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OVERVIEW

We are one of the largest manganese producers in the world and the largest manganese producer in China, according to the CISRIG Report. We are a vertically integrated manganese producer that produces and sells manganese products at all stages of the production chain that are used in a wide range of industries and across diverse end-use markets. We are operating mining, ore processing and downstream processing operations in China, and are developing mining and ore processing operations in Gabon. We own and operate two manganese mines and manganese processing facilities in China, which include two concentrating plants, one grinding plant and seven downstream processing plants. We are developing one manganese mine in Gabon. In 2009, we mined in total approximately 1.1 Mt manganese ores from our two mines in China. Our main downstream products include EMM, manganese sulfate, EMD, silicomanganese alloy and high carbon ferrochromium. We are the largest EMM producer in China in terms of production capacity as of June 30, 2010 according to the CISRIG Report, and our EMM production capacity is approximately 101,000 tpa as of June 30, 2010. In 2009, we produced 73 Kt of EMM, 19 Kt of manganese sulfate, 8 Kt of EMD, 58 Kt of silicomanganese alloy and 42 Kt high carbon ferrochromium.

We possess abundant ore reserves in China and Gabon. According to the SRK Report, we hold the largest manganese mineral resources and ore reserves in China. Our combined manganese ore reserves in China and Gabon were approximately 97.23 Mt as of June 30, 2010. We have two operating manganese mines in Guangxi, China, namely Daxin Mine and Tiandeng Mine. According to the SRK Report, Daxin Mine is the largest manganese mine in China and Tiandeng Mine is one of the largest manganese oxide ore mines in China in terms of resources and reserves. As of June 30, 2010, our manganese ore reserves at Daxin Mine and Tiandeng Mine were approximately 74.67 Mt and approximately 4.02 Mt respectively and our manganese mineral resources at Daxin Mine and Tiandeng Mine were approximately 77.86 Mt and approximately 7.82 Mt respectively under the JORC Code, on a combined basis accounting for approximately 22% of the total indicated manganese resources in China according to the SRK Report. As of the same date, the ore reserves at Daxin Mine were expected to support approximately 75 years of mine production assuming a production rate of one million tpa of ore. We intend to continue increasing our manganese mining production at our Daxin Mine.

We are currently in the process of developing our manganese mining and ore processing operations in Gabon. CICMHZ, in which we indirectly own a 51% equity interest, holds the exploration and mining rights to Bembélé Manganese Mine in Gabon. We expect to commence mining and ore processing operations at Bembélé Manganese Mine by the end of the first quarter in 2011. As of June 30, 2010, our ore reserves at Bembélé Manganese Mine were approximately 18.54 Mt at an average grade of 31.59%. Our Gabon operations will provide us with additional manganese ore and concentrate to support our existing and planned downstream processing operations in China. We may also sell some of the manganese concentrate produced at Bembélé Manganese Mine directly to customers in China under favorable market conditions. With our strong position in the Chinese manganese market, we believe we can maximize the value of overseas manganese reserves at Bembélé Manganese Mine, by transporting the manganese concentrates produced in Gabon for sale in China or for our own downstream processing.

Our manganese mining and ore processing operations supplied the majority of the manganese used in our downstream processing operations during the Track Record Period. Our current manganese processing facilities in China are all located either on-site or near Daxin Mine or Tiandeng Mine, which lead to low transportation costs and allows on-site economic operations. We commenced to conduct basic land-leveling works on the site of Beibuwan Ferroalloy Plant in July 2008, which is

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located close to Beihai Harbor in Guangxi and will consume upon commencement of production the manganese concentrates produced at and shipped from Bembélé Manganese Mine in Gabon. We believe this will allow us to simultaneously take advantage of the high-grade and low-cost reserve base of Bembélé Manganese Mine and the competitive level of the operating costs for down-stream processing in China.

We derive a majority of our revenue from the sales of manganese products. Our revenue generated from the sales of manganese products accounted for 70.6%, 66.4%, 80.7% and 83.6% of our total revenue, respectively, for the three years ended December 31, 2009 and the six months ended June 30, 2010. EMM and silicomanganese alloy were our principal products during the Track Record Period. For the three years ended December 31, 2009 and the six months ended June 30, 2010, our revenue generated from the sales of EMM accounted for approximately 37.0%, 33.5%, 43.9% and 53.5% of our total revenue, respectively, and our revenue generated from the sales of silicomanganese alloy accounted for approximately 13.8%, 15.8%, 19.2% and 15.3% of our total revenue, respectively. We intend to continue raising our production capacities for certain manganese products, in particular EMM and silicomanganese, by expanding our existing plants and constructing new plants. Our mining, ore processing and downstream processing infrastructures in both China and Gabon are capable of supporting the potential expansion as evaluated by SRK.

In addition to manganese mining, ore processing and downstream processing, we also engage in non-manganese ferroalloy processing and other businesses. Our non-manganese ferroalloy processing operations are conducted at Qinzhou Ferroalloy Plant, which is located near Qinzhou Harbor. Our other businesses principally comprise the trading of various commodities such as manganese ore, EMM, chromium ore and sulfur. For the three years ended December 31, 2009 and the six months ended June 30, 2010, the revenue from our non-manganese ferroalloy processing operations accounted for 15.5%, 15.6%, 15.3% and 14.7% of our total revenue, respectively; and the revenue from our other businesses accounted for 13.9%, 18.0%, 4.1% and 1.7% of our total revenue, respectively.

COMPETITIVE STRENGTHS

We are one of the largest manganese producers in the world and the largest manganese producer in China with a strong pipeline of expansion and development projects

We are one of the largest manganese producers in the world and the largest manganese producer in China, according to the CISRIG Report. We believe our large scale manganese operations allow us to benefit from economies of scale and provide cushion from the downturn in the economic cycle.

As of June 30, 2010, the combined mining capacity of Daxin Mine and Tiandeng Mine was approximately 1.5 million tpa, the combined processing capacity of our concentration facilities was approximately 1.4 million tpa and the production capacity of our grinding facilities was approximately 680,000 tpa. We expect Bembélé Manganese Mine to commence operation by the end of the first quarter in 2011 and reach a mining production rate of approximately 1,150,000 tpa of ore by the end of 2011. We are the largest EMM producer in China in terms of production capacity as of June 30, 2010 according to the CISRIG Report, and our EMM production capacity was approximately 101,000 tpa as of June 30, 2010. We are also one of the major manganese sulphate producers in the world, according to the CISRIG report, with a production capacity of 25,000 tpa as of December 31, 2009.

We have a strong pipeline of expansion and development projects. We believe this allows us to maintain strategic growth options and unlock the value of our investment at times of strong market

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demand and prices. We expect to commence an expansion project at Daxin Mine in 2011 to ramp up its underground mining capacity to 600,000 tpa by the end of 2014. We continue to expand our EMM production capacity by commencing an expansion project at Daxin EMM Plant in February 2010 and expect to increase its production capacity from 65,000 tpa to 95,000 tpa by the end of 2012. We commenced to expand the production capacity at Daxin EMD Plant in October 2009 to increase its production capacity from 10,000 tpa in 2009 ultimately up to 30,000 tpa by the end of 2012. We commenced to conduct basic land-leveling works on the site of Beibuwan Ferroalloy Plant in Beihai City, Guangxi in July 2008, and expect the project to be completed and commence its commercial production of silicomanganese alloy by the end of 2012. We will constantly review and assess the current and future market conditions and, if necessary, make corresponding adjustment to our short term capital expenditure while maintaining our long term sustainable development potential.

Our access to abundant manganese reserves in both China and overseas provides the basis for achieving attractive financial returns

We have abundant manganese reserves in both China and overseas. According to the SRK Report, Daxin Mine is the largest manganese mine in China and Tiandeng Mine is one of the largest manganese oxide ore mines in China in terms of resources and reserves. As of June 30, 2010, the combined manganese reserves at Daxin Mine and Tiandeng Mine accounted for approximately 22% of the total indicated manganese resources in China according to the SRK Report. As of the same date, our manganese ore reserves at Daxin Mine were approximately 74.67 Mt at an average grade of 19.18% and were expected to support approximately 75 years of mine production assuming a production rate of one million tpa of ore. Please refer to the SRK Report for further details. As of June 30, 2010, our manganese ore reserves at Bembélé Manganese Mine were approximately 18.54 Mt at an average manganese grade of 31.59%, which are expected to support approximately 16 years of mine production assuming a production rate of 1,150,000 tpa of ore, according to the SRK Report. According to the SRK Report, there is encouraging potential to locate more ore bodies and discover more manganese resources with further exploration at Bembélé Manganese Mine. With a strong position in the Chinese manganese market, we believe we can maximize the value of overseas manganese reserves at Bembélé Manganese Mine, by transporting the manganese concentrates produced in Gabon for sale in China or for our own downstream processing.

We believe our abundant manganese reserves provides the basis for obtaining attractive financial returns. The market for manganese products is highly competitive, and the control of manganese ore reserves is one of the principal competitive factors. Our reserve base allows us to maintain a competitive cost structure, consistent product quality and stable supply to our customers. The abundant long-life manganese reserves available in the world are relatively scarce. We believe our control of the largest manganese mine in China and Bembélé Manganese Mine in Gabon renders us more resilient to market price pressures resulting from economic cycles, technology advances and productivity gains.

We enjoy a favorable cost position in our operations

We enjoy a favorable cost position in our mining, ore processing and downstream processing operations, which has a positive impact on our earnings. We believe our favorable cost position is attributable to the following factors:

- *Economies of scale.* According to the SRK Report, we hold the largest manganese mineral resources and ore reserves in China; and we are the largest EMM producer in China in terms of production capacity as of June 30, 2010 according to the CISRIG Report. We believe our large

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scale operations allow us to benefit from economies of scale and maintain a competitive level of operating cost.

- *Presence along the entire value chain.* We are active along the entire value chain of the manganese industry, including mining, ore processing and downstream processing. Our vertically integrated model enables us to achieve efficiencies through a reduction in transaction costs at different stages of the value chain.
- *Low-cost mining method.* We utilize open-pit mining method at Bembélé Manganese Mine because of the relatively shallow depth at which the ore bodies are located. We can easily access the ore bodies through cost-efficient stripping operations. According to the SRK Report, the stripping ratio at Bembélé Manganese Mine is estimated to be 1.6:1 in 2011. The operations at Bembélé Manganese Mine do not require the specialized machinery, equipment and infrastructure necessary in underground mining, which also contributes to our cost efficiency. In addition, we conduct open-pit mining operations at Daxin Mine and Tiandeng Mine. According to the CISRIG Report, there are very few open-pit manganese mines in China, which are generally low cost compared with underground mines and help further improve our cost structure.
- *Outsourcing labor-intensive underground mining works.* We outsource labor-intensive underground mining works at Daxin Mine to third party contractors through long-term agreements. We believe such outsourcing arrangements have resulted in savings in investment in machinery and reductions in mining expenditure, salaries and other staff-related expenses.
- *Competitive cost structure in China.* We believe our strategic location in China allows us to maintain our cost of operations at a competitive level due to China's relatively lower costs of labor, equipment and facilities, and raw materials and utility supply. In addition, our current manganese processing facilities in China are all located either on-site or near Daxin Mine or Tiandeng Mine, which leads to low transportation costs and allows on-site economic operations.
- *Proximity to customers in China and North Asia.* Compared to overseas manganese producers such as those located in Australia and Africa, we enjoy a transportation cost advantage when delivering products to customers in China or North Asia.

We are a vertically integrated producer with our own manganese mines and a diverse portfolio of manganese products

We are a vertically integrated producer of manganese products. Our manufacturing process for manganese products consists of mining, ore processing and downstream processing. According to the CISRIG Report, we are one of the only approximately 10% ferroalloy and EMM producers in China who also own manganese mines. As of the Latest Practicable Date, our current manganese processing facilities in the PRC include two concentrating plants, one grinding plant and seven downstream processing plants, all of which are located either on-site or near Daxin Mine and Tiandeng Mine, which leads to low transportation cost and allows for economic on-site operations. We commenced to conduct basic land-leveling works on the site of Beibuwan Ferroalloy Plant in July 2008, and expect the project to be completed and commence producing silicomanganese alloy by the end of 2012. It is located close to Beihai Harbor in Guangxi, PRC and will consume the manganese concentrates produced at and shipped from Bembélé Manganese Mine in Gabon. We expect that our on-site concentrating plant for Bembélé Manganese Mine will commence operation by the end of first quarter in 2011. We believe our access to abundant manganese reserves gives us a

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long-term competitive advantage in ore supply to support our existing and planned manganese production operations. Our manganese mining and ore processing operations supplied the majority of the manganese used in our downstream processing operations during the Track Record Period. As a result of our development of Bembélé Manganese Mine and our continuing efforts in seeking additional acquisition opportunities, we believe we will be able to improve our manganese self-sufficiency even with increasing downstream capacity.

By leveraging our abundant manganese reserves, we produce and sell manganese products at all stages of the production chain, which are used in a wide range of industries and across diverse end-use markets. We primarily produce (i) EMM, which is used in the production of special steel, high performance stainless steel, copper and aluminum alloys and electric welding rods; (ii) silicomanganese alloy, which is used as a deoxidizer in steel manufacturing; (iii) natural discharging manganese, which is used as depolarizers in the production of carbon-zinc batteries; (iv) manganese concentrate, which is used in steel manufacturing; (v) EMD, which is used to produce the positive electrode of mercury-free alkaline batteries; and (vi) manganese sulfate, which is used in the production of fertilizer and animal feed. We expect to commence production of manganese tetroxide, lithium manganese oxide and lithium cobalt oxide before the end of 2010, which are widely used in the electronics industry. We will continue to assess the market demand for manganese products and expand our portfolio of manganese products if the market conditions are favorable. By strategically diversifying our product range and respective end-use markets, we believe we are able to relatively reduce the volatility of our earnings and our exposures to risks within any single product market.

We consume manganese ores which are diverse in grade, quality and form. By applying manganese ores of the appropriate quality attribute to the production of the relevant product, we believe we can maximize the utilization of our mineral resources at our existing and future manganese mines. We believe our control of manganese resources of various grades and our integrated operations allow us to continuously adjust our product portfolio to take full use of our reserves while at the same time improve our profitability by focusing on products that have higher profit margins, strong market demand and promising growth potential.

We believe we enjoy several competitive advantages as a result of our high degree of integration, including, for example, reliable supply of manganese ores and minimal reliance on third party suppliers, synchronization of supply and demand at different stages of the production chain, reduction in transaction costs, and our ability to increase our profit margin by strategically focusing on the more profitable stage in the manganese value chain.

We have established long term relationships with our geographically-diversified and industry-leading customers

We have established long term relationships with our key Chinese and international customers which are industry leaders in their respective sectors, and we have received numerous accreditations from our customers for the quality of our products and services. For example, as recognition for the timely, stable and quality supply of our products, we have been credited as a Level A supplier, by our customers including Mitsui Bussan Raw Materials Development Corp., our largest international customer for the year ended December 31, 2007, and POSCO Asia Co., Ltd.. We believe our relationships with and the accreditations we have received from these industry-leading customers demonstrate our capability of delivering consistent customer satisfaction. We believe the key benefits from our established relationships with our major customers include a higher degree of stability and growth potential in demand for our products, lower cost of retaining our existing customers compared with that of attracting new customers, and endorsements from our existing customers.

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Our international customers include, among others, Mittal Steel Lazaro Cardenas, S. A. de C. V.; Corus International Trading Ltd.; Mitsui Bussan Metals Co., Ltd.; POSCO Asia Co., Ltd.; Commercial Metals Company; Scandinavian Steel AB; and Traxys Europe S.A. The combined revenue derived from these seven international customers accounted for approximately 25.9%, 23.6%, 6.5% and 4.9%, of our total revenue for the three years ended December 31, 2009 and the six months ended June 30, 2010, respectively. Our Chinese customers include, among others, Lianzhong Stainless Steel Co., Ltd. (聯衆(廣州)不銹鋼有限公司); a subsidiary of Fujian Wu-hang Steel Products Co., Ltd. (福建吳航鋼鐵製品有限公司); Shanxi Taigang Stainless Steel Co., Ltd. (山西太鋼不銹鋼股份有限公司); and Guangzhou Tiger Head Battery Group Co., Ltd. (廣州市虎頭電池集團有限公司). The combined revenue derived from these four Chinese customers accounted for approximately 4.5%, 13.0%, and 14.3% and 12.7% of our total revenue for the three years ended December 31, 2009 and the six months ended June 30, 2010, respectively.

Our customers are geographically diversified and located in over ten countries and regions, including the United States, Japan, South Korea and the European Union. For the three years ended December 31, 2009 and the six months ended June 30, 2010, sales to our international customers accounted for approximately 36.2%, 31.1%, 11.7% and 14.2%, respectively, of our total revenue. We believe the geographic diversification of our customer base reduces our reliance on sales to customers from any particular country or region and mitigates the impact from an economic downturn in any particular country or region.

We are well-positioned to take advantage of potential acquisition opportunities in China and globally

We believe we are well-positioned to take advantage of acquisition opportunities and consolidation trends in China as increasingly stringent PRC environmental regulations against the use of obsolete processing equipment and waste of resources have forced many smaller manganese producers to close down. According to the Entry Conditions for the EMM Industry (《電解金屬錳行業准入條件》) issued by the NDRC in 2006 and amended in February 2008, existing EMM producers that are unable to meet a production capacity threshold of 4,000 tpa will be closed down, and new EMM producers that are unable to meet a capacity threshold of 30,000 tpa will not be permitted to operate. Our Daxin EMM Plant was one of the first EMM producers in the PRC that were accredited by the NDRC in January 2007 as having satisfied the requirements for EMM production set out in the Entry Conditions for the EMM Industry. We believe that we will benefit from the PRC Government's industry policy to consolidate the PRC manganese industry with large, efficient and environmental-friendly producers.

According to AME, manganese resources in Guangxi accounts for approximately 34.2% of total manganese resources in China. We have received support from the provincial government of Guangxi to lead an initiative to consolidate the manganese industry in Guangxi. Six of our planned expansion or development projects were designated in December 2009 by the Guangxi government as Key Development Projects of Guangxi Metallurgical Industry (廣西壯族自治區冶金工業振興規劃重點專案) in a provincial government initiative to promote the mining and metallurgical industry in Guangxi. We believe we are well placed to benefit from the support of the provincial government of Guangxi in our pursuit of expansion and suitable acquisitions.

We also intend to continue to take advantage of manganese opportunities internationally. Our Bembélé Manganese Mine enhances our strategic control of manganese reserves and provides a high-grade reserve base to meet our increasing demand for manganese ores. Our acquisition and development of Bembélé Manganese Mine demonstrates our ability to identify high quality acquisition targets and effectively integrate them into our operations.

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We benefit from our relationship with CITIC Group and Guangxi Dameng

As of the Latest Practicable Date, CITIC Resources is our controlling shareholder and will continue to be our controlling shareholder immediately after the completion of the Global Offering. CITIC Group indirectly controls over 50% of CITIC Resources, CITIC Group is a large PRC state-owned conglomerate engaged in financial services, investment holding, real estate and civil infrastructure development, manufacturing, resources development, trading and services, information industry and project contracting.

While we operate our business independently from CITIC Group, we believe our relationship with CITIC Group will enhance our brand recognition, international awareness and increase our access to capital markets for our business operations. Some of CITIC Group's customers may also have demand for manganese products. We believe that we are well positioned to benefit from CITIC Group's strong reputation and long-term relationships with its customers by offering our manganese products to these customers.

As of the Latest Practicable Date, Guangxi Dameng owned 34.5% of our issued share capital. Immediately after completion of the Global Offering, Guangxi Dameng will not be a controlling shareholder of our Company. We operate our business independently from Guangxi Dameng, but we believe we will benefit from Guangxi Dameng's relationship with the local government authorities and long-term contacts in the manganese industry.

We have an experienced and dedicated senior management team

Our senior management team has extensive experience in the manganese industry, and many of them have been with Guangxi Dameng for over ten years. They have a successful track record in key areas of manganese mining, ore processing, downstream processing, product development, and manganese products marketing in Chinese and international markets.

Mr. Li Weijian, one of our Executive Directors, has been working in the manganese industry since 1982. As of the Latest Practicable Date, Mr. Li is the vice chairman of the Electrolytic Products Division of International Manganese Institute, the only internationally recognized non-profit association of the international manganese industry, founded in 1975 with its headquarters in Paris, France. Mr. Li is also the vice chairman of the Chinese Association of Metallurgical Mining Enterprises (中國冶金礦山企業協會) and the president of the National Manganese Technology Committee (全國錳業委員會). He currently heads one of our "863 projects" under the Hi-Tech Research and Development Program of China (中國高技術研究發展計劃), namely the R&D and Production of High-end EMD (高性能電解二氧化錳的研發與生產). In recognition of Mr. Li's management expertise, China Enterprise Confederation (中國企業聯合會) and China Enterprise Directors Association (中國企業家協會) issued to Mr. Li the Advanced Professional Executive Qualification Certificate (高級職業經理資質證書) on June 30, 2008 and National Outstanding Entrepreneur (全國優秀企業家) in May 2010, respectively.

In addition, Mr. Chen Jiqui, the Vice President of CITIC Dameng Mining, has almost 30 years of experience in the PRC mining industry and in particular has extensive management experience in the manganese industry. We believe our experienced and dedicated senior management team has contributed to the significant growth of our business and positioned our Company as a leading manganese producer in the world.

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COMPANY STRATEGY

We aim to be the world's leading integrated resource company with a focus on manganese. We intend to implement the following strategies to achieve our objective:

We intend to expand and upgrade our manganese resources and reserves through exploration and enhance our strategic control of manganese resources and reserves through acquisitions

We believe control of manganese ore resources and reserves is fundamental to the long-term sustainable expansion of our business. We aim to significantly expand and upgrade the current resources and reserve base of our Bembélé Manganese Mine through further drilling and exploration efforts. As of June 30, 2010, our exploration rights in Bembélé, Gabon cover an aggregate area of approximately 2,000 square kilometers. We intend to carry out more in-depth exploration of our properties in Gabon through third party exploration professionals. We also plan to conduct exploration through third party exploration professionals in the underground area of Tiandeng Mine once we obtain the necessary exploration permit.

To further increase our manganese resources and reserve base, we also intend to acquire properties with sufficient resources and reserves and exploration potential or equity interests in companies holding such properties. In exploring future acquisition opportunities, we will consider the quality and size of the ore deposit, feasibility of exploitation, sustainability of the target resources and access to infrastructure.

We will continue to strategically diversify our product portfolio and raise our production capacities

We have a track record of effectively managing a diverse product portfolio, increasing production capacity and improving the profitability of our business. By leveraging our current leading market position in the PRC manganese industry, we will continue to strategically diversify our product portfolio and raise our production capacities for manganese products. We commenced trial production of manganese tetroxide, lithium manganese oxide and lithium cobalt oxide in August 2010, which are widely used in the electronics industry. Lithium manganese oxide is designated as the preferred material to manufacture lithium-ion power batteries in China's National Eleventh Five-Year Plan, which sets forth the blueprint for the country's national economic development. According to the CISRIG Report, the market for lithium-ion batteries has grown fast in China and globally in the recent years. We believe there is significant growth potential in the market for lithium manganese oxide and may consider expanding our production capacity under appropriate market conditions.

We also expect to continue increasing our production capacities for manganese ores, EMM, EMD and silicomanganese alloy by implementing, among other things, the following expansion or development projects: (i) we plan to increase our underground mining capacity at Daxin Mine from 300,000 tpa to 600,000 tpa by the end of 2014; (ii) we commenced an expansion project at Daxin EMM Plant in February 2010 to increase its production capacity from 65,000 tpa to 95,000 tpa by the end of 2012; (iii) we also expect to complete the development of Tiandeng EMM Plant and reach its designed production capacity of 30,000 tpa by 2011; (iv) we commenced to expand the production capacity at Daxin EMD Plant in October 2009 to increase its production capacity up to 30,000 tpa by the end of 2012; and (v) with respect to silicomanganese alloy, we commenced to conduct basic land-leveling works on the site of Beibuwan Ferroalloy Plant in July 2008, and expect the project to be completed, commence commercial production and reach a production capacity of

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80,000 tpa by the end of 2012. For further details about our major planned capital costs and investments for 2010 and 2011, please see the section headed “Financial Information — Indebtedness — Capital expenditure” in this prospectus.

In addition, we plan to explore suitable opportunities in non-manganese ferroalloys which are complementary to our operations and could improve our profitability. Since many of our customers, such as steelmakers, also use non-manganese ferroalloys in their operations, we believe we can take advantage of our leading market position in the PRC manganese industry and relationship with our customers by expanding into the non-manganese ferroalloy markets.

Upon the successful implementation of these expansion plans, we will be able to offer a broader range of manganese and non-manganese products to the market and further diversify the end-use markets of our products. We believe the expansion of our product portfolio will present us with further growth opportunities in a broader spectrum of market sectors and allow us to reduce our overall exposures to volatility within any single product market.

We will continue to enhance our operational efficiency and profitability

We will continue to enhance our operational efficiency and profitability through the following:

- increasing economies of scale in production and sales with a larger production base for our manganese mining, ore processing and downstream processing operations;
- streamlining and centralizing the procurement of raw materials to lower our unit raw material and production costs, to ensure consistency in the quality of raw materials and as a result increase our profitability;
- deploying greater resources to the production and sale of products with higher profit margins and growth potential;
- enhancing our research and development efforts to improve our processing technology, which will improve the efficiency of our production and enhance the quality of our products;
- improving our production safety to minimize the risk of work-related accidents and injuries and occupational illness; and
- improving our environmental protection system to minimize environmental damages.

We intend to continue exploring suitable acquisition opportunities in downstream manganese and ferroalloy products

We aim to create synergies across the different business segments of our operations. In assessing acquisition opportunities, we will carefully consider and seek to balance a variety of factors, including:

- whether the cost and benefit of the acquisition satisfies our internal financial requirements;
- whether the acquisition fits our corporate strategy and long term plan;
- the synergy between our Group and potential targets in terms of technology and know-how, management expertise, and business compatibility;

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- the geographical proximity to our existing operations; and
- whether the acquisition can enhance the overall competitiveness and sustainability of our existing and future businesses.

As of the Latest Practicable Date, we have not entered into any definitive agreement with any party to acquire any downstream manganese or ferroalloy business or entity owning such business.

We intend to establish strategic relationships with selected major customers and industry-leading partners

We plan to continue exploring opportunities to establish strategic relationships with selected major customers. We believe this will provide a significant degree of stability in demand for our products, lower the cost of retaining existing customers, and facilitate obtaining endorsements from our existing customers. We also intend to enter into strategic relationships with selected industry-leading partners in exploring suitable acquisition opportunities in the manganese and ferroalloys industries. We believe such strategic relationships will minimize the risks involved in acquisitions while maximizing our profit.

As of the Latest Practicable Date, we have not entered into any strategic relationship with any party that imposes binding rights and obligations.

MINERAL RESOURCES AND ORE RESERVES

Our mines

We have two operating manganese mines in Guangxi, China, namely Daxin Mine and Tiandeng Mine. We have secured the mining rights covering an area of approximately 10.6 square kilometers for Daxin Mine and the mining rights covering an area of approximately 4.6 square kilometers for Tiandeng Mine.

We currently own a 51% indirect equity interest in CICMHZ, which is developing Bembélé Manganese Mine in Bembélé, Gabon. CICMHZ holds the exploration rights covering an area of approximately 2,000 square kilometers in Bembélé area, and the mining rights to Bembélé Manganese Mine covering an area of approximately 20 square kilometers, which is located within the area covered by the exploration rights. We expect Bembélé Manganese Mine to commence operations by the end of the first quarter in 2011 and reach a mining capacity of approximately 1,150,000 tpa of ore in 2011.

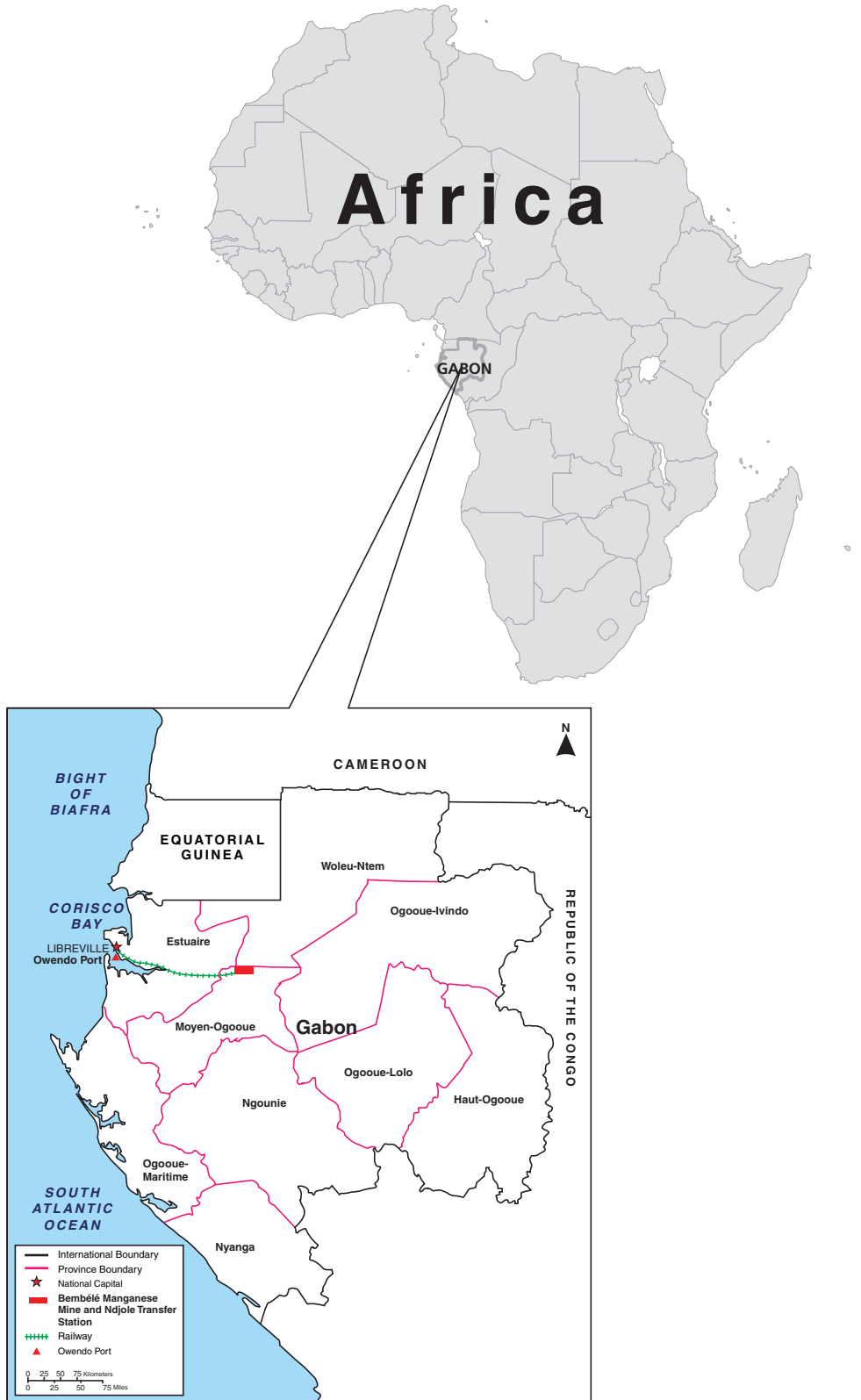
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The following maps illustrate the location of Guangxi in China and the locations of our Daxin Mine, Tiandeng Mine and other production facilities in Guangxi as of the Latest Practicable Date.



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The following map illustrates the location of Gabon in Africa and location of Bembélé Manganese Mine in Gabon.



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We have commissioned SRK to undertake an independent technical review and assessment of Daxin Mine, Tiandeng Mine, Bembélé Manganese Mine and the associated ore processing and downstream processing facilities. Please refer to the SRK Report for the details of the findings, reporting standards and scope of work conducted by SRK.

The following tables, which are based on data derived from the SRK Report, provide information on our mineral resources and ore reserves under the JORC Code as of June 30, 2010. For definitions of the technical terms used in the tables, please refer to the section headed “Technical Glossary” in this prospectus.

Summary of our manganese mineral resources⁽¹⁾

<u>Mine</u>	<u>Ownership Percentage</u>	<u>JORC Resource Category</u>	<u>Tonnage</u> Mt	<u>Average Manganese Grade</u> (%)
Daxin Mine	100%	Measured	7.59	24.24
		Indicated	69.83	21.11
		Subtotal	77.42	21.42
		Inferred	0.43	21.23
		Total	77.86	21.41
Tiandeng Mine	100%	Measured ⁽³⁾	0.88	16.80
		Indicated ⁽³⁾	3.29	16.27
		Subtotal⁽³⁾	4.17	16.38
		Inferred	3.65	14.27
		Total	7.82	15.40
Bembélé Manganese Mine ⁽²⁾	51%	Measured	—	—
		Indicated	18.59	33.17
		Subtotal	18.59	33.17
		Inferred	12.37	32.74
		Total	30.96	33.00

Notes:

- (1) The mineral resources are inclusive of the ore reserves.
- (2) We indirectly hold 51% interest in Bembélé Manganese Mine.
- (3) The measured and indicated resources of Tiandeng Mine include low-grade measured and indicated resources of approximately 0.20 Mt at an average grade of 11.28% and approximately 0.25 Mt at an average grade of 10.77%, respectively.

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Summary of our manganese ore reserves

<u>Mine</u>	<u>Ownership Percentage</u>	<u>JORC Reserve Category</u>	<u>Tonnage Mt</u>	<u>Average Manganese Grade (%)</u>
Daxin Mine	100%	Proved	7.37	21.95
		Probable	67.30	18.88
		Total	74.67	19.18
Tiandeng Mine	100%	Proved ⁽²⁾	0.85	15.78
		Probable ⁽²⁾	3.17	15.28
		Total⁽²⁾	4.02	15.38
Bembélé Manganese Mine ⁽¹⁾	51%	Proved	—	—
		Probable	18.54	31.59
		Total	18.54	31.59

Notes:

(1) We indirectly hold 51% interest in Bembélé Manganese Mine.

(2) The proved and probable reserves of Tiandeng Mine include low-grade proved and probable reserves of approximately 0.19 Mt at an average grade of 10.60% and approximately 0.24 Mt at an average grade of 10.12%, respectively.

Other than changes reflecting our mining production in the normal course of business, we are not aware of any change to the geological data, economic assumptions or mining plans with respect to Daxin Mine, Tiandeng Mine and Bembélé Manganese Mine that may materially affect our estimated mineral resources and ore reserves since the effectiveness date of the SRK Report.

Daxin Mine

Daxin Mine was discovered in 1958. Daxin Mine and Tiandeng Mine are located in an area known for abundant manganese mineralization in Guangxi. This region has a subtropical climate with an average temperature of approximately 20 degree centigrade. Annual precipitation ranges from 135 to 192 centimeters. Daxin Mine is located in a mountainous region with elevations of 241 to 845 meters above sea level.

According to the SRK Report, Daxin Mine is the largest manganese mine in China. Daxin Mine and its associated processing facilities are located approximately 50 kilometers west of Daxin County, Guangxi and about 210 kilometers west of Nanning, the capital city of Guangxi. The Daxin Mine area is located at the southeast part of a large scale syncline called the Shangyin-Xialei Syncline, which extends from west to east with its axis dipping east at a very low angle and is about 9 kilometers long and 2 to 2.5 kilometers wide. Three bedded manganese ore bodies, parallel to each other with stable continuity, have been defined in the mine area. Manganese oxide ores occupy the upper part of the ore bodies while manganese carbonate ores are localized in the deeper part of the ore bodies. Manganese oxide ores tend to be more easily and economically extracted compared with manganese carbonate ores. Open pit and underground mining are practiced at Daxin Mine. The open pit operations take place in four mining zones. Our PRC legal advisers have advised us that we have obtained the lawful and valid rights to conduct mining operations within the areas covered by our mining permit with respect to Daxin Mine. We have obtained the land use rights certificates for the area covered by our mining permit for Daxin Mine.

SRK has reviewed and updated resource/reserve estimation at Daxin Mine in compliance with the relevant standards under the JORC Code. As of June 30, 2010, the manganese reserves at Daxin

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Mine were approximately 74.67 Mt at an average manganese grade of 19.18%, including approximately 2.96 Mt of manganese oxide ore and approximately 71.71 Mt of manganese carbonate ore. SRK is of the opinion that the strata, structure and ore bodies of Daxin Mine had been well investigated and studied.

Tiandeng Mine

Tiandeng Mine and its associated processing facilities are located approximately 20 kilometers north of Tiandeng County, Guangxi and about 130 kilometers west of Nanning. The Tiandeng Mine area is located at the south side of the west-east trending Youjiang thrust-fold belt.

The ore deposit at Tiandeng Mine was discovered in 1956 and is one of the largest manganese oxide ore mines in China according to the SRK Report. Ten mineralized bodies have been defined at Tiandeng Mine. According to the SRK Report, Tiandeng Mine has large manganese reserves which are shallowly buried and are easy to extract and concentrate. Tiandeng Mine has four open pit mining sub-regions, of which two are in operation. The mineral deposits consist of manganese oxide ores.

SRK has reviewed and updated resource/reserve estimation at Tiandeng Mine in compliance with the relevant standards under the JORC Code. As of June 30, 2010, the manganese ore reserves at Tiandeng Mine were approximately 4.02 Mt of manganese oxide ore at an average manganese grade of 15.38%. The following table, which is based on data derived from the SRK Report, provides information on our manganese ore reserves for each of the four sub-regions at Tiandeng Mine under the JORC Code as of June 30, 2010.

<u>Sub-regions of Tiandeng Mine</u>	<u>JORC reserve category (thousand tonnes)</u>
Tuoren East	216.08
Tuoren West ⁽¹⁾	853.83
Luli ⁽²⁾	600.27
Dongmeng ⁽³⁾	2,351.14
Total	<u>4,021.32</u>

Notes:

(1) Includes low-grade reserves of 278.58 thousand tonnes.

(2) Includes low-grade reserves of 32.83 thousand tonnes.

(3) Includes low-grade reserves of 122.66 thousand tonnes.

Our PRC legal advisers have advised us that we have obtained the lawful and valid rights to conduct mining operations within the areas covered by our mining permit with respect to Tiandeng Mine. With regard to the four sub-regions of Tiandeng Mine, we have obtained the land use rights certificate for the two sub-regions which we have mined, namely Tuoren East and Tuoren West sub-regions. With respect to the other two sub-regions of Tiandeng Mine, namely Luli and Dongmeng sub-regions, we have leased and obtained temporary land use rights for the area where part of the Dongmeng sub-region is located. Please refer to the section headed “— Properties — Properties leased by us in PRC — Land leased by us” in this prospectus for further details. As of June 30, 2010, the manganese oxide ore reserves at the Tuoren East and Tuoren West sub-regions are close to being depleted. We are in the process of applying for an exploration permit for the underground manganese resources at these two sub-regions. We commenced mining operations in

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March 2010 at the part of the Dongmeng sub-region where we held temporary land use rights. For the areas where Luli sub-region and the other part of Dongmeng sub-region are located, we are still in the course of negotiating leases with the landlords or obtaining the temporary land use rights from PRC Government. Our PRC legal advisers have advised us that the PRC laws and regulations do not prohibit us from signing the leases and apply for the temporary land use rights. In addition, the relevant land authority has verbally confirmed to us that the temporary land use rights with respect to the Luli sub-region and the other part of Dongmeng sub-region will be approved as soon as we have entered into the lease agreements with the landlords. We expect to enter into the leases and obtain the temporary land use rights for Luli sub-region and the other part of Dongmeng sub-region before the end of 2010.

Bembélé Manganese Mine

Bembélé Manganese Mine and its processing facilities are under development and located approximately 32 kilometers north of Ndjole town in the Moyen-Ogooue Province of Gabon, which is in the central west area of Gabon. The mine area has a typical equatorial rainforest climate with an average temperature of 26 degree centigrade and an annual precipitation between 160 centimeters and 300 centimeters. The mine area is mountainous and located in virgin forests.

The regional geology of Bembélé Manganese Mine is a simple folding structure, having a gently wavy monocline dipping south-easterly. The mineral deposit consists of mainly manganese oxide ores. SRK is of the opinion that the strata, structure and ore bodies of Bembélé Manganese Mine had been relatively well investigated with feasibility study already carried out. SRK has inspected the open pits which show exposure of the ore bodies at Bembélé Manganese Mine and reviewed the methods used. SRK has reviewed and updated resources/reserve estimation at Bembélé Manganese Mine in compliance with the relevant standards under the JORC Code. As of June 30, 2010, the manganese ore reserves under the JORC Code at Bembélé Manganese Mine were approximately 18.54 Mt of manganese oxide ore at an average manganese grade of 31.59%.

The mineral deposit at Bembélé Manganese Mine comprises three mining blocks. The following table, which is based on data derived from the SRK Report, provides information on our ore reserves for each of the three mining blocks of Bembélé Manganese Mine under the JORC Code as of June 30, 2010.

Mining blocks of Bembélé Manganese Mine	JORC reserve category (thousand tonnes)	Average manganese grade (%)
I ⁽¹⁾	14,162.36	36.17
II ⁽¹⁾	3,519.36	14.74
III ⁽²⁾	859.92	25.03
Total	<u>18,541.64</u>	<u>31.59</u>

Notes:

- (1) Mining blocks I and II are within the area covered by our mining permit for Bembélé Manganese Mine.
- (2) Mining block III is within the area covered by our exploration permit for Bembélé Manganese Mine, but outside the area covered by our mining permit for Bembélé Manganese Mine. For more details about the difference between the exploration permit and mining permit under Gabonese laws, please refer to the section headed “Regulatory Environment — Gabon Regulatory Environment” in this prospectus.

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Our Gabon legal advisers have advised us that, under Gabonese law, we are exclusively entitled to file an application for and be awarded a mining permit in the event of any commercial discovery of manganese resources in any area covered by our exploration permit. We are also entitled to freely dispose of the minerals extracted during the exploration operation from areas covered by our exploration permit, as long as such extraction does not constitute mining operations under Gabonese law. We use the minerals extracted during the exploration activities as construction materials (such as road base) for the development of Bembélé Manganese Mine. Our Gabon legal advisers have advised us that our disposal of minerals extracted during exploration is in compliance with the applicable laws and regulations, including environmental laws and regulations, of Gabon. For further information about our exploration permit and mining permit regarding Bembélé Manganese Mine, please refer to the section headed “Business — Mineral Resources and Ore Reserves — Our mining rights” and “Business — Mineral Resources and Ore Reserves — Our exploration rights” in this prospectus.

The manganese mineral deposit at Bembélé Manganese Mine was discovered in 1956, after which a limited amount of exploration activities was conducted. As of June 30, 2010, the ore reserves at Bembélé Manganese Mine were expected to support approximately 30 years of mine production assuming a production rate of 1,150,000 tpa of ore. According to the same report, there is encouraging potential to locate more ore bodies and discover more manganese resources after further exploration at Bembélé Manganese Mine. As of the Latest Practicable Date, there has been no mining activity conducted at Bembélé Manganese Mine.

Our mining rights

We currently own valid mining permits for Daxin Mine and Tiandeng Mine. In addition, CICMHZ, in which we indirectly hold a 51% equity interest, owns a mining permit for Bembélé Manganese Mine.

The following table summarizes the particulars of our mining permits.

Mine	Location	Interest held by Company	Mining permit number	Mining area (square kilometers)	Validity period	Mining method
Daxin Mine	Daxin County, Guangxi	100%	1000000620030	10.6	February 28, 2006 to February 21, 2035	Open-pit and underground
Tiandeng Mine	Tiandeng County, Guangxi	100%	C1000002008122120001473	4.6	December 2, 2008 to December 2, 2024	Open-pit
Bembélé Manganese Mine	Moyen-Ogooue Province, Gabon	51%	G3-323	20	December 5, 2007 to December 4, 2017	Open-pit

Our original mining permit for Tiandeng Mine expired on November 1, 2008. We obtained the renewed permit on December 2, 2008, which will expire in December 2024. The mining permit for Tiandeng Mine was not renewed timely in 2008, because the preparation of our renewal application materials took longer than expected. As of the Latest Practicable Date, we were not subject to any penalty on account of our delayed renewal application imposed by MLR, which is the competent authority to issue and renew mining permits in PRC according to our PRC legal advisers. We do not believe that MLR will impose any penalty in future on the same account because (i) we submitted on November 15, 2008 a letter explaining the delay together with our completed renewal application to MLR, (ii) MLR issued on November 26, 2008 a receipt of this letter and our renewal application,

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confirming our application was complete and its forms complied with the applicable legal requirements, and (iii) MLR issued on December 2, 2008 the renewed mining permit for Tiandeng Mine, without imposing any penalty for our delayed renewal application.

Our mining rights certificates for Daxin Mine and Tiandeng Mine specify an annual manganese ore mining capacity of approximately 0.3 Mt and 0.25 Mt, respectively. In 2009, the manganese ore production volumes at Daxin Mine and Tiandeng Mine were approximately 0.81 Mt and 0.29 Mt, respectively. We exceeded the mining capacities specified in the mining rights certificates for Daxin Mine and Tiandeng Mine, because (i) we have the actual capacity for a higher production volume, and (ii) our mining rights to the mines will not be invalidated. Our PRC legal advisors have advised us that the mining rights to Daxin Mine and Tiandeng Mine are valid despite that our mining activities at such mines exceeded the capacities set forth in the mining rights certificates, because (i) according to our PRC legal advisers, there is no specific law or regulation requiring us to obtain a new mining rights certificate or imposing any penalty for the failure to obtain a new mining rights certificate if our ore production volume exceeds the capacity set forth in a mining rights certificate, as long as our production complies with the applicable safety production laws and regulations; (ii) we obtained the compliance certificate from the Safety Production Supervision Bureau of Guangxi in July 2010, confirming that we have installed and operated the necessary safety production facilities appropriate for our actual mining and processing capacities and production scale, and have complied with all other aspects of the applicable safety production laws and regulations since our establishment; and (iii) our mining rights to Daxin Mine and Tiandeng Mine, including production volumes, are subject to verification on an annual basis by the Department of Land and Resources of Guangxi. We submitted the required verification materials and documents, including, among other things, our annual ore production volumes, to the relevant authorities. We have passed such annual verifications and no challenge was raised by relevant authorities with regard to our manganese ore production volumes at Daxin Mine and Tiandeng Mine. We believe that the risks of the relevant government authorities imposing any penalty in future on the same account are remote, because (i) our PRC legal advisors have advised us that the mining rights to Daxin Mine and Tiandeng Mine are still valid although our mining capacities at such mines exceeded the capacities specified at the mining rights certificates; (ii) as of the Latest Practicable Date, we have not received any sanction from the relevant government authorities for exceeding the capacities specified on our mining rights certificates, or any order or request from the relevant authorities to apply for increased mining capacity on the mining rights certificates; and (iii) we are liaising with the relevant government authorities and preparing application materials to MLR to increase the capacities specified on our mining rights certificates. However, we can not assure you that the relevant government authorities will not in the future sanction us for exceeding the capacities set forth on our mining rights certificates. For further details, please see the section headed “Risk Factors — Risks Relating to Our Business and Our Industry — We may be unable to obtain new mining rights certificates for Daxin Mine and Tiandeng Mine with increased mining capacities, or maintain or increase the manganese ore mining production levels at Daxin Mine and Tiandeng Mine”.

With respect to our application under preparation to MLR to increase the capacities specified on our mining rights certificates, our PRC legal advisors have advised us that there is no legal impediment for us to obtain the new certificates for Daxin Mine and Tiandeng Mine with increased mining capacities, as long as we have (i) submitted all materials and documents as required by the Administration of Registration of Mining of Mineral Resources and applicable laws and regulations, and (ii) completed the necessary legal and regulatory procedures including review and examination of our application by the authorities. We expect to obtain the new mining rights certificates for Daxin Mine and Tiandeng Mine before the end of the second quarter of 2011. However, there can be no assurance that we will be able to obtain new mining rights certificates and increase the

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capacities specified thereof. For further details, please see the section headed “Risk Factors — Risks Relating to Our Business and Our Industry — We may be unable to obtain new mining rights certificates for Daxin Mine and Tiandeng Mine with increased mining capacities, or maintain or increase the manganese ore mining production levels at Daxin Mine and Tiandeng Mine”.

After we have obtained the new certificates for Daxin Mine and Tiandeng Mine with increased mining capacities, we may apply for renewal of the mining permits for Daxin Mine and Tiandeng Mine upon expiration. Our PRC legal advisers have advised us that there will be no legal impediment for us to renew the mining permits upon expiration, as long as (i) we have paid up all payable resource taxes, mining rights use fees and mineral resources compensation fees, (ii) we have submitted all renewal application materials required by the authorities, and (iii) we have satisfied the legal and regulatory requirements applicable at that time. However, there can be no assurance that we will be able to renew our mining rights certificates for Daxin Mine and Tiandeng Mine upon expiration. For further details, please see the section headed “Risk Factors — Risks Relating to Our Business and Our Industry — We may be unable to renew our mining rights for Daxin Mine and Tiandeng Mine, Jingxi Manganese Mine may not be able to renew its mining permit for the area mined by Guangxi Start under a management agreement, and we may be unable to obtain exploration or mining rights for other areas in China areas”.

Our Gabon legal advisers have advised us that our mining permit for Bembélé Manganese Mine is enforceable between the State of Gabon and CICMHZ, and has become enforceable against third parties after mining permit was published in the Gabon Legal Gazette in January 2009.

We are entitled to apply for a renewal of the mining permit for Bembélé Manganese Mine upon its expiration. Our Gabonese legal advisers have advised us that as long as (i) we have fully performed the obligations provided in the mining convention with the State of Gabon, provided that a mining convention had been entered into at the time of the application for a renewal of the mining permit, (ii) we have fully performed all legal, regulatory and contractual obligations as required under the Gabon Mining Code, the mining permit and applicable laws and regulations during the preceding period, there is no legal impediment for us to renew the mining permit. Please refer to the section headed “Risk Factors — Risks Relating to Our Business and Our Industry — We may be unable to renew CICMHZ’s exploration and mining permits for our Gabon operations” for further details.

Our exploration rights

With respect to the Bembélé area, CICMHZ was granted an exploration permit on September 18, 2006 for manganese, covering a total area of approximately 2,000 square kilometers. The permit was duly renewed on June 23, 2010. The following table summarizes the particulars of our exploration right with respect to Bembélé area in Gabon.

<u>Mine/area</u>	<u>Location</u>	<u>Interest held by Company</u>	<u>Exploration permit number</u>	<u>Area (square kilometers)</u>	<u>Validity period of exploration rights</u>
Bembélé area	Moyen-Ogooue Province, Gabon	51%	G3-223	2,000	From June 23, 2010 to June 22, 2013

Our Gabon legal advisers have advised us that our exploration permit for the Bembélé area in Gabon is enforceable between the State of Gabon and CICMHZ, and is enforceable against third parties. Our Gabon legal advisers have advised us that provided (i) CICMHZ has fully performed the works program provided in the mining convention if a mining convention had been entered into at the time of the application for a renewal, (ii) CICMHZ has spent the minimum budget of XAF200 million (HK\$3 million) for the exploration permit, and (iii) CICMHZ has fully performed all legal,

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regulatory and contractual obligations under the Gabon Mining Code, its exploration permit and applicable laws and regulations during the preceding period and the necessary legal procedures required under the Gabon Mining Code and applicable laws and regulations for a renewal, there should not be any legal impediment preventing CICMHZ from renewing its exploration permit.

We compiled an exploration plan in 2009 for further exploration works at the Bembélé area up to the end of 2012. We estimate to spend approximately HK\$7.5 million in total to implement such exploration plan. We will use third party exploration professionals to carry out further exploration in the Bembélé area which is covered by CICMHZ's exploration permit. We expect to apply for a mining permit in the event of any commercial discovery of ore reserves.

With respect to Tiandeng Mine, we are in the process of applying for an exploration permit covering the underground area of the Tuoren East and Tuoren West sub-regions. We plan to conduct exploration activities through third party exploration professionals for manganese carbonate ores once the permit is awarded.

OUR PRODUCTS

Historically, we derived a significant majority of our revenue from the sale of manganese products. We intend to continue focusing on producing manganese products, and as such we expect that sales of manganese products will continue to account for a significant percentage of our revenue.

We produce and sell manganese products at all stages of the production chain, including manganese concentrate, natural discharging manganese, EMM, manganese sulfate, silicomanganese alloy, EMD, manganese tetroxide and lithium manganese oxide. We also produce non-manganese ferroalloys, including high carbon ferrochromium and lithium cobalt oxide. We intend to continue expanding our portfolio of manganese products and non-manganese ferroalloys in the next few years.

The following table sets out our manganese products and non-manganese ferroalloy products at various stages of the production process. Please refer to the section headed "Business — Our Production Processes and Facilities" for a detailed description of the manufacturing processes for each of our products.

<u>Manufacturing Stage</u>	<u>Products</u>
Manganese mining and ore processing	
● Concentrating	Manganese concentrate (lumps) ⁽¹⁾ Natural discharging manganese (lumps)
● Grinding	Manganese concentrate (powder) ⁽²⁾ Natural discharging manganese (powder)
Manganese downstream processing	
● Hydrometallurgical processing	EMM, manganese sulfate, EMD and manganese tetroxide
● Pyrometallurgical processing	Silicomanganese alloy and lithium manganese oxide
Non-manganese ferroalloy processing	
● Pyrometallurgical processing	High carbon ferrochromium and lithium cobalt oxide

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Notes:

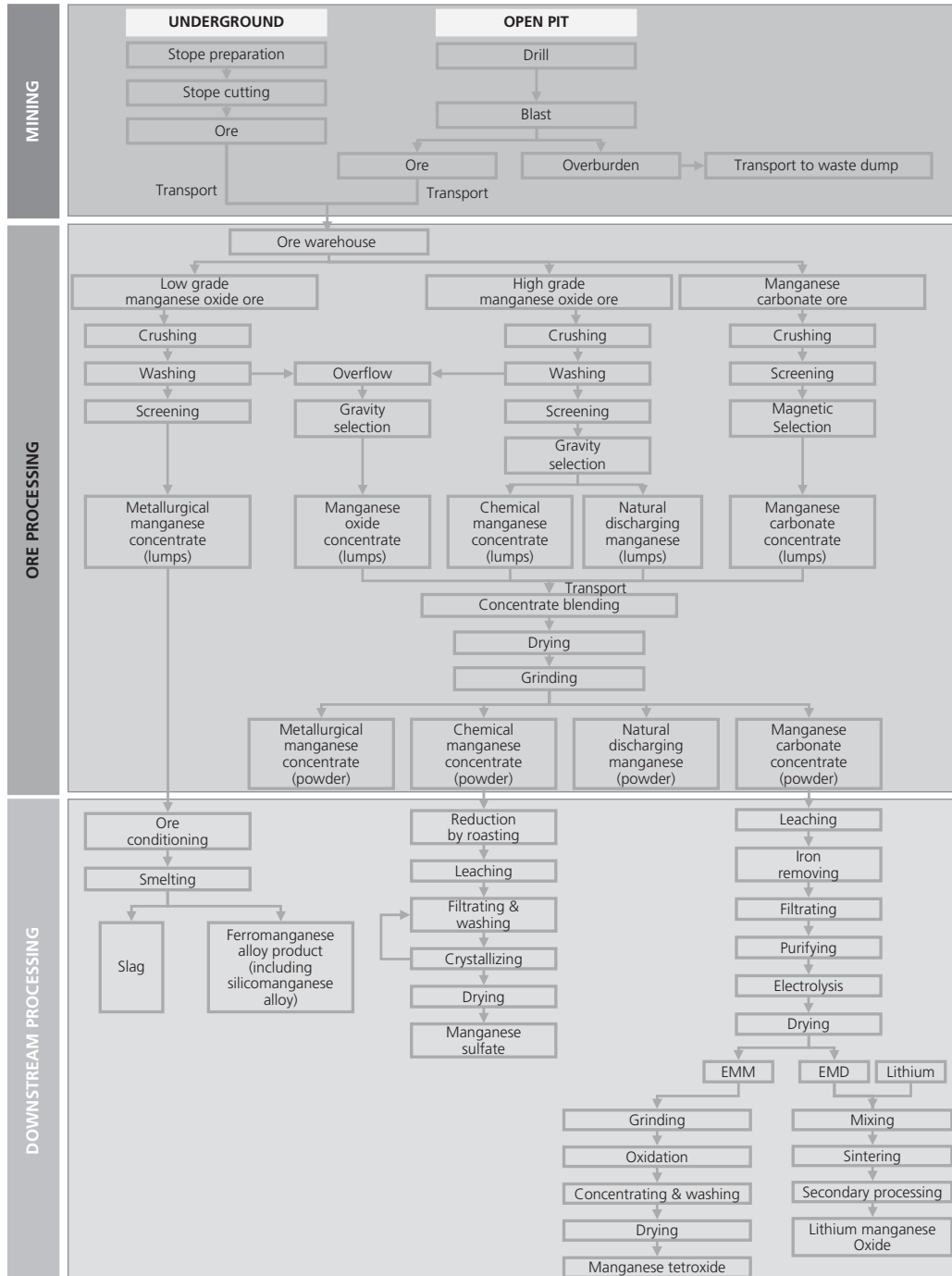
- (1) Manganese concentrate (lumps) includes metallurgical manganese concentrate (lumps), chemical manganese concentrate (lumps) and manganese carbonate concentrate (lumps).
- (2) Manganese concentrate (powder) includes metallurgical manganese concentrate (powder), chemical manganese concentrate (powder) and manganese carbonate concentrate (powder).

Our products are used in a wide range of industries and across diverse end-use markets. Metallurgical manganese concentrate can be used in steel manufacturing to transfer sulfur and other deleterious elements from the molten steel to slag and disperse the remaining deleterious elements in a harmless form. It can also be extracted and refined to produce ferromanganese alloy and pure manganese metal. Natural discharging manganese can be used as depolarizers in the production of carbon-zinc dry batteries. EMM has widespread applications whenever pure manganese is preferred, such as in the production of high performance stainless steel, copper and aluminum alloys and electric welding rod. EMD can be used to produce the positive electrode of mercury-free alkaline manganese oxide batteries, which have a higher energy density and longer shelf-life than the carbon-zinc dry batteries. Manganese sulfate is mainly used in the production of fertilizer and animal feed. Manganese tetroxide is used in electronic industries as one of the raw materials to manufacture professional grade manganese-zinc ferrites. Silicomanganese alloy is often used as a deoxidizer in steel manufacturing. Lithium manganese oxide and lithium cobalt oxide are mainly used as cathode materials in lithium battery. High carbon ferrochromium is one of the most widely used chromium additions for the production of stainless steel and alloy steel.

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OUR PRC PRODUCTION PROCESSES AND FACILITIES

The manufacturing processes for our manganese products involve mining, ore processing (which in turn include concentrating and grinding) and downstream processing. The following chart summarizes and illustrates our integrated manganese production chain and the manufacturing processes for our manganese products.



Mining constitutes our upstream operations, which we conduct at Daxin Mine and Tiandeng Mine. Ore processing constitutes our midstream operation, in which crude ores are washed, screened and concentrated to produce lumps. Concentrate lumps are then ground to produce concentrate powder.

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Our downstream operations consist of hydrometallurgical and pyrometallurgical processing and the production of manganese products such as EMM, manganese sulphate, silicomanganese alloy and EMD. We also employ pyrometallurgical processing to produce non-manganese ferroalloy, such as high carbon ferrochromium.

Mining operations

Our mining operations typically include exploration through third party exploration professionals, evaluation of financial and technical viability of a project, development and the physical mining of mineral resources. We currently practice open pit and underground mining at Daxin Mine and open pit mining at Tiandeng Mine.

Daxin Mine

Mining operations at Daxin Mine consist of open-pit and underground operations. Open-pit mining produces manganese oxide ore as well as manganese carbonate ore, while underground mining only produces manganese carbonate ore. The open-pit mining is undertaken at the site using conventional shovel and blasting techniques. The crude ores excavated are hauled to the Daxin Concentrating Plant by trucks, while the wastes are hauled to one of the two waste dumps in the vicinity of the open-pit.

Underground mining has been undertaken at Daxin Mine since 1999. We use shallow hole shrinkage techniques in underground mining. The miners drill blast holes in slices of intact ores to be mined from the ceilings of stopes, which later serve as the openings for extraction of the ores, and then charge the holes with explosives. Approximately 30% to 40% of the broken ores are withdrawn from the bottoms of the stopes, and the ores in the slices are blasted down, replacing the broken ores withdrawn. The miners then re-enter the stopes and work off the newly blasted ores. The crude ores excavated are hauled to the Daxin Concentrating Plant by electric locomotive cars, while the waste is hauled to two nearby waste dumps.

The following table sets forth the actual and projected mine capacity and production of Daxin Mine for the periods indicated.

Daxin Mine	Year ended December 31,					Six months ended June 30,
	2007	2008	2009	2010	2011	2010
	(actual)	(actual)	(actual)	(forecast)	(forecast)	(actual)
<i>Open pit mining</i>						
Mine capacity ⁽¹⁾ (thousand tonnes)	400	500	700	700	700	700
Mine production (thousand tonnes)	345	406	493	650	650	289
Open-pit stripping ratio	21.0:1	17.5:1	14.3:1	12.8:1	11.3:1	13.3:1
<i>Underground mining</i>						
Mine capacity ⁽¹⁾ (thousand tonnes)	200	300	300	300	300	300
Mine production (thousand tonnes)	246 ⁽²⁾	297	322 ⁽³⁾	300	300	161
Average manganese oxide grade	28.5%	30.0%	32.9%	28.0%	28.2%	31.2%
Average manganese carbonate grade	18.5%	19.2%	20.2%	18.5%	18.2%	18.5%
Total mine capacity ⁽¹⁾ (thousand tonnes)	600	800	1,000	1,000	1,000	1,000
Total mine production (thousand tonnes)	591	703	815	950	950	450

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Notes:

- (1) Mining capacity relates to the annual mining capacity at the end of the period.
- (2) Underground mining production in the year ended December 31, 2007 exceeded the annual underground mining capacity because (i) the capacity was calculated on a 300-day basis, and Daxin Mine operated for more than 300 days in 2007 at full capacity, and (ii) we purchased more advanced mining machineries in 2007 and improved the production efficiency at Daxin Mine.
- (3) Underground mining production in the year ended December 31, 2009 exceeded the annual underground mining capacity because the capacity was calculated on a 300-day basis, and the underground mining operation at Daxin Mine operated for more than 300 days in 2009 at full capacity.

Our open-pit mining productions at Daxin Mine were below the mining capacities for the three years ended December 31, 2009 and six months ended June 30, 2010, primarily because (i) we managed the open-pit mining scale of manganese oxide ores to ensure the sufficient and sustainable supply of feeding materials for our downstream production, which uses the concentrates processed from the manganese oxide ores, (ii) our expanded open-pit mining capacities as of December 31, 2008 and 2009 were reached in the second half of the respective year, and (iii) our open-pit mining production at Daxin Mine during the six months ended June 30, 2010 was affected by the rain season in the same period. Our open-pit mining production in the second half of a year is generally greater than that in the first half of the year as a result of the rain season.

We have been engaged in an expansion project at Daxin Mine during the Track Record Period. The purpose of the project is to increase the underground mining and ore processing capacities at Daxin Mine by accessing another ore body of manganese carbonate ore. We expect to access the new ore body and increase the underground mining capacity up to 600,000 tpa by the end of 2014.

We intend to commence another expansion project in 2011 at Daxin Mine with the purpose to access the deposits of manganese carbonate ore in the northern and central portions of the mine, and to further ramp up the underground mining capacity at Daxin Mine from 600,000 tpa to 1,400,000 tpa. This expansion project also includes ramping up the concentrating and grinding capacities for manganese carbonate ore at Daxin Mine. We estimate to spend approximately HK\$698 million in total on this expansion project.

The open-pit mining operations at Daxin Mine are conducted by our own employees. In line with the prevailing industry practice, we outsource our underground mining works at Daxin Mine to third party contractors. We selected our underground mining contractors at Daxin Mine based on the contractors' professional qualifications, technical and financial capabilities and production safety record. We entered into a long-term outsourcing contract for underground mining of Daxin Mine with Guangxi Xishan Mineral Industrial Company (廣西錫山礦業有限公司), which holds 20.59% of the equity interest in Guangxi Start and is one of our connected persons under the Listing Rules. For more information regarding our transactions with Guangxi Xishan Mineral Industrial Company, please refer to the section headed "Connected Transactions — Continuing Connected Transactions" in this prospectus. We also entered into an outsourcing contract with Wenzhou Construction Group Co. (溫州市建設集團公司), an Independent Third Party, with a term of eight years in 2006. To increase the utilization of our reserves at Daxin Mine, we entered into an outsourcing contract to excavate the residual reserves in certain mined areas with Guangxi Hechi City Construction Engineering Company Limited (廣西河池市建築工程公司), an Independent Third Party, in January 2009 with a term of one year, which was subsequently renewed for another year. We intend to extend the outsourcing contract again upon its expiry on December 31, 2010. The mining work outsourced to these third party contractors involves low-skill labor. Our managerial and technical personnel manage and oversee the mining works carried out by our contractors. The contractors are required to satisfy the

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technical parameters regarding their underground mining works stipulated in the outsourcing contracts. We believe we have established stable working relationships with our contractors, which are conducive to the organized performance of our underground mining works.

We make monthly payments to our contractors based on the amount and grade of ores excavated. The total fees we paid to Guangxi Xishan Mineral Industrial Company, Wenzhou Construction Group and Guangxi Hechi City Construction Engineering Company Limited for the three years ended December 31, 2009 and the six months ended June 30, 2010 were approximately HK\$17.6 million, HK\$30.0 million, HK\$34.6 million and HK\$5.3 million, respectively, representing approximately 1.6%, 1.4%, 2.1% and 0.5%, respectively, of our total cost of sales for the corresponding periods.

Our outsourcing contracts with the underground mining contractors provide that the contractors must comply with the applicable laws and our own guidelines regarding production safety. We also conduct periodic inspections of the underground mining premises to check the compliance of the contractors. If there is any non-compliance detected during the inspection, we would request the contractors to adopt necessary remedial measures at the contractors' own cost. As of the Latest Practicable Date, we were not aware of any material non-compliance with the applicable laws and our own guidelines by any of the three contractors during the Track Record Period with respect to the underground mining works at Daxin Mine.

Under the outsourcing contracts, all losses caused by, or incurred pursuant to, the underground mining works of the contractors shall be borne by the contractors, as long as such losses are not caused by any fault on the part of our Company. Our PRC legal advisers have advised us that, under the applicable PRC law, we are not responsible for any loss, including but not limited to any injury or casualty suffered by any third party or employee of our contractors, caused by or incurred pursuant to the outsourced activities unless we are at fault regarding our order or instruction, or selection of our contractors. However, we cannot assure you that no claim in respect of the outsourced works will be made against us in future. Please refer to the section headed "Risk Factors — We rely on third-party contractors for part of our operations, and in the case of any failure by such contractors in performing their tasks or by us to maintain long-term and stable working relationships with such contractors, our financial condition and results of operations may be adversely affected" for further information.

We did not experience any major disputes with our three contractors at Daxin Mine during the Track Record Period. As of the Latest Practicable Date, each of our outsourcing contracts with the three contractors remained valid and effective in accordance with its terms.

Tiandeng Mine

Mining operations at Tiandeng Mine currently consist of open-pit operations and produce manganese oxide ore only. Open-pit mining is undertaken at Tiandeng Mine by our own employees. The ore bodies at Tiandeng Mine are close to the earth's surface and can be mined directly with shovels. The crude ores excavated are hauled to Tiandeng Concentration Plant by trucks, while the waste is hauled to one of the three waste dumps in the vicinity of the open-pit. Tiandeng Mine comprises four sub-regions. Two of the sub-regions, namely the Tuoren East and Tuoren West sub-regions, have been mined for more than 30 years and the oxide ore reserves available in the two sub-regions were close to being depleted as of June 30, 2010. We commenced mining operations in March 2010 at part of the Dongmeng sub-region, which compensated to certain extent the depletion at Tuoren East and Tuoren West. We are in the course of negotiating the leases and obtaining the temporary land use rights for the Luli sub-region and the remaining part of the

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Dongmeng sub-region. Our PRC legal advisers have advised us that the PRC laws and regulations do not prohibit us from signing the leases and apply for the temporary land use rights. In addition, the relevant land authority has verbally confirmed to us that the temporary land use rights with respect to the Luli sub-region and the other part of Dongmeng sub-region will be approved as soon as we have entered into the lease agreements with the landlords. We expect to obtain the necessary land use rights and commence full-scale mining operations at the Luli and Dongmeng sub-regions by the end of 2010. The combined manganese ore reserves at the Luli and Dongmeng sub-regions as of June 30, 2010 were expected to support approximately 5.9 years of mine production assuming a production rate of 500,000 tpa of ore.

According to the SRK Report, there is potential to discover mineral resources and ore reserves in the underground area of Tiandeng Mine. Please refer to the section headed “— Our Mineral Resources and Mining Rights — Tiandeng Mine” in this prospectus for further details.

The following table sets out the actual and projected mine capacity and production of Tiandeng Mine for the periods indicated.

<u>Tiandeng Mine</u>	<u>Year ended December 31,</u>					<u>Six months ended</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>June 30,</u>
	<u>(actual)</u>	<u>(actual)</u>	<u>(actual)</u>	<u>(forecast)</u>	<u>(forecast)</u>	<u>2010</u>
						<u>(actual)</u>
Mine capacity ⁽¹⁾ — Open pit (thousand tonnes)	500	500	500	500	500	500
Mine production — Open pit (thousand tonnes)	462	399	294	120	300	46
Average manganese oxide grade	17.6%	17.6%	17.5%	17.7%	15.9%	17.7%
Open-pit stripping ratio	3.4:1	2.2:1	2.5:1	9.5:1	9.0:1	2.6:1

Note:

(1) Mining capacity relates to the annual mining capacity at the end of the period.

The mining capacity at Tiandeng Mine was under-utilized during the Track Record Period, especially for the two years ended December 31, 2009 and six month ended June 30, 2010. This was primarily because the ore reserves of Tuoren East and Tuoren West sub-regions were gradually depleted during the same periods. Mining was stopped at Tuoren East and Tuoren West from April to June 2010. Our mining operations at Tiandeng Mine are expected to be conducted mainly at the Luli and Dongmeng sub-regions going forward. We commenced mining operations in March 2010 at part of the Dongmeng sub-region, and expect to commence full-scale mining operations at the Luli and Dongmeng sub-regions by the end of 2010.

Ore processing operations

Our ore processing operations for manganese products include concentrating and grinding. Our products from ore processing, such as metallurgical manganese concentrate (lumps), natural discharging manganese (powder) and manganese concentrate (powder), can be used in our downstream operations or sold to third party customers. As we expand our downstream processing operations, we expect that our products from ore processing will be increasingly consumed by our own downstream processing operations. For the three years ended December 31, 2009 and the six months ended June 30, 2010, the amount of products from our ore processing operations that were consumed by our own downstream processing operations represented 57.5%, 72.3%, 79.8% and 84.4%, respectively, of our total products from our ore processing operations.

Concentrating

Concentrating is the first major stage of our processing operations. It is a process through which crude ores are reduced to smaller particles that can be separated into minerals and waste.

The concentrating process begins with the crushing of crude ores to produce optimum sized particles ready for further processing. The processing of manganese oxide ore uses washing, screening and gravity selection techniques to separate mineral particles from waste. Screening separates the mineral particles because the mineral particles have a different average size than waste. The gravity selection technique separates the mineral particles based on the distinguishing density properties of the mineral particles. The processing of manganese carbonate ore uses screening and magnetic selection techniques. Magnetic selection exploits the distinguishing magnetic properties of the mineral particles to be separated. We apply different techniques to the processing of manganese oxide ore and manganese carbonate ore because of their different chemical and physical characteristics.

The concentrating process adopted by our Company is effective and cost-competitive, according to the SRK Report. No chemical substance is employed in the concentrating process.

The resulting products of our concentrating operation depend on the types of crude ore processed. The concentrate from manganese carbonate ore includes manganese carbonate concentrate (lumps). The concentrate from manganese oxide ore includes metallurgical manganese concentrate (lumps), natural discharging manganese (lumps), and chemical manganese concentrate (lumps). We sell some of the natural discharging manganese (lumps) and manganese concentrate (lumps) from our concentrating operation directly to third party customers, and consume the rest for further processing.

Each of Daxin Mine and Tiandeng Mine has an on-site concentrating plant, namely Daxin Concentration Plant and Tiandeng Concentration Plant. The crude ores produced by each of Daxin Mine and Tiandeng Mine are delivered to their respective on-site concentrating plant for processing.

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As of June 30, 2010, the combined processing capacity of our concentration plants was approximately 1.4 million tpa of crude ore. The following table sets out our respective actual and projected manganese concentrate capacity and production at the two concentration plants for the periods indicated.

<u>Annual production (thousand tonnes)</u>	<u>Year ended December 31,</u>					<u>Six months ended June 30,</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>(actual)</u>	<u>(actual)</u>	<u>(actual)</u>	<u>(forecast)</u>	<u>(forecast)</u>	<u>(actual)</u>
Daxin Concentration Plant						
<i>Processing capacity⁽¹⁾</i>						
Crude ore (manganese carbonate)	300	400	600	600	600	600
Crude ore (manganese oxide) ⁽²⁾	300	300	300	300	300	300
Total	<u>600</u>	<u>700</u>	<u>900</u>	<u>900</u>	<u>900</u>	<u>900</u>
<i>Concentrate production</i>						
Concentrate (from manganese carbonate ore) ⁽³⁾	237	364	536	580	580	320
Concentrate (from manganese oxide ore) ⁽⁴⁾	153	126	128	86	86	61
Total	<u>390</u>	<u>490</u>	<u>664</u>	<u>666</u>	<u>666</u>	<u>381</u>
<i>Average manganese grade of concentrate (%)</i>						
Concentrate (from manganese carbonate ore) ⁽³⁾	21	21.5	22.5	20.8	20.9	20.1
Concentrate (from manganese oxide ore) ⁽⁴⁾	34	31.9	33.4	35.9	34.1	32.2
<i>Metal recovery rate (%)</i>						
Manganese carbonate ore	85.0	83.9	93.3	85.0	83.0	92.5
Manganese oxide ore	72.0	69.0	88.3	73.5	70.0	85.7
Tiandeng Concentration Plant						
Processing capacity (manganese oxide ore) ⁽¹⁾	500	500	500	500	500	500
Manganese concentrate production	222	175	161	58	120	26
Average manganese grade of concentrate (%)	28.4	27.4	25.8	25.0	25.0	24.6
Metal recovery rate (%)	76.1	68.3	80.7	75.0	75.0	87.4

Notes:

- (1) Processing capacity relates to the annual processing capacity at the end of the period.
- (2) Our manganese oxide ore processing facilities at Daxin Concentration Plant may also be used to process manganese carbonate ore.
- (3) Concentrate from manganese carbonate ore includes manganese carbonate concentrate (lumps).
- (4) Concentrate from manganese oxide ore includes metallurgical manganese concentrate (lumps), manganese oxide concentrate (lumps), natural discharging manganese (lumps), and chemical manganese concentrate (lumps).

Utilization and production at Daxin Concentration Plant are affected by the amount of manganese ores mined out at Daxin Mine and Tiandeng Mine. Given the relatively limited amount of manganese oxide ore reserves at Daxin Mine, we plan to reduce the estimated mining production of oxide ore at Daxin Mine to 150,000 tpa and consequently the concentrate production from oxide ore at Daxin Concentration Plant in 2010 and 2011, with a purpose to manage and maintain the long-term sustainability of the production of oxide ore and concentrate from oxide ore. Please refer to SRK Report for further details. Similarly, as a result of the reduced mining production at

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Tiandeng Mine, we expect the production capacity at Tiandeng Concentration Plant to be under-utilized in 2010 and 2011. We expect that the utilization rate at Tiandeng Concentration Plant will improve once we commence full-scale mining operations at Luli and Dongmeng sub-regions of Tiandeng Mine.

We have been engaged in expanding the underground mining and ore processing capacities at Daxin Mine and Daxin Concentration Plant by accessing another ore body of manganese carbonate ore. We expect to access the new ore body and increase the ore processing capacity for carbonate ores correspondingly. We intend to commence another expansion project in 2011 at Daxin Mine with the purpose to access the deposits of manganese carbonate ore in the northern and central portions of the mine, and to ramp up the ore processing capacity for carbonate ores at Daxin Concentration Plant from 600,000 tpa to 1,400,000 tpa.

Tailings from processing the manganese oxide ore at Daxin Concentration Plant are entrusted to the local residents to recycle and improve the recovery rate of concentration. This allows us to improve the utilization of our manganese resources, expand our processing capacity without incurring substantial capital expenditures and operating costs, and take advantage of the relatively cheap labor costs in the vicinity of Daxin Concentration Plant. The local residents enter into recycling entrustment agreements with us to process the tailings, and we pay them processing fees based on the amounts and grades of concentrates they produce and deliver to us. Our PRC legal advisers have advised us that there is no PRC law or regulation prohibiting the execution or the performance of the recycling entrustment agreements with the local residents. For the three years ended December 31, 2009 and the six months ended June 30, 2010, the processing fees that we paid to the local residents amounted to approximately HK\$1.1 million, HK\$2.3 million, HK\$13.2 million and HK\$7.9 million, respectively. The local residents generally adopt a simplified concentrating process by first crushing the tailings, and then applying magnetic selection technique to the crushed tailings to produce concentrates. Other than the payment of processing fees in accordance with the recycling entrustment agreements, we are not liable for any loss caused by, or incurred pursuant to, the recycling operations of the local residents. We are not aware of any accident or claims against us arose under the recycling entrustment agreements during the Track Record Period.

Grinding

At the grinding stage of our ore processing operations, concentrate produced from the concentration operation is ground to produce very fine finishes of less than 0.124 millimeters. The resulting products from the grinding operation are in powder form, including natural discharging manganese and manganese concentrate. We sell the natural discharging manganese and part of manganese concentrate directly to third party customers, and consume the remaining manganese concentrate for the production of EMM and EMD.

Daxin Mine has an on-site grinding plant, namely Daxin Grinding Plant, which processes the concentrate from the Daxin Concentration Plant.

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As of June 30, 2010, the processing capacity of Daxin Grinding Plant was approximately 680,000 tpa of concentrate. The following table sets out our actual and projected grinding capacity and production for the periods indicated.

<u>Annual production (thousand tonnes)</u>	<u>Year ended December 31,</u>					<u>Six months ended June 30,</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>(actual)</u>	<u>(actual)</u>	<u>(actual)</u>	<u>(forecast)</u>	<u>(forecast)</u>	<u>(actual)</u>
Production capacity ⁽¹⁾	500	550	680	680	680	680
Powder produced ⁽²⁾	341	462	604	650	650	355

Notes:

- (1) Processing capacity relates to the annual processing capacity at the end of the period.
- (2) Powder produced includes metallurgical manganese concentrate, chemical manganese concentrate, manganese carbonate concentrate and natural discharging manganese in powder form.

To process the increased volumes of concentrate produced by Daxin Concentration Plant and provide sufficient feeding material for our consistently expanding EMM production during the Track Record Period, we increased the production capacity and concentrate ground at Daxin Grinding Plant during the same period and expect the grinding operation will continue to grow. Since we needed to acquire and install additional grinding equipments at Daxin Grinding Plant before our expanding EMM production capacities commenced production, there was certain lead time between the expansion of our grinding capacity at Daxin Grinding Plant and the actual operation of the additional capacity as a result of the increasing demand from our EMM production expansion during the three years ended December 31, 2009. Therefore, our actual productions at Daxin Grinding Plant were below its grinding capacities during the same periods.

Manganese downstream processing operations

Our manganese downstream processing operations can be categorized into two types of processing, namely hydrometallurgical processing and pyrometallurgical processing. We employ hydrometallurgical processing to extract manganese from the ore or mineral into an aqueous solution and subsequently recover the manganese into other valuable forms. We produce EMM, manganese sulfate, EMD and manganese tetroxide through hydrometallurgical processing. Pyrometallurgical processing consists of thermal treatment of the ore to bring about physical and chemical transformations in the materials. We produce silicomanganese alloy, lithium manganese oxide and lithium cobalt oxide through pyrometallurgical processing.

EMM

Manganese is not found in nature as a free form, but rather combined in minerals as an oxide or carbonate. We are able to produce EMM of 99.8% manganese grade. Pure manganese has widespread applications, including uses in the production of high performance stainless steel, copper and aluminum alloys and electric welding rod.

We currently produce EMM at Daxin EMM Plant, Start EMM Plant and Tiandong EMM Plant. We commenced the construction of Tiandong EMM Plant in July 2008, which is expected to commence operation and reach its designed capacity of 30,000 tpa by the end of 2011. Our combined EMM production capacity reached approximately 101,000 tpa as of June 30, 2010, which made us the largest EMM producer in China in terms of production capacity according to the CISRIG Report. As part of our strategy to expand our downstream processing of manganese products, we plan to

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further expand our combined production capacity of EMM at Daxin EMM Plant, Start EMM Plant, Tiandong EMM Plant and Tiondeng EMM Plant from 101,000 tpa as of June 30, 2010 to 145,000 tpa by the end of 2011.

Our current EMM production facilities

Daxin EMM Plant was one of the first EMM producers in the PRC that were accredited by NDRC in January 2007 as having satisfied the requirements for EMM productions set out in the Entry Conditions on EMM Industry issued by the NDRC.

Start EMM Plant is located in Jingxi County, Guangxi. It borders Daxin County, Guangxi and is close to Daxin Mine. Start EMM Plant obtained the accreditation by NDRC under the Entry Conditions on EMM Industry in June 2009.

To maintain a sufficient and stable supply of manganese raw materials to Start EMM Plant, Guangxi Start entered into a management agreement in 2001 with Jingxi Manganese Mine (靖西縣錳礦), which holds a 8.24% equity interest in Guangxi Start, to manage the mining productions at a sub-district of a mine near Xuntun, Guangxi, or the Jingxi sub-district, on behalf of Jingxi Manganese Mine. Under the management agreement, Jingxi Manganese Mine entrusted to Guangxi Start the management of the mining productions at the Jingxi sub-district until 2031, which will provide carbonate ore production of 60,000 tpa. We do not hold any equity interest in the mine which we are managing on behalf of Jingxi Manganese Mine. Our PRC legal advisers have advised us that our arrangements with Jingxi Manganese Mine are lawful as (i) the parties to the management agreement did not attempt to transfer the mining permit to Guangxi Start without complying with the applicable PRC laws and regulations, and (ii) the management agreement was witnessed and verified by the Geology and Mineral Resources Bureau of Jingxi County (靖西縣地質礦產管理局) upon its execution.

Jingxi Manganese Mine agreed to the management agreement because it did not have the necessary funding and technical expertise to conduct the mining production by itself. We believe we benefit from the management agreement as it contributes to a sufficient and stable supply of manganese ores for our expanding EMM production. The manganese ores obtained from the Jingxi sub-district as a percentage of all manganese ores excavated by our Group from Daxin Mine, Tiandong Mine and the Jingxi sub-district for the three years ended December 31, 2009 and the six months ended June 30, 2010 was 6.5%, 5.6%, nil and nil, respectively. We believe the above arrangement with Jingxi Manganese Mine is mutually beneficial and not uncommon market practice in the mining industry. Our PRC legal advisers have advised us that Jingxi Manganese Mine held valid mining permit for the relevant mining area when the parties entered into the agreement, and the scope and term of the mining productions managed by Guangxi Start should be determined in accordance with Jingxi Manganese Mine's mining permit. Jingxi Manganese Mine's mining permit for the relevant area expired in March 2009 and we understand that Jingxi Manganese Mine is in the process of applying to renew its mining permit. Please refer to the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We may be unable to renew our mining rights for Daxin Mine and Tiandong Mine, Jingxi Manganese Mine may not be able to renew its mining permit for the area mined by Guangxi Start under a management agreement, and we may be unable to obtain exploration or mining rights for other areas in China" for further details.

According to the management agreement, Guangxi Start should ensure the mining operations comply with, and be responsible for the compliance of applicable PRC laws and regulations for the operations of the Jingxi sub-district and liable for any claims arisen therefrom. During the Track Record Period, there was no major accident in the mining operations by Guangxi Start at the Jingxi

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sub-district. Guangxi Start retains all manganese ores excavated by Guangxi Start at the Jingxi sub-district.

Guangxi Start pays Jingxi Manganese Mine an administrative fee calculated in reference to the amount and usage of manganese ores excavated from the Jingxi sub-district. If the manganese ores are used by Guangxi Start for the EMM production at Guangxi Start, the administrative fee is RMB5.00 per tonne. If the manganese ores are sold by Guangxi Start to third parties, the fee is RMB10.00 per tonne. The fee for ores used for the EMM production is set lower to encourage the downstream processing of manganese ores excavated and to maximize the profit of Guangxi Start, of which Jingxi Manganese Mine is one of the shareholders. Guangxi Start consumed all the manganese ores excavated from the Jingxi sub-district, which were all manganese carbonate ores, for its EMM production during the Track Record Period. For the three years ended December 31, 2009, Guangxi Start paid Jingxi Manganese Mine an administrative fee in the amount of approximately HK\$0.30 million, HK\$0.56 million and nil, respectively. The agreement also provides that all taxes or levies upon the manganese ores excavated shall be borne by Guangxi Start, and Guangxi Start shall maintain a manganese recovery rate of no less than 70% in its mining operations. As of the Latest Practicable Date, Guangxi Start had been able to consistently maintain a recovery rate of more than 70%.

The terms of the management agreement between Guangxi Start and Jingxi Manganese Mine were negotiated in 2001 with reference to the market conditions of the manganese industry at that time. The administrative fees, which we believe were fair and reasonable from a business perspective, were negotiated on an arm's length basis. The following table sets out the annual production volume of and average production cost for the manganese ores excavated from the Jingxi sub-district, and the average price of manganese ores of the same grade that we purchased from independent third parties for the periods indicated.

	Year ended December 31,	
	2007	2008
Annual production (thousand tonnes)	73	65
Average production cost per tonne	HK\$106.2	HK\$132.2
Average price per tonne of manganese ores of same grade purchased from independent third parties	HK\$266.7	HK\$322.8

In September 2008, the government of Jingxi County ordered suspension of all mining activities in Jingxi County, including the mining activities at Jingxi Manganese Mine. The mining production managed by Guangxi Start on behalf of Jingxi Manganese Mine had to be suspended accordingly. The government ordered the suspension to inspect and rectify any potential mining production safety issues in Jingxi County caused by the widespread illegal mining activities by those who did not hold any lawful mining permits. As of the Latest Practicable Date, there has been no penalty or liability imposed by any relevant government authorities on account of the mining production managed by Guangxi Start on behalf of Jingxi Manganese Mine, which is confirmed by our PRC legal advisers. The suspension order was lifted in March 2009, when the mining permit held by Jingxi Manganese Mine also expired. Jingxi Manganese Mine is in the process of applying for renewal of its mining permit. For further details, please see the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We face risks associated with our mining and processing operations, and our business is currently dependent on Daxin Mine and Tiandong Mine and in the future will also be dependent upon Bembélé Manganese Mine." in this prospectus.

We commenced the construction of Tiandong EMM Plant in December 2007, which commenced operation in August 2009 and reached its designed capacity of 20,000 tpa in December 2009. It

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borders Tiandong County, Guangxi and is close to Tiandong Mine. As of the Latest Practicable Date, Tiandong EMM Plant is preparing its application for the accreditation by NDRC under the Entry Conditions on EMM Industry.

As of June 30, 2010, our combined production capacity for EMM was approximately 101,000 tpa. The following table sets out the actual and projected EMM capacity and production at these three plants for the periods indicated.

Annual production (thousand tonnes)	Year ended December 31,					Six months ended
	2007	2008	2009	2010	2011	June 30,
	(actual)	(actual)	(actual)	(forecast)	(forecast)	2010
						(actual)
Daxin EMM Plant						
EMM capacity ⁽¹⁾	25	65	65	65	65	65
EMM production	26 ⁽²⁾	41	61	65	65	28
Start EMM Plant						
EMM capacity ⁽¹⁾	16	16	16	17	30	16
EMM production	13	13	10	14	20	7
Tiandong EMM Plant						
EMM capacity ⁽¹⁾	—	—	20	20	20	20
EMM production	—	—	2	15	20	7
Tiandong EMM Plant						
EMM capacity ⁽¹⁾	—	—	—	—	30	—
EMM production	—	—	—	—	17	—
Total						
EMM capacity ⁽¹⁾	41	81	101	102	145	101
EMM production	39	54	73	94	122	42

Notes:

- (1) Production capacity relates to the annual production capacity at the end of the period.
- (2) EMM production at Daxin EMM Plant in the year ended December 31, 2007 exceeded the annual EMM capacity because (i) the capacity was calculated on a 330-day basis, and the plant was operated for more than 330 days in 2007 at full capacity, and (ii) we made interim technical adjustments to the production process and increased the actual production beyond the normal capacity temporarily.

Our EMM production in 2008 at Daxin EMM Plant was below its capacity as of December 31, 2008, primarily because (i) the production capacity at Daxin EMM Plant increased by 40,000 tpa compared with the capacity in 2007, and (ii) such additional capacity came on line in the second half of 2008. The EMM production in 2009 at Start EMM Plant was below its capacity as of December 31, 2009, primarily because of the impact on market demand due to the global financial crisis. The forecast EMM production in 2011 at Start EMM Plant is below its forecast capacity as of December 31, 2011, primarily because we expect the capacity expansion in 2011 to come on line in the last quarter of the year. Our EMM production during the first half of 2010 at Tiandong EMM Plant was below its capacity for the same period, and its forecast production in 2010 is also expected to be below its forecast capacity as of December 31, 2010, primarily because we need to experiment with different mix of feed materials from manganese oxide ores and carbonate ores to optimize the production efficiency and long-term sustainability of our manganese oxide reserves. As a result of the experimentation, our production at Tiandong EMM Plant in 2010 cannot fully utilize the available capacity.

In July 2010, Guangxi Guilin, a connected person of our Company, commenced to provide to us processing services of EMM. We entered into this arrangement with Guangxi Guilin to be able to

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meet the increasing demand for EMM from our customers. Under the arrangement, we will provide the feeding materials including manganese ore concentrates, sulfuric acid, and selenium dioxide; and Guangxi Guilin will receive a processing fee of RMB7,501.0 per tonne of EMM produced, subject to certain adjustment depending on the manganese ore concentrates provided by us. For further details, please see the section headed “Connected transactions — Continuing connected transactions” in this prospectus.

The production process for EMM production at Daxin EMM Plant, Start EMM Plant and Tiandong EMM Plant are very similar. Manganese carbonate concentrate (powder) is leached with sulfuric acid to form a manganous sulfate solution, which needs to be purified. We add manganese oxide and ammonia to precipitate iron, and ammonium sulfate or sodium N, N-dimethyl dithiocarbamate is added to precipitate other impurities including arsenic, copper, zinc, lead, cobalt and molybdenum. The purified solution is then fed into the cathode portion of an electrolytic cell. With the passage of electric current, manganese is deposited in layers with a thickness of a few millimeters on a stainless-steel cathode sheet. Cathodes are extracted periodically, and the manganese deposits are removed by hammering. The removed deposits are the resulting EMM. According to the SRK Report, our production process for EMM is cost-competitive and energy efficient.

EMM production facilities under construction

We intend to continue expanding our production capacity for EMM. We commenced an expansion project at Daxin EMM Plant in February 2010 to increase the production capacity from 65,000 tpa to 95,000 tpa by the end of 2012, and then up to 125,000 tpa by the end of 2014. We expect to spend approximately HK\$756.2 million in total on this expansion project.

We are constructing an additional EMM production facility, namely Tiandong EMM Plant. We commenced the construction of Tiandong EMM Plant in July 2008, which is expected to commence operation in the second quarter of 2011 and reach its designed capacity of 30,000 tpa by the end of 2011.

Manganese sulfate

Manganese sulfate can be used in animal feed to supply soluble manganese required in animals’ metabolism and forming of bones. It can also fertilize plants to avoid or mitigate the effects of soil deficiencies. We produce manganese sulfate at Daxin Manganese Sulfate Plant, which is located in Daxin County, Guangxi. According to the CISRIG Report, we are one of the major manganese sulfate manufacturers in the world.

As of June 30, 2010, our production capacity for manganese sulfate was approximately 25,000 tpa. The following table sets out our actual and projected manganese sulfate capacity and production at Daxin Manganese Sulfate Plant for the periods indicated.

Annual production (thousand tonnes)	Year ended December 31,					Six months ended June 30,
	2007	2008	2009	2010	2011	2010
	(actual)	(actual)	(actual)	(forecast)	(forecast)	(actual)
Daxin Manganese Sulfate Plant						
Manganese sulfate capacity ⁽¹⁾	25	25	25	25	25	25
Manganese sulfate production	22	25	19	18	22	12

Note:

(1) Production capacity relates to the annual production capacity at the end of the period.

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The production in 2009 at Daxin Manganese Sulfate Plant was below its capacity as of December 31, 2009, and its forecast production in 2010 is also expected to be below its forecast capacity as of December 31, 2010. This is primarily because a significant portion of our manganese sulfate is exported to the overseas market, and the demand for manganese sulfate in the overseas market has not fully recovered from the global financial crisis.

To produce manganese sulfate, chemical manganese concentrate (powder) and coke are roasted to produce manganese oxide. Manganese oxide is leached with sulfuric acid to form a manganous sulfate solution. The solution is subsequently purified by filtration and crystallizes into the final manganese sulfate.

EMD

EMD can be used to produce the positive electrode of mercury-free alkaline batteries, which have a higher energy density and longer shelf-life than the carbon-zinc dry batteries, which are produced from natural discharging manganese.

We commenced to produce EMD in October 2008 at Daxin EMD Plant. An expansion project was commenced at Daxin EMD Plant in October 2009 to increase our EMD production capacity up to 20,000 tpa. As of June 30, 2010, our production capacity for EMD reached approximately 20,000 tpa. We plan to continue expanding the production scale of Daxin EMD Plant and ramp up its production capacity to 30,000 tpa by the end of 2012. We estimate to spend approximately HK\$158.2 million in total on the series of expansion projects at Daxin EMD Plant by the end of 2012. The following table sets out the actual and projected EMD capacity and production at Daxin EMD Plant for the periods indicated.

Annual production (thousand tonnes)	Year ended December 31,				Six months ended June 30,
	2008	2009	2010	2011	2010
	(actual)	(actual)	(forecast)	(forecast)	(actual)
Daxin EMD Plant					
EMD capacity ⁽¹⁾	10	10	20	20	20
EMD production	1	8	11	20	5

Note:

(1) Production capacity relates to the annual production capacity at the end of period.

The standard process of our EMD production is similar to that of EMM production. EMD is manufactured by preparing the electrolyte of the manganous sulfate solution, and electrolyzing such electrolyte using insoluble electrodes to deposit manganese dioxide on the anode. The chemical reaction that takes place during the production process of EMD is different than that of the EMM production, as the technical parameters of the EMD production, such as the temperature and density of the solution, voltage of electrolysis and auxiliary materials used, are different with those of the EMM production.

Silicomanganese alloy

Silicomanganese alloy is one of the most useful types of manganese ferroalloy, as it is the only ferroalloy that can be used to obtain the metallurgical benefits of adding silicon and manganese to steel simultaneously. It contains approximately 65% to 68% manganese, approximately 16% to 21% silicon and approximately 1.5% to 2% carbon.

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We currently produce silicomanganese alloy at Tiandeng Ferroalloy Plant and Dabao Ferroalloy Plant. As of June 30, 2010, our combined production capacity for silicomanganese alloy was approximately 62,000 tpa. The following table sets out our actual and projected silicomanganese alloy capacity and production at the two plants for the periods indicated.

Annual production (thousand tonnes)	Year ended December 31,					Six months ended
	2007	2008	2009	2010	2011	June 30,
	(actual)	(actual)	(actual)	(forecast)	(forecast)	2010
						(actual)
Tiandeng Ferroalloy Plant						
Silicomanganese alloy capacity ⁽¹⁾	48	48	50	50	50	50
Silicomanganese alloy production	26	37	48	32	48	18
Dabao Ferroalloy Plant						
Silicomanganese alloy capacity ⁽¹⁾	12	12	12	12	12	12
Silicomanganese alloy production	13 ⁽²⁾	9	10	11	12	7
Total						
Silicomanganese alloy capacity ⁽¹⁾	60	60	62	62	62	62
Silicomanganese alloy production	39	46	58	43	60	25

Notes:

- (1) Production capacity relates to the annual production capacity at the end of the period.
- (2) Silicomanganese alloy production at Dabao Ferroalloy Plant in the year ended December 31, 2007 exceeded the annual silicomanganese alloy capacity because (i) the capacity was calculated on a 300-day basis, and the plant was operated for more than 300 days in 2007 at full capacity, and (ii) we made interim technical adjustments to the production process and increased the actual production beyond the normal capacity temporarily.

The silicomanganese alloy production in 2007 at Tiandeng Ferroalloy Plant was below its capacity as of December 31, 2007, primarily because its capacity expanded by 18,000 tpa from the end of 2006 to the end of 2007, and there was certain lead time between the capacity expansion at Tiandeng Ferroalloy Plant and the construction of additional power sub-station by the local electricity grid to meet the additional electricity demand from the expansion. Its silicomanganese alloy production in 2008 was below its capacity as of December 31, 2008, primarily reflecting the impact from the global financial crisis. Its silicomanganese alloy production during the first half of 2010 was below its capacity as of June 30, 2010, primarily because we conducted some maintenance and repair works at Tiandeng Ferroalloy Plant during the period.

The silicomanganese alloy productions in 2008 and 2009 at Dabao Ferroalloy Plant were below its capacities as of December 31, 2008 and 2009, respectively, primarily because of the impact from the global financial crisis.

The production process for silicomanganese alloy at Tiandeng Ferroalloy Plant and Dabao Ferroalloy Plant are identical. Silicomanganese alloy is produced by smelting of metallurgical manganese concentrate (lumps) with coke, limestone and dolomite. To achieve higher efficiency in our production and in line with the industry practice in China, we also consume certain high-grade manganese concentrate imported from the international manganese market as additional feeding materials in our production process. For each of the three years ended December 31, 2009 and the six months ended June 30, 2010, our silicomanganese alloy production at Tiandeng Ferroalloy Plant and Dabao Ferroalloy Plant expended approximately HK\$44.0 million, HK\$100.0 million, HK\$88.2 million and HK\$52.1 million, respectively, to import high-grade manganese concentrates as feeding materials for their production.

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As part of our strategy to expand our downstream processing operations, we commenced to conduct basic land-leveling works on the site of Beibuwan Ferroalloy Plant in Beihai City, Guangxi in July 2008. The designed capacity of Beibuwan Ferroalloy Plant is 160,000 tpa of silicomanganese alloy. We intend to ship the manganese oxide ores of Bembélé Manganese Mine from Gabon to Beihai City, and use the ores to manufacture silicomanganese alloy at Beibuwan Ferroalloy Plant. As of June 30, 2010, we have invested HK\$94.3 million to acquire the land use rights for and conduct the land-leveling works on the site of Beibuwan Ferroalloy Plant. We expect to invest HK\$581.7 million in total on this project.

We commenced small-scale production of high carbon ferromanganese alloy at Tiandeng Ferroalloy Plant in the fourth quarter of 2009 to maximize the utilization of the available production facilities. We also intended to use it as a pilot program to explore potential large-scale production in future at the planned Beibuwan Ferroalloy Plant. For further details, please see the section headed “Financial information — Results of operations”.

Manganese tetroxide, lithium manganese oxide and lithium cobalt oxide

Manganese tetroxide is used in the electronics industry as one of the raw materials to manufacture professional grade manganese-zinc ferrites. Lithium manganese oxide and lithium cobalt oxide are mainly used as cathode materials in lithium battery. Lithium manganese oxide is designated as the preferred material to manufacture lithium-ion power batteries in China’s National Eleventh Five-Year Plan, which sets forth the blueprint for the country’s national economic development. According to the CISRIG Report, the market for lithium-ion batteries has grown fast in China and globally in the recent years. We believe there is significant growth potential in the market for lithium manganese oxide and may consider expanding our production capacity under appropriate market conditions.

We commenced the construction of Chongzuo Base in July 2009 and the trial production in August 2010. We expect to commence commercial production before the end of 2010. As of June 30, 2010, we have spent approximately HK\$104.3 million on the construction of Chongzuo Base. We expect to spend approximately HK\$209.4 million in total on developing Chongzuo Base until it reaches its designed production capacity, which is 30,000 tpa for manganese tetroxide, 600 tpa for lithium manganese oxide and 1,000 tpa for lithium cobalt oxide. The following table sets out our actual and projected capacity and production at Chongzuo Base for the periods indicated.

<u>Annual production (thousand tonnes)</u>	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2011</u>
	(forecast)	(forecast)
Manganese tetroxide		
Capacity ⁽¹⁾	10	10
Production	2	10
Lithium manganese oxide		
Capacity ⁽¹⁾	0.6	0.6
Production	0.2	0.6
Lithium cobalt oxide		
Capacity ⁽¹⁾	1.0	1.0
Production	0.2	0.6

Note:

(1) Annual production capacity relates to the annual production capacity at the end of year.

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Manganese tetroxide is manufactured by mixing EMM powder, purified water and ammonium salt additives to form EMM suspension. Air or oxygen is then pumped into the suspension to oxidize the EMM to produce manganese tetroxide. The production of lithium manganese oxide is essentially a high-temperature solid-phase synthesis reaction. Lithium manganese oxide is produced by smelting of EMD with lithium carbonate. The standard process of lithium cobalt oxide production is similar to that of lithium manganese oxide production. Lithium cobalt oxide is produced by smelting of lithium carbonate with cobalt oxide.

Non-manganese ferroalloy processing operations

High carbon ferrochromium

High carbon ferrochromium can be used for the production of stainless steel to increase the steel's hardness, strength and resistance to oxidation and expansion at high temperatures. We commenced the production of high carbon ferrochromium at Qinzhou Ferrochromium Plant following our acquisition of a 70% equity interest in Qinzhou New Materials in February 2007.

Qinzhou Ferroalloy Plant is located in the Economic Development Zone of Qinzhou Harbor, which is one of the major harbors in Guangxi. According to the SRK Report, the location of Qinzhou Ferroalloy Plant makes it convenient for us to import the chromium ore consumed in the production process. As of June 30, 2010, our production capacity for high carbon ferrochromium was approximately 60,000 tpa. The following table sets out our actual and projected high carbon ferrochromium capacity and production at Qinzhou Ferroalloy Plant for the periods indicated.

Annual production (thousand tonnes)	Year ended December 31,					Six months ended June 30,
	2007 (actual)	2008 (actual)	2009 (actual)	2010 (forecast)	2011 (forecast)	2010 (actual)
High carbon ferrochromium capacity ⁽¹⁾ . . .	50	50	50	60	60	60
High carbon ferrochromium production . . .	34	33	42	33	50	21

Note:

(1) Production capacity relates to the annual production capacity at the end of the period.

Our productions of high carbon ferrochromium during the three years ended December 31, 2009 and six months ended June 30, 2010 were below the capacities at Qinzhou Ferroalloy Plant at the end of relevant periods, primarily because (i) the market demand for high carbon ferrochromium was not as strong as the demand for our manganese products during the same periods, and (ii) our production scale was affected by the availability of chromium feeding materials that we can purchase at economic terms.

The production of high carbon ferrochromium is essentially a carbothermic reduction operation taking place at high temperatures. In the electric smelting furnace, chromium ore is reduced by coke to form the ferrochromium alloy. When enough smelted high carbon ferrochromium has accumulated in the furnace, a tap hole is drilled open and a stream of molten metal and slag rushes down a trough into a chill or ladle. The high carbon ferrochromium solidifies in large castings, which is crushed for sale.

OUR GABON PRODUCTION PROCESSES AND FACILITIES

We began developing Bembélé Manganese Mine, Gabon in the second half of 2008. We expect to commence open-pit mining and concentrating productions at Bembélé Manganese Mine by the end

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of the first quarter in 2011. The manufacturing processes for our planned mining and concentrating operations in Gabon are similar to the production processes we apply in PRC.

Mining

We expect to engage in open-pit mining operation at Bembélé Manganese Mine, which has been confirmed by SRK as the suitable mining method. The open-pit mining is expected to be undertaken by our own employees in Gabon. The crude ores excavated will be hauled by trucks to the Bembélé Concentration Plant, while the wastes will be hauled to a waste dump nearby.

The following table sets out the projected mine capacity and production of Bembélé Manganese Mine for the periods indicated.

<u>Bembélé Manganese Mine</u>	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2011</u>
	<u>(forecast)</u>	<u>(forecast)</u>
Mine capacity ⁽¹⁾ -open pit (thousand tonnes)	—	1,150
Mine production -open pit (thousand tonnes)	—	530
Average manganese oxide grade (%)	—	31.7
Open-pit stripping ratio	—	1.6:1

Note:

(1) Mining capacity relates to the annual mining capacity at the end of the year.

Concentrating

We are constructing an on-site concentration plant for Bembélé Manganese Mine, namely Bembélé Concentration Plant. We expect it to commence production by the end of the first quarter in 2011 and reach a designed processing capacity of 1,150,000 tpa of ore by the end of 2011. The following table sets out information about the projected construction cost, processing capacity and production of Bembélé Concentration Plant for the periods indicated.

<u>Bembélé Concentration Plant</u>	<u>2010</u>	<u>2011</u>
	<u>(forecast)</u>	<u>(forecast)</u>
Production capacity ⁽¹⁾ (thousand tonnes)	—	758.8
Concentrate production (thousand tonnes)	—	350
Average manganese grade of concentrate (%)	—	43.0
Metal recovery rate (%)	—	89.5

Note:

(1) Production capacity relates to the annual production capacity at the end of the year.

The concentrate yielded at Bembélé Concentration Plant is expected to be shipped to China and consumed in our planned downstream processing operations at Beibuwan Ferroalloy Plant under construction. We intend to sell the concentrate produced at Bembélé Concentration Plant to third party customers before Beibuwan Ferroalloy Plant commences production.

Transportation system

Our transportation system is expected to link Bembélé Manganese Mine through roads and railway to a port at Owendo, Gabon, namely, Owendo Port, from where the concentrate is expected to be shipped back to China.

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We plan to haul the crude ores excavated at Bembélé Manganese Mine by trucks to the Bembélé Concentration Plant, and the concentrate produced at Bembélé Concentration Plant to the transfer station at Ndjole Town, Moyen-Ogooue Province, Gabon, namely, Ndjole Transfer Station. The concentrate will then be loaded onto rolling stock at Ndjole Transfer Station and transported via our own railway spur connecting Ndjole Transfer Station to the Trans-Gabon Railway and then via Trans-Gabon Railway to Owendo Port.

We have completed the construction of roads linking Bembélé Manganese Mine, Bembélé Concentration Plant and Ndjole Transfer Station. We commenced constructing Ndjole Transfer Station in September 2010, which is expected to have a loading capacity of 750,000 tpa and to commence operation by the end of first quarter in 2011. We also commenced constructing the railway spur connecting Ndjole Transfer Station with the Trans-Gabon Railway in September 2010 which is expected to commence operation by February 2011. We have entered into agreements with third party suppliers in China to purchase locomotives and rolling stock for our transportation in Gabon. The locomotives and rolling stock are expected to have a transportation capacity of 750,000 tpa and will be delivered to Gabon in April 2011. We also expect to enter into transportation agreement with Société d'Exploitation du Transgabonais, or SETRAG, pursuant to which SETRAG would operate our locomotives and rolling stock to transport the concentrate from Ndjole Transfer Station to the loading facilities at Owendo Port. We believe such transportation agreement would provide us with sufficient transportation capacity to transport the concentrate produced at Bembélé Concentration Plant.

Before our transportation system in Gabon as described above commences operation in April 2011, we plan to enter into a separate transportation agreement with SETRAG, pursuant to which SETRAG would use its own locomotives and rolling stock and transport our manganese concentrate from Ndjole Town to Owendo Port.

We plan to commence constructing the port facilities at Owendo Port in March 2011. The port facilities at Owendo Port are expected to have a loading capacity of 1,500,000 tpa and commence operation by December 2012. Prior to the commencement of operation at Owendo Port, we expect to lease the port facilities from an Independent Third Party to ship the concentrate out of Gabon.

After the manganese concentrates are shipped out of Gabon, they will be shipped to various ports in China depending on the locations of the customers. We will also ship some of the concentrates to Beihai Harbour in Guangxi and consume them in our planned Beibuwan Ferroalloy Plant. The planned Beibuwan Ferroalloy Plant is located in close proximity to Beihai Harbour in Guangxi. Concentrates can be transported to our plant by truck over a very short distance. For concentrates that will be sold to customers, they will be delivered to various ports and the customers will pick up the concentrates at the ports.

Capital expenditures

It is expected that the total amount of expenditure for the development and construction of our facilities and operations in Gabon will be approximately HK\$575.7 million, comprising (i) approximately HK\$49.1 million to develop the Bembélé Manganese Mine, (ii) approximately HK\$28.5 million to construct the Bembélé Concentration Plant, (iii) approximately HK\$71.0 million to construct the supporting facilities, and (iv) approximately HK\$427.3 million to build the transportation system, including Ndjole Transfer Station, the railway spur connecting Ndjole Transfer Station with the Trans-Gabon Railway, the Owendo Port and the purchase of locomotives and rolling stock.

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As of June 30, 2010, we have expended approximately HK\$134.8 million to develop and construct our facilities and operations in Gabon. In addition, we expect to continue expending approximately HK\$228.6 million in 2010 and approximately HK\$100.0 million in 2011.

OTHER BUSINESSES OF OUR COMPANY

Other than the mining, ore processing and downstream processing of manganese products and production of non-manganese ferroalloy products, we also engage in other business activities, principally including the trading of various commodities. During the Track Record Period, we mainly engaged in trading activities of manganese ore, EMM, chromium ore and sulfur. In general, when we do not have sufficient production capacity to meet our domestic customers' demand for certain commodities, we import such commodities and sell them to our domestic customers. During the Track Record Period, we imported commodities from Australia, South Africa, Philippines, Turkey, and other countries and regions. We also purchased EMM in China to sell to our domestic and overseas customers.

For the three years ended December 31, 2009 and the six months ended June 30, 2010, revenue generated from other businesses accounted for 13.9%, 18.0%, 4.1% and 1.7% of our total revenue, respectively. Please refer to the section headed "Financial Information — Results of Operations" for further information. We believe the trading business is desirable and important in maintaining stable supply of products to our customers, strengthening our relationships with our customers and ultimately increasing our market shares.

RESEARCH AND DEVELOPMENT

As at the Latest Practicable Date, we had a research and development team consisting of more than 100 engineers. We also have several part-time technology consultants, all of which are of professor level. They are responsible for the research and development of our production process. For the three years ended December 31, 2009 and the six months ended June 30, 2010, our expenditure on research and development amounted to approximately HK\$36.0 million, HK\$64.9 million, HK\$44.9 million and HK\$17.9 million, respectively.

We believe we are a technology leader in the PRC manganese industry. We were the only manganese mining enterprise in Guangxi that was awarded the National Advanced Mining Enterprise for Feasible Development of Mining Resources (全國礦產資源合理開發利用先進礦山企業) by MLR (國土資源部), which we were awarded in December 2006 as a recognition of our achievement in maintaining outstanding mining recovery rate, concentration recovery rate and ore dilution rate, and significantly improving our resource recovery rate in our operations. Our operations use advanced, efficient and environment-friendly production techniques and have received numerous recognitions and accreditations. For example:

- we collaborated with Changsha Research Institute Of Mining And Metallurgy (長沙礦冶研究院) and jointly developed the magnetic separation technique for the concentrating operation for manganese carbonate ore. Such technique can upgrade the manganese carbonate ore from Daxin Mine by 3% to 4% and reduce the grade of the tailing from the concentrating operation to below 5% by recycling the tailing. As a recognition of the effectiveness of this technique, we received one of the five First Class Prizes of Science and Technology Progress for Metallurgical and Mining Enterprises (冶金礦山科學技術一等獎) issued by Metallurgical Mines Association of China (中國冶金礦山企業協會) in November 2006, and we were also the only manganese enterprise in the PRC which received the first class prize in 2006;
- we were one of the first EMM producers in the PRC that was accredited by the NDRC in January 2007 as having satisfied the stringent requirements for EMM production set out in the

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Entry Conditions on EMM Industry (《電解金屬錳行業准入條件》) issued by the NDRC in 2006 and amended in February 2008, such requirements including, for example, production capacity threshold of 30,000 tpa for new EMM producer, capacity threshold of 4,000 tpa for existing EMM producer, electricity consumption of not more than a threshold amount for each tonne of EMM produced, zero discharge of cooling water used in production and lawful discharge of dust, gas and noise in compliance with relevant environmental regulations; and

- the manufacture of our principal products, including EMM, has been certified as being in compliance with the ISO9001:2000 standard, which is an internationally recognized quality assurance standard and is the highest quality assurance standard at the national level.

We have strong research and development capabilities to improve our existing manganese product portfolio and develop new manganese products. For example:

- our research and development staff are members of the drafting panel for the entry conditions of Natural discharging manganese (coded YB/T 103-2005), Chemical Manganese Oxide Powder (coded YB/T 5084-2005) and Electrolytic Manganese Metal (coded YB/T 051-2003);
- on April 1, 2008, the Ministry of Science and Technology approved our applications to the Hi-Tech Research and Development Program of China, which is also called the 863 Program, regarding two research and development projects: (i) Heat Recycling New Technology for Reduction by Micro-Sintering of Soft Manganese Ore (熱能回收型軟錳礦微波培燒還原新工藝) and (ii) R&D and Production of High-end EMD (高性能電解二氧化錳的研發與生產). The intellectual property related to these research and development projects are or will be owned by us;
- on June 1, 2008, we entered into technical consultancy agreement with Beijing Science and Technology University (北京科技大學) to upgrade and improve our pyrometallurgical processing capabilities to produce silicomanganese alloy and ferrochromium alloy; and
- in May 2008, we were authorized by the Guangxi Science and Technology Bureau (廣西科學技術廳) to establish at our Company the Guangxi Manganese Industry Engineering and Technology Research Center (廣西錳業工程技術研究中心), which was the only research center for manganese industry approved by the Guangxi Science and Technology Bureau.

Our Directors believe that the results of our research and development have improved our processing technologies, thereby enhancing the quality of our manganese products, which in turn has enabled us to reduce our production costs and enhance our production efficiency. We will continue to focus our research and development efforts on improving processing technologies for our existing manganese products and developing new types of manganese products such as lithium manganese oxide, which is mainly used as cathode materials in lithium batteries.

SUPPLIERS

Our major suppliers in our ordinary course of business mainly consist of suppliers of trading commodities, diesel, lubricating oil, coal and coke, electricity, water, explosives, sulfuric acid, ammonia and selenium dioxide. In the selection of our suppliers, we consider factors such as price, quality, and reliability of supply, lead time, business scale, production capability and commercial reputation. During the Track Record Period, we did not experience any shortages in supplies that resulted in prolonged suspension of our production operations.

Purchases from our largest supplier, being Guangxi Electricity Grid Chongzuo Bureau (廣西電網公司崇左供電局) in 2007, Process Minerals International Pty Ltd. in 2008, Guangxi

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Electricity Grid Chongzuo Bureau in 2009 and the six months ended June 30, 2010, accounted for approximately 18.8%, 20.0%, 28.5% and 12.9% of our total purchases, respectively. Our purchases from the five largest suppliers accounted for approximately 50.3%, 52.4%, 45.7% and 26.6% of our total purchases for the three years ended December 31, 2009 and the six months ended June 30, 2010, respectively.

Our manganese mining and ore processing operations supplied the majority of the manganese used in our downstream processing operations during the Track Record Period.

Purchases of raw materials from our suppliers who were related parties of our Group in the three years ended December 31, 2009 and the six months ended June 30, 2010 were approximately HK\$57.2 million, HK\$159.8 million, HK\$43.3 million and HK\$22.3 million, respectively. None of our Directors and their associates or any shareholders who own more than 5% of our issued share capital has any interest in the five largest suppliers of the Group for the three years ended December 31, 2009 and the six months ended June 30, 2010. For the details of the related party transactions, please refer to Note 33 of the Accountants' Report in Appendix I to this prospectus.

Since January 2009, we entered into entrust manufacturing arrangement with Daxin Industrial, under which we purchase sulfur and entrust Daxin Industrial to use the sulfur we purchased to manufacture sulfuric acid. The steam generated as a by-product during the manufacture process is provided to us free of any additional charge. We believe this arrangement helped us reduce our cost for sulfuric acid compared with directly purchasing sulfuric acid from third parties, it also helped us reduce the cost expended to purchase coal by providing us the steam free of charge as replacement for coal.

As CICMHZ has not yet commenced mining operations at Bembélé Manganese Mine, the provision of supplies for our Gabon operations has been limited and related to development and construction work. The primary supplies and equipment we have purchased for our Gabon operations were trucks and related spare parts, construction materials, including wood, rocks, sand, cement, steel boards and tubes, diesel power generators, diesel, gasoline, oil, tools, equipment for mining exploration and living supplies for employees. In addition, we expect CICMHZ to purchase explosives to support its mining operations at Bembélé Manganese Mine once such operations commence.

To date, we have purchased most of our supplies from suppliers in Gabon under short-term contracts. In addition, we entered into long-term contract with an oil company in Gabon for the supply of fuel and lubricating oil. As the cost of some supplies is much higher in Gabon as compared to the prices of such supplies in China, we plan to import supplies into Gabon from China when it is economically feasible to do so.

Currently, CICMHZ supplies power to its development activities through its own power generating equipment, which is fueled with diesel, and we expect CICMHZ to supply its mining operations with this equipment once such operations commence. Upon the commencement of CICMHZ's mining operations, we expect to drain water from a nearby stream to use in the washing process of our ore processing. CICMHZ has not experienced any power or water shortages in Gabon and we believe that our arrangements for power and water will meet the needs of Compagnie Industrielle in the future. Please refer to the section headed "Risk Factors — Risks Relating to our Business and Industry — We face various challenges associated with providing supplies, energy and transport capacity to our operations in Gabon" for further details.

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INVENTORY CONTROL

Our inventory is comprised of raw materials, work in progress and finished products. Our inventory control policy is to minimize the inventory levels while maintaining sufficient inventories for our production and sales. We also have at times managed the timing and quantity of sales volumes of our products to maximize our average selling prices, and sold products from inventory in response to an anticipated higher market demand. We adopt a flexible approach with respect to target inventory balance, maximum inventory holding period or inventory turnover days to respond to the fluctuations of market prices.

Before June 2008, our inventory control system was based on paper-based inventory statements. We monitored the inventory levels, inventory history and inventory composition by tallying our inventories before the end of each month. In June 2008, we implemented a computerized inventory management system that allowed us to monitor the inventories in real time. Since the last quarter of 2008, we have also adopted the following measures to minimize our inventory risks arising as a result of any significant decrease in the market price of manganese products.

- *Identifying slow moving inventory.* We conduct monthly ageing analysis of our inventory to monitor and identify the slow moving inventory items. We also conduct estimate of the net realizable value of our inventory at the end of every quarter.
- *Expediting sales of slow moving finished goods.* We will expedite the sales of slow moving finished goods to reduce the amount of inventory and inventory provision, by increasing the marketing and sales efforts such as more customer visits, development of new customers, and expanding the geographic outreach of our sales network.
- *Preparing and implementing inventory control plan.* In accordance with our inventory control policy, we prepare monthly inventory control plan before the end of each month to adjust the level and composition of our inventory in the next month. Based on the latest market information and their experience and judgment in respect of market price trends, our management monitors our inventory turnover days on a monthly basis. In the event that our management monthly review of our inventory turnover days demonstrates that our inventory turnover is slowing down, we will put in place a plan to accelerate the sale of our products within a reasonable period of time, if our management believes the market prices for our prices have experienced sustained and sharp declines and will not recover in the short term.
- *Adjusting production scale.* Our sales and marketing department assesses the market response to our prices in terms of impact on our sales volumes, and provide such feedback information to our pricing committee and our management. Our management will adjust the production scale if necessary to maintain the optimum procurement and inventory level.

We believe the above inventory control policies have been generally effective. We engaged an independent internal control consultant to review and assess our internal control procedures of the Group, and there was no identified significant deficiency or material weakness with respect to our inventory control policy as of August 31, 2010. The effectiveness of our inventory control policy was demonstrated in our significantly reduced inventory balance before provision of HK\$446.8 million as of December 31, 2009 compared with HK\$507.4 million as of December 31, 2008, even when we significantly increased the production volume of EMM and silicomanganese alloy in 2009. Our inventory balance before provision as of June 30, 2010 increased to HK\$500.9 million from HK\$446.8 million as of December 31, 2009, mainly because (i) our increased scale of production in the first half year of 2010, and (ii) the increased price of direct materials and fuel in the first half of

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2010. As of August 31, 2010, 39% of our inventories as of June 30, 2010 were utilized or sold. For further details, please see the section headed “Financial Information — Liquidity and capital resources — Inventory analysis” in this prospectus.

SALES AND MARKETING

Pricing

Demand for our products is affected by, among other factors, the economic, environmental and government policies in the PRC and other parts of the world. Pricing of our products are decided by a joint pricing committee comprising our senior management and department heads of sales and marketing, finance and production departments. The joint pricing committee discusses and decides for each month the floor prices for our products, by taking account of (i) prices of the same products in the international and domestic markets; (ii) demand and supply in the international and domestic markets; and (iii) our production cost and profitability. Our sales and marketing department makes appropriate upward adjustments to the floor prices depending on the timing and quantity of the sales and our relationship with the particular customer.

Sales and marketing

During the Track Record Period, the majority of our products were sold at the then prevailing market prices. We generally enter into sales contracts that specify the quantities and timing of purchases planned with a term of no more than one month. The remaining products were sold pursuant to sales contracts with a term of less than six months. Given the volatile market prices of manganese products, we generally do not enter into sales contracts with a term of more than six months. We have established a centralized sales and marketing structure for better pricing and credit control. As of June 30, 2010, our sales team had approximately 44 members. Our customers include end users of our products as well as traders. For the three years ended December 31, 2009 and six months ended June 30, 2010, the share of our revenue derived from sales to traders amounted to 8.6%, 11.7%, 15.7% and 12.0%, respectively. We believe that we have well-established relationships with customers in the PRC and overseas.

The following table sets forth the amount, in absolute and percentage terms, of our domestic and export sales for the three years ended December 31, 2009 and the six months ended June 30, 2010.

	Year ended December 31,						Six months ended June 30,	
	2007		2008		2009		2010	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(HK\$ millions)	(%)	(HK\$ millions)	(%)	(HK\$ millions)	(%)	(HK\$ millions)	(%)
PRC	1,074.5	63.8	1,971.5	68.9	1,841.7	88.3	1,104.2	85.8
Overseas	610.0	36.2	891.4	31.1	244.7	11.7	183.2	14.2
Total	<u>1,684.5</u>	<u>100.0</u>	<u>2,862.9</u>	<u>100.0</u>	<u>2,086.4</u>	<u>100.0</u>	<u>1,287.4</u>	<u>100.0</u>

EMM and manganese sulfate are our principal products for overseas sales, which historically commanded higher selling prices in overseas sales compared to those in domestic sales. For the three years ended December 31, 2009 and the six months ended June 30, 2010, approximately 79%, 85%, 23% and 23%, respectively, of our EMM was exported to overseas customers, and approximately 41%, 61%, 38% and 47%, respectively, of our manganese sulfate was exported to overseas customers.

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The revenue contribution of our export sales decreased significantly from 31.1% in 2008 to 11.7% in 2009, primarily reflecting our effort in 2009 to expand our customer base in PRC to mitigate the impact of global financial and economic downturn unfolded in the second half of 2008.

Export license and tariff

Our PRC legal advisers have advised us that we are not subject to any restriction on the ratio of domestic sales or sales to overseas markets under the applicable PRC laws and regulations. We have the autonomy in deciding how many of our products to be sold in China or exported to overseas.

Pursuant to the Category of Goods Administered under Export Licenses in 2008 (《2008年出口許可證管理貨物目錄》), promulgated by MOFCOM and the Ministry of Customs on December 29, 2007, exports of manganese-related products are subject to export license regulations from January 1, 2008. The issuance of export licenses for manganese-related products is based on “one license for each batch” (“一批一證”), which means that each export license can only be used once at the customs within the term of its validity, which is usually six months. Please refer to the sections headed “Regulatory Environment” for more information. We have been in full compliance with the relevant regulations and have received all the required export licenses for all our exports of manganese-related products during the Track Record Period.

According to the Tariff Implementation Guidelines of 2010 (《2010年關稅實施方案》) issued by the Tariff Regulations Committee of the State Council on December 8, 2009, the applicable tariff rate effective on January 1, 2010 for the exports of EMM, silicomanganese alloy, ferrochromium and manganese sulfate is 20%, 20% and 20%, respectively.

We did not export any ferrochromium during the Track Record Period. With regard to EMM, we have been able to pass on the cost of increased export tariff to our oversea international customers. There has been no material adverse impact on our results of operations as a result of the increased export tariff rate. However, we cannot assure you that any future increase of tariff rate for the exports of our products will not have material impact on our result of operations. Please refer to the section headed “Risk Factors — Changes in PRC laws, regulations and policies, or the enactment and implementation of new PRC laws and regulations, may materially and adversely affect our financial condition and results of operations” in this prospectus for further details.

Our customers

We have established strong relationships with Chinese and international customers which are industry leaders in their respective sectors, and we have received recognition from our customers for our products and services. In recent years, the rapid development of the steel, battery, animal feed and fertilizer industries in the PRC has led to increased demand for our manganese products in the PRC.

Our customer base comprises both domestic customers and overseas customers from Japan, South Korea, European Union, United States and other countries and regions. Sales to our domestic customers in the three years ended December 31, 2009 and the six months ended June 30, 2010 were approximately HK\$1,074.5 million, HK\$1,971.5 million, HK\$1,841.7 million and HK\$1,104.2 million, respectively, accounting for approximately 63.8%, 68.9%, 88.3% and 85.8%, respectively, of our revenue for the corresponding periods.

Our major customers select us as their supplier based on a number of factors, including the diverse range of products we offer, consistent product quality, stable and reliable supply, cost competitiveness and our favorable market reputation. We believe our relationships with and the

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recognition received from these industry-leading customers demonstrate our competitive strengths in these aspects and our capability to provide consistent customer satisfaction. Our international customers include, among others, Mittal Steel Lazaro Cardenas, S. A. de C. V., whose parent company is Arcelor Mittal; Corus International Trading Ltd., which is a division of Corus; Mitsui Bussan Metals Co., Ltd.; POSCO Asia Co., Ltd.; Commercial Metals Company; Scandinavian Steel AB and Traxys Europe S.A. The combined revenue derived from these seven international customers accounted for approximately 25.9%, 23.6%, 6.5% and 4.9% of our total revenue for the three years ended December 31, 2009 and the six months ended June 30, 2010, respectively. Our Chinese customers include, among others, Lianzhong Stainless Steel Co., Ltd. (聯衆(廣州)不銹鋼有限公司); a subsidiary of Fujian Wu-hang Steel Products Co., Ltd. (福建吳航鋼鐵製品有限公司); Shanxi Taigang Stainless Steel Co., Ltd. (山西太鋼不銹鋼股份有限公司) and Guangzhou Tiger Head Battery Group Co., Ltd. (廣州市虎頭電池集團有限公司). The combined revenue derived from these four Chinese customers accounted for approximately 4.5%, 13.0%, 14.3% and 12.7% of our total revenue for the three years ended December 31, 2009 and the six months ended June 30, 2010, respectively.

We have received recognition from our customers for our products and services. For example, we are credited as a Level A supplier, as recognition for the timely, stable and quality supply of our products, by major customers including Mitsui Bussan Raw Materials Development Corp., our largest international customer for the year ended December 31, 2007 and POSCO Asia Co., Ltd.

For the three years ended December 31, 2009 and the six months ended June 30, 2010, sales to our largest customer accounted for approximately 21.3%, 13.8%, 16.5% and 12.6% of our revenue, respectively. Sales to our five largest customers accounted for approximately 39.5%, 45.7%, 50.2% and 43.6% of our revenue for the corresponding period. None of the Directors, chief executives or substantial shareholders of our Company, or their respective associates or shareholders holding 5% or more of our issued share capital, has any interest in our top five customers.

Sales of goods to the related parties of our Group in the three years ended December 31, 2009 and the six months ended June 30, 2010 were approximately HK\$29.3 million, HK\$45.9 million, HK\$42.2 million and HK\$16.8 million, respectively. For details of the related party transactions, please refer to Note 33 of the Accountants' Report in Appendix I to this prospectus.

Payment and delivery

For domestic sales of our products, we deliver our products to our customers or we may require our customers to collect the products from our production facilities. For overseas sales of our products, we deliver our products to our customers on CIF, FOB or CFR terms, depending on the size of the order, cost of delivery and past payment records of the customer.

Our domestic customers usually pay with telegraphic transfers, bank-accepted bills of exchange or promissory notes endorsed by major banks in PRC, while our international customers usually pay us with telegraphic transfers or letters of credit.

We generally grant established customers credit terms of up to 30 to 90 days, depending on the size of the order and the past payment records of the customer. The overall collection cycle for our domestic sales is generally longer than that for our export sales, primarily because the settlement terms offered to our major overseas customers are by letter of credit or telegraphic transfer.

COMPETITION

Our primary products are manganese products, including manganese concentrate, natural discharging manganese, EMM, manganese sulfate, silicomanganese alloy and EMD. We compete on

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the basis of manganese ore resources, product quality, stable supplies and reliable and timely delivery. We believe that our vertically-integrated business model provides us with significant competitive advantages, enabling us to better control our production costs, shorten the supply and inventory cycle in our production process and effectively allocate our product mix.

We are one of the largest manganese producers in the world and the largest manganese producer in China, according to the Chinese Iron & Steel Research Institute Group. We believe that we are in a leading position in the PRC domestic market. We also face competition in the international market. The international market for manganese products is an open market. The prices of manganese products are principally dependent on supply and demand in the marketplace. According to the AME Report, the key international manganese ore producers include BHP Billiton, Eurasian Natural Resources, Privat, Eramet, Vale and Assmang.

On February 18, 2008, the Entry Conditions on the EMM Industry (《電解金屬錳行業准入條件》) was issued by NDRC, which imposed stringent requirements on the producers of EMM in the PRC regarding production capacity, energy consumption and environmental protection standards. Producers that do not meet these stringent requirements will be closed. Our Daxin EMM Plant was one of the first EMM producers in the PRC that were accredited by NDRC in January 2007. Our Start EMM Plant obtained the accreditation by NDRC under the Entry Conditions on EMM Industry in June 2009.

Our Directors believe that the barriers to entry in our industry include access to manganese resources, the large scale of production required for manganese production, the high quality of product required by customers, the environmental and safety regulations to be complied with and the industry know-how required. In addition, under the Mineral Resources Law of the PRC, mining enterprises must obtain a mining license to conduct mining operations. Our Directors believe that these governmental measures and industry barriers to entry are beneficial to us and have the effect of strengthening our competitiveness against smaller manganese producers. For further details on our competitive strengths, please refer to the section headed “— Competitive Strengths” in this prospectus.

ENVIRONMENTAL, OCCUPATIONAL HEALTH AND SAFETY

We are committed to the sustainable development of our business by complying with all applicable laws and regulations regarding environmental protection, occupational health and safety. We have established Safety, Health and Environmental Protection Department, which is responsible for regulating our labor, hygiene and safety conditions, and monitoring compliance with statutory environmental regulations relating to air, water, noise and solid waste pollution. As of June 30, 2010, we had 52 full-time staff members in our Safety, Health and Environmental Protection Department, and we also designated approximately 60 employees from other departments to assist managing the labor, hygiene and safety conditions of their respective departments. We impose safety and anti-pollution measures, as well as regular internal safety and environmental inspections, at all stages of our operations to minimize the possibility of work-related accidents and injuries, occupational illness and environmental contamination.

Environmental protection

We are subject to PRC national and local environmental laws and regulations on matters such as air emissions, discharge of waste water and pollutants, land reclamation, waste disposal and mining control. We had been in compliance with all the applicable PRC environmental laws and regulations during the Track Record Period, except (i) we failed to obtain the completion and acceptance

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permits for the supporting environmental protection facilities at an expansion project of the mining and concentration operations at Tiandeng Mine that was completed in 2000 and an expansion project at Daxin Manganese Sulfate Plant that was completed in 2003, and (ii) our hydrocarbon storage and handling of fuels and oils do not have secondary containment as required by the applicable PRC laws. As discussed below, we have been in compliance with all applicable PRC environmental laws and regulations after we have completed the construction of the secondary containment for the hydrocarbon storage and fuels and oils in October 2010.

Guangxi Dameng, which owned and managed the expansion projects at Tiandeng Mine and Daxin Manganese Sulfate Plant in 2000 and 2003, respectively, did not obtain the completion and acceptance permits for supporting environmental protection facilities. The then supervisory agency of Guangxi Dameng was aware of such failure to obtain the completion and acceptance permits, and approved the operation of the relevant supporting environmental protection facilities. Such supporting environmental protection facilities have been functioning properly during the Track Record Period. We did not experience any accident or environmental non-compliance on account of these supporting environmental protection facilities during the Track Record Period. We applied for and obtained the completion and acceptance permit for the relevant supporting facilities at Daxin Manganese Sulfate Plant on January 5, 2009. We obtained the completion and acceptance permit for the relevant supporting facilities at Tiandeng Mine in September 2009. Our PRC legal advisers have advised us that failure to obtain the completion and acceptance permit for supporting environmental protection facilities may be subject to a maximum fine of RMB100,000 or suspension of business operation under the applicable PRC laws and regulations. We had not been subject to any penalty in relation to the failure to obtain such permits during the Track Record Period, which was confirmed by the compliance certificates issued by Tiandeng County Environmental Protection Bureau and Daxin County Environmental Protection Bureau, the competent environmental protection authorities for these matters. We believe that the failure to obtain such permits does not negatively reflect on our compliance practices because (i) Guangxi Dameng owned and managed these facilities when such failure occurred, (ii) the then supervisory agency of Guangxi Dameng was aware of Guangxi Dameng's failure to obtain such permits and approved the operation of these facilities, (iii) we did not experience any accident or environmental non-compliance on account of these facilities during the Track Record Period, and (iv) we obtained the permits for Daxin Manganese Sulfate Plant in January 2009 and Tiandeng Mine in September 2009.

Our operations in Gabon are subject to extensive Gabonese regional and local environmental laws and regulations on matters such as environmental impact assessment study requirements, rational exploitation of natural resources, implementation of mining operations, constructions of facilities, protection of national parks, land, water, air, fauna and flora and mining control. During the Track Record Period, we had not incurred any penalty expenses for environmental non-compliance in relation to our Gabon operations.

The major pollutants produced in our operations are acid fog, waste water and waste slag. We have adopted a number of practices to reduce the impact of our operations on the environment. We have established a program dedicated to reduce the acidity of sulfur dioxide discharge. We have installed automatic waste water collection and recycling devices at our processing plants and eliminated our waste water discharge. We also applied the national standard in our slag recycling and disposal practice and reduced the impact of waste slag on the environment. In addition, we continue to explore opportunities to further improve resource optimization and efficiency. We made improvements and repairs to old facilities and equipment to enhance the utility rate of resources as well as reduce the waste produced during the process.

We are actively conducting research and development activities on environmental friendly technologies. We adopted a negative pressure technology in the manganese grinding process which

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increases the utilization rate of resources and reduces pollution discharge. We intend to further improve our environmental efficiency through continuous technical upgrades and exploring cooperation with international mining partners or mining consulting firms with a view to further reducing waste emissions and discharges in the future.

We have established an environmental control system to conduct regular internal inspections to detect potential environmental hazards, and to take rectification measures in the areas of waste management and harmful substances handling and rehabilitation. To meet environmental and safety management requirements, such environmental control system consists of, among other things: (i) a safety and environmental protection inspection system; (ii) an on-site dust prevention and management system; (iii) a regulatory compliance management system; (iv) a management system of dangerous area and strategic point-source pollution; (v) periodic checks of safety and environmental protection; (vi) continuous internal environmental training; (vii) management controls for handling, storage and use of explosives and hazardous substances; (viii) a rehabilitation scheme of the open-pit ore slag (waste dump); and (ix) a waste water recycling system. Our Safety, Health and Environmental Protection Department is responsible for overseeing and implementing our environmental protection and compliance policy, which is headed by experts having more than 20 years of operational and management experience in the manganese industry. Please refer to the SRK Report for further details.

In preparation of the Global Offering, we appointed SRK as our independent technical consultant to, among other things, assess our facilities' compliance with applicable environmental laws and regulations and the environmental impact assessment, or EIA, approval conditions of our facilities. According to the SRK Report, the current operations of our facilities are generally managed in compliance with the applicable environmental requirements and international practice guidelines. However, SRK noted certain potential issues with regards to our mines and plants which either do not meet Chinese or Gabon environmental requirements and/or do not conform to recognized international industry practices. During their review, SRK made recommendations concerning how to address these issues. Please refer to the section headed "Environmental Compliance and Conformance" in the SRK Report for further details. Among the issues identified by SRK, the fact that our hydrocarbon storage and handling of fuels and oils do not have secondary containment was the only issue that is not in full compliance with the requirements under PRC laws, and all the other issues were identified on the basis of international best practices. We completed the construction of the secondary containment for fuels and oils as recommended by SRK in October 2010. We are in the process of implementing the recommendations based on international best practices. SRK noted that there had been significant improvement in our environmental compliance practices between SRK's initial site visit to our production facilities and the recent update site visit.

In accordance with applicable PRC laws and regulations, a person or entity conducting mining activities shall be responsible for rehabilitating land disturbance caused by such activities and make land rehabilitation plans. Such plans are required to be reviewed and approved by expert panels organized by relevant MLR authorities, failing which will result in the failure of such person or entity to obtain relevant mining permits or pass the annual verification of the relevant mining rights.

We have prepared draft formal land rehabilitation plans with regard to land disturbance areas at Daxin Mine, Tiandeng Mine and their associated facilities in accordance with applicable PRC laws and regulations, and are in the process of communicating with the relevant MLR authorities to arrange reviews by expert panels. We expect to pass the review by the expert panels of the relevant MLR authorities by the end of November 2010. We have past the 2009 annual verification of our mining rights to Daxin Mine and Tiandeng Mine.

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As of the Latest Practicable Date, we were not subject to any material environmental claims, lawsuits, penalties or disciplinary actions. However, the PRC Government is moving towards more rigorous enforcement of environmental protection laws and regulations and the adoption of more stringent environmental protection standards. The future imposition of stricter environmental legislation, or more restrictive interpretation or enforcement of current environmental protection laws and regulations, could have a material adverse effect on our business, financial condition and results of operations. Please refer to the section headed “Risk Factors — Risks Relating to Our Business and Our Industry — More restrictive interpretation or more rigorous enforcement of current environmental laws and regulations, or the adoption of new environmental laws and regulations, or unanticipated environmental effects from our operations, could require us to incur new or increased costs and adversely affect our business, financial condition and results of operation” for further details.

For the three years ended December 31, 2009 and the six months ended June 30, 2010, we spent approximately HK\$10.5 million, HK\$2.0 million, HK\$26.9 million and HK\$2.7 million, respectively, on environmental compliance-related activities, such as the purchase of equipment and machinery, the payment of environmental compliance testing fees, the construction of waste water discharge ducts and green zones, and the payment of waste discharge fees. Our expenditure on environmental protection in 2009 increased substantially compared with 2007 and 2008, primarily reflecting the renovation and addition of environmental protection facilities for our EMM production in 2009. Our expenditure on environmental protection for the year ended December 31, 2010 is expected to be approximately HK\$11.6 million.

Occupational health and safety

We have allocated considerable resources for occupational health and safety management matters. We have also established best practice guidelines and reporting systems relating to occupational health and safety, and provided necessary training to our employees. We have not received any specific demands or requirements by our customers with regard to compliance with relevant social, health and safety rules in the areas in which they operate.

All of our PRC subsidiaries possess the relevant production safety permits required by PRC workplace safety laws and regulations. We conduct regular internal safety examinations on a semi-annual basis organized and led by our Safety, Health and Environmental Protection Department. At subsidiary and branch company levels, the regular internal examinations are conducted on a quarterly basis, led by the manager or deputy manager of the relevant subsidiary or branch company and conducted together with personnel in charge of safety and environmental matters at the relevant subsidiary or the branch company. There are also internal examinations at department and plant level on a monthly basis, led by department and plant managers. Designated safety personnel are responsible for overseeing safety on a daily basis. No material defects on our safety practices have been identified during our examinations.

Our safety performance during the Track Record Period was consistent with the safety targets set out in our established safety plan. There were 30 minor injuries, 2 major injuries and no fatalities related to our operations during the three years ended December 31, 2009 and the six months ended June 30, 2010. Both major injuries occurred in 2008. One was caused by a machine malfunction at Start EMM Plant, and the other was caused by a maintenance accident at Tiandeng Ferroalloy Plant. We have fully compensated all injured workers as required by the applicable PRC laws and regulations and the total amount of the compensations paid by us in relation to the injuries during the three years ended December 31, 2009 was approximately HK\$0.7 million. Our PRC legal advisers have advised us

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that we are also under ongoing responsibilities for the injured workers, including paying the injured workers' salaries and providing subsidies to workers disabled because of the injuries. As of the Latest Practicable Date, no worker suffered from permanent injuries due to these accidents. These incidents have not had, and our Directors believe they would not have, material adverse impact on our financial condition and results of operations. There has been no material penalty imposed upon us on account of these incidents or injuries, and we have not experienced any suspension of business as a consequence of any of these incidents or injuries.

We have taken the following measures to reduce the potential risk of work injuries since 2006: (i) repairing and maintaining in good condition all facilities and equipment on a regular basis, (ii) establishing a safety inspection system, (iii) providing continuing safety training sessions to our employees, and (iv) establishing a system to manage dangerous and hazardous substances. We believe these measures have effectively contributed to our safety performance during the Track Record Period which was consistent with our safety targets. We were accredited as a Model Unit of National Safety Month (“全國安全生產月活動優秀單位”) by the State Administration of Work Safety (國家安全生產監督管理總局) on September 29, 2008. We were also in the process of implementing the following measures to further reduce the risk of work injuries in the future: (i) amending our safety guidelines based on past work injuries and improving the implementation of such guidelines, (ii) providing more safety training sessions at the branch or subsidiary level that are tailored to the specific work environment, (iii) strengthening the implementation of our safety inspection system at the branch or subsidiary level, and (iv) establishing emergency rescue teams for accidents in mining operations or mishandling of dangerous and hazardous substances. We believe these new measures will help us achieve our safety targets when we expand our operations. However, there can be no assurance that similar or other incidents will not occur in the future or that more serious corrective measures or penalties will not be imposed by the regulatory authorities. Please refer to the section headed “Risk Factors — Risks Relating to Our Business and Our Industry — Our operators are exposed to risks in relation to production safety and the occurrence of accidents or natural disasters” for further details.

We provide various healthcare benefits to our full-time employees in accordance with applicable Chinese laws and regulations. During the Track Record Period, we did not incur any penalty imposed by the relevant occupational health and safety authorities in China.

For the three years ended December 31, 2009 and the six months ended June 30, 2010, we spent approximately HK\$5.8 million, HK\$14.1 million, HK\$38.9 million and HK\$3.2 million, respectively, on occupational health and safety related activities. Our expenditure on occupational health and safety in 2009 increased substantially compared with 2007 and 2008, primarily reflecting the additional expenditure incurred in relation to our expanding EMM production facilities. Our expenditure on occupational health and safety for the year ended December 31, 2010 is expected to be approximately HK\$18.2 million.

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EMPLOYEES

As of June 30, 2010, we had a total of 3,111 employees in the PRC. They can be categorized into the following types according to their roles:

<u>Types of employees</u>	<u>Numbers of employees</u>	<u>Percentage of total employees (%)</u>
Management	240	7.7
Production	1,894	60.9
Research and Development	195	6.3
Sales and marketing	50	1.6
Safety, health and environmental protection ...	45	1.4
Others	687	22.1
Total ⁽¹⁾	<u>3,111</u>	<u>100.0</u>

Note:

(1) Excludes employees seconded from a third party labor service provider and temporary employees.

During the Track Record Period, we had full-time employees, employees seconded from a third party labor service provider, and temporary employees. During such period, we did not encounter any material difficulties in recruiting employees (including full-time employees, seconded employees and temporary employees), nor any material labor disputes. We currently have no disputes or collective bargaining that may cause significant disruption to our business. The positions occupied by our seconded employees include stockpiler, cargo handler, materials feeder, peeler, cleaner and cathode washer. The third party labor service provider is the employer of these seconded employees. Our PRC legal advisers have advised us that there is no employment relationship between us and the seconded employees, although the applicable PRC laws impose on us certain statutory obligations such as complying with the national labor standards, informing the seconded employees of their job requirements and remunerations, providing overtime payments, incentives and fringe benefits commensurate with the employees' positions, and conducting necessary trainings for the seconded employees. The social welfare insurances of our seconded employees are provided by the third party labor service provider. The positions occupied by our temporary employees are generally the same with the positions occupied by our seconded employees. The temporary employees generally have relatively high turnover rates.

In accordance with the relevant PRC labor and social welfare laws and regulations, we are required to pay, in respect of each of our employees, a monthly social insurance premium covering job-related injury insurance, pension insurance, medical insurance, unemployment insurance and birth insurance separately and housing provident fund. Our PRC legal advisers have advised us that, based on the compliance certificates issued by the relevant authorities, we are in compliance with all applicable social welfare insurance laws and regulations as of the issuance dates of the relevant certificates, and no penalty had been imposed on us, except that we did not provide the social welfare insurance to some of the employees of Guangxi Start. As of the Latest Practicable Date, no demand had been made to us for any delinquent payments, no fines have been imposed on us, and no administrative or legal proceeding had been brought against us in accordance with the applicable PRC social welfare insurance laws and regulations.

We did not provide any social welfare insurance to some employees of Guangxi Start as the high turnover rate of these employees employed compounded by their mobility generally makes it unduly burdensome and practically difficult to establish a system which would enable us to track their movement, as is necessary to fully comply with the labor and social welfare laws and regulations.

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For pension insurance and medical insurance, the applicable rules and regulations require the employees to make co-contributions. The practical difficulty of administering such for temporary employees is further exacerbated by their reluctance to make these necessary co-contributions and any attempts by us to enforce co-contributions would decrease these workers' take-home pay and increase their turnover rate.

We have taken the following measures to rectify this non-compliance issue: (i) we contacted the relevant social welfare authorities to pay all delinquent payments of social welfare insurances for our temporary employees. The relevant social welfare authorities verbally confirmed that they will not accept unilateral contributions from us; (ii) we also contacted the relevant social welfare authorities to pay all penalties or fines that may arise from the historical delinquent payments. The relevant social welfare authorities verbally confirmed that no penalty or fine will be imposed on us on account of such delinquent payments; (iii) as of August 31, 2010, the total outstanding delinquent payment amounted to approximately HK\$1.6 million and the possible penalty under the applicable laws was estimated to be approximately HK\$1.4 million; we have made provisions in the sum of approximately HK\$2.5 million as of the Latest Practicable Date for the delinquent payments and possible penalty; (iv) we will continue to monitor the adequacy of our provisions, and will make additional provisions if necessary. We believe we have the financial strength to pay the penalty or fine, if any; and (v) we commenced to replace our temporary employees with employees seconded from third party labor service providers since February 2008, and reduced the amount of employees for whom we did not provide social welfare insurance since then. In addition, we obtained from the relevant social welfare authority a compliance certificate with respect to Guangxi Start, which confirmed that Guangxi Start has complied with all applicable social welfare insurance laws and regulations as of the issuance date in July 2010. Our PRC legal advisers consulted the relevant social welfare authority in September 2010, which confirmed that (i) this compliance certificate could be relied upon, and (ii) this certificate was issued after the relevant social welfare authority had conducted further investigation of various social welfare compliance issues of Guangxi Start alleged in a previous certificate issued by the relevant authority. Please also refer to the section headed "Risk Factors — Non-compliance with PRC employee social welfare contribution regulation could lead to the imposition of fines or penalties" in this prospectus.

On June 29, 2007, the PRC Government promulgated the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), or the New Labor Law, which became effective on January 1, 2008. The New Labor Law imposes greater liabilities on employers and significantly affects the cost of an employer's decision to reduce its workforce. Further, it requires certain terminations of employment to be based upon seniority and not merit. Our PRC legal advisers have advised us that, in accordance with the New Labor Law, all existing employment contracts with our employees as of January 1, 2008 should continue to be performed until their expiration, and we should not be subject to any penalty as long as the employment contracts that we enter into with our employees after January 1, 2008 comply with the New Labor Law. All employment contracts that we entered into after January 1, 2008 have complied with the New Labor Law. Please refer to the section headed "Risk Factors — Risks Relating to Business Operations in the PRC — New labor laws in the PRC may adversely affect our business, financial condition and results of operations" for further details.

As of June 30, 2010, we had 82 full-time employees in Gabon who are all Chinese citizens employed by us in China and seconded to our Gabon operations to provide technical assistances, including construction management and operating construction machines and equipment. We entered into employment contracts with and duly process payrolls for these employees and completed all legal, tax, social and immigration formalities in accordance with applicable Gabonese laws and

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regulations. We also contracted with approximately 54 temporary employees in Gabon. The positions occupied by our temporary employees include machine operator, truck driver, construction worker, lumberman and other labor-intensive positions.

INTELLECTUAL PROPERTY

Our intellectual property consists primarily of patents, trademarks and other industry know-how and trade secrets. As of the Latest Practicable Date, we have registered three patents and two trademarks in PRC and are in the process of applying for the registration of four patents and two trademarks in PRC and two trademarks in Hong Kong.

Please refer to the section headed “Further Information about the Business — Intellectual property rights of our Company” of the Statutory and General Information in Appendix VII to this prospectus for further details of the intellectual property rights owned by us or under application.

INSURANCE

PRC

In accordance with the industry practice in the PRC, we maintain insurance policies for our production facilities and property, plant and equipment in the PRC. These policies cover losses arising from fire, theft and abrasion and wear in respect of machinery. We also maintain work cover insurance for our employees. We do not maintain business interruption insurance or third party liability insurance against claims for property damage, personal injury and environmental liabilities, save for the statutory third party liability insurance for our motor vehicles. We have not made any material claims under our insurance policies and have not experienced any material business interruptions during the Track Record Period.

Gabon

Our Company currently has very limited insurance policies in Gabon. This is mainly due to the fact that we have not yet started mining operations. In accordance with applicable Gabonese laws and regulations, we maintain insurance policy for our transportation vehicles, which mainly covers fire, roadside assistance, passenger liability and third party responsibility.

We have not made any material claim under our insurance policies in Gabon during the Track Record Period.

During the Track Record Period, we had not experienced any significant loss or damage to our buildings, machinery, equipment and automobiles. Our Directors confirm that, subject to the relevant disclosures in the section headed “Risk Factors — Risks relating to our business and our industry — We may not have insurance coverage that is adequate to cover potential liabilities and losses” in this prospectus, our insurance coverage over our assets was adequate as of the Latest Practicable Date.

PROPERTIES

There are defects in our ownership or usage rights in certain properties that we currently own or lease, which may adversely affect our rights to use such properties. For further details, please see the section headed “Risk factors — Risks relating to our business and our industry — The defects in our ownership or usage rights in the properties that we currently own or lease, and the failure to renew

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our temporary land use rights when they expire, could adversely affect our rights to use such properties”.

Properties owned by us in PRC

As of the Latest Practicable Date, our Company possessed 48 parcels of land with an aggregate site area of approximately 5,798,687 square meters, and owned and occupied 385 buildings with a gross floor area of approximately 251,467 square meters in the PRC. Our PRC legal advisers have advised us that, subject to the relevant disclosures in this section, we have obtained all certificates, permits and government approvals required under the PRC laws and regulations to lawfully possess and occupy such properties.

Land owned by us

In relation to the land use rights of 48 parcels of land we possess in the PRC, we have obtained land use rights certificates for 45 parcels of land with an aggregate site area of approximately 5,195,512 square meters. We do not possess the relevant land use right certificates in respect of 3 parcels of land, which have an aggregate site area of approximately 603,175 sq.m.

Out of the 3 parcels of land for which we do not possess the relevant land use right certificates, we have paid portions of the land use rights fees for two parcels and are in the process of obtaining the land use rights. We currently have not used these two parcels for any specific purpose, and they are not material to our operations. Our PRC legal advisers have advised us that there is no legal impediment in obtaining the land use rights certificates for the four parcels of land, after we have signed the land use rights grant agreements with the relevant authorities and have fully paid up the land grant premium. We have also entered into the land use rights transfer agreement with respect to the parcel of land on which we will construct the Beibuwan Ferroalloy Plant. Our PRC legal advisers have advised us that there is no legal impediment in obtaining the land use rights certificates. As of June 30, 2010, we have invested HK\$94.3 million to acquire the land use rights to and conduct basic land-leveling works on the site of Beibuwan Plant. Other than an amount of HK\$68.3 million commitment for the construction of the Beibuwan Ferroalloy Plant, the payment schedule of which depends on the progress of obtaining the land use rights certificate and other required permit, we do not have any other capital commitment for this project. Accordingly, we believe our operations will not be materially affected by the failure to obtain the land use rights certificate to the site of Beibuwan Ferroalloy Plant.

Buildings owned by us

In relation to the 385 buildings that we own and occupy in the PRC, we have obtained building ownership certificates for 349 buildings with an aggregate gross floor area of approximately 208,208 square meters. We do not possess the relevant construction land planning permits (建設用地規劃許可證), construction works planning permits (建設工程規劃許可證), work commencement permits (建設工程施工許可證), construction completion and acceptance certificates (工程竣工驗收備案表) and building ownership certificates in respect of 36 buildings with an aggregate gross floor area of approximately 43,259 sq.m, representing approximately 17% of the total gross floor area of the buildings owned by us in the PRC. Other than the 25 buildings used by Tiandong EMM Plant which are material to our operations, all the other 11 buildings are occupied for ancillary purposes and are not material to our operations. We obtained the land use rights certificates in October 2010 for the land occupied by the 25 buildings used by Tiandong EMM Plant, and are preparing applications for the relevant permits for the 25 buildings.

Properties leased by us in PRC

As of the Latest Practicable Date, we leased from third parties 19 parcels of lands with an aggregate site area of approximately 1,347,001 square meters, and 12 buildings with an aggregate gross floor area of approximately 4,715 square meters in the PRC. Our PRC legal advisers have advised us that, subject to the relevant disclosures in this section, we have obtained all certificates, permits and government approvals required under the PRC laws and regulations to lawfully lease and occupy such properties.

Land leased by us

There are two categories of land in China — State-owned land and collectively-owned land. State-owned land is owned by the State while collectively-owned land is owned by local residents in rural areas. Owners of collectively-owned land may not grant long-term land use rights to third parties. However, they are permitted to grant leases to third parties under the PRC Land Law conditional upon the grant of temporary land use rights from relevant land authorities to the entities that use the land.

Article 57 of the PRC Land Law provides that an entity which has a need to undertake construction activities will be entitled to use a parcel of land after the entity has obtained the approval from the land and resources bureau of or above the county level. The approval from the land and resources bureau is in the form of temporary land use rights, the term of which is generally no more than two years. After obtaining the temporary land use rights from the land and resources bureau, the entity can enter into a lease agreement with the collective economic entity which owns the collectively-owned land. The lease agreement is not legally valid, binding and enforceable if the relevant temporary land use rights are not granted by the competent PRC land and resources bureau. Upon the expiration of the temporary land use right, the entity using the land is required to restore the land to its original state.

We lease three parcels of collectively-owned land from certain collective economic entities in Tiandeng County, the aggregate site area of which is approximately 32,927 square meters. The remaining lease terms under the relevant lease agreements are more than 13 years. Pursuant to two certificates from the Tiandeng County Land and Resources Bureau, which is the competent land and resources authority in Tiandeng County and has the authority to issue temporary land use rights, we were issued temporary land use rights over two parcels of land which will expire on March 31, 2012, and temporary land use right over the other parcel which will expire on October 31, 2011. We will apply for the renewal of the temporary land use right upon their expiration. In addition, we lease another five parcels of collectively-owned land from certain collective economic entities in Tiandeng County, the aggregate site area of which is approximately 524,020 square meters. We have obtained the temporary land use rights from the relevant Government authority in respect of the leases, with the expiry dates of November 6, 2011, October 31, 2011, September 27, 2011, August 30, 2011 and July 13, 2011, respectively.

We also lease two parcels of collectively-owned land where part of Dongmeng sub-region of Tiandeng Mine is located from certain collective economic entities, with an aggregate site area of approximately 743,159 square meters. The remaining lease terms under the relevant lease agreements are more than 13 years, which are longer than the expected mine life of Tiandeng Mine assuming a production rate of 500,000 tpa of ore. Pursuant to a certificate from the Tiandong County government, which has the authority to issue temporary land use right according to the advice of our PRC legal advisers, we were issued temporary land use rights over these two parcels of land which will expire on October 10, 2012.

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We lease one parcel in Tiandong County, Guangxi of collectively-owned land from certain collective economic entity, for which we have not obtained the temporary land use rights from the relevant Government authority in respect of the lease. Its site area is 2,667 square meters and used for ancillary purpose only.

Guangxi Start leases six parcels of collectively-owned land from certain collective economic entities in Jingxi County, which are used by Guangxi Start as waste dump. The aggregate site area is approximately 34,229 square meters. The term of the lease agreement for five out of these six parcels is indefinite, and the remaining term of the lease agreement for the other parcel is 17 years. Pursuant to a certificate from the Jingxi County Land and Resources Bureau, which is the competent land and resources authority in Jingxi County and has the authority to issue temporary land use rights, we were issued temporary land use rights over these six parcels of land which will expire in October 2012.

In addition, Guangxi Start leases two parcels of land, together with the building above the land, in Jingxi County from Jingxi Manganese Mine for productions purposes. For further details about the relevant building, please refer to the section headed “— Buildings leased by us” in this prospectus. The total site area of the two parcels is approximately 10,000 square meters, and the leases will expire in October 2014 and July 2018, respectively. Our PRC legal advisers have advised us that the two parcels of land were allocated to Jingxi Manganese Mine, and Jingxi Manganese Mine should obtain government approval before it may lawfully lease the land or the building above the land to a third party. Jingxi Manganese Mine obtained government approval for the lease on November 26, 2008. Our PRC legal advisers have advised us that the lease is valid under the PRC laws and regulations and we may use the two parcels of land together with the buildings above the land within terms of the lease agreement.

Our PRC legal advisers have advised us that our leases for the 19 parcels of lands in the PRC are lawful, valid and enforceable under the PRC laws and regulations.

Buildings leased by us

Our PRC legal advisers have advised us that, among the 12 buildings that we lease in the PRC, the leases in respect of five buildings with an aggregate gross floor area of approximately 3,381 square meters are lawful, valid and enforceable, even though such leases are not registered with the relevant authority. Our PRC legal advisers have also advised us that we will not be subject to any penalty for the failure to register the leases, and the legality and validity of such leases will not be affected even if they are not registered.

In respect of seven buildings with an aggregate floor area of approximately 1,334 square meters, our landlords have not provided us with evidence of their valid and enforceable building ownership rights. Such buildings are occupied as dormitory or office buildings and not material to our operations. Our leases with the landlords of these two buildings provide for indemnification undertakings by the landlords for any potential losses incurred by us in relation to the title defects. The leases have not been registered with the relevant authority. Our PRC legal advisers have advised us that there is uncertainty under PRC law regarding the validity and enforceability of such leases, but (i) we are able to continue to occupy and use such leased properties unless a PRC court of law renders a judgment in favor of a third party’s claim of ownership of the properties, and (ii) we will not be subject to any penalty for the failure to register the leases, and the legality and validity of such leases will not be affected even if they are not registered. For further details, please refer to the Property Valuation in Appendix IV to this prospectus.

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Construction-in-progress in the PRC

As of the Latest Practicable Date, our Company had five projects under construction in the PRC:

- the expansion project at Daxin Mine, involving underground mining, concentrating and grinding operations, that is expected to increase the underground mining capacity at Daxin Mine up to 600,000 tpa by the end of 2014;
- the construction project at Tiandeng EMM Plant;
- the construction of Chongzuo Base;
- the construction of Beibuwan Ferroalloy Plant; and
- the construction of four dormitories for our employees.

The following table sets out the amounts of and funding sources for the development costs of our major projects under construction in the PRC.

<u>Project</u>	<u>Estimated total investment (millions)</u>	<u>Amount invested as of June 30, 2010 (millions)</u>	<u>Funding sources of remaining expected investment</u>
Expansion project at Daxin Mine	HK\$380.6	HK\$142.9	Our own capital, bank loans and net proceeds from the Global Offering
Construction project at Tiandeng EMM Plant	HK\$456.7	HK\$53.1	Our own capital, bank loans and net proceeds from the Global Offering
Construction of Chongzuo Base	HK\$209.4	HK\$109.2	Our own capital, bank loans and net proceeds from the Global Offering
Construction of Beibuwan Ferroalloy Plant	HK\$581.7	HK\$94.3	Our own capital, bank loans

In respect of the expansion project at Daxin Mine relating to underground mining, concentrating and grinding operations, we have obtained the land use rights certificate, construction works planning permit and work commencement permit. Our PRC legal advisers have advised us that, we are in compliance with the applicable PRC laws regarding land and construction.

In respect of the construction project at Tiandeng EMM Plant, we have obtained the construction works planning permit and work commencement permit. We commenced construction of the project before obtaining all required permits because the local governments encouraged us to commence development as soon as possible to boost the local economy. Our PRC legal advisers have advised us that we are in compliance with the applicable PRC laws regarding land and construction.

In respect of the construction of Beibuwan Ferroalloy Plant, we are in the early stage of development and have not obtained the construction land planning permit, land use rights certificate, construction works planning permit and work commencement permit. As of June 30, 2010, we have invested HK\$94.3 million to acquire the land use rights to and conduct basic land-leveling works on the site of Beibuwan Plant. Other than an amount of HK\$68.3 million commitment for the

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construction of the Beibuwan Ferroalloy Plant, the payment schedule of which depends on the progress of obtaining the land use rights certificate and other required permit, we do not have any other capital commitment for this project. Accordingly, we believe our operations will not be materially affected by the failure to obtain the land use rights certificate to the site of Beibuwan Ferroalloy Plant. We will not commence construction of Beibuwan Ferroalloy Plant before obtaining all required certificates and permits under the PRC laws. Our PRC legal advisers have advised us that, after we have obtained the aforementioned certificates and permits, we will be in compliance with the applicable PRC laws regarding land and construction.

Our PRC legal advisers have advised us that, subject to the relevant disclosures above regarding our projects under construction in the PRC, we have obtained all certificates, permits and government approvals required under the PRC laws and regulations to lawfully occupy the land where such projects are located and engage in constructions of such projects.

Properties in Gabon

As of the Latest Practicable Date, our Company has very limited properties in Gabon because we have not yet commenced mining operations in Gabon. Our Company occupies various buildings with a gross floor area of approximately 6,310 square meters and certain other fixed structures, which are mainly located in our mining operations area at Bembélé Manganese Mine and are used for staff quarters, storage and ancillary purposes. We are constructing various buildings with a total planned gross floor area of approximately 8,718 square meters and certain other fixed structures in the above area. We also lease three properties of approximately 463 square meters in total from Independent Third Parties. These three properties are located near the center of Libreville, the capital city of Gabon, and are used both for our offices and staff quarters.

There are two categories of land in Gabon: privately-owned land and State-owned land. The State of Gabon is entitled to grant long-term use of State-owned land to third parties for the performance of exploration and mining operations. As of the Latest Practicable Date, our Company was authorized to occupy limited State-owned land located in Ndjole, where our mining operations are located, for the purpose of constructing additional staff quarters on a short-term basis. We have a right to convert this occupation right into a long-term use upon completion of the construction.

Our properties in Gabon also include a certain number of equipment and work vehicles which we have sourced from China and allocated to our Gabon operations in order to prepare for planned mining operations. We have completed all legal, tax and customs formalities in accordance with applicable Gabonese laws and regulations.

Property valuation and property valuation report

Sallmanns, an independent property valuation firm, has assessed the property interests of our Company as of August 31, 2010. The text of Sallmanns' letter, the summary of valuation and the valuation certificates are set out in the Property Valuation in Appendix IV to this prospectus.

REGULATORY MATTERS

PRC operations

According to the SRK Report, our mining, ore processing and downstream operations in PRC are well integrated and managed under standards generally comparable to the national and international practice. We will continue to apply the same standards to those expansion projects currently under construction or expected to be developed in future.

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Our PRC legal advisers have advised us that we have obtained all necessary licenses, permits and certificates to conduct our business operations in the PRC, except for the following:

- We did not provide social welfare insurance to some employees of Guangxi Start during the Track Record Period. We made provisions in the sum of approximately HK\$2.5 million in November 2008 for the delinquent payments and the maximum penalty. We will continue to monitor the adequacy of our provisions, and will make additional provisions if necessary. Please refer to the section headed “— Employees” for further details.
- There are defects in our ownership or usage rights in certain properties that we currently own or lease. Please refer to the section headed “— Properties” for further details.

All subsidiaries of our Company incorporated in the PRC have prepared the annual financial statements and passed the annual inspections by the relevant Administration of Industry and Commerce during the Track Record Period.

Gabon operations

Our Gabon legal advisers have advised us that, based on the Gabon Mining Code, mining permits shall be awarded on the basis of an application including, among other things, an environmental impact assessment, a mining convention and a public enquiry concerning the impact of mining activities on the environment and local population. CICMHZ was granted a mining permit for Bembélé Manganese Mine on December 5, 2007 and has completed the required environmental impact assessment and public enquiry. CICMHZ entered into the mining convention with the State of Gabon on October 21, 2010. Our Gabon legal advisers have advised us that CICMHZ is legally entitled to perform mining operations at Bembélé Manganese Mine.

In regard to our PRC staff we contracted with in China and seconded to Gabon, we have completed all legal, tax, social and immigration formalities in accordance with applicable Gabonese laws and regulations.

We first adopted regulatory compliance measures for our Gabon operations in December 2007, and since then all of our staff seconded to Gabon have received training concerning applicable Gabon laws and regulations, including immigration, employment and other laws and regulations concerning their living in Gabon. We also intend to provide periodic training to all of our employees in Gabon concerning compliance with applicable Gabon laws and regulations after the commencement of mining operations. In addition, we have adopted an internal rules and policies manual which provides further information on environmental protection, occupational health and safety requirements in Gabon. We believe that these measures, when fully implemented, will improve our compliance with Gabon laws and regulations which are material to our operations.

LEGAL PROCEEDINGS

We are currently in a dispute with Guangxi Nanning Fufeng Mining Company Limited (廣西南寧富豐礦業有限公司, “Fufeng Mining”), regarding its exploration permit issued by the Department of Land and Resources of Guangxi, covering the northern and central portion of the same mineral vein with that of our Daxin Mine. Although the area covered by Fufeng Mining’s permit is outside the area covered by our mining permit to Daxin Mine, we believe the issuance of exploration permit to Fufeng Mining is contrary to the government policy in PRC that exploration and mining rights to the resources and reserves within the same mineral vein is advocated to be awarded to the same enterprise. On September 27, 2009, we and Guangxi Dameng jointly submitted

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to the relevant review authority an application for administrative review of the legality of Fufeng Mining's permit, and requested the rescission of such permit. We and Guangxi Dameng submitted additional documents on December 31, 2009 to provide additional information regarding the matter. As of the Latest Practicable Date, the relevant review authority has not issued its decision on our application for administrative review. We and SRK confirm that (i) the area covered by Fufeng Mine's exploration permit is outside the area covered by our mining permit with respect to Daxin Mine, and (ii) the mineral resources and ore reserves of Daxin Mine reported in SRK Report do not include those resources and reserves located in the area covered by Fufeng Mining's permit. Our PRC legal advisers have also advised us that our mining right with respect to Daxin Mine will not be affected by the issuance of the exploration permit to Fufeng Mining or our dispute with Fufeng Mining.

Except as disclosed above, as of the Latest Practicable Date, we were not involved in any actual or pending legal or arbitration proceedings that we believe would have a material adverse impact on our financial condition or results of operations. In particular, we were not involved in any claims in relation to exploration or mining rights made or notified either by third parties against us or vice versa.