest in Jiheng Mining to Aowei Mining at a consideration of approximately RMB40.71 million. After such transfer, Jiheng Mining was owned by Aowei Mining (as to 50%), Laiyuan Nonferrous Metal (as to 30%) and Xinrui Mining (as to 20%).

In December 2011, Xinrui Mining transferred its 20% equity interest in Jiheng Mining to Aowei Mining at a consideration of RMB90 million. After such transfer, Jiheng Mining was owned by Aowei Mining (as to 70%) and Laiyuan Nonferrous Metal (as to 30%).

In January 2012, Laiyuan Nonferrous Metal transferred its 20% equity interest in Jiheng Mining to Laiyuan Jiantou, an Independent Third Party, at a consideration of RMB80 million. After such transfer, Jiheng Mining was owned by Aowei Mining (as to 70%), Laiyuan Nonferrous Metal (as to 10%) and Laiyuan Jitantou (as to 20%).

In April 2012, Laiyuan Jiantou transferred its 20% equity interest in Jiheng Mining to Aowei Mining at a consideration of RMB80 million. After such transfer, Jiheng Mining was owned by Aowei Mining (as to 90%) and Laiyuan Nonferrous Metal (as to 10%). Laiyuan Nonferrous Metal has expressed its intention to transfer its remaining 10% equity interest in Jiheng Mining to us, subject to obtaining all necessary approvals from the relevant government authorities. As at the Latest Practicable Date, the details of the transfer were still being negotiated.

(g) Hengshi HK

On February 2, 2011, Hengshi HK was incorporated under the laws of Hong Kong. 100 shares were allotted and issued to our Company on the same day, which were credited as fully paid up.

Save as disclosed in this Prospectus, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this Prospectus.

6. Corporate Reorganization

We underwent the reorganization in preparation for the Listing. Please refer to the section headed "History, Development and Reorganization" in this Prospectus.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of our business) within the two years preceding the date of this Prospectus which are or may be material:

(a) an equity transfer agreement of Jiheng Mining dated December 20, 2011 entered into between Xinrui Mining and Rongcheng County Jiuhengjiye Technology Co., Ltd. (容城縣久恒基業科技有限公司) (currently known as Aowei Mining), pursuant to which Xinrui Mining agreed to transfer its 20% equity interests in Jiheng Mining to Rongcheng County Jiuhengjiye Technology Co., Ltd.;

(b) an equity transfer agreement dated April 28, 2012 entered into between Laiyuan Jiantou and Laiyuan County Jiuhengjiye Technology Co., Ltd. (淶源縣久恒基業科技有限公司) (currently known as Aowei Mining), pursuant to which Laiyuan Jiantou agreed to transfer its 20% equity interests in Jiheng Mining to Laiyuan County Jiuhengjiye Technology Co., Ltd. at a consideration of RMB80 million;

(c) a loan exemption agreement dated December 31, 2012 entered into between Hengshi Holdings and our Company, pursuant to which Hengshi Holdings agreed to irrevocably exempt three shareholder loans owed by our Company to Hengshi Holdings with an aggregate amount of US$23.5 million;

(d) a confirmation letter dated November 12, 2013 entered into between Hengshi Holdings and our Company, pursuant to which parties thereto clarified that, to avoid confusion, Hengshi Holdings agreed to irrevocably exempt the three shareholder loans as set out in (c) above and there was no consideration for such exemption;

(e) a maximum mortgage agreement dated May 10, 2013 entered into between Jiheng Mining and China Construction Bank Corporation Rongcheng Sub-branch, pursuant to which Jiheng Mining agreed to provide a mortgage on its mining license to China Construction Bank Corporation Rongcheng Sub-branch, to secure a series of loans to be granted by China Construction Bank Corporation Rongcheng Sub-branch to Jiheng Mining from May 10, 2013 to May 9, 2016 with a maximum amount of RMB220 million;

(f) a working capital loan agreement in RMB dated June 7, 2013 entered into between Jiheng Mining and China Construction Bank Corporation Rongcheng Sub-branch, pursuant to which China Construction Bank Corporation Rongcheng Sub-branch agreed to provide a series of loans to Jiheng Mining with a total amount of RMB101.6 million from June 8, 2013 to June 5, 2015;

(g) a working capital loan agreement in RMB dated July 11, 2013 entered into between Jiheng Mining and China Construction Bank Corporation Rongcheng Sub-branch, pursuant to which China Construction Bank Corporation Rongcheng Sub-branch agreed to provide a series of loans to Jiheng Mining with a total amount of RMB98.4 million from July 11, 2013 to July 10, 2015;

(h) an entrust loan agreement dated September 4, 2013 entered into among Jiheng Mining, Hebei Jinhai Industry Group Co., Ltd. and China Construction Bank Corporation Baoding Branch, pursuant to which China Construction Bank Corporation Baoding Branch agreed to provide a loan to Jiheng Mining with a total amount of RMB80 million from September 4, 2013 to September 3, 2015, with Hebei Jinhai Industry Group Co., Ltd. being the entrustor lender;

(i) a guarantee agreement dated September 4, 2013 entered into between Jiheng Mining, Hebei Jinhai Industry Group Co., Ltd. and Jingyuancheng Mining, pursuant to which Jingyuancheng Mining agreed to provide a guarantee to Hebei Jinhai Industry Group Co., Ltd. for the benefit of Jiheng Mining, on a joint basis, for the entrust loan as set out in (h) above;

(j) an entrust loan agreement in RMB dated September 10, 2013 entered into between Jiheng Mining and China CITIC Bank Co., Ltd. Shijiazhuang Branch, in which China CITIC Bank Co., Ltd. Shijiazhuang Branch agreed to provide a loan to Jiheng Mining with a total amount of RMB60 million from September 10, 2013 to September 10, 2015, pursuant to an entrust loan agreement on the same date entered into between Baoding Aosen Clothing Making Co., Ltd. and China CITIC Bank Co., Ltd. Shijiazhuang Branch with Baoding Aosen Clothing Making Co., Ltd. being the entrustor lender;

(k) a guarantee agreement dated September 10, 2013 entered into between Jiheng Mining, Baoding Aosen Clothing Making Co., Ltd. and Xinxin Mining, pursuant to which Xinxin Mining agreed to provide a guarantee to Baoding Aosen Clothing Making Co., Ltd. for the benefit of Jiheng Mining, on a joint basis, for the entrust loan as set out in (j) above;

(l) an entrust loan agreement dated September 16, 2013 entered into among Jiheng Mining, Hebei Fuye Property Development Co., Ltd. and China Construction Bank Corporation Baoding Branch, pursuant to which China Construction Bank Corporation Baoding Branch agreed to provide a loan to Jiheng Mining with a total amount of RMB50 million from September 17, 2013 to September 16, 2015, with Hebei Fuye Property Development Co., Ltd. being the entrustor lender;

(m) a guarantee agreement dated September 16, 2013 entered into between Jiheng Mining, Hebei Fuye Property Development Co., Ltd. and Jingyuancheng Mining, pursuant to which Jingyuancheng Mining agreed to provide a guarantee to Hebei Fuye Property Development Co., Ltd. for the benefit of Jiheng Mining, on a joint basis, for the entrust loan as set out in (l) above;

(n) a cornerstone investment agreement dated October 31, 2013 entered into between our Company, Reignwood International Investment (Group) Company Limited, Credit Suisse (Hong Kong) Limited and Merrill Lynch International, pursuant to which Reignwood International Investment (Group) Company Limited agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) as may be subscribed for an aggregate amount of US$20,000,000;

(o) a cornerstone investment agreement dated November 1, 2013 entered into between our Company, Asia Paragon International Limited, Credit Suisse (Hong Kong) Limited and Merrill Lynch International, pursuant to which Asia Paragon International Limited agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) as may be subscribed for an aggregate amount of US$10,000,000;

(p) a cornerstone investment agreement dated November 5, 2013 entered into between our Company, Choi Chee Ming, Credit Suisse (Hong Kong) Limited and Merrill Lynch International, pursuant to which Choi Chee Ming agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) as may be subscribed for an aggregate amount of US$20,000,000;

(q) a cornerstone investment agreement dated November 5, 2013 entered into between our Company, Chow Tai Fook Nominee Limited, Credit Suisse (Hong Kong) Limited and Merrill Lynch International, pursuant to which Chow Tai Fook Nominee Limited agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) as may be subscribed for an aggregate amount of US$15 million;

(r) a cornerstone investment agreement dated November 5, 2013 entered into between our Company, VMS Investment Group Limited, Credit Suisse (Hong Kong) Limited and Merrill Lynch International, pursuant to which VMS Investment Group Limited agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) as may be subscribed for an aggregate amount of US$15 million;

(s) a cornerstone investment agreement dated November 13, 2013 entered into between our Company, Beijing Huaxia Jianlong Mining Technology Co., Ltd, Credit Suisse (Hong Kong) Limited and Merrill Lynch International, pursuant to which Beijing Huaxia Jianlong Mining Technology Co., Ltd agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) as may be subscribed for an aggregate amount of US$10,000,000;

(t) the Deed of Indemnity;

(u) the Deed of Non-competition; and

(v) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

Domain names

As at the Latest Practicable Date, the following domain name was registered and principally used by our Group in its business operations:

Domain Name	Registrant	Valid until
www.hengshimining.com	The Company	March 28, 2016

Trademarks

As at the Latest Practicable Date, our Group has applied for registration of the following trademark in Hong Kong:

Trademark	Applicant	Application number	Class	Date of application
恒實礦業 HENGSHI MINING	The Company	302628036	6, 14, 35, 36, 39, 40, 41, 43	June 4, 2013

As at the Latest Practicable Date, our Group has applied for registration of the following trademark in the United Kingdom:

Trademark	Applicant	Application number	Class	Date of application
恒實礦業 HENGSHI MINING	The Company	UK00003009988	6, 14, 35, 36, 39, 40, 41, 43	June 14, 2013

As at the Latest Practicable Date, our Group has applied for registration of the following trademarks in the PRC:

Trademark	Applicant	Application number	Class	Date of application
	The Company	13293448	6	September 26, 2013
	The Company	13293468	14	September 26, 2013
	The Company	13293473	35	September 26, 2013
	The Company	13293462	36	September 26, 2013
恒實礦業 HENGSHI MINING	The Company	13293455	6	September 26, 2013
恒實礦業 HENGSHI MINING	The Company	13293461	36	September 26, 2013
恒實礦業 HENGSHI MINING	The Company	13293483	39	September 26, 2013
恒實礦業 HENGSHI MINING	The Company	13293491	40	September 26, 2013
恒實礦業 HENGSHI MINING	The Company	13293493	41	September 26, 2013
恒實礦業 HENGSHI MINING	The Company	13293499	43	September 26, 2013

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of the Directors and the chief executive officer of our Company in the shares, underlying shares and debentures of our Company and our associated corporations

Immediately following completion of the Global Offering (without taking into account of any Shares that may be issued upon the exercise of the Over-allotment Option), the interests and short positions of the Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to therein, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**"), once the Shares are listed will be as follows:

(1) Interest in our Company

Name of Director or chief executive	Nature of interest	Number of Shares or underlying Shares(1)	Approximate percentage of shareholding interest
Mr. Li Yanjun(2) . .	Beneficial owner	1,125,000,000(L)	75%
Mr. Li Ziwei(2) . . .	Beneficial owner	1,125,000,000(L)	75%

Notes:

(1) The letter "L" denotes the person's long position in such Shares.

(2) Mr. Li Ziwei is the settler, protector and a beneficiary of the Family Trust which holds the entire issued share capital of Hengshi Holdings (holding 100% issued share capital of Hengshi Investments) through Chak Limited and is the settler, protector and a beneficiary of the Management Trust which holds the entire issued share capital of Aowei Developments through Seven Limited. Pursuant to the Confirmation Letters, Mr. Li Ziwei and Mr. Li Yanjun acted and will continue to act in concert to make decisions and exercise discretions in respect of the matters of the Family Trust and the Management Trust and exercise all voting rights attached to the shares of Hengshi Investments and Aowei Developments, respectively. Therefore, Mr. Li Ziwei and Mr. Li Yanjun are deemed to be interested in the 1,091,250,000 Shares held by Hengshi Investments (which is 100% owned by Hengshi Holdings) as disclosed above and the 33,750,000 Shares held by Aowei Developments immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), together representing 100% of our issued share capital immediately prior to the Global Offering and 75% of our issued share capital immediately after the Global Offering (assuming the Over-allotment Option is not exercised).

(2) Interest in our Associated Corporations

Name of Director or chief executive	Position in our Associated Corporations	Percentage Shareholding in our Associated Corporations
Mr. Li Yanjun[(1)] . .	N/A	100% Shares of Chak Limited, Hengshi Holdings, Hengshi Investments, Seven Limited and Aowei Developments
Mr. Li Ziwei[(1)]. . .	Director of Chak Limited, Hengshi Holdings, Hengshi Investments, Seven Limited and Aowei Developments	100% Shares of Chak Limited, Hengshi Holdings, Hengshi Investments, Seven Limited and Aowei Developments

Note:

(1) Mr. Li Ziwei is the settler, protector and a beneficiary of the Family Trust which holds the entire issued share capital of Hengshi Holdings (holding 100% issued share capital of Hengshi Investments) through Chak Limited and is the settler, protector and a beneficiary of the Management Trust which holds the entire issued share capital of Aowei Developments through Seven Limited. Pursuant to the Confirmation Letters, Mr. Li Ziwei and Mr. Li Yanjun acted and will continue to act in concert to make decisions and exercise discretions in respect of the matters of the Family Trust and the Management Trust and exercise all voting rights attached to the shares of Hengshi Investments and Aowei Developments, respectively. Therefore, Mr. Li Ziwei and Mr. Li Yanjun are deemed to be interested in the 100% Shares of Chak Limited, Hengshi Holdings, Hengshi Investments, Seven Limited and Aowei Developments.

(b) Interests and short positions of the Substantial Shareholders in the Shares and Underlying Shares of Our Company

So far as our Directors are aware, immediately following the completion of the Global Offering (without taking into account any Shares that may be issued upon the exercise of the Over-allotment Option), each of the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in any circumstance at general meetings of our Company:

Name	Capacity/ Nature of interest	Number of Shares(1)	Approximate percentage of interest in our Company immediately after the Global Offering
Mr. Li Yanjun (through his interest pursuant to the Confirmation Letters as described in note 2 below)	Beneficial owner(2)	1,125,000,000(L)	75%
Mr. Li Ziwei	Beneficial owner(2)	1,125,000,000(L)	75%
Chak Limited	Legal owner and beneficial owner(3)(4)	1,125,000,000(L)	75%
Hengshi Holdings	Legal owner and beneficial owner(3)(4)	1,125,000,000(L)	75%
Hengshi Investments	Legal owner and beneficial owner(4)	1,125,000,000(L)	75%
Seven Limited	Legal owner and beneficial owner(3)(4)	1,125,000,000(L)	75%
Aowei Developments	Legal owner and beneficial owner(4)	1,125,000,000(L)	75%
Management Trust	Legal owner(2)	1,125,000,000(L)	75%
Family Trust	Legal owner(2)	1,125,000,000(L)	75%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Mr. Li Ziwei is the settler, protector and a beneficiary of the Family Trust which holds the entire issued share capital of Hengshi Holdings (holding 100% issued share capital of Hengshi Investments) through Chak Limited and is the settler, protector and a beneficiary of the Management Trust which holds the entire issued share capital of Aowei Developments through Seven Limited. Pursuant to the Confirmation Letters, Mr. Li Ziwei and Mr. Li Yanjun acted and will continue to act in concert to make decisions and exercise discretions in respect of the matters of the Family Trust and the Management Trust and exercise all voting rights attached to the shares of Hengshi Investments and Aowei Developments, respectively. Therefore, Mr. Li Ziwei and Mr. Li Yanjun are deemed to be interested in the 1,091,250,000 Shares held by Hengshi Investments (which is 100% owned by Hengshi Holdings) as disclosed above and the 33,750,000 Shares held by Aowei Developments immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), together representing 100% of our issued share capital immediately prior to the Global Offering and 75% of our issued share capital immediately after the Global Offering (assuming the Over-allotment Option is not exercised).

(3) Hengshi Holdings holds 100% issued share capital of Hengshi Investments, thus Hengshi Holdings is deemed to be interested in the 1,091,250,000 Shares held by Hengshi Investments. Chak Limited holds 100% issued share capital of Hengshi Holdings, thus Chak Limited is deemed to be interested in the 1,091,250,000 Shares held by Hengshi Investments. Seven Limited holds 100% issued share capital of Aowei Developments, thus Seven Limited is deemed to be interested in the 33,750,000 Shares held by Aowei Developments.

(4) Mr. Li Ziwei and Mr. Li Yanjun are deemed as the ultimate controlling shareholders of Chak Limited, Hengshi Holdings, Hengshi Investments, Seven Limited and Aowei Developments. Therefore, Chak Limited, Hengshi Holdings, Hengshi Investments, Seven Limited and Aowei Developments are deemed to be interested in all the 1,125,000,000 Shares.

(c) Interests of the substantial shareholder of any member of our Group (other than our Company)

So far as our Directors are aware, no person (other than members of the Group) will, immediately following the completion of the Global Offering, be directly or indirectly interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

2. Arrangement with Our Directors

(a) Service Contracts of our Directors

Each of our Directors has entered into a service contract with our Company on November 3, 2013, with a term of three years commencing from the Listing Date, which may be terminated by not less than three months' prior written notice served by either party on the other. The service agreements may be renewed upon expiry.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with us (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(b) Directors' remuneration

(i) For the three years ended December 31, 2012 and the six months ended June 30, 2013, the aggregate amount of salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) paid by us to our Directors were approximately RMB0.08 million, RMB0.14 million, RMB0.89 million and RMB0.58 million respectively. Save as disclosed under Note 6 to the financial information in the Accountants' Report set out in Appendix I to this Prospectus, no Director received other remuneration or benefits in kind from the Company in respect of the three financial years ended December 31, 2012 and the six months ended June 30, 2013.

(ii) Under the current arrangements, our Directors will be entitled to receive compensation (including remuneration and benefits in kind) from our Company for the year ending December 31, 2013 under arrangement in force as of the date of this Prospectus which is expected to be approximately RMB4.7 million in aggregate.

(iii) None of the Directors or any past Directors or the five highest paid individuals of any members of our Group has been paid any sum of money for the three years ended December 31, 2012 and the six months ended June 30, 2013 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the three years ended December 31, 2012 and the six months ended June 30, 2013.

D. FEES OR COMMISSIONS RECEIVED

Save as disclosed in this Prospectus, none of the Directors or any of the persons whose names are listed in the paragraph headed "Consents" in this Appendix VI had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group from our Group within the two years preceding the date of this Prospectus.

E. PERSONAL GUARANTEES

Our Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to us.

F. DISCLAIMERS

Save as disclosed in this Prospectus:

(i) save as disclosed in "C Further Information about Our Directors and Substantial Shareholders – 1. Disclosure of Interests – (a) Interests and short positions of the Directors and the chief executive officer of our Company in the shares, underlying shares and debentures of our Company and our associated corporations" in this appendix, none of the Directors or chief executive of our Company has any interests and short positions in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code to be notified to us and the Stock Exchange, in each case once our Shares are listed;

(ii) none of our Directors nor any of the parties listed in the paragraph headed "Consents" of this appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this Prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;

(iii) none of our Directors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the Shares are listed on the Stock Exchange;

(iv) save as disclosed in this Prospectus, none of our Directors nor any of the parties listed in paragraph headed "Consents" of this appendix is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is unusual in nature or which is significant in relation to our business;

(v) none of the parties listed in the paragraph headed "Qualification of experts" of this appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities; and

(vi) none of our Directors or their respective associates or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

G. OTHER INFORMATION

1. Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after February 11, 2006.

Our Directors have been advised that there is no taxation in the nature of estate duty in the Cayman Islands.

2. Stamp Duty

Dealings in the Shares will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

3. Indemnity

Mr. Li Ziwei and Mr. Li Yanjun have entered into a deed of indemnity (the "**Deed of Indemnity**") with and in favor of our Company (for itself and as trustee for each of the other group companies) on November 12, 2013, to give certain joint and several indemnities in favor of the Company (for itself and, where appropriate, as trustee for each of the other group companies) in respect of, among other matters:

(a) any duty which is or hereafter becomes payable by any member of the Group by virtue of section 35 of the Estate Duty Ordinance or legislation similar thereto in Hong Kong or any part of the world or section 43 of the Estate Duty Ordinance or legislation similar thereto in Hong Kong or any part of the world on or before the Listing Date; and

(b) tax liabilities (including all fines, penalties, costs, charges, liabilities, expenses and interests incidental or relating to taxation) which might be payable by any member of the Group in respect of any income, profits or gains, earned, accrued or received on or before the Listing Date.

Mr. Li Ziwei and Mr. Li Yanjun are under no liability under the Deed of Indemnity in respect of any taxation, among other matters:

(c) to the extent that full provision or allowance has been made for such taxation in the Accountants' Report set out in Appendix I to this Prospectus, for each of the three years ended December 31, 2010, 2011 and 2012 respectively;

(d) the liability for such taxation is caused by the act of omission of, or transaction voluntarily effected by, any member of the Group which is/are carried out or effected otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Listing Date or carried out or entered into pursuant to a legally binding commitment after the Listing Date; or

(e) any provision or reserve made for such taxation in the Accountants' Report set out in Appendix I to this Prospectus for each of the three years ended December 31, 2010, 2011 and 2012 respectively which is finally established to be an over-provision or an excessive reserve.

4. Litigation

As of the Latest Practicable Date, no member of the Group is involved in any material litigation, arbitration or administrative proceedings. So far as we are aware, no such litigation, arbitration or administrative proceedings of material importance are pending or threatened against any member of the Group.

5. Joint Sponsors

BAML satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Credit Suisse does not satisfy the independence criteria for sponsors as set out in Rule 3A.07 of the Listing Rules because Credit Suisse Trust Limited (an affiliate of Credit Suisse) 1) acts as the trustee of a discretionary trust established for the benefit of Mr. Li Ziwei and his family and has the powers customarily granted to a discretionary trustee; and 2) acts as trustee of a discretionary trust established for the benefit of certain Directors and senior management of our Group and has the powers customarily granted to a discretionary trustee.

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, our Shares, including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

6. Preliminary expenses

Our estimated preliminary expenses are approximately HK$0.18 million. All preliminary expenses and all expenses relating to the Global Offering will be borne by the Company.

7. Promoter

The Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this Prospectus.

8. Qualification of experts

The qualifications of the experts who have given opinions in this Prospectus are as follows:

Name	Qualification
Commerce & Finance Law Offices	PRC legal counsel to our Company
Maples and Calder	Cayman Islands counsel to our Company
KPMG	Certified public accountants
SRK	Competent Person
Savills Valuation and Professional Services Limited	Independent Property Valuer
AME	Independent Industry Consultant
Protiviti	Internal Control Consultant

9. Consents

Each of the experts as referred to in the paragraph headed "Qualification of experts" in this appendix has given, and has not withdrawn, their respective written consents to the issue of this Prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. 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 Hong Kong Companies Ordinance so far as applicable.

11. Reserves Available for Distribution

As at June 30, 2013, our Company has reserves of nil available for distribution to our Shareholders.

12. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately in reliance upon the exemption provided by section 4 of the Hong Kong Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. No material adverse change

Our Directors confirm that there has been no material adverse change in our financial or trading position since June 30, 2013 and no material changes have occurred since the date of the Competent Person's Report up to the date of this prospectus.

14. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair 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. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

15. Miscellaneous

(a) Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid for in cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(v) no commission (except commissions to the Underwriters) has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.

(b) Save as disclosed in this Prospectus, our Group has not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities.

(c) Our Directors confirm that:

(i) there is no arrangement under which future dividends are waived or agreed to be waived; and

(ii) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this Prospectus.

(d) The principal register of members of our Company will be maintained in the Cayman Islands by Maples Fund Services (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

(e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

(f) No company within our Group is presently listed or dealt with on any other stock exchange or traded on any trading system nor is any listing or permission to deal with being or proposed to be sought on an other stock exchange or trading system.

(g) The Directors have been advised that, under the Cayman Companies Law, the use of a Chinese name by our Company for identification purposes only does not contravene the Cayman Companies Law.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the **White**, **Yellow** and **Green** Application Forms;

(b) copies of each of the material contracts referred to in the section headed "Statutory and General Information – B. Further Information About Our Business" in Appendix VI to this Prospectus; and

(c) the written consents referred to in the section headed "Statutory and General Information – G. Other Information – 8. Consents" in Appendix VI to this Prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Clifford Chance at 28th Floor, Jardine House, One Connaught Place, 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 of Association and the Articles of Association of the Company;

(b) the report in relation to historical financial information of the Group as at and for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, the text of which is set out in Appendix I to this Prospectus;

(c) the audited consolidated financial statements of the Group for the three years ended December 31, 2012 and the six months ended June 30, 2013;

(d) the report in relation to unaudited pro forma financial information, the text of which is set out in Appendix II to this Prospectus;

(e) the valuation report prepared by Savills Valuation and Professional Services Limited, the text of which is set out in the section headed "Valuation Report" in Appendix III to this Prospectus;

(f) the report prepared by the Competent Person, SRK, the text of which is set out in the section headed "Competent Person's Report" in Appendix IV to this Prospectus;

(g) the PRC legal opinions issued by Commerce & Finance Law Offices, the PRC legal counsel to our Company, dated November 18, 2013 in respect of our general matters and property interests of the Group;

(h) the independent industry report prepared by AME, the text of which is set out in the section headed "Industry Overview" in this Prospectus;

(i) the Cayman Companies Law;

(j) the letter prepared by Maples and Calder, the Cayman Islands legal counsel to our Company, summarizing certain aspects of the Cayman Companies Law as referred to in Appendix V to this Prospectus;

(k) the material contracts referred to in the section headed "Statutory and General Information–B. Further Information About Our Business" in Appendix VI to this Prospectus;

(l) the written consents referred to in the section headed "Statutory and General Information – G. Other Information – 8. Consents" in Appendix VI to this Prospectus; and

(m) the service contracts of our Directors.

恒實礦業
HENGSHI MINING