
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “Business — Business Strategies” in this Prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

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

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

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

FUTURE PLANS AND USE OF PROCEEDS

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

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

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

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