HISTORY AND DEVELOPMENT

Our history traces back to April 1996 when Hanking Group was established by Ms. Yang to engage in various businesses, including mining, metallurgy and department store operations. In the 1980s and prior to the establishment of Hanking Group, Ms. Yang worked and invested in the clothing industry followed by the petro-chemical industry, through which she obtained her initial funding to venture into the iron ore business. In the 1990s, Ms. Yang, having extensive experience in investment and business management, recognized the potential of the iron ore industry and the opportunities available to independent iron ore concentrate producers, and therefore decided to focus her resources in this fast developing industry. The iron ore industry in the PRC was at an early development stage in the mid-1990s, and the cost of entry at that time was relatively low. Ms. Yang started to invest in the iron ore industry in the PRC in 1992, by investing in Fushun Hanking Economic and Trade Group as her first mining investment. We began to engage in iron ore mining and processing after Maogong Mining was established in March 1997 by Hanking Group, Ms. Yang and a group of other individuals(1), who held 70.14%, 24.21% and 5.65% of the equity interests in Maogong Mining, respectively.

With a view to further expanding our iron ore-related business, our Group strategically acquired and set up certain companies engaging in iron ore mine operations. Our Group's iron ore mining and processing related businesses were further developed and expanded mainly through the following steps:

- The establishment of Aoniu Mining, formerly known as Fushun Hanking Aoniu Iron Mine Co, Ltd. (撫順罕王傲牛鐵礦有限公司), in March 1998 with a registered capital of RMB8.0 million. Aoniu Mining is mainly engaged in iron ore mining and processing. The initial equity owners of Aoniu Mining were Hanking Group and Fushun Hanking, which held 62.5% and 37.5% of the equity interests, respectively. Following a series of equity interest transfers in Fushun Hanking among its shareholders, Hanking Development, Ms. Yang and other individuals(2), on August 11, 2008, Aoniu Mining was converted into a company limited by shares. Ms. Yang, Mr. Yang and other individuals(3) held 62%, 26% and 12% of shares in Aoniu Mining, respectively. Aoniu Mine is operated by Aoniu Mining.

- The establishment of Maogong Mining on March 31, 1997 with a registered capital of RMB5.0 million. Maogong Mining is mainly engaged in iron ore mining and processing. There have been share transfers since its establishment, and immediately before the Reorganization, Maogong Mining was wholly-owned by Hanking Group. Maogong Mine is operated by Maogong Mining(4).

- The establishment of Benxi Mining on March 15, 2004 with a registered capital of RMB20.0 million. Benxi Mining is mainly engaged in iron ore mining and processing. At the time of its establishment, Hanking Group, Fushun Hanking and Fushun Shangma held 50%, 25% and 25% of the equity interests in Benxi Mining, respectively. Following a series of equity

(1) These individuals were Zuo Dalin (左大林), Lv Yanping (呂艷萍), Yang Ying, Yang Xinhuan, Yang Yanqi (楊岩奇), Yang Deshan (楊德山), Mr. Yang, Wang Ya'nan (王雅南) and Wang Yajie (王亞杰), Lv Yanping, Wang Ya'nan and Wang Yajie were Independent Third Parties and other individuals were Ms. Yang's family members.

(2) These individuals were Yang Xinhuan, Yang Xinhu (楊新虎), Wang Haibo (王海波), Xia Zhuo, Wang Ya'nan, Yang Dongmei (楊冬梅) and Di Shujie (邸樹杰).

(3) For details regarding such individuals, please refer to Notes (1) and (2) of the diagram under "Corporate Structure Prior to the Reorganization" in this section.

(4) Maogong Mine originally was operated as two separate mines, the former Jingjia Mine (景佳礦) and Maogong Mine, which were adjacent to each other. To facilitate operation management, we consolidated these two mines in August 2010.

interest transfers among the shareholders, Hanking Development and Ms. Yang, and immediately before the Reorganization, Hanking Development and Ms. Yang held 90% and 10% of the equity interests in Benxi Mining, respectively. Mengjia Mine is operated by Benxi Mining.

- The acquisition of Xingzhou Mining in 2008. Xingzhou Mining was established on September 22, 2003 by Mr. Zhao Liangui (趙連貴) and Mr. Zhao Liandi (趙連弟) (both of whom were, at the time of such establishment, and remain, Independent Third Parties) with a registered capital of RMB2.0 million. Xingzhou Mining is engaged in iron ore mining and processing. Aoniu Mining acquired a 70% equity interest in Xingzhou Mining in July 2008 for a consideration of RMB180.0 million, which was determined through commercial negotiations between Aoniu Mining and Mr. Zhao Liangui. Aoniu Mining then acquired the remaining 30% equity interest for a consideration of RMB60.0 million which was determined based on commercial negotiations between Aoniu Mining and Mr. Zhao Liandi and Ms. Zeng Zhuo, the then shareholder of Xingzhou Mining. The transfer was finished in June 2010. Luobokan Mine is operated by Xingzhou Mining.

Prior to the Reorganization, Aoniu Mining, Maogong Mining, Benxi Mining and Jingjia Mining had declared dividends to their then equity owners during the Track Record Period. See Note 17 to the Accountants' Report set forth in Appendix I to this prospectus. Aoniu Mining, Maogong Mining and Benxi Mining were limited liability companies, while Jingjia Mining was an individual-owned enterprise (私人企業). Pursuant to PRC law, the dividends paid by Aoniu Mining, Maogong Mining and Benxi Mining to their respective PRC individual shareholders were subject to the withholding of individual income tax at a rate of 20%, while the dividends paid to their respective shareholders which were also limited liability companies were not subject to the withholding of income tax. Pursuant to PRC law, the dividends paid by Jingjia Mining to its PRC individual shareholders were not subject to the withholding of income tax. However, as the dividends were paid prior to the Reorganization, neither the dividends nor the income tax withheld with respect to the dividends had any financial impact on our Group.

As of the date of this prospectus, we own and operate four iron ore mines, Aoniu Mine, Luobokan Mine, Maogong Mine and Mengjia Mine, each of which is located in proximity to its iron ore processing facilities. Mengjia Mine is located in Benxi, Liaoning and our other three mines are all located in Fushun, Liaoning. The total estimated iron ore probable reserves in our mines were approximately 139,771.3 Kt as of June 30, 2011.

The key awards received by our Group are as follows:

- Advanced Unit for Converting Mine to Forests for the Year of 2009 (2009年度退礦還林工作先進單位) (awarded to Aoniu Mining by Fushun County Government (撫順縣人民政府) in March 2010)

- Certificate for Enterprise Credit Grade rating of AAA (Certificate No. 2009029) (企業信用等級證書) (awarded to Xingzhou Mining by Fushun Municipal SME Credit Grades Evaluation Leading Group (撫順市中小企業信用等級評定工作領導小組) in January 2010)

- Contract Abiding & Trustworthy Enterprise (守合同重信用企業) (awarded to Aoniu Mining by Administration for Industry & Commerce of Liaoning Province (遼寧省工商行政管理局) in April 2008)

- Advanced Enterprise for Making Prominent Contributions to the Development of the Regional Economy for the Year of 2008 (2008年度地區經濟發展貢獻先進企業) (awarded to Benxi Mining by Organization Department of CPC Pingshan Committee & Government of Benxi Pingshan District (中共平山區委員會及平山區人民政府) in January 2009)

- Enterprise Making Prominent Contributions to the Development of the County's Economy for the Year of 2007 (2007年度縣域經濟發展突出貢獻企業), awarded to Aoniu Mining by Organization Department of CPC Fushun Committee & Fushun Municipal Government (中共撫順市委員會及撫順市人民政府) in April 2008)

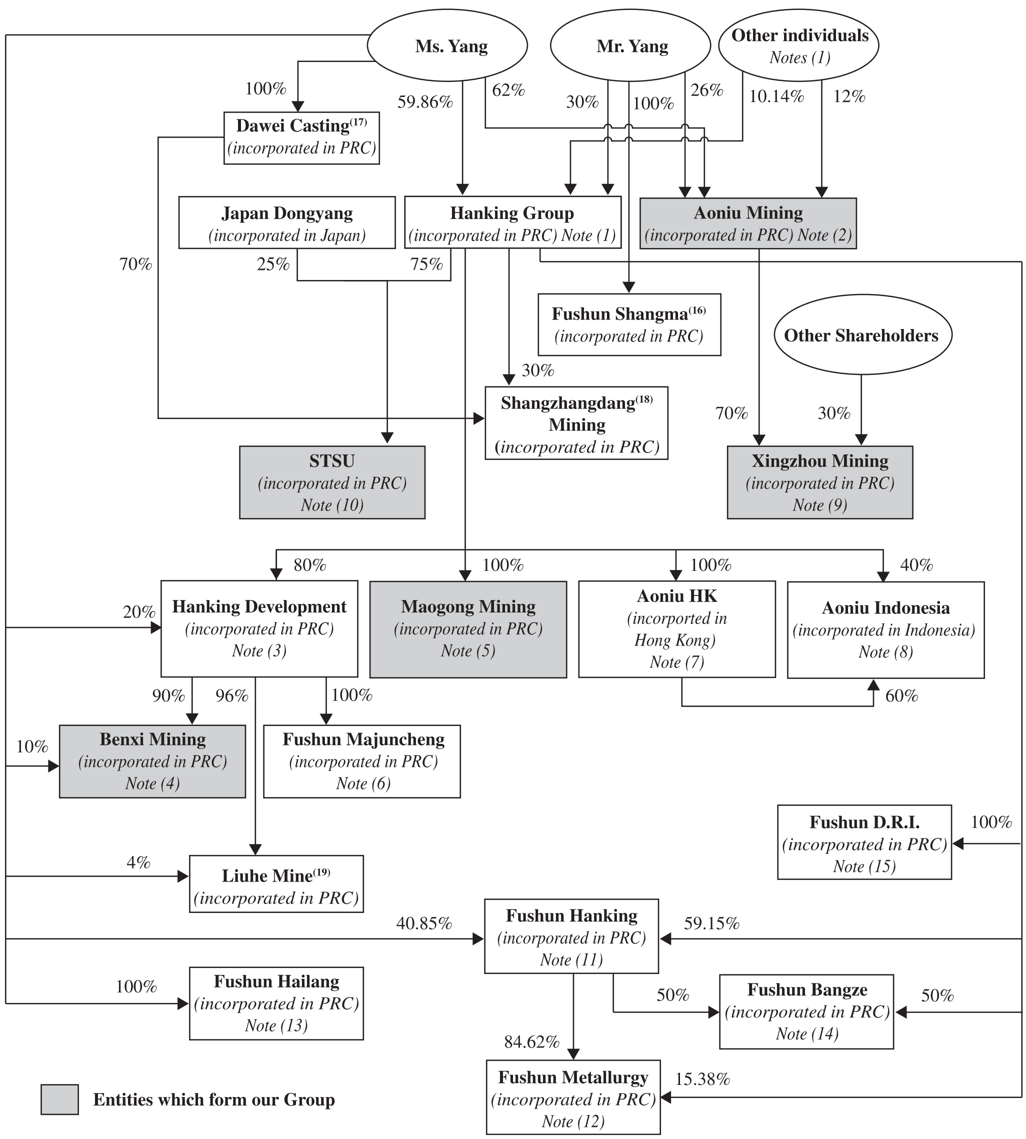
- Advanced Enterprise for Taxpaying for the Year of 2006 (2006年納稅先進企業) (awarded to Benxi Mining by Organization Department of CPC Pingshan Committee & Government of Benxi Pingshan District (中共平山區委員會及平山區人民政府) in January 2007)

- Advanced Unit for Safe Production for the year of 2005 (2005年安全生產先進單位) (awarded to Maogong Mining by Organization Department of CPC Fushun Committee & Government of Fushun County (中共撫順縣委員會及撫順縣人民政府) in March 2006)

REORGANIZATION

Corporate Structure Prior to the Reorganization

Prior to the Reorganization, our key operating businesses and companies were held by Hanking Group and Aoniu Mining, both of which were ultimately controlled by our Controlling Shareholders. Following the Reorganization, we retained the pre-reorganization group's iron ore mining related businesses (including the iron ore processing and production and sale of iron ore concentrates businesses) and did not retain other businesses. The diagram below sets out our corporate structure immediately prior to the Reorganization:



Notes:

(1) Hanking Group was incorporated in the PRC on April 4, 1996. Prior to the Reorganization, the entire registered capital of Hanking Group was held as to 59.86% by Ms. Yang, 30% by Mr. Yang and 10.14% by five other individuals. The five other individual shareholders and their respective shareholdings in Hanking Group are set out below:

Names of shareholders	Percentage of shareholdings in Hanking Group
Mr. Yang Xinhu (楊新虎)	3.83%
Ms. Yang Ying (楊穎)	3.15%
Mr. Yang Xinhuan (楊新環)	3.10%
Ms. Wang Ya'nan (王雅南)	0.04%
Ms. Yang Dongmei (楊冬梅)	0.02%

The registered capital of Hanking Group was increased to RMB129.0 million in October 2010, and the shareholding structure of Hanking Group after the increase is set out below:

Names of shareholders	Percentage of shareholdings in Hanking Group
Ms. Yang	60.67%
Mr. Yang	28.29%
Mr. Yang Xinhu (楊新虎)	3.46%
Ms. Yang Ying (楊穎)	1.71%
Mr. Wang Haibo (王海波)	1.39%
Mr. Yang Xinhuan (楊新環)	3.07%
Ms. Wang Ya'nan (王雅南)	0.25%
Ms. Yang Dongmei (楊冬梅)	0.24%
Mr. Xia Zhuo (夏茁)	0.69%
Mr. Di Shujie (邸樹傑)	0.23%

As Hanking Group is a holding company which has no operation, and it was excluded from our Group during the Reorganization.

(2) The entire registered capital of Aoniu Mining was held as to 62% by Ms. Yang, 26% by Mr. Yang and 12% by seven other individuals. The seven other individual shareholders and their respective shareholdings in Aoniu Mining are set out below:

Names of shareholders	Percentage of shareholdings in Aoniu Mining
Mr. Yang Xinhu (楊新虎)	3.0%
Mr. Yang Xinhuan (楊新環)	3.0%
Mr. Wang Haibo (王海波)	3.0%
Mr. Xia Zhuo (夏茁)	1.5%
Ms. Wang Ya'nan (王雅南)	0.5%
Ms. Yang Dongmei (楊冬梅)	0.5%
Mr. Di Shujie (邸樹傑)	0.5%

(3) Hanking Development is a limited liability company established in the PRC on March 28, 2007 with a registered capital of RMB50.0 million and is mainly engaged in mining technology development and consultation, sale of pig iron, metallurgy raw materials, sintering and pelletizing and billets. Hanking Development was not included in our Group because its business is not consistent with our Group's business of focusing on iron ore concentrates production and sales.

(4) Benxi Mining is a limited liability company established in the PRC on March 15, 2004 with a registered capital of RMB20.0 million, which was held as to 90% by Hanking Development and 10% by Ms. Yang. As part of the Reorganization, Benxi Iron Processing was established in July 2010 by Hanking Group, and according to a processing service agreement entered into between Benxi Mining and Benxi Iron Processing, Benxi Iron Processing will process the iron ores exploited by Benxi Mining. Please refer to "Relationship with Controlling Shareholders" in this prospectus for details.

(5) Maogong Mining is a limited liability company established in the PRC on March 31, 1997 with a registered capital of RMB5.0 million. Its entire registered capital was held by Hanking Group.

(6) The equity interests in Fushun Manjuncheng were held by Zuo Dalin (60%), Ms. Yang (23.33%), Zuo Dalai (左大來) (8.34%) and Zuo Dan (左丹) (8.33%) when it was established in the PRC on July 4, 2000. All of Zuo Dalin, Zuo Dalai and Zuo Dan were Ms. Yang's family members. There were subsequent equity interest transfers and on November 4, 2010, the then sole shareholder of Fushun Majuncheng, Hanking Development, transferred all its equity interests in Fushun Majuncheng to Fushun Deshan. For the reasons that Fushun Majuncheng is not included in our Group, please refer to "Disposal of Iron Ore Related Business by Controlling Shareholders" in this section.

(7) Aoniu HK is a limited liability company incorporated in Hong Kong on January 8, 2010 with an issued share capital of US$6 million divided into 6,000,000 shares, which are all held by Hanking Group (Aoniu Mining previously held the 100% of equity interests in Aoniu HK on trust for and on behalf of Hanking Group). In 2009, Hanking Group proposed to establish Aoniu HK. As Hanking Group is a holding company which has no operations, and therefore was unable to generate cash or obtain loans from banks to fund the transaction, Aoniu Mining was in a better position to obtain the funds needed to make the proposed investment. On December 10, 2009, Hanking Group and Aoniu Mining entered into a trust agreement, pursuant to which Aoniu Mining was to hold 100% of the equity interest in Aoniu HK, make a capital contribution of US$6 million to Aoniu HK and finish the company registration procedures on trust for and on behalf of Hanking Group. Aoniu HK is mainly engaged in metallic mining and non-metallic industry investment. The trust arrangement was terminated in July 2010. Pursuant to the termination, Aoniu Mining recorded an account receivable of US$6 million (equivalent to RMB41,044,000) from Hanking Group.

Aoniu HK was excluded from our Group because it is a holding company which has no operation.

(8) Aoniu Indonesia is a limited liability company incorporated in Indonesia on May 6, 2010 with a registered capital of US$5 million, which is held as to 60% by Aoniu HK and 40% by Hanking Group (Aoniu Mining previously held the 40% of equity interests in Aoniu Indonesia on trust for and on behalf of Hanking Group). As Hanking Group is a holding company which has no operations, and therefore was unable to generate cash or obtain loans from banks to fund the transaction, Aoniu Mining was in a better position to obtain the funds needed to conduct the proposed investment to set up Aoniu Indonesia. On December 10, 2009, Hanking Group and Aoniu Mining entered into a trust agreement, pursuant to which Aoniu Mining was to hold a 40% equity interest in Aoniu Indonesia, make capital contributions of US$10.4 million and finish the company registration procedure on trust for and on behalf of Hanking Group. The trust arrangement was terminated in July 2010. Pursuant to the termination Aoniu Mining recorded an account receivable of RMB48,399,000 from Hanking Group.

Our PRC legal advisers Jingtian & Gongcheng has advised us that the above trust arrangements between Aoniu Mining and Hanking Group do not violate any provision of any PRC laws or regulations.

Aoniu Indonesia was excluded from our Group because it is mainly engaged in the business of nickel ore mining, which is inconsistent with our Group's business of focusing on iron ore concentrates production and sales.

(9) Xingzhou Mining is a limited liability company established in the PRC on September 22, 2003 with a registered capital of RMB2.0 million. On August 3, 2004, its former shareholder Zhao Liandi transferred 10% of the equity interest in Xingzhou Mining to Ms. Zeng Zhuo (曾琢). The equity shares in Xingzhou Mining were then held as to 70% by Aoniu Mining and 30% by two other individuals, namely Mr. Zhao Liangui and Ms. Zeng Zhuo, who held 20% and 10% of the registered capital, respectively. Both of Mr. Zhao Liangui and Ms. Zeng are Independent Third Parties.

(10) STSU was a sino-foreign joint venture established in the PRC on March 10, 1995 with a registered capital of JP¥1,507.01 million, which was held as to 75% by Hanking Group and 25% by Japan Dongyang.

(11) Fushun Hanking is a limited liability company established in the PRC in May 1997. The initial equity owners of Fushun Hanking were Fushun Jingjia Mine (撫順景佳鐵礦) (46.73%), Fushun Hanking Majun Mine (撫順罕王馬郡鐵礦) (28.04%), Fushun Hanking Maogong Mine Co., Ltd. (撫順罕王毛公鐵礦有限公司) (15.26%), Fushun Jingjia Mine Mining Field (撫順景佳鐵礦採礦場) (5.3%) and Fushun Hanking Majun Mine Mining Field (撫順罕王馬郡採礦場) (4.67%). There was share transfers among the shareholders, and immediately before the Reorganization, 40.85% of its equity interest was held by Ms. Yang and 59.15% was held by Hanking Group. Fushun Hanking was mainly engaged in the purchase and sale of textiles, construction materials, metallurgy raw materials, sintering and pelletizing, billets, iron ore concentrates and pig iron. Fushun Hanking was not included in our Group because its operation already suspended in December 2008.

(12) Fushun Metallurgy is a limited liability company established in the PRC in November 1998 with a registered capital of RMB4.03 million, and was mainly engaged in the sale of iron ore, construction materials and metals. Fushun Metallurgy was not included in our Group because its operation was suspended in June 2010 and was dissolved in June 2011.

(13) Fushun Hailang was established in the PRC in April 2004 as a sole-proprietorship enterprise wholly-owned by Ms. Yang, and was mainly engaged in the processing and purchase of iron ores. Fushun Hailang was not included in our Group because its operation was suspended in April 2008 and was dissolved in June 2011.

(14) Fushun Bangze is a limited liability company established in the PRC in April 2005 and its equity interests were held by Hanking Group (50%) and Fushun Hanking (50%), and was mainly engaged in the processing and sale of iron ores and iron ore concentrates. Fushun Bangze was not included in our Group because its operation was suspended in May 2009 and was dissolved in June 2011.

(15) Fushun D.R.I. is a limited liability company established in the PRC on August 20, 2002, as a wholly-owned subsidiary of Hanking Group, and is mainly engaged in the manufacturing of direct reduced iron and pig iron as well as the sale of iron ore concentrates, iron ore and steel. Fushun D.R.I. was not included in our Group because its business is inconsistent with our Group's business of focusing on the production and sales of iron ore concentrates.

(16) Fushun Shangma was established in the PRC on October 23, 2000 and is a sole-proprietorship enterprise owned by Mr. Yang primarily engaging in the business of mining and processing of iron ore fines and iron ore concentrates. For the reasons that it was carved out from our Group, please refer to the paragraph titled "Excluded Businesses" under "Relationship with Controlling Shareholders" in this prospectus.

(17) Dawei Casting was established in the PRC on October 29, 1998 and is wholly-owned by Ms. Yang, mainly engaged in manufacturing and sale of mining machinery parts. Dawei Casting was not included in our Group because its business is inconsistent with our Group's business of focusing on iron ore concentrate production and sales.

(18) Shangzhangdang Mining was established in the PRC on February 12, 2007, and was wholly-owned by Ms. Yang. During the Reorganization, its then shareholders Dawei Casting and Hanking Group transferred their equity interests in Shangzhangdang Mining to Mr. Yang Xinhuan and Ms. Tang Yan respectively. Shangzhangdang Mining was not included in our Group because Shangzhangdang Mining is a stand-alone iron processing plant without iron ore reserves, which is inconsistent with our Group's business of focusing on iron ore concentrates production and sales.

(19) Liuhe Mine is a company incorporated in the PRC on June 23, 2000. For the reasons that it was carved out from our Group, please refer to the paragraph titled "Disposal of Iron Ore Related Business by Controlling Shareholders" under this section for details.

In mid-2010, the companies comprising our Group underwent a reorganization to rationalize the Group's structure and strengthen our business in preparation for the listing of the Shares. As a result, our Company became the holding company of our operating subsidiaries engaging in the Core Business.

The Reorganization involved the following steps:

1. *Arrangement between Benxi Mining and Benxi Iron Processing*

1.1 *Benxi Iron Processing*

On July 20, 2010, Benxi Iron Processing was established in the PRC as a limited liability company with a registered capital of RMB5.0 million. Benxi Iron Processing is wholly-owned by Hanking Group and is engaged in iron ore processing.

1.2 *Transfer of assets of Benxi Mining to Benxi Iron Processing*

The iron ore processing business engaged by Benxi Iron Processing used to be operated by Benxi Mining. As there have been land use rights issues and title defects concerning the land and/or property of Benxi Mining which is used for the purpose of its iron ore processing business, our Directors believe that it is in the best interests of the Group not to include in our Group the assets and land and/or property of Benxi Mining used for the purpose of its iron ore processing business. Accordingly, on September 1, 2010, Benxi Mining entered into an assets transfer agreement with Benxi Iron Processing whereby Benxi Mining agreed to transfer its assets in relation to iron ore processing to Benxi Iron Processing, a wholly-owned subsidiary of Hanking Group for a cash consideration of approximately RMB24.3 million. The consideration was determined with reference to the asset valuation report dated July 30, 2010 issued by a PRC independent qualified valuer. The assets transfer became effective in September 2010.

1.3 *Iron ore processing arrangement between Benxi Mining and Benxi Iron Processing*

On June 16, 2011, Benxi Mining entered into an iron ore processing services agreement with Benxi Iron Processing, whereby Benxi Mining retained Benxi Iron Processing to exclusively provide processing services to Benxi Mining's monthly iron ore production operations. Benxi Mining agreed to pay Benxi Iron Processing a processing fee of RMB45.0 per ton for the processing services provided by Benxi Iron Processing. As Benxi Iron Processing is an associate of Hanking Group as defined under the Listing Rules, its entry into the processing agreement constitutes a continuing connected transaction of the Group. Please refer to "Non-exempt Continuing Connected Transactions" under "Connected Transactions" in this prospectus for details of such processing agreement.

2. *Acquisition of 30% Equity Interest in Xingzhou Mining*

In order to further expand our Core Business, on March 6, 2010, Aoniu Mining entered into an equity transfer agreement with Mr. Zhao Liangui and Ms. Zeng Zhuo whereby Aoniu Mining agreed to acquire 20% and 10% equity interests in Xingzhou Mining from Mr. Zhao Liangui and Ms. Zeng Zhuo, respectively, for an aggregate cash consideration of RMB60.0 million. Both Mr. Zhao Liangui and Ms. Zeng Zhuo are Independent Third Parties. The total consideration was determined based on commercial negotiations among the parties with reference to the estimated iron ore reserves of Xingzhou Mining. The equity transfer became effective on June 9, 2010. Upon completion of the equity transfer, Xingzhou Mining became wholly-owned by Aoniu Mining.

3. ***Management of Fushun Shangma by Aoniu Mining***

Fushun Shangma is a sole-proprietorship enterprise owned by Mr. Yang primarily engaging in the business of iron ore mining and processing. Aoniu Mining has the expertise and extensive resources to operate and manage iron ore mining and processing business. On June 16, 2011, Mr. Yang entered into a management service agreement with Aoniu Mining whereby Mr. Yang retained Aoniu Mining to manage and supervise the operation of Fushun Shangma. Please refer to "Relationship with Controlling Shareholders" in this prospectus for background information relating to such management service agreement. Please also refer to "Connected Transactions" in this prospectus for details of this agreement.

4. ***Transfers of Equity Interests in Aoniu Mining***

On July 8, 2010, Shenyang Yuanzheng was established in the PRC as a limited liability company with a registered capital of RMB5.0 million and is mainly engaged in mining technology consulting and mining industry investment. Shenyang Yuanzheng is wholly-owned by STSU.

On July 19, 2010, the then-existing shareholders of Aoniu Mining, namely Ms. Yang, Mr. Yang, Mr. Yang Xinhu, Mr. Yang Xinhuan, Mr. Wang Haibo, Mr. Xia Zhuo, Ms. Wang Ya'nan, Ms. Yang Dongmei and Mr. Di Shujie, entered into an equity transfer agreement with Hanking Group, whereby each of such shareholders agreed to contribute their respective interests in Aoniu Mining, namely 61%, 26%, 3%, 3%, 3%, 1.5%, 0.5%, 0.5% and 0.5% to Hanking Group. The equity transfer agreement became effective in July 2010. Upon completion of the capital contribution, the equity interest of Aoniu Mining was held as to 99% by Hanking Group and 1% by Ms. Yang.

On October 5, 2010, Ms. Yang, Hanking Group, STSU and Shenyang Yuanzheng entered into an equity transfer agreement pursuant to which Hanking Group and Ms. Yang agreed to transfer their equity interests in Aoniu Mining to STSU and Shenyang Yuanzheng, respectively, for a consideration of RMB550 million. The consideration was determined with reference to the valuation prepared by an independent valuer taking into account the net profit of Aoniu Mining for the nine months ended September 30, 2010 and the profit distribution of Aoniu Mining. Upon completion of such transfer, the equity interests in Aoniu Mining was held 99% by STSU and 1% by Shenyang Yuanzheng, respectively. Our PRC legal adviser, Jingtian & Gongcheng, has advised us that the Provisions on the Takeover of Domestic Enterprises by Foreign Investors (《關於外國投資者併購國內企業的規定》) do not apply to the transfer for the following reasons:

(i) STSU was established in the PRC on March 10, 1995, which was prior to the effective date of the M&A Rules;

(ii) According to "The Reply Regarding the Asset Restructuring of Hanking Group" (關於罕王集團資產重組的批復) (Liao Wai Jing Mao Zi Pi [2011] No. 7) (遼外經貿字批[2011]第7號) issued by Liaoning Provincial Bureau of Foreign Trade and Economic Cooperation (遼寧省對外貿易經濟合作廳) on January 25, 2011, it was confirmed that the acquisition of the equity interest in Aoniu Mining by STSU is a foreign-invested enterprise reinvesting where Tentative Regulation of Domestic Investment by Foreign-invested Enterprises (關於外商投資企業境內投資的暫行規定) is applicable. In the acquisition of equity interest in STSU by Hanking HK, Provisions for the Change of

Equity in Foreign-invested Enterprise (關於外商投資企業投資者股數變更的若干規定) shall apply. Therefore, the M&A Rules do not apply to the transfer of shares of Aoniu Mining.

5. *Settlement of Historical Related-Party Debts*

As of December 31, 2009, Hanking Group and other related parties had borrowed funds from Aoniu Mining, Maogong Mining and Benxi Mining in a total amount of approximately RMB848.1 million. Our Group and Hanking Group undertook a number of steps as part of our Reorganization to settle all of such historical related-party debts. Please refer to "Financial Information" in this prospectus for details of the settlement of related-party debts.

As of June 30, 2011, we had settled all related party debts.

6. *Disposal of Iron Ore Related Business by Controlling Shareholders*

Prior to and during the process of the Reorganization, in order to consolidate our Group's business with a view to focusing on the operation of high quality iron ore mines with significant potential, our Controlling Shareholders, through the companies they control, disposed of their interests in certain iron ores related businesses ("**Disposed Businesses**"), details of which are set out below:

6.1 *Liuhe Mine*

Liuhe Mine is mainly engaged in iron ore mining and processing and sale of iron ore concentrates. According to an evaluation opinion issued by an independent valuer, Liaoning Fuyuan Mineral Resource Reserve Valuation Co., Ltd. (遼寧富源礦產資源儲量評估有限公司) ("**Liaoning Fuyuan**") in October 2008, the estimated total iron ore reserve of Liuhe Mine was approximately 2.8 Mt as of April 2008. According to a mining right report issued by an independent valuer, Liaoning Huanyu Mining Consulting Co., Ltd (遼寧環宇礦業諮詢有限公司) on September 30, 2009, the estimated total iron ore reserve of Liuhe Mine was approximately 2.8 Mt in 2009. On July 1, 2010, Hanking Development transferred its 96% equity interest in Liuhe Mine to Ms. Yang Ying, who is Ms. Yang's sister, for a consideration of RMB1.28 million, while the other shareholder of Liuhe Mine, Ms. Yang, transferred her 4% equity interest in Liuhe Mine to Mr. Wang Zheng, Ms. Yang Ying's husband, for a consideration of RMB50,000 determined based on the registered capital of Liuhe Mine as of April 20, 2010, which was RMB1.33 million. To the best knowledge of our Directors, our Controlling Shareholders made this disposal because Liuhe Mine is a small-size iron ore mine and the iron ore resources of Liuhe Mine was, at the time of disposal, due to be exhausted. As such, Liuhe Mine does not fit into our Group's strategy of increasing high quality iron ore reserves and realizing significant economies of scale. Liuhe Mine was a customer of our Group during the Track Record Period and the percentage of our Group's sale to Liuhe Mine during the three years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011 was nil, 0.25%, 0.005% and nil, respectively.

6.2 *Shangzhangdang Mining*

Shangzhangdang Mining is mainly engaged in iron ore processing and sale of iron ore. On July 30, 2010, Dawei Casting, a company wholly-owned by Ms. Yang, transferred its 70% equity interest in Shangzhangdang Mining to Mr. Yang Xinhuan, who is Ms. Yang's nephew, for a consideration of RMB0.7 million. At the same time, Hanking Group transferred its 30% equity interest in Shangzhangdang Mining to Ms. Tang Yan, the spouse of Mr. Yang Xinhuan, for a consideration of RMB0.3 million. To the best knowledge of our Directors, the consideration was agreed among the parties after arm's length negotiations, based on the registered capital of Shangzhangdang Mining, which was RMB1 million as of July 26, 2010. Our Controlling Shareholders made this disposal because Shangzhangdang Mining is a stand-alone iron processing plant without iron ore reserves, which is not consistent with our Group's business strategy of focusing on iron ore concentrates production and sales. There was no sales to or purchases from Shangzhangdang Mining by our Group during the Track Record Period.

6.3 *Fushun Majuncheng*

Fushun Majuncheng is mainly engaged in iron ore mining and processing. According to an evaluation opinion issued by Liaoning Fuyuan in August 2008, the estimated total ore reserve of Fushun Majuncheng was approximately 651,800 tons as of May 2008.

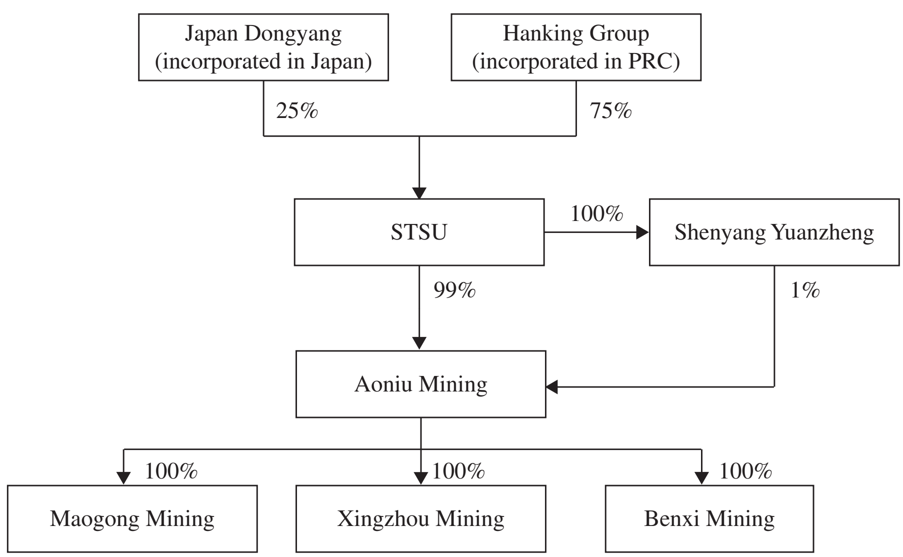
Hanking Development entered into a share transfer agreement with Fushun Deshan on October 15, 2010, pursuant to which Hanking Development transferred its 100% equity interests in Fushun Majuncheng to Fushun Deshan for a consideration of RMB15,594,200. The consideration was agreed after arms' length negotiations between the parties, based on the valued amount of the net asset of Fushun Majuncheng (RMB15.687 million), which was included in an asset valuation report issued by an Independent Third Party, Liaoning Yongshun Assets Appraisal Co., Ltd. (遼寧永順資產評估有限公司) on October 15, 2010. To the best knowledge of our Directors, our Controlling Shareholders made this disposal because Fushun Majuncheng is a small-size iron ore mine with high operation costs, and the iron ore resource of Fushun Majuncheng was, at the time of disposal, due to be exhausted. As a result, the Fushun Majuncheng mine does not fit into our Group's strategy of operating mid-sized high-quality mines with a view to increasing high quality iron ore reserves as well as realizing significant economies of scale. The transfer became effective on November 4, 2010. Purchase amounts from Fushun Majuncheng were nil, 8.54%, 18.26% and nil of our total purchases, for the three years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively while sales to Fushun Majuncheng were nil, 0.27%, 0.385% and 0.020% of our total sales for the three years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively.

7. *Transfer of Equity Interests in Maogong Mining and Benxi Mining*

On July 25, 2010, Hanking Group, which was then the sole shareholder of Maogong Mining, entered into a share transfer agreement with Aoniu Mining, pursuant to which Hanking Group transferred its 100% equity interest in Maogong Mining to Aoniu Mining for a consideration of RMB30 million. The consideration was determined through commercial negotiations between the parties with reference to the valuation report dated July 20, 2010 of Maogong Mining prepared by Beijing China Valuer International Co., Ltd (北京中天衡平國際資產評估有限公司) ("**CVI**"), an independent certified public valuer in the PRC. The transfer became effective on August 4, 2010.

On July 25, 2010, Hanking Development and Ms. Yang, who were then the shareholders of Benxi Mining, entered into a share transfer agreement with Aoniu Mining, pursuant to which Hanking Development and Ms. Yang transferred their combined 100% equity interest in Benxi Mining to Aoniu Mining for a consideration of RMB72 million. The consideration was determined through commercial negotiations among the parties with reference to the valuation report relating to Benxi Mining dated July 20, 2010 prepared by CVI. The transfer became effective on August 20, 2010.

The structure of our Group at onshore level after completion of step seven above is set out below:



8. *Pre-listing Offshore Reorganization*

Between 2010 and 2011, we undertook an offshore restructuring of the ownership of our Group, as a result of which our Group became owned through offshore incorporated vehicles.

8.1 *Incorporation of our Company*

On August 2, 2010, our Company was incorporated under the laws of the Cayman Islands as an exempted company and the Company allotted and issued one share to Codan Trust Company (Cayman) Limited. The share was transferred to Ms. Yang on the same day. The one share was transferred to China Hanking (BVI) Limited(1) on December 6, 2010. On the same day, China Hanking (BVI) Limited, Bisney Success Limited(2) and Splendour Ventures Limited(3) subscribed for 606,658 shares, 282,907 shares and 110,434 shares in our Company, respectively, at their par value of HK$0.10 each.

8.2 *Incorporation of Hanking Investment*

On July 21, 2010, Hanking Investment was incorporated under the laws of the BVI. On August 12, 2010, one share of Hanking Investment was allotted and issued to our Company. After the completion of such allotment and issuance, Hanking Investment became a direct wholly-owned subsidiary of our Company.

8.3 *Acquisition of Hanking (BVI) international and Hanking HK*

On August 17, 2010, Ms. Yang acquired Favor Hero International Limited, which was incorporated under the laws of the BVI on April 25, 2008 and changed its name to Hanking (BVI) International on September 16, 2010. Ms. Yang was the sole shareholder and director of China Hanking (BVI) International Limited.

On August 26, 2010, Hanking (BVI) International acquired Hanking HK (then known as Ascent Power Investments Limited), which was incorporated in Hong Kong on December 23, 2008. Hanking (BVI) International is the sole shareholder of Hanking HK and Ms. Yang is the director of Hanking HK.

On December 3, 2010, Ms. Yang transferred her share in Hanking (BVI) International to Hanking Investment.

(1) China Hanking (BVI) Limited was incorporated by Ms. Yang on July 21, 2010 and the share of China Hanking (BVI) Limited is wholly-owned by Ms. Yang.

(2) Bisney Success Limited was incorporated on April 22, 2010 and the shares of Bisney Success Limited are held by Mr. Yang.

(3) Splendour Ventures Limited was incorporated on April 22, 2010 and the shares of Splendour Ventures Limited are held by Mr. Yang Xinhu (31.36%), Mr. Yang Xinhuan (27.78%), Ms. Yang Ying (15.47%), Mr. Wang Haibo (12.55%), Mr. Xia Zhuo (6.28%), Ms. Wang Ya'nan (2.29%), Ms. Yang Dongmei (2.18%) and Mr. Di Shujie (2.09%). Mr. Xia Zhuo and Ms. Wang Ya'nan are Independent Third Parties and other shareholders of Splendour Ventures Limited are Ms. Yang's family members.

The structure of the non-PRC companies in our Group after completion of step 8 above is set out below:

9. ***Transfer of Shares in STSU***

9.1 STSU was established as a sino-foreign joint venture in the PRC on March 10, 1995 with a registered capital of JP¥1,507.01 million, which was held 39.32% by Shenyang Rolling Mill (瀋陽軋鋼總廠) and 60.68% by Japan Dongyang[1], both of which were Independent Third Parties. Upon its establishment, STSU was mainly engaged in the manufacture of oxygen and nitrogen, and the development of and consultation in respect of environmental protection technologies. There were subsequent transfers of the equity interests in STSU and as at August 1999, the equity interests in STSU were held by Shenyang Rolling Mill (17.8%), Japan Dongyang (25%), Shenyang Industry Investment Co., Ltd. (瀋陽市產業投資公司) (19.43%) and Shenyang Metallurgical State-Owned Asset Management Co., Ltd. (瀋陽市冶金國有資產經營有限公司) (37.77%) ("**Shenyang Management**"). Since its establishment in 1995, STSU had been operating at loss and Japan entered into an extended period of economic recession after the financial crisis in Asia in 1997. In 1999, after negotiations among the parties, Japan Dongyang agreed to transfer 37.77% of the equity interests in STSU to Shenyang Management at the price of RMB10 million and entrusted the remaining 25% equity interest in STSU to Shenyang Management pursuant to a trust agreement ("**Trust Agreement**") dated on May 18, 1999. Pursuant to the Trust Agreement (i) Shenyang Management held the 25% interest in STSU on trust for and on behalf of Japan Dongyang for a period of nine years; (ii) Japan Dongyang charged Shenyang Management RMB150,000 per annum (a total of RMB1.35 million over nine years) as the royalties associated with the entrusted equity interests; and (iii) on expiration of the nine years' trust term, Japan Dongyang was to transfer the 25% equity interest for RMB1,000 to Shenyang Management. The transfer of 37.77% of the equity interest in STSU in May 1999 and the entering into of a trust agreement along with the respective

(1) Japan Dongyang (Japan Dongyang Steel kabushiki kaisha) was incorporated in Japan in April 22, 1944 and was mainly engaged in bar steel manufacturing as well as the acquisition and operation of movable and immovable property. Japan Dongyang was once a listed company on the Tokyo Stock Exchange (stock code: 5443). On May 11, 2000, the company filed with the Tokyo District Court for civil rehabilitation proceedings, which were terminated on November 11, 2003 by the decision of the Tokyo District Court.

associated terms, charges and price, were negotiated as components of one arrangement. Pursuant to this arrangement, Japan Dongyang would no longer participate in the operations and management of STSU. Shenyang Management did not receive any other consideration or benefits under the Trust Agreement. Anderson Mori & Tomotsune, the legal advisers to the Company for Japanese law, has advised us that according to the Japanese Civil Rehabilitation Law, the validity and termination of a contract entered into by a debtor shall be determined by the choice of laws applicable to the contract, and thus, the validity of the Trust Agreement shall be governed by PRC law. The Trust Agreement shall not terminate after Japan Dongyang's entrance into civil rehabilitation(1) proceedings or a court deciding on the rehabilitation proceedings. According to PRC law, either Japan Dongyang's bankruptcy/rehabilitation (as far as STSU or any other assets within the jurisdiction of the PRC is concerned) or its liquidator's decision to terminate the trust agreement are issues subject to acknowledgement of a PRC court. Without a PRC court's adjudication, Japan Dongyang and its liquidator will not be able to terminate the Trust Agreement. However, upon the expiration of the Trust Agreement on September 9, 2008, STSU had not received any notice or become aware of any adjudication rendered by a PRC court concerning the termination of the Trust Agreement. On December 23, 2010, Tiexi District State-Owned Asset Management Co., Ltd. (鐵西區國有資產經營有限公司) ("**Tiexi Management**") as the trustee of the 25% equity interest of STSU at that time sent a written notice to Japan Dongyang regarding the disposal of the equity interest in STSU and the payment of the RMB1,000 fee and royalties required by the Trust Agreement.

On December 30, 2010, the Shenyang Tiexi District Foreign Trade and Economic Cooperation Bureau (瀋陽市鐵西區對外貿易經濟合作局) also issued a confirmation letter, confirming that Tiexi Management was the trustee of the 25% equity interest in STSU and that they obtained the 25% equity interest by exercising the right granted by the Trust Agreement. The transfer of the 25% equity interest in STSU from Tiexi Management to Hanking Group was also confirmed in the same confirmation letter.

Japan Dongyang entered into civil rehabilitation proceedings in 2000. As such, according to Tiexi Management, Tiexi Management was unable to establish contact with Japan Dongyang and was unable to pay the trust fee and residual value of the equity interest due to Japan Dongyang. Tiexi Management has also confirmed that it will pay Japan Dongyang the aforesaid fees if Japan Dongyang informs it of the correct payment method.

Jingtian & Gongcheng has advised us that the Trust Arrangement between Japan Dongyang and Shenyang Management and the subsequent change of trusteeship to Tiexi Management was legal, valid and enforceable under PRC laws and regulations.

(1) Civil rehabilitation is a procedure as decided by district court in Japan under Civil Rehabilitation Law, under which a civil rehabilitation scheme will be adopted for the debtor. Civil Rehabilitation Law is one of the bankruptcy related laws in Japan, the purpose of which is to formulate a civil rehabilitation scheme for the debtor to rehabilitate its business activities.

9.2 There were further equity interest transfers between the then shareholders of STSU and Tiexi Management. In February 2005, Tiexi Management owned 75% of the equity interest in STSU and held the remaining 25% equity interest in STSU previously held by Shenyang Management on trust for and on behalf of Japan Dongyang.

9.3 In May 2005, Tiexi Management transferred its 75% equity interest in STSU to Hanking Group for a consideration of RMB20.0 million. The operation of STSU was suspended. According to the confirmation letter (Shen Xi Guo Zi Ju Fa [2010] No. 20) (瀋西國資局發[2010]第20號) issued by the Shenyang Municipal Tiexi District State-owned Assets Supervision and Administration Bureau (瀋陽市鐵西區國有資產監督管理局) on December 30, 2010, the consideration was agreed upon commercial negotiations between the parties after taking into account the operating condition of the company, including the fact that its production operations had been suspended, it was operating under serious losses, and the lack of success (despite many efforts) at restructuring and transferring its assets.

The transfer procedures were completed in October 2006. The delay in completion of the business registration was a result of having to go through the necessary procedures in relation to the change of shareholders of STSU which required coordination with various government authorities. The operations of STSU were suspended at the time of the transfer.

9.4 On October 29, 2010, Hanking Group entered into an equity transfer agreement with Hanking HK, pursuant to which Hanking Group transferred 25% of the equity interest in STSU to Hanking HK for a consideration of RMB4 million. The consideration was determined with reference to the valuation report dated July 30, 2010 issued by CVI ("**STSU Valuation Report**").

9.5 On December 30, 2010, Hanking Group entered into an equity transfer agreement with Tiexi Management (as the trustee of Japan Dongyang), pursuant to which Tiexi Management transferred the 25% equity interest in STSU to Hanking Group for a consideration of RMB1.351 million, which is composed of nine years of royalty and residual value stated in the original trust agreement. For details of such consideration please refer to item 9.1 above. This equity interest transfer became effective on December 31, 2010. On December 23, 2010, Tiexi Management sent a written notice to Japan Dongyang regarding the disposal of the equity interest in STSU and the payment of the RMB1,000 fee and royalties required by the Trust Agreement. As at the Latest Practicable Date, Tiexi Management has not received any reply from Japan Dongyang. Article 4 of the Trust Agreement provided that, upon the expiration of the trust term, the 25% equity interest of STSU should be transferred to the trustee in the consideration of RMB1,000. Our PRC legal advisers, Jingtian & Gongcheng, has advised that based on their understandings of PRC laws, according to the aforesaid article 4 of the Trust Agreement, as at the date of the execution of the Trust Agreement Japan Dongyang has already agreed to transfer the said 25% equity interest to the trustee upon the expiration of the trust term beforehand and the aforesaid Trust Agreement is legal, valid and binding under PRC laws. Jingtian & Gongcheng further advised that although Tiexi Management did not manage to receive any reply from

Japan Dongyang, as Japan Dongyang has already agreed to transfer the aforesaid 25% equity interest of STSU to the trustee beforehand upon the execution of the Trust Agreement, and according to the confirmation letters issued by Shenyang SASAC on September 21, 2006 and Shenyang Tiexi District Foreign Trade and Economic Cooperation Bureau (瀋陽市鐵西區對外貿易經濟合作局) on December 30, 2010 respectively, Tiexi Management was the trustee of the 25% equity interest in STSU, which has the right to obtain and then dispose of the aforesaid 25% equity interest upon or after the expiration of the trust term without additional consent from Japan Dongyang. Therefore, Jingtian & Gongcheng advised that Tiexi Management can transfer the 25% equity interest in STSU to Hanking Group upon or after the expiration of the trust term and as this share transfer was approved by Shenyang Tiexi District Foreign Trade and Economic Cooperation Bureau (瀋陽市鐵西區對外貿易經濟合作局) on November 10, 2010 and was also confirmed in the aforesaid confirmation letter dated December 30, 2010, this share transfer is legal, valid, enforceable and without any legal encumbrance.

9.6 On January 10, 2011, Hanking Group entered into an equity transfer agreement with Hanking HK, pursuant to which Hanking Group transferred its 75% equity interest in STSU to Hanking HK for a consideration of RMB12 million. The consideration was determined based on the STSU Valuation Report. This transfer became effective on January 18, 2011.

Upon completion of the steps above, STSU became a wholly-owned subsidiary of Hanking HK. Although (i) the trust agreement entered into in step 9.1 above was not registered with the relevant administrative authorities at the time and (ii) Japan Dongyang entered into civil rehabilitation proceedings in Japan on May 11, 2000 and transfers of the entrusted equity interest were made in its absence based on the validity of the Trust Agreement, confirmation letters subsequently issued by the Shenyang Municipal Government State-owned Assets Supervision and Administration Commission (瀋陽市人民政府國有資產監督管理委員會) ("**Shenyang SASAC**") and the Shenyang Tiexi District Foreign Trade and Economic Cooperation Bureau (瀋陽市鐵西區對外貿易經濟合作局), respectively, have confirmed the validity of the transfers pursuant to which Japan Dongyang's interest in STSU was transferred to Tiexi Management who subsequently transferred to Hanking Group. As noted above, our PRC legal advisers, Jingtian & Gongcheng, has also advised us that the Trust Agreement entered into by Japan Dongyang in 1999 was valid and binding under PRC laws and regulations for the following reasons:

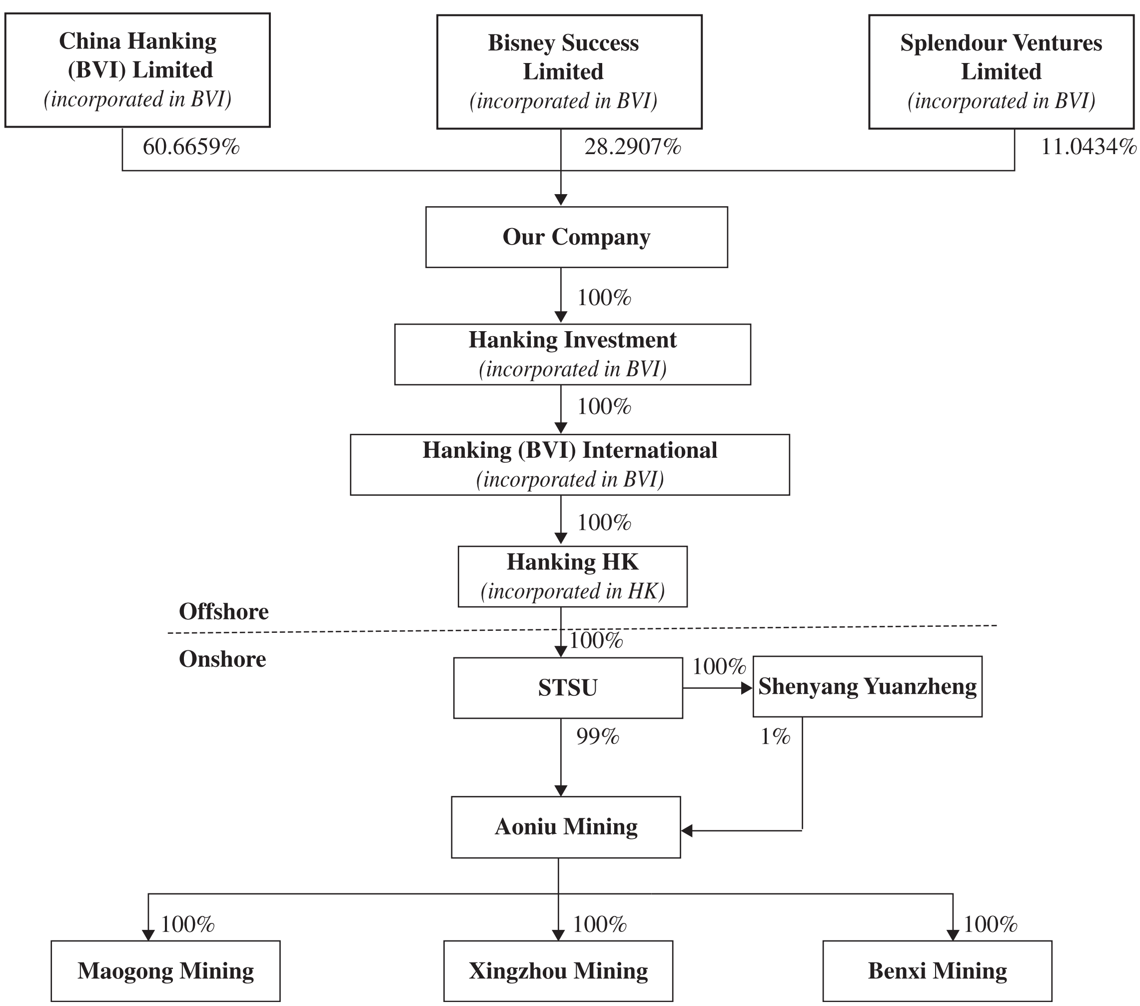
(i) On August 17, 2006, the Shenyang Municipal Administration for Industry and Commerce (瀋陽市工商行政管理局) confirmed the legality and enforceability of the Trust Agreement, and on October 12, 2010, the Shenyang Tiexi District Foreign Trade and Economic Cooperation Bureau issued a confirmation letter confirming the legality and enforceability of the agreement. The legal advisers of the Company as to PRC laws Jingtian & Gongcheng, has advised us that the trust agreement is governed by PRC laws, with the regulatory authorities administering this area being the relevant municipal Administration for Industry and Commerce and the relevant managing authority of the subject foreign-invested enterprise. Anderson Mori & Tomotsune, the legal advisers to the Company as to Japanese law, has advised us that the trust agreement is governed by PRC laws. In this regard, Jingtian & Gongcheng has advised us that the Shenyang Municipal Administration for Industry and Commerce is the competent company registration authority for STSU, and the Shenyang Tiexi District Foreign Trade and Economic Cooperation Bureau is the managing authority of foreign-invested enterprises as far as STSU is concerned. Having received the confirmation from these two government authorities, and although the relevant registration procedures were not done at the time of the creation of the trust, Jingtian & Gongcheng has advised the Company that the trust over the equity interests in STSU has already been ratified by the relevant approval and registration authorities and therefore the Trust Agreement is legal and enforceable.

(ii) According to "The Minutes of the Briefing Regarding the Transfer Process of the equity interests of the Japan STSU" (《關於東洋制鋼股權轉讓過程説明會議紀要》) based on a meeting of six relevant government departments (including Shenyang SASAC, Shenyang Municipal Administration for Industry and Commerce) on August 17, 2006, Shenyang Management was dissolved by the order of the relevant governmental authorities on March 20, 2002, and the State-Owned Asset Supervision and Administration Commission of Shenyang Municipal Government (瀋陽市人民政府國有資產監督管理委員會) issued a reply requesting that the trusteeship of 25% equity interests of STSU entrusted to Shenyang Management should be transferred to and be managed by the Shenyang Management Office of the Metallurgy and Construction Materials Industry (瀋陽冶金建材行業管理辦公室).

In August 2004, Shenyang Municipal Government (瀋陽市人民政府) initiated institutional reforms and the role of the Shenyang Management Office of the Metallurgy and Construction Materials Industry (瀋陽冶金建材行業管理辦公室) was dissolved. According to "The Opinion of the Handling of the Matters Originally Assigned to the Five Industrial Management Offices Which Shall be Revoked" (《關於原屬五個行業辦撤銷後遺留問題的處理意見》) issued by Shenyang Municipal Economic Commission (瀋陽市經濟委員會), the pending matters before the Shenyang Management Office of the Metallurgy and Construction Materials Industry, including the issue of the trusteeship of STSU, were all transferred to Shenyang Federation of Metallurgy and Building Materials Industry (瀋陽冶金建材行業聯合會). Therefore, the trusteeship originally granted by Japan Dongyang to Shenyang Management was exercisable by the Shenyang Federation of Metallurgy and Building Materials Industry. According to "The Letter of the Consent to the Change of the Trustee of Equity Interests of Shenyang Dongyang by Japan Dongyang" (《關於同意變更瀋陽東洋制鋼有限公司有限公司日方股權託管權的函》) (Shen Guo Zi Han Zi [2006] No. 41) (瀋國資函字[2006]第41號) issued by Shenyang SASAC on September 21, 2006, it was confirmed that the trusteeship of 25% equity interest in STSU should be further transferred from the Shenyang Federation of Metallurgy and Building Materials Industry to Tiexi Management.

Therefore, the trustee relationship between Shenyang Management (subsequently, Tiexi Management) and Japan Dongyang remained valid since 1999 until the transfer of a 25% equity interest to Hanking Group in 2010, and during the aforesaid term, the trusteeship was changed from Shenyang Management and finally to Tiexi Management due to the reorganization of state-owned assets in Shenyang. The legal advisers of the Company as to PRC laws, Jingtian & Gongcheng, has advised us that although the original Trust Agreement was executed by and between Shenyang Management and Japan Dongyang, and Japan Dongyang entered into civil rehabilitation proceedings when the abovementioned change of trustee occurred, as the changes of trustee was caused by the reorganization of state-owned assets in Shenyang, each of which was governmental activity and has already been confirmed by Shenyang SASAC on September 21, 2006 and Shenyang Tiexi District Foreign Trade and Economic Cooperation Bureau (瀋陽市鐵西區對外貿易經濟合作局) on December 30, 2010, which are competent governmental authorities of the stated-owned assets issue and foreign investment issue of STSU respectively, the above change of trusteeship of the above trust arrangements is legal, valid and legally enforceable.

CORPORATE STRUCTURE IMMEDIATELY FOLLOWING THE COMPLETION OF THE REORGANIZATION



FACILITY LOAN PROVIDED TO OUR COMPANY

Facility Arrangements

Primarily to finance certain steps of the Reorganization, we entered into the Facility Agreement on December 24, 2010 (which was amended and restated on January 21, 2011 and further amended on February 2, 2011, March 25, 2011 and June 24, 2011) with Credit Suisse AG, Singapore Branch, acting as arranger, facility agent and security agent for and on behalf of the Facility Lenders. The Facility Lenders made available to us a US$120 million term loan facility for 18 months from the drawdown date. On January 25, 2011 ("**Drawdown Date**"), we drew down US$120 million under the Facility Agreement. Interest is payable at an annual rate of 8% on amounts outstanding under the Facility Agreement. We must repay the loan in instalments by repaying (i) on the first anniversary of the Drawdown Date an amount equal to one third of the then outstanding loan; and (ii) on the date falling 18 months from the Drawdown Date all remaining balance of the then outstanding Loan. Although the Facility Lenders may transfer any of their respective lending commitments to other entities subsequent to the signing of the Facility Agreement, as far as our Company is concerned, its repayment obligation will be discharged in full once it repays the loan to Credit Suisse AG, Singapore Branch as facility agent on the Listing Date. Pursuant to the Facility Agreement, we are required to immediately prepay the outstanding loan (i) upon the occurrence of a change of control event (namely where Ms. Yang or Mr. Yang ceasing to beneficially own, directly or indirectly, a certain percentage of our Shares); (ii) if an IPO (as defined in the Facility Agreement to include a listing of our Shares on certain securities exchanges, including the Stock Exchange) occurs, in which case we must apply any IPO proceeds we receive towards the prepayment in full of the outstanding loan; or (iii) if we are unable to satisfy certain conditions precedent within four months from the Drawdown Date.

Warrant Cancellation Payment

As one of the conditions precedent to the provisions of the facility under the Facility Agreement, the Warrant Issuer, who held approximately 58.67% of our Shares prior to the Global Offering, issued warrants exercisable by the Warrantholders. The Warrantholders and the Warrant Issuer entered into the Deed of Undertaking dated June 13, 2011 under which the parties agreed to terminate and cancel (i) each of Warrant A and Warrant B, and (ii) each of Warrant Instrument A and Warrant Instrument B, and the Warrant Issuer agreed to pay an aggregate of US$43.334 million to the Warrantholders as compensation upon the Listing. The Warrant Issuer is required to pay the cash compensation amount to each Warrantholder respectively on the Listing Date in proportion to the respective warrant entitlements of the Warrantholders in accordance with the Deed of Undertaking. In the event the Listing does not occur on or before October 13, 2011, the Warrant Issuer must enter into new warrant agreements with the Warrantholders, or otherwise pay a different cash compensation to the Warrantholders. Please refer to "1. Further Information about Our Company — H. Facility loan provided to our Company" in Appendix VII to this prospectus for details of the Facility Loan and the cancellation of Warrant A and Warrant B. As a result, as at the date of this prospectus, there is no outstanding warrant or option underlying or attaching to our Shares.

Credit Suisse's Interest in the Facility Loan and Warrant Transaction

CS is not independent because two of the Facility Lenders under the Facility Agreement, namely Credit Suisse AG, Singapore Branch and Credit Suisse International, are affiliates of CS. Pursuant to the Facility Agreement, a portion of the net proceeds from the Global Offering will be used to repay the facility loan under the Facility Agreement and as one of the conditions precedent to the provision of the facility under the Facility Agreement, Warrant A and Warrant B were granted to Credit Suisse AG, Singapore Branch, Credit Suisse International and the other Facility Lenders by the Warrant Issuer, China Hanking (BVI) Limited. As mentioned above, pursuant to the Deed of Undertaking, the Warrant Issuer agreed to pay an aggregate of US$43.334 million to the Warrantholders as compensation upon the Listing for cancellation of Warrant A and Warrant B.

Financial Impact of the Issuance of the Warrants

In connection with the issuance of Warrant A and Warrant B, we will record an interest expense of approximately RMB176.0 million, being the market value of Warrant A and Warrant B as of the date of grant, for 2011.

Security and Guarantee

The due performance of our obligations under the Facility Agreement and certain obligations of the Warrant Issuer under the Deed of Undertaking are secured by the following securities and guarantees: (i) continuing guarantees and indemnities provided by Ms. Yang, China Hanking (BVI) Limited, Bisney Success Limited, Hanking Investment, Hanking (BVI) International and Hanking HK; (ii) a share mortgage over the shares of China Hanking (BVI) Limited provided by Ms. Yang; (iii) a share mortgage over the shares of Bisney Success Limited provided by Mr. Yang; (iv) a share mortgage over our Shares provided by China Hanking (BVI) Limited and Bisney Success Limited respectively; (v) a share mortgage over the shares of Hanking Investment provided by us; (vi) a share mortgage over the shares of Hanking (BVI) International provided by Hanking Investment; (vii) a share mortgage over the shares of Hanking HK provided by Hanking (BVI) International; (viii) equity pledge(s) over the equity interest of STSU provided by Hanking HK; (ix) a charge over our operating account in Hong Kong; (x) legal mortgages or, as the case may be, fixed and floating charges over the assets of our Company, China Hanking (BVI) Limited, Bisney Success Limited, Hanking Investment, Hanking (BVI) International and Hanking HK; and (xi) certain confirmatory security documents in respect of the assets described in (ii) to (vii), (ix) and (x) above. The due performance of our obligations under the Facility Agreement is further secured by certain charges over specific accounts to which the loan proceeds are credited. The security and guarantee will be released and discharged in full immediately upon our Listing.

Please refer to paragraph "1. Further Information about Our Company — H. Facility loan provided to our Company" in Appendix VII to this prospectus for details of such Facility Loan and the cancellation of Warrant A and the Warrant B.

Facility Loan

We are required to repay all outstanding amounts under the Facility Agreement upon the occurrence of an IPO. As such, we currently expect that the loan will be repaid in full immediately upon completion of the Global Offering, at which time we will use such portion of the proceeds from the Global Offering as may be required to repay all outstanding amounts under the loan. The principal terms of the Facility Agreement are as follows:

Principal	US$120 million	
Interest rate	8% per annum	
Commitments of the Facility Lenders*	Baosteel Resources International Company Limited	US$15,000,000
	Credit Suisse AG, Singapore Branch	US$22,500,000
	Credit Suisse International	US$75,000,000
	D. E. Shaw Composite Investment Asia 7 (Cayman) Limited	US$7,500,000

Principal use of funds

1. Acquisition by STSU of 100% of the equity interest in Aoniu Mining in an amount not exceeding US$79,500,000 equivalent in Renminbi.

2. Acquisition by Hanking HK of 100% of the equity interest in STSU in an amount of US$2,424,000 equivalent in Renminbi.

3. (i) Hanking HK's contribution of registered capital in STSU in an amount of US$16,600,000; and

   (ii) a loan from us to STSU in an amount of US$7,400,000 to fund the working capital of STSU for general corporate purposes.

4. Funding the interest services reserve in an amount of US$4,800,000.

5. Payment of fees and expenses payable under the Facility Agreement or in respect of the preparation of the financing documents in an amount of US$3,200,000.

6. Payment of other fees and expenses of the borrower incurred for general corporate purposes.

Repayment

1. An amount equal to one-third of the then outstanding loan on the first anniversary of the Drawdown Date.

2. All remaining amounts outstanding under the loan on the date falling 18 months from the Drawdown Date.

* Although the Facility Lenders may transfer any of their respective lending commitments to other entities subsequent to the signing of the Facility Agreement, as far as our Company is concerned, its repayment obligation will be discharged in full once it repays the loan to Credit Suisse AG, Singapore Branch as facility agent on the Listing Date.

Mandatory prepayment	We are required to immediately repay the outstanding loan in full in the following circumstances: 1. upon the occurrence of a change of control event (a "**Change of Control Event**") which includes the following circumstances: (a) Ms. Yang ceasing to beneficially own, directly or indirectly, at least 50% of our Shares, other than pursuant to certain permitted transfers; (b) (if Ms. Yang has ceased to beneficially own, directly or indirectly, at least 50% of our Shares and has held a reduced shareholding as a direct result of certain permitted transfers) Ms. Yang ceasing to beneficially own, directly or indirectly, at least such reduced shareholding; or (c) Mr. Yang ceasing to beneficially own, directly or indirectly, at least 25% of our Shares; 2. if an IPO (including a listing of our Shares on the Stock Exchange) occurs, in which case we must apply any IPO proceeds we receive towards the prepayment in full of the outstanding loan; or 3. if we are unable to satisfy certain conditions precedent to use of loan proceeds within four months from the Drawdown Date. The conditions precedent primarily include the provision of copies of certain letters, confirmations, evidence, legal opinions, approvals, certifications and other documents in relation to the Group's assets and operations. As at the date of this prospectus, all conditions precedent have been met or waived by the Facility Lenders.
Voluntary prepayment	We may voluntarily repay the loan at any time after 45 days from the Drawdown Date by giving not less than five Business Days' notice.
Events of default	The Facility Lenders also have the right to demand that all or part of the loan, together with accrued interest and all other amounts accrued, be immediately repaid if any of the following events of default (among others and, if applicable, subject to grace period and/or materiality threshold set out in the Facility Agreement) occurs: 1. we or any obligor fail(s) to make any payment due under the loan or breach(es) any of the terms of the Facility Agreement or its related documents;

2. we or any obligor breach(es) any of the conditions, covenants, obligations or representations or warranties contained in the Facility Agreement or its related documents, including the requirement to provide various documents to the Facility Lenders in accordance with the conditions subsequent set out in the Facility Agreement;

3. any member of the Group or any guarantor defaults under any of its financial indebtedness;

4. any member of the Group or any guarantor becomes insolvent or is subject to insolvency or analogous proceedings;

5. any member of the Group ceases or threatens to cease to carry on business;

6. the terms of the Warrants are ineffective or breach of any covenant under Warrant Instrument A or Warrant Instrument B, or any representation, warranty or statement made or repeated thereunder is incorrect in any material respect;

7. any member of the Group is subject to any litigation which, if adversely determined, could reasonably be expected to have a material adverse effect on the Group;

8. any criminal proceeding or prosecution is commenced or instituted against any obligor or any of its directors or members of senior management;

9. the auditors of us or any guarantor (other than Ms. Yang) qualify any of its annual financial statements; or

10. any event or series of events occur(s) which, in the reasonable opinion of the majority Facility Lenders, will have a material adverse effect.

Warrantholders

Please see below background information relating to Warrantholders:

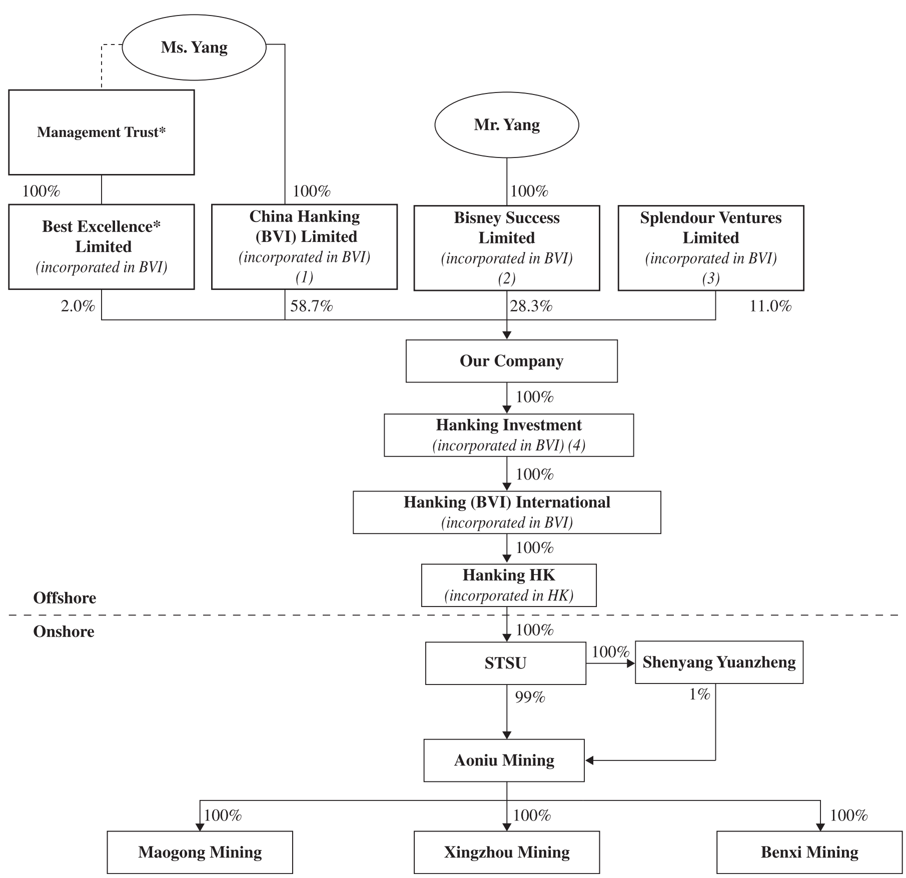
Baosteel Resources International Company Limited was incorporated on October 10, 1995 in Hong Kong, with its registered address at Room 2901, 29/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

Credit Suisse AG, Singapore Branch is the Singapore branch of Credit Suisse AG which is an international financial services firm incorporated in Switzerland. Credit Suisse AG, Singapore Branch was registered in Singapore on March 8, 1973 and its registered office is at 1 Raffles Link, #03-01 One Raffles Link, Singapore, 039393. The business of Credit Suisse AG, Singapore Branch includes private banking and investment banking.

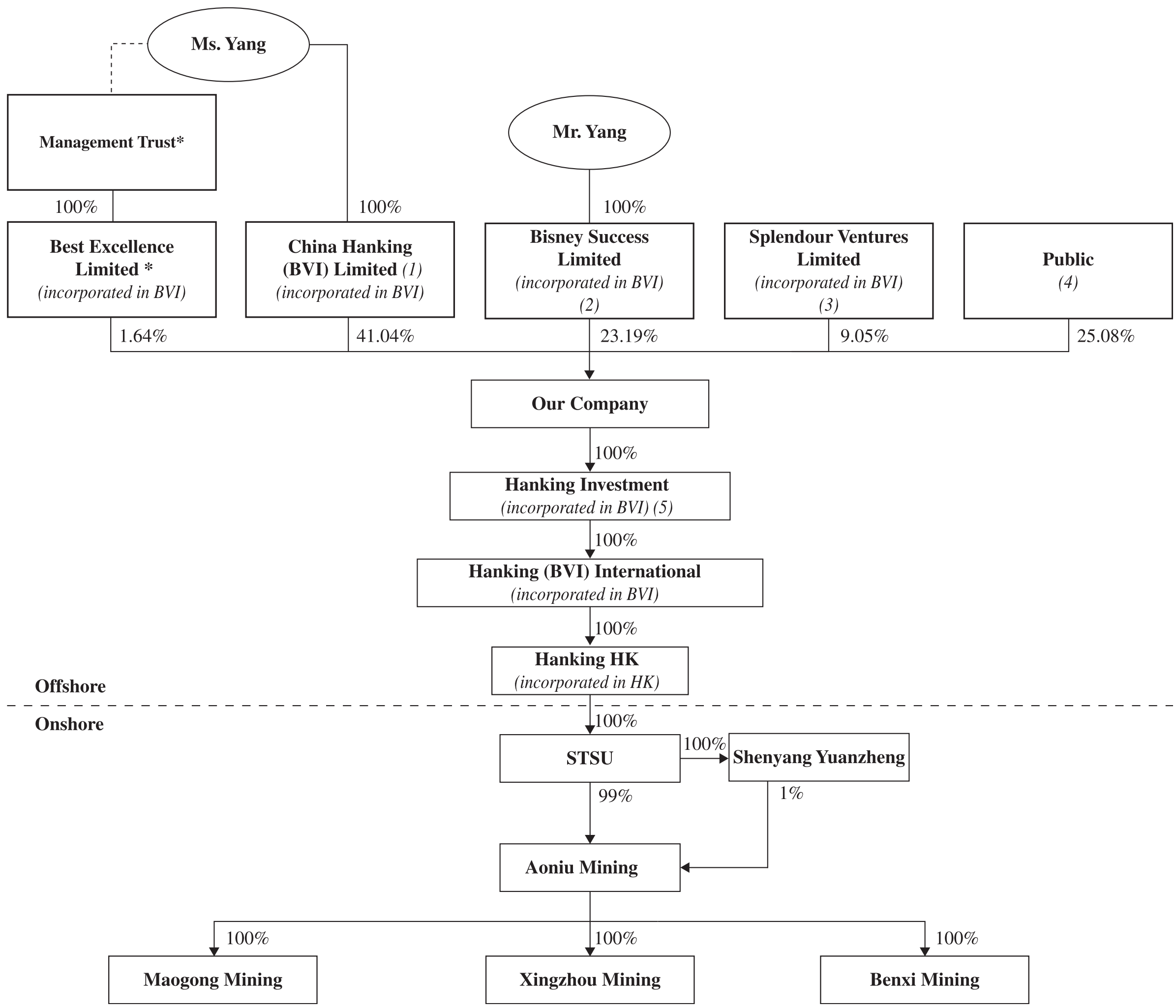
Credit Suisse International is a bank domiciled in the United Kingdom. Credit Suisse International was incorporated on May 9, 1990. Its registered office is at One Cabot Square, London, E14 4QJ, England. The business of Credit Suisse International includes investment banking.

D. E. Shaw Composite Investments Asia 7 (Cayman) Limited is a member of the D. E. Shaw group. The D. E. Shaw group is a global investment and technology development firm with more than 1,300 employees; approximately US$19 billion in investment capital as of January 1, 2011, and offices in North America, Europe, and Asia. The firm has a significant presence in many of the world's capital markets, investing in a wide range of companies and financial instruments within both the major industrialized nations and a number of emerging markets. Its activities range from the deployment of investment strategies based on either mathematical models or human expertise to the acquisition of existing companies and the financing or development of new ones.

The following chart sets out our shareholding structure immediately prior to the completion of the Global Offering:



Immediately following the completion of the Global Offering, assuming that the Over-allotment Option will not be exercised, the shareholding and corporate structure of our Group will be as follows:



* The Management Trust is a revocable discretionary trust settled by Ms. Yang as settlor with Credit Suisse Trust Limited as trustee for the purposes of recognizing and rewarding the contributions of certain eligible staff ("**Beneficiaries**"). On June 2, 2011, China Hanking (BVI) Limited transferred 19,969 Shares in our Company, representing approximately 1.6% of the Share Capital of our Company after the Listing (on a fully diluted basis assuming no exercise of Over-allotment Option), to Best Excellence Limited. It is the intention of Ms. Yang and the trustee that the Beneficiaries of the Management Trust include Ms. Yang herself and two groups of eligible staff of Hanking Group. The first group comprises 11 persons who are currently employees of our Group including some of our Directors, namely, Mr. Pan Guocheng (潘國成), Mr. Zheng Xuezhi (鄭學志), Mr. Huang Jinfu (黃金夫), Mr. Mao Guosheng (毛國勝) and Mr. Lu Zengxiang (路增祥), and these Beneficiaries may hold up to approximately 1.025% of the issued share capital of our Company after the Listing (on a fully diluted basis assuming no exercise of Over-allotment Option). The second group comprises 16 individuals who are currently employees of Hanking Group, and the aggregate maximum amount of Shares to be received by this group of beneficiaries is expected to represent approximately 0.612% of the issued share capital of our Company after the Listing (on a fully diluted basis assuming no exercise of the Over-allotment Option). Credit Suisse Trust Limited as trustee has the discretionary powers to, among others, allocate all or a portion of the trust fund of the Management Trust (including the Shares held by Best Excellence Limited), but Ms. Yang, as settlor of the Management Trust, may request Credit Suisse Trust Limited as trustee to make distributions of such Shares to one or more Beneficiaries, including herself. As at the date of this prospectus, no decision has been made by Ms. Yang or the trustee with respect to any such distribution. Our PRC legal advisers, Jingtian & Gongcheng, has advised us that such trust arrangement does not violate any provision of any PRC laws or regulations.

Notes:

(1) China Hanking (BVI) Limited was incorporated by Ms. Yang on July 21, 2010 and the share of China Hanking (BVI) Limited is solely owned by Ms. Yang.

(2) Bisney Success Limited was incorporated on April 22, 2010 and the shares of Bisney Success Limited are solely held by Mr. Yang.

(3) Splendour Ventures Limited was incorporated on April 22, 2010 and the shares of Splendour Ventures Limited are held by eight individuals. The eight individual shareholders and their respective shareholdings in Splendour Ventures Limited are set out below:

Names of shareholders	Percentage of shareholdings in Splendour Ventures Limited
Mr. Yang Xinhu (楊新虎)	31.36%
Mr. Yang Xinhuan (楊新環)	27.78%
Ms. Yang Ying (楊穎)	15.47%
Mr. Wang Haibo(王海波)	12.55%
Mr. Xia Zhuo (夏茁)	6.28%
Ms. Wang Ya'nan (王雅南)	2.29%
Ms. Yang Dongmei (楊東梅)	2.18%
Mr. Di Shujie (邸樹傑)	2.09%

Seven individuals, Mr. Yang Xinhu, Mr. Yang Xinhuan, Mr. Wang Haibo, Mr. Xia Zhuo, Ms. Wang Ya'nan, Ms. Yang Dongmei and Mr. Di Shujie became the shareholders of Aoniu Mining in August 2008 by way of share transfer. In August 2008, Hanking Development transferred its 90% equity interests in Aoniu mining to Ms. Yang, Mr. Yang and these seven individuals. Ms. Yang Ying, Mr. Yang Xinhuan and Ms. Wang Ya'nan were the shareholders of Maogong Mining since its establishment on March 31, 1997 until the Reorganization.

(4) Out of the public, assuming no exercise of the Over-allotment Option, approximately 9.4% of the Shares in issue and outstanding will be held by our cornerstone investors, assuming an Offer Price of HK$2.72 (being the mid-point of the estimated Offer Price range stated in this prospectus). Details of our cornerstone investors are set out in the section headed "Cornerstone Placing".

(5) Hanking Investment was incorporated on July 21, 2010 in BVI, and became a direct wholly-owned subsidiary of our Company on August 12, 2010, after one share of Hanking Investment was allotted and issued to our Company.

PRC LEGAL COMPLIANCE

According to the "Provisions on the Takeover of Domestic Enterprises by Foreign Investors" (關於外國投資者併購境內企業的規定) ("**M&A Rules**") jointly issued by the Ministry of Commerce (商務部), the State-Owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the State Administration of Taxation (國家稅務總局), the China Securities Regulatory Commission ("**CSRC**") (中國證券監督管理委員會), State Administration for Industry and Commence (國家工商行政管理總局) ("**SAIC**") and SAFE on August 8, 2006 and effective as of September 8, 2006, where a domestic natural person intends to take over his/her related domestic company in the name of an offshore company which he/she lawfully established or controls, the takeover shall be subject to the examination and approval of the Ministry of Commerce; and where a domestic natural person holds an equity interest in a domestic company through an offshore special purpose company, any transaction involving the overseas listing of that special purpose company shall be subject to approval by the CSRC.

As advised by our PRC legal advisers, Jingtian & Gongcheng, the M&A Rules do not apply to our Company for the following reasons:

(i) STSU was established in the PRC on March 10, 1995 and Hanking Group was approved by Shenyang Tiexi District Foreign Trade and Economic Cooperation Bureau to acquire 75% equity interest in STSU from its then shareholder in May 2005, which were both prior to the effective date of the M&A Rules.

(ii) Pursuant to the Guidebook to Management of Foreign Investment Access issued by the Ministry of Commerce (外商投資准入管理指引手冊) promulgated in December 2008 ("**Guidebook**"), no reference will be made to the M&A Rules when a Chinese investor transfers its equity interest in a foreign-invested enterprise to a foreign party, whether or not both of the parties are connected to each other or the foreign party is an existing shareholder or a new investor. Only locally-invested enterprises will be deemed to be a target company in a merger or acquisition. Hanking HK's acquisition of the 100% equity interest in STSU does not constitute a merger/acquisition by way of foreign investment, which is subject to the approval of the Ministry of Commerce.

As advised by our PRC legal advisers, the M&A Rules do not apply to the transactions undertaken by us as disclosed above and it is not necessary for us to obtain approval from the CSRC prior to the Listing and trading our Shares on the Stock Exchange.