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

## OVERVIEW

We own and operate the Yanjiazhuang Mine which is the largest privately-owned iron ore mine and the sixth largest iron ore mine in Hebei Province in terms of iron ore reserves, according to Hatch. China is the world's largest iron ore importer and Hebei Province is the largest steel producing and iron ore importing province in China. The Yanjiazhuang Mine is a large-scale open-pit iron ore mine occupying a mining area of approximately 5.22 $km^2$. According to the Independent Technical Report, the Yanjiazhuang Mine had proved and probable reserves of approximately 260.0 Mt, which were converted from total measured and indicated iron ore resources of approximately 311.8 Mt as of 31 December 2010 and our overall objective is to attain iron ore mining and processing capacities of 10,500 ktpa by the second quarter of 2012. With our significant JORC reserves and resources, estimated low production cost structure, strong growth potential through our rapid production capacity ramp-up, significant exploration opportunities and strategic location, we believe we are well-positioned to capture increasing market opportunities arising from the strong growth in Chinese steel production and significant shortfall in domestically-produced iron ore historically experienced in China, especially in Hebei Province.

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

We are also well positioned to significantly increase our resources and reserves further in the future due to the significant exploration potential of the Yanjiazhuang Mine and neighboring iron ore assets in Hebei Province. We expect to be able to expand our reserves and resources organically through continued exploration inside and outside of our current permitted mining area. In addition, we obtained the direct support of the Lincheng County government authority to consolidate local iron ore assets in a letter dated 2 November 2009. In February 2010, we entered into a contract to acquire the exploration rights to the Gangxi Mine and the Shangzhengxi Mine which are located approximately 20 km and 120 km, respectively, from the Yanjiazhuang Mine. The Yanjiazhuang Mine also contains resources of gabbro-diabase, a valuable by-product from our iron ore operations, in the amount of approximately 207 million $m^3$, according to the Independent Technical Report. We plan to explore the potential for the extraction of gabbro-diabase and believe that its commercialization will increase the exploitable value of the Yanjiazhuang Mine. In February 2011, we entered into four memoranda of understanding with well-known PRC property companies or their subsidiaries, to negotiate future specific purchase contracts for the sale of our gabbro-diabase products. For additional information about our competitive strengths and business strategies, see "– Competitive Strengths" and "Business – Competitive Strengths" and "– Business Strategies" and "Business – Business Strategies". For a more detailed description of our business, see "– Business" and "Business".

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

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

## BUSINESS

We own and operate the Yanjiazhuang Mine, a large-scale open-pit iron ore mine. The Yanjiazhuang Mine occupies a mining area of approximately 5.22 $km^2$. Our overall objective is to attain iron ore mining and processing capacities of 10,500 ktpa by the second quarter of 2012. The Yanjiazhuang Mine contains gabbro-diabase resources in the amount of approximately 207 million $m^3$, according to the Independent Technical Report, which the Company will mine as a secondary product of the iron ore mining.

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

***Our Iron Ore Mining Operations***

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

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

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

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

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

***Iron Ore Reserves and Resources***

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

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

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

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

*Source: Independent Technical Report*

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

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

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

*Source: Independent Technical Report*

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

***Commercial Production and Expansion Plan***

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

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

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

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

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

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

Estimated schedule to achieve production capacity

(1) Planned processing capacities for Phase One, Phase Two and Phase Three of our expansion plan are the designed capacities of our processing facilities based on 300 working days per year. We may, from time to time, increase the utilization rate of our processing facilities, thereby increasing our actual processing capacities. Based on the Independent Technical Report, we expect to be able to operate our processing facilities for up to 330 working days per year, which is a common practice in the industry.

(2) Our Board approved our planned expenditures for Phase One, Phase Two and Phase Three of our expansion plan in June 2011 and approved our planned gabbro-diabase expenditures in June 2011.

(3) We plan to commence commercial production of quarry stones and crushed stones in July 2011; slabs and powder in November 2011; and carving stones in the second quarter of 2013.

(4) Capital expenditures for Phase One include expenditures of all processing facilities and equipment incurred since the beginning of the development of Yanjiazhuang Mine.

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

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

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

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

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

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

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

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

***Iron Concentrate Customer Agreements***

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

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

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

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

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

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

## COMPETITIVE STRENGTHS

We believe we possess the following strengths:

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

## BUSINESS STRATEGIES

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

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

## FUTURE EXPLORATION AND ACQUISITION PLANS

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

We have applied to the relevant government body for an exploration license for an adjacent 0.75 $km^2$ area. If we receive the exploration license and consider the area to be attractive to us after exploration, we will apply for the relevant permits to develop mining operations in the area. Furthermore, because the areas located to the west beyond the current permitted mining area also have exploration potential according to the Independent Technical Report, we may seek to obtain additional exploration or mining permits to explore and mine them. The development plan for the adjacent 0.75 $km^2$ area is not included in our three-phase expansion plan. We estimate the costs for the acquisition of mining and exploration rights for this adjacent area to be RMB30 million. We expect that any additional resources discovered at this area could be processed through the facilities we build pursuant to our three-phase expansion plan. The final development plan of this adjacent area is subject to government approval and the outcome of further exploration. We intend to continue expanding our production capacity as we engage in further exploration work and discover additional defined resources and reserves.

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

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

## GABBRO-DIABASE BUSINESS

In addition to significant iron ore reserves and resources, the Yanjiazhuang Mine also contains gabbro-diabase, a valuable mineral resource that is a mining by-product that naturally occurs in the footwalls and hanging walls of our iron ore bodies. An igneous rock known for its hardness, abrasion resistant qualities and durability, gabbro-diabase is commonly used to manufacture a wide variety of products, including high-quality, high-end countertops, interior decorative materials and indoor flooring. According to the Independent Technical Report, there are approximately 207 million $m^3$ of gabbro-diabase indicated resources at the Yanjiazhuang Mine. As the removal of gabbro-diabase resources is already part of our normal mining operations to reach the underlying iron ore in our mining pits, our commercial production of gabbro-diabase will benefit from production cost sharing with our iron concentrate production. Thus, we do not expect to expend substantial resources for the extraction of gabbro-diabase, other than our initial capital expenditure of RMB303.2 million as disclosed under "Financial Information – Financing Of Our Mining Projects." As a result, we believe that the development of our gabbro-diabase business will enhance the cost-efficiency and profitability of our operations. We believe the commercialization of gabbro-diabase increases the exploitable value of the Yanjiazhuang Mine. We plan to commence commercial production of gabbro-diabase in July 2011 (following receipt of the required permits and approvals) in order to diversify our product portfolio and customer base, add to our revenue sources and increase the cost-efficiency and profitability of our operations. According to Hatch, China's stone industry and gabbro-diabase demand are expected to continue to grow over the next several years.

We entered into memoranda of understanding in February 2011 with Hengda Real Estate Group Limited (a subsidiary of Evergrande Real Estate Group Limited), Sinolink Properties Limited (a subsidiary of Sinolink Worldwide Holdings Limited), Glorious Qiwei (Shanghai) Industries, Co., Ltd. (a subsidiary of Glorious Property Holdings Limited) and Champ Max Enterprise Limited (a subsidiary of C C Land Holdings Limited), all of which are PRC property companies or their subsidiaries, and are Independent Third Parties. In April 2011, we amended the memoranda of understanding with Hengda Real Estate Group Limited and Champ Max Enterprise Limited. Under the terms of these original and amended memoranda of understanding, the buyer and seller have agreed to negotiate the terms of future specific purchase contracts specifying the amount of gabbro-diabase, the price and other terms. If we cannot agree on such terms, then no such sale will occur. These memoranda of understanding are effective from 1 May 2011 to 31 December 2015 and contemplate possible sales up to an aggregate of 507,000 $m^2$, 897,000 $m^2$, 1,287,000 $m^2$, 1,287,000 $m^2$ and 1,287,000 $m^2$ in 2011, 2012, 2013, 2014 and 2015, respectively. Certain of these memoranda of understanding further specify that the current average market price of gabbro-diabase slabs is RMB150 per $m^2$, although there is no certainty we will make any sales at this price.

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

## CHANGE IN CONTROLLING SHAREHOLDERS

### *NWS and VMS*

NWS and VMS are our Controlling Shareholders.

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

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

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

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

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

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

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

***Background to the Acquisition of the Company by the Controlling Shareholders***

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

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

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

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

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

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

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

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

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

***Acquisition of the Company by the Controlling Shareholders***

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

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

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

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

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

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

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

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

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

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

***Proposed Spin-Off of the Company from NWD and NWS***

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

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

(1) provide capital for our operations and new investment opportunities, and free up capital which would otherwise be required from NWS and NWD for such new developments and opportunities;

(2) increase the operational and financial transparency of the Company and provide investors and the public with greater clarity on our business, operations and financial performance;

(3) allow the Company to establish our own profile as a separately listed entity with the ability to access the debt and equity capital markets to fund our operations, future development and investment opportunities; and

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

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

## SUMMARY OF HISTORICAL FINANCIAL INFORMATION

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

***Summary Consolidated Statements of Comprehensive Income Data***

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

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

### *Summary Consolidated Statements of Financial Position Data*

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

### *Summary Consolidated Statements of Cash Flows Data*

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

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

## PROFIT FORECAST(1)(2)(3)

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

*Note:*

(1) The forecast of the consolidated profit attributable to owners of the parent for the six months ending 30 June 2011 is extracted from the "Financial Information — Profit Forecast" section of this Prospectus. The bases and assumptions on which the above profit forecast for the six months ending 30 June 2011 have been prepared are summarized in part (A) of Appendix III of this Prospectus.

(2) Our Directors have prepared the forecast of the consolidated profit attributable to owners of the parent for the six months ending 30 June 2011 based on the unaudited management accounts of the Group for the four months ended 30 April 2011 and the forecast of the consolidated results of the remaining two months ending 30 June 2011.

(3) Our Directors forecast that the average selling price of iron ore concentrate per tonne (net of value-added tax and other surtaxes) will not be less than RMB1,120 per tonne throughout the forecast period in May and June 2011. Assuming that the average iron ore concentrate price in May and June 2011 varies 10% and 20% above or below the base case iron ore concentrate price, the corresponding forecast consolidated net profit attributable to owners of the parent for the six months ending 30 June 2011 will increase or decrease by approximately RMB333,000 and RMB665,000, respectively.

## DIVIDEND POLICY

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

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

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

## THE GLOBAL OFFERING

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

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

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

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

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

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

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

## OFFER STATISTICS

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

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

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

## USE OF PROCEEDS

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

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

- approximately 30%, or HK$434.9 million, primarily to complete our three-phase expansion plan, in which our mining and processing capacities are expected to increase to 10,500 ktpa. In our three-phase expansion plan, we plan to develop six additional open-pit mining pits, construct four dry magnetic cobbing systems, upgrade two existing processing facilities and build two new processing facilities, and develop supporting infrastructure such as road, two electrical converting stations, four reservoirs and a new water supply system from Lincheng Reservoir, two new tailings storage facilities, as well as our land rehabilitation works;
- approximately 8%, or HK$115.7 million, to pay resource fees to the relevant Department of Land and Resources in applying for the mining permit to process 10,500 ktpa for the Yanjiazhuang Mine;
- approximately 27%, or HK$392.1 million, for exploration and acquisition activities to expand our resources, including further exploration work at the Yanjiazhuang Mine, the acquisition of exploration rights to expand the northern boundary of the permitted mining area of the Yanjiazhuang Mine by an additional 0.75 $km^2$ and two iron ore mines in Hebei Province, namely, the Gangxi Mine and the Shangzhengxi Mine. Payment for the estimated reserves of these mines to be determined after exploration work is completed for both mines and reimbursement of costs incurred for the exploration work performed by the 11th Geological Brigade for these two mines, as well as the acquisition of other mines yet to be identified by us;
- approximately 22%, or HK$319.0 million, to develop our gabbro-diabase resources into commercial production, which includes the development of extraction pits, the construction of gabbro-diabase production facilities, provisions for administrative fees such as payments for necessary permits and licenses, development of road infrastructure, land expropriation compensation and land rehabilitation;
- approximately 10%, or HK$145.0 million, to repay a portion of the shareholders' loans; and
- approximately 3%, or HK$43.5 million, to fund our working capital.

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

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

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

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

## RISK FACTORS

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

### *Risks Relating to Our Business*

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

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

***Risks Relating to Our Industry***

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

***Risks Relating to Conducting Operations in China***

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

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

***Risks Relating to the Shares and the Global Offering***

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