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.