You should read the following discussion and analysis in conjunction with our audited consolidated financial information set forth in the Accountants' Report included as Appendix I to this prospectus and the notes thereto. The financial information has been prepared in accordance with IFRS.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. See "Risk Factors" and "Forward-looking Statements".

OVERVIEW

We are the largest independent privately owned iron ore concentrates producer in Northeastern China, based on our production volume of 1,315.0 Kt in 2010, according to Hatch. Our primary business operations include iron ore mining and the production and sale of iron ore concentrates. We sell our iron ore concentrates primarily to iron and steel companies in Liaoning Province, China. With our sizeable reserves, low cost production profile, strategic location and production expansion plan, we believe we are well-positioned to capture the robust growth potential of the iron ore market in China, in particular in Liaoning Province, and to capitalize on the PRC government's policy of encouraging consolidation in the iron ore mining industry.

We produce iron ore concentrates from iron ore extracted from our four mines located in Fushun and Benxi, Liaoning Province. Our mining rights for these mines cover an area of approximately 3.75 sq.km. in total. In addition, we obtained preliminary approval from the Liaoning Department of Land and Resources to expand the mining rights area of our Maogong Mine by an additional 1.71 sq.km. on December 13, 2010. According to the Independent Technical Report, the total probable iron ore reserves in our four mines were approximately 139,771.3 Kt as of June 30, 2011. We currently own and operate five iron ore processing plants, which are located in close proximity to our mines. We engage Benxi Iron Processing, a company controlled by the Controlling Shareholders which processes iron ore exclusively for us, to process the iron ore produced at our Mengjia Mine.

We derived 99.9%, 98.1%, 97.2%, 97.6% and 99.0% of our revenue from sales of iron ore concentrates in 2008, 2009, 2010 and the six months ended June 30, 2010 and 2011, respectively. We also generated revenue from sales of auxiliary materials. The following table sets forth our sales volumes for, average selling prices of and revenue derived from sales of iron ore concentrates for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
Average selling price[1] (RMB/ton)	917	544	902	831	1,096
Sales volume (Kt)	1,026.2	1,528.7	1,398.5	756.6	680.1
Revenue from sales of iron ore concentrates (RMB'000)	941,165	831,855	1,261,711	628,588	745,095

(1) Excluding VAT at a rate of 17%.

Our sales volume in 2009, 2010 and the six months ended June 30, 2010 included 331.1 Kt, 131.1 Kt and 109.9 Kt of iron ore concentrates, respectively, that we purchased from companies controlled by our Controlling Shareholders that are not in our Group. Our average selling price of iron ore concentrates and results of operations fluctuated significantly during the Track Record Period primarily due to changes in global and PRC economic conditions. Our average selling price of iron ore concentrates decreased by 40.7% from RMB917 per ton in 2008 to RMB544 per ton in 2009 due to the collapse of the global commodity market caused by the global economic downturn that began in late 2008, and increased by 65.8% to RMB902 per ton in 2010 driven primarily by the recovery of the PRC economy. Our revenue decreased by 10.0% from RMB941.8 million in 2008 to RMB847.8 million in 2009, and increased by 53.0% to RMB1,297.5 million in 2010. Our profit and total comprehensive income decreased by 63.7% from RMB423.9 million in 2008 to RMB153.7 million in 2009, and increased by 222.9% to RMB496.3 million in 2010. Our average selling price of iron ore concentrates increased by 31.9% from RMB831 per ton in the six months ended June 30, 2010 to RMB1,096 per ton in the six months ended June 30, 2011. Our revenue increased by 16.8% from RMB644.3 million for the six months ended June 30, 2010 to RMB752.6 million for the six months ended June 30, 2011; however, our profit and total comprehensive income decreased by 36.3% from RMB219.2 million to RMB139.6 million over the same period, primarily due to a substantial increase in our finance costs, consisting of finance costs of RMB194.2 million arising from the Facility Loan under the Facility Agreement. We borrowed the Facility Loan primarily to finance the Reorganization in January 2011; the Facility Loan will be repaid following the Global Offering and accordingly we will not incur finance costs related to the Facility Loan in future periods.

BASIS OF PREPARATION

Our financial information has been prepared using the principles of merger accounting, and includes the results and cash flows of the companies comprising our Group pursuant to the reorganization as if the relevant business combination had occurred from the date when the combining entities or business first came under the control of the Controlling Shareholders. Our consolidated statements of financial position as of December 31, 2008, 2009 and 2010 and June 30, 2011 have been prepared in accordance with the principles of merger accounting to present the assets and liabilities of the companies comprising our Group as if the group structure had been in existence as of those dates and in accordance with the respective equity interests in the individual companies attributable to the Controlling Shareholders as of those dates.

The financial statements of Xingzhou Mining, of which we acquired a 70% equity interest in 2008, are consolidated from the date of acquisition. All income, expenses and unrealized gains and losses resulting from intercompany transactions and intercompany balances within our Group are eliminated in full upon consolidation.

FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set forth in the "Risk Factors" section of this prospectus and the following factors, some of which may not be within our control and/or may not be indicative of future results of operations.

Pricing of products

We price our iron ore concentrates primarily based on prevailing market prices and the quality of our products. In addition, as demand for iron ore concentrates outstrips supply in Liaoning, certain of our customers offer us higher prices if our sales volume to them exceeds the amount agreed between us and them in advance. The following table sets forth our average selling price per ton of iron ore concentrates for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
Average selling price (RMB/ton)[1]	917	544	902	831	1,096

[1] Excluding VAT at a rate of 17%.

Market prices

A number of factors affect market prices of iron ore products in China, including but not limited to the global and PRC supply of and demand for iron ore products as well as other macro-economic factors such as interest rates, expectations regarding inflation and currency exchange rates. In particular, domestic prices of iron ore across all provinces in China are influenced by prices of imported ore, especially prices of ore imported on a spot basis. Most of our existing and potential customers are located in Liaoning Province, China and the prices of our iron ore products are directly influenced by market prices in this region.

The following table sets forth the average selling price per ton of iron ore concentrates in Beipiao, Liaoning for the periods indicated, which we believe are representative indicators for prevailing market prices of iron ore concentrates in Liaoning during such periods:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
Average selling price (RMB/ton)[1]	912	513	813	738	965

[1] Excluding VAT at a rate of 17%.

Source: Hatch

Driven by economic growth and urbanization in China, the market prices of iron ore concentrates in China increased significantly in recent years until around September 2008, when they began to decline due to the global economic downturn and the collapse of the global commodity market. Primarily driven by the recovery of the PRC economy, market prices of iron ore concentrates in China stabilized in the second quarter of 2009 and have since gradually increased. See "Industry Overview — Iron Ore Pricing".

Any future slowdown of the global or PRC economy, in particular the construction and infrastructure sectors, may result in reduced demand for steel and in turn the demand for iron ore concentrates, which would have an adverse effect on our business, financial condition and results of operations.

Quality of iron ore concentrates

Iron ore concentrates of higher quality typically command higher prices. The quality of iron ore concentrates is primarily determined by their iron content and levels of impurities, such as sulphur, phosphorus, silicon and titanium. Our sales agreements with our major customers typically include price adjustment provisions based on the iron and silicon content of the iron ore concentrates we deliver.

Sales volume

We expect that sales volume will be the main driver of our revenue growth in the future. Our sales volume generally depends on demand for our products, our iron ore reserves and production capacity. The following table sets forth information regarding our production volume and sales volume of iron ore concentrates for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
			(Kt)		
Production volume	1,045.9	1,182.3	1,315.0[1]	645.7	626.3[1]
Total sales volume	1,026.2	1,528.7	1,398.5	756.6	680.1
Sales volume of our own iron ore concentrates	1,026.2	1,197.6	1,267.4	646.7	680.1
Sales volume of iron ore concentrates produced by companies controlled by our Controlling Shareholders that are not in our Group	—	331.1	131.1	109.9	—

(1) Includes iron ore concentrates processed by Benxi Iron Processing, a contractor controlled by our Controlling Shareholders outside of our Group that we engaged to process iron ore exclusively for us.

Our iron ore reserves and production capacity

Our future growth will largely depend on our capital investment plan to (a) increase our iron ore reserves and (b) increase our production capacity. We plan to increase our iron ore reserves by mining deeper into our existing mines; extending our mining operations to areas adjacent to the boundary limits of our existing mines as set forth in our current mining rights and acquiring mining assets from third parties. We intend to expand our iron ore concentrates production capacity by (i) expanding our existing production facilities; (ii) constructing new production facilities; (iii) expanding our mining activity underground; and (iv) acquiring new mines and related production facilities. See "Business — Our Business Strategies" and "Business — Our Production Operations and Facilities Production expansion plans".

Demand for our products

According to UNCTAD and CISA, China has been the largest iron ore consuming country in the world in the past ten years. China is by far the largest importer of iron ore, with its imports reaching approximately 619 Mt in 2010, representing 66.8% of world total global iron ore imports in 2010. From 2001 to 2010, Liaoning's iron ore imports increased by seven times, representing a CAGR of 24.1%. A shortage in the domestic supply of iron ore presents significant market opportunities for our iron ore concentrates which we produce domestically. For more information regarding the iron ore markets, see "Industry Overview — Overview of the Iron Ore Industries".

Costs of production

Our costs of production are directly related to production volume. Our costs of production mainly include raw materials costs, depreciation, salaries, water and power and transportation costs. Variations in production volume and the costs of mining, transporting and processing ore are key factors that affect our costs of production.

For information on our operating and production costs, see "Business — Our Production Operations and Facilities — Cash operating costs".

The business environment in the PRC

We derive substantially all of our revenue from sales of iron ore concentrates in China. Economic growth in China has a direct impact on our operations, including particularly the level of demand for our products, the availability and prices of our raw materials and our other operating expenses. The slowdown of the PRC economy resulting from the global economic downturn in the second half of 2008 caused the prices of iron ore products in China to decline significantly until the second quarter of 2009, which in turn caused a significant decrease in our gross margin for 2009 compared with 2008. Although the PRC economy has gradually recovered and market prices of iron ore concentrates have rebounded since the second quarter of 2009, the business environment in the PRC continues to affect our results of operations.

Our business arrangements with companies controlled by our Controlling Shareholders outside of our Group

To optimize their various businesses and achieve their debt and equity financing plans, our Controlling Shareholders implemented a series of arrangements among us and certain other companies controlled by them in the past several years. As we owned and operated most of the iron ore mines and processing plants controlled by the Controlling Shareholders, these changes directly affected our business and results of operations during the Track Record Period.

Sales and distribution arrangements

In 2008, we sold most of the iron ore concentrates we produced to Fushun Hanking and Fushun Metallurgy, both of which are companies controlled by our Controlling Shareholders that are not in our Group. Those two companies served as the principal centralized sales channels for iron ore concentrates for the Controlling Shareholders' iron ore business in China in 2008. We also sold a portion of our iron ore concentrates to Hanking Group, another company controlled by our Controlling Shareholders that are not in our Group, which resold such iron ore concentrates to Fushun Hanking. Fushun Hanking and Fushun Metallurgy in turn resold our iron ore concentrates to third party customers and Fushun D.R.I., a company controlled by the Controlling Shareholders that are not in our Group. We acquired a 70% equity interest in Xingzhou Mining in 2008 and continued its previous practice of selling iron ore concentrates directly to its customers.

In 2009 and 2010, to streamline our operations and prepare for the Listing, we and the Controlling Shareholders took steps to separate our business from the operations of those other companies controlled by them. First, Aoniu Mining replaced Fushun Hanking as one of the principal centralized sales channels for iron ore concentrates in 2009. Beginning in May 2010, we ceased selling iron ore concentrates to Fushun Metallurgy and switched to selling all of our iron ore concentrates produced by Benxi Mining directly to our customers. In September 2010, we completed the last step of severing our sales arrangement with companies controlled by our Controlling Shareholders that are not in our Group by ceasing to purchase and resell iron ore concentrates produced by them. In addition, we switched from selling the iron ore concentrates produced by Xingzhou Mining directly to its customers to selling its iron ore concentrates through Aoniu Mining in September 2010 after we acquired the remaining 30% equity interest in it in June 2010.

Our sales of iron ore concentrates to Hanking Group, Fushun Hanking and Fushun Metallurgy in 2008 amounted to RMB931.9 million and our sales of iron ore concentrates to Fushun Metallurgy in 2009 and 2010 amounted to RMB139.8 million and RMB61.2 million, respectively, while our purchases of iron ore concentrates from companies controlled by the Controlling Shareholders in 2009 and 2010 amounted to RMB183.4 million and RMB112.6 million, respectively.

Our sales of iron ore concentrates to Hanking Group, Fushun Hanking and Fushun Metallurgy did not involve physical delivery of the iron ore concentrates to them; instead, the iron ore concentrates were directly delivered from our processing facilities to Fushun Hanking's and Fushun Metallurgy's customers. Fushun Hanking and Fushun Metallurgy were responsible for the arrangement of delivery and the related costs. The resale arrangements between Aoniu Mining and companies controlled by our Controlling Shareholders that are not in our Group were similar in these respects. Our selling and distribution expenses increased by 79.5 times, from RMB0.2 million in 2008 to RMB16.1 million in 2009, mainly due to our switching to selling most of our iron ore concentrates directly to third party customers in 2009.

With a view to allocating resources among the various companies controlled by them and achieving their other business objectives, the Controlling Shareholders imposed different pricing mechanisms to our sales of iron ore concentrates to Fushun Hanking, Fushun Metallurgy and Hanking Group and Aoniu Mining's purchases of iron ore concentrates from companies controlled by our Controlling Shareholders that are not in our Group. We were required to sell our iron ore concentrates to Fushun Hanking, Fushun Metallurgy and Hanking Group at a discount to the reselling prices that Fushun Hanking and Fushun Metallurgy charged their customers. The average discount rates were approximately 12%, 5% and 7% in 2008, 2009 and 2010 (through May 2010), respectively. By contrast, Aoniu Mining generally did not receive discounts on its purchases of iron ore concentrates from companies controlled by our Controlling Shareholders that are not in our Group; instead, the purchase prices paid by Aoniu Mining were based on market prices and Aoniu Mining generally resold such iron ore concentrates to our customers at approximately the same prices.

For the iron ore concentrates we purchased from companies controlled by our Controlling Shareholders that are not in our Group and resold to our customers in 2009 and 2010, we recognized revenue for the re-sales and recorded the purchase prices we paid as cost of sales in those periods. Because the purchase prices paid and the reselling prices charged by Aoniu Mining for these iron ore concentrates were substantially identical, our re-sales of iron ore concentrates produced by the companies outside of our Group significantly increased our revenue and had minimal impact on our gross profit. Moreover, as the purchase prices per ton we paid for the iron ore concentrates were significantly higher than the average cost of sales per ton of iron ore concentrates produced by us, our re-sales of iron ore concentrates had an effect of increasing our average cost of sales and reducing our profit margins.

In addition to contributing to the fluctuations in our results of operations, our sales and distribution arrangements with companies controlled by our Group and other companies controlled by our Controlling Shareholders that are not in our Group resulted in our entering into a number of significant related party transactions during the Track Record Period. As of December 31, 2008, we had trade receivables of RMB164.2 million, which were primarily attributable to our sales of iron ore concentrates to Fushun Hanking. Conversely, our trade payables of RMB46.0 million as of December 31, 2009 were primarily due to the companies controlled by the Controlling Shareholders that are not in our Group as a result of our purchases of their iron ore concentrates.

Procurement arrangements

To increase bargaining power and obtain favorable pricing, Fushun Hanking, Aoniu Mining and Fusen Parts purchased certain auxiliary materials for our Group and other companies controlled by our Controlling Shareholders during part of the Track Record Period. Specifically, Aoniu Mining served as the principal procurement channel for diesel and certain spare parts and resold a portion of such auxiliary materials at cost to the iron ore companies controlled by the Controlling Shareholders that are not in our Group from 2009 to July 2010. In addition, we have been procuring spare parts and diesel for Benxi Iron Processing since we began to engage it to process iron ore produced by Benxi Mining in September 2010. Benxi Iron Processing is a company controlled by our Controlling Shareholders. We transferred our Benxi Processing Plant to Benxi Iron Processing in September 2010 due in part to title defects concerning the land on which the Benxi Processing Plant operated. We resell the spare parts and diesel to Benxi Iron Processing at cost. A substantial majority of all of our revenue from sales of auxiliary materials, which amounted to RMB15.9 million in 2009, RMB35.8 million in 2010 and RMB7.5 million in the six months ended June 30, 2011, were attributable to sales of such diesel and spare parts. Because we resold these auxiliary materials at cost, these sales also had an effect of reducing our profit margins. For more information regarding our purchases of supplies from Fusen Parts, see "Business — Major Suppliers".

Administrative arrangements

Prior to 2009, many members of our current administrative and management team were formally employed by Hanking Group. In connection with Aoniu Mining's replacing Fushun Hanking as a principal sales channel of iron ore concentrates in 2009, Hanking Group transferred certain of its management members and administrative staff to Aoniu Mining. In part due to this change, our administrative expenses increased by 71.5% from RMB53.3 million in 2008 to RMB91.4 million in 2009.

Financing arrangements

During the Track Record Period, Fushun Hanking was responsible for allocating capital resources among our Group and the Controlling Shareholders' other businesses. As part of this arrangement, Fushun Hanking retained a substantial portion of the purchase prices due to us for the iron ore concentrates that we sold to Hanking Group, Fushun Hanking and Fushun Metallurgy in 2008, resulting in our trade receivables of RMB164.2 million as of December 31, 2008, which have since been paid. In addition, because Fushun Hanking served as the main financing vehicle for us in 2008, we had no outstanding bank borrowings as of December 31, 2008 and our finance cost amounted to only RMB0.2 million in the year. Aoniu Mining became the main financing vehicle for our Group and the Controlling Shareholders' other businesses in 2009. Primarily due to this change, our bank borrowings increased to RMB415.0 million as of December 31, 2009, and our finance cost increased to RMB22.4 million in 2009. In addition, we have historically provided funding to our Controlling Shareholders' other businesses. As a result, we had loans to related parties of RMB163.8 million, RMB848.1 million and RMB342.9 million, respectively, as of December 31, 2008, 2009 and 2010. We had settled all outstanding related party loans as of June 30, 2011.

CRITICAL ACCOUNTING POLICIES

Our principal accounting policies are set forth in Note 4 of the "Accountants' Report" in Appendix I to this prospectus. IFRS requires that we adopt accounting policies and make estimates that our Directors believe are most appropriate under the circumstances for the purposes of giving a true and fair view of our results and financial position. Critical accounting policies are those that require management to exercise judgment and make estimates which could yield materially different results if management were to apply different assumptions or make different estimates. We believe the most complex and sensitive judgments, because of their significance to our financial information, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Actual results in these areas may differ from our estimates. We have identified below the accounting policies that we believe are the most critical to our financial information and that involve the most significant estimates and judgments.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes. Revenue from sales of goods is recognized when the goods are delivered and title has passed. Interest income from a financial asset is recognised when it is probable that economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment losses.

Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of such asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

Mining rights

Mining rights are stated at cost less amortization and any recognized impairment loss. The mining rights are amortized over the shorter of the unexpired period of the rights or the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the units of production method.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

Mine reserves

Engineering estimates of our mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated on regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the amortization rates. Changes in the estimate of mine reserves are also taken into account in the assessment of impairment of non-current assets.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Our Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where we are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which we expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity, respectively.

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ITEMS

Revenue

We derive substantially all of our revenue from sales of iron ore concentrates. We also derive a small portion of revenue from sales of auxiliary materials, including primarily diesel and spare parts. To increase bargaining power and obtain favorable pricing from 2009 to July 2010, Aoniu Mining purchased certain auxiliary materials, including diesel and certain spare parts, for our Group and other companies controlled by our Controlling Shareholders that are not in our Group. Aoniu Mining resold a portion of these auxiliary materials at cost to the other companies controlled by the Controlling Shareholders that are not in our Group. A substantial majority of the sales of auxiliary materials were made to these other companies controlled by our Controlling Shareholders that are not in our Group during the Track Record Period. In addition, we have been procuring spare parts and diesel for Benxi Iron Processing since we began to engage it to process iron ore produced by Benxi Mining in September 2010 and the Group has gradually phased out this arrangement. It is expected that such procurement activities will cease prior to the Listing. Benxi Iron Processing is a company controlled by our Controlling Shareholders. We transferred our Benxi Processing Plant to Benxi Iron Processing in September 2010 due in part to title defects concerning the land on which the Benxi Processing Plant operated. A substantial majority of our revenue from sales of auxiliary materials in the six months ended June 30, 2011 was attributable to sales of spare parts and diesel to Benxi Iron Processing. Please refer to Note 38 "Related Party Transactions" to the Accountants' Report in Appendix I.

The following table sets forth revenue contribution by product categories and percentage of total revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2008		2009		2010		2010		2011	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB'000, except percentage data)									
Sales of iron ore concentrates	941,165	99.9	831,855	98.1	1,261,711	97.2	628,588	97.6	745,095	99.0
Sales of auxiliary materials	624	0.1	15,945	1.9	35,787	2.8	15,673	2.4	7,543	1.0
Total	941,789	100.0	847,800	100.0	1,297,498	100.0	644,261	100.0	752,638	100.0

Cost of sales

The following table sets forth the breakdown of our cost of sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2008		2009		2010		2010		2011	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB'000, except percentage data)									
Materials	88,474	30.2	296,685	59.4	237,215	50.9	164,139	60.0	68,477	33.9
Staff costs	19,572	6.7	20,058	4.0	23,027	4.9	12,633	4.6	15,152	7.5
Water and power	38,800	13.3	43,025	8.6	45,888	9.8	24,230	8.9	17,713	8.8
Transportation	17,705	6.0	35,110	7.0	13,913	3.0	5,591	2.0	2,926	1.5
Depreciation	25,883	8.8	27,378	5.5	28,361	6.1	14,787	5.4	19,402	9.6
Amortization of mining rights	7,335	2.5	11,875	2.4	33,264	7.1	15,263	5.6	9,614	4.8
Land compensation fees	29,442	10.1	16,879	3.4	6,982	1.5	4,941	1.8	6,970	3.5
Farmland use taxes	5,745	2.0	6,157	1.2	5,207	1.1	2,817	1.1	3,278	1.6
Resource and business taxes	35,686	12.2	37,306	7.5	46,925	10.1	22,775	8.3	28,587	14.2
Processing fees	—	—	—	—	12,376	2.7	—	—	19,435	9.6
Others	24,131	8.2	5,146	1.0	12,815	2.8	6,202	2.3	10,198	5.1
Total	292,773	100.0	499,619	100.0	465,973	100.0	273,378	100.0	201,752	100.0

Materials costs are the largest component of our cost of sales. Materials used in our operations primarily include diesel, explosives and spare parts for our mining and iron ore processing machinery, drill heads, truck tires and grinding balls used in our ball mills. In 2009, 2010 and the six months ended June 30, 2010, materials costs also included the purchase prices that we paid to other companies controlled by our Controlling Shareholders that are not in our Group for iron ore concentrates that we purchased from them. We purchased 331.1 Kt of iron ore concentrates for RMB183.4 million in 2009, 131.1 Kt of iron ore concentrates for RMB112.6 million in 2010 and 109.9 Kt of iron ore concentrates for RMB94.8 million in the six months ended June 30, 2010; we did not purchase any iron ore concentrates in the six months ended June 30, 2011. The purchase prices paid by us were based on the average reselling prices which we charged our customers each month and were much higher than the average materials costs of the iron ore concentrates produced by us. Because the purchase prices paid and the reselling prices charged by us for these iron ore concentrates were substantially identical, our gross profit margin for the iron ore concentrates produced by companies controlled by our Controlling Shareholders that are not in our Group was approximately zero. Primarily due to our purchases of these iron ore concentrates, material costs as a percentage of our total cost of sales fluctuated significantly during the Track Record Period, and the fluctuations in materials costs were not in line with the changes in our sales of iron ore concentrates. See "Business — Sales and Distribution" and "— Factors Affecting Results of Operations and Financial Condition — Our business arrangements with companies controlled by our Controlling Shareholders that are not in our Group".

Staff costs primarily comprise the wages paid to our employees who work at our mines and processing plants.

Transportation costs represent the cost of transporting ore from our mines to our processing plants. We engage third party contractors to transport ore for us from time to time when our own transportation capacity is not sufficient to meet our needs. It generally costs more to engage contractors than to transporting ore ourselves. To reduce our transportation costs, we have purchased additional trucks to transport ore and reduced our reliance on third party contractors.

Depreciation represents depreciation expenses for property, plant and equipment calculated on a straight-line basis.

We amortize our mining rights over the shorter of the unexpired period of the rights on a straight-line basis or the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and with the probable reserves of the mines using the units of production method. Amortization of mining rights increased significantly during the Track Record Period primarily due to increases in the average purchase prices of the mining rights that we acquired more recently and to a lesser extent our increased iron ore production volumes.

Land compensation fees represent compensation for the use of land collectively-owned by third parties by our iron concentration facilities. The amount of land compensation fees we incur does not necessarily correlate with our iron ore production volume as the site area of an individual parcel of land does not necessarily correlate with the volume of ore that we extract from it.

Farmland use taxes represent taxes paid to the government for the use of farmland for our operations.

Resource and business taxes include resource compensation fees and various business taxes and fees levied by the government.

Processing fees represent fees we pay Benxi Iron Processing for iron ore processing services. We have engaged Benxi Iron Processing to process ore produced at our Mengjia Mine since September 2010. Benxi Iron Processing is a company controlled by our Controlling Shareholders that is not in our Group. See "Business — Third-party Contractor" and "Relationship with Controlling Shareholders — Excluded Businesses — Benxi Iron Processing".

Others include costs of repairing and maintaining our mining and processing equipment and other miscellaneous costs.

Other income

Our other income primarily consists of government grants and interest income from our bank deposits. Government grants primarily consist of government grants, subsidies and similar incentives for which we apply and that we receive from various PRC government authorities from time to time. During the Track Record Period, the government grants we received comprised primarily subsidies granted to Aoniu Mining by the local industry development project funds in connection with the expansion of its iron ore processing facilities. We do not receive government grants on a regular or recurring basis and the amount of government grants we receive tends to fluctuate significantly.

Other expenses

Other expenses primarily consist of surcharges for late tax payment, charitable donations, loss on disposal of property, plant and equipment, expenses associated with the Listing and other miscellaneous expenses. During the Track Record Period, we disagreed with the relevant tax bureaus regarding the amount of income and certain other taxes payable by us assessed by them and did not pay the disputed amount during the period when we challenged the assessments. As a result, we were required to pay surcharges for our late payment of such taxes. We have taken remedial measures to avoid incurring late tax payment surcharges, including regularly and promptly communicating with the local tax bureaus regarding their assessment of our tax. Due to our remedial measures, we incurred only minimal late tax payment surcharges in the first quarter of 2010 and have not been assessed any surcharge since.

Selling and distribution expenses

The following table sets forth the breakdown of our selling and distribution expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2008		2009		2010		2010		2011	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB'000, except percentage data)									
Transportation expenses	170	82.5	15,595	96.7	22,755	98.1	13,059	98.8	12,171	97.3
Staff costs	—	—	337	2.1	357	1.5	141	1.1	221	1.8
Other	36	17.5	188	1.2	96	0.4	19	0.1	111	0.9
Total	206	100.0	16,120	100.0	23,208	100.0	13,219	100.0	12,503	100.0

Transportation expenses represent the largest component of our selling and distribution expenses. In 2008, we sold all of our iron ore concentrates to Hanking Group, Fushun Hanking and Fushun Metallurgy, which in turn resold our iron ore concentrates. Our sales to Hanking Group, Fushun Hanking and Fushun Metallurgy did not involve physical delivery of the iron ore concentrates to them; instead, the iron ore concentrates were directly delivered from our processing plants to their customers. Fushun Hanking and Fushun Metallurgy were responsible for the arrangement of delivery and the related costs. In 2009, in preparation for the Listing, Aoniu Mining replaced Fushun Hanking as one of the principal sales channels for the Controlling Shareholders' iron ore business. As Aoniu Mining became responsible for the related sales and marketing activities, including the arrangement of product delivery and payment of the related costs, our selling and distribution expenses increased substantially from

RMB0.2 million in 2008 to RMB16.1 million in 2009. In May 2010, Benxi Mining ceased selling iron ore concentrates to Fushun Metallurgy and switched to selling its iron ore concentrates to Aoniu Mining. In part due to this change, our selling and distribution expenses further increased to RMB23.2 million in 2010. Moreover, one of our major customers agreed to pay half of the transportation expenses in 2009 while we did not have similar arrangements with our customers and were responsible for all of the transportation expenses in 2010. As a result, our transportation expenses increased significantly in 2010.

Administrative expenses

The following table sets forth the breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2008		2009		2010		2010		2011	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB'000, except percentage data)									
Staff costs	6,563	12.3	35,280	38.6	47,660	50.4	23,038	55.6	23,580	35.7
Management consulting fees	14,000	26.3	14,400	15.8	—	—	—	—	—	—
Depreciation and amortization	196	0.4	7,524	8.2	7,616	8.0	4,207	10.2	3,705	5.6
Rental expenses	—	—	4,414	4.8	5,054	5.3	2,072	5.0	2,416	3.7
Business development expenses	1,448	2.7	9,614	10.5	10,115	10.7	3,437	8.3	6,660	10.1
Professional consulting and service fees	9,611	18.0	8,314	9.1	7,993	8.5	4,295	10.4	6,113	9.3
Other	21,483	40.3	11,861	13.0	16,212	17.1	4,398	10.5	23,553	35.7
Total	53,301	100.0	91,407	100.0	94,650	100.0	41,447	100.0	66,027	100.0

Staff costs consist of wages and bonuses paid to administrative staff. The increase in staff costs during the Track Record Period was primarily attributable to increases in the number of administrative employees due to our business expansion. In addition, in connection with replacing Fushun Hanking with Aoniu Mining as a principal sales channel of iron ore concentrates in 2009, the Controlling Shareholders caused Hanking Group to transfer certain management members and other administrative staff of their iron ore business from Hanking Group to Aoniu Mining in 2009, which also contributed to the increase in our administrative expenses.

Management consulting fees represent fees paid to Hanking Group for consulting services and support services. In 2008 and 2009, Hanking Group provided various services, such as accounting and in-house legal services, to our Group and other companies controlled by the Controlling Shareholders that are not in our Group.

Depreciation and amortization primarily represent depreciation and amortization expenses for office buildings and equipment and software. Rental expenses primarily represent office rental expenses. The increases in depreciation, amortization, rental expenses in 2009 were also due in part to the transfer management members and other administrative staff from Hanking Group to Aoniu Mining.

Business development expenses primarily consist of travel and entertainment fees incurred during the Track Record Period. Our business development expenses increased significantly in 2009 and 2010 as compared to 2008 primarily due to the transfer from Hanking Group to Aoniu Mining of management team members and other administrative staff responsible for business development activities who incurred such expenses.

Professional consulting and service fees represent fees we paid to professional firms for legal, accounting, designing, appraisal and other professional services.

Other includes various taxes, such as stamp duty, and other miscellaneous expenses, such as environmental expenditures and compensation to villagers for their land.

Finance costs

Finance costs mainly represent interest on bank borrowings and the Facility Loan and interest paid in discounting bank bills that we receive from our customers as payments for our products.

We raised the Facility Loan in the principal amount of USD120 million primarily to finance the Reorganization in January 2011. See "History, Development and Reorganization — Facility Loan Provided to Our Company" in this prospectus for more details. The finance cost arising from the Facility Loan in the six months ended June 30, 2011 amounted to RMB194.2 million. The Facility Loan is measured at amortized cost using the effective interest method under International Accounting Standards (IAS) 39.47. The amortization period of the Facility Loan was determined in accordance with IAS 39.9, under which the expected life of a financial instrument is used to determine its net carrying amount. Under the Facility Agreement, we must repay the Facility Loan in full on the date falling 18 months from January 25, 2011, being the drawdown date of the loan; however, if an IPO takes place earlier than 18 months from drawdown date, we must repay the loan in full upon the consummation of the IPO. As it was impossible to predict reliably when the IPO would take place, if at all, when we drew down the Facility Loan, we determined the amortization period of the Facility Loan to be 18 months, being the full contractual term of the Facility Loan under the Facility Agreement. As we currently expect the IPO to take place in accordance to the timetable set out on "Expected Timetable" in this prospectus, the expected life of the loan becomes shorter, and we are required under IAS 39 to adjust the carrying amount of the Facility Loan as of June 30, 2011 to reflect actual and revised estimated cash flows, with the adjustment recognized as finance costs for the six months ended June 30, 2011. Due to this adjustment, the majority of the total expected finance cost arising from the Facility Loan has been recognized in the six months ended June 30, 2011, resulting in a substantial increase in our finance cost compared with the same period of the previous year.

Income tax expenses

Income tax expenses consist of provisions for current and deferred PRC income tax expenses. Overall, our effective tax rates for 2008, 2009, 2010 and the six months ended June 30, 2010 and 2011 were 27.8%, 27.6%, 25.6%, 26.4% and 42.7%, respectively. Our finance costs arising from the Facility Loan in the six months ended June 30, 2011 were not deductible for PRC income tax purposes because they were incurred by our Company, a holding company incorporated in the Cayman Islands. As a result, our effective tax rate for the six months ended June 30, 2011 increased to 42.7%.

The provision for PRC income tax is based on the respective income tax rate applicable to our PRC subsidiaries as determined in accordance with the relevant PRC income tax rules and regulations and their taxable income as determined under PRC GAAP. The tax rate applicable to our PRC subsidiaries can be found in Note 12 to the Accountants' Report included as Appendix I to this prospectus.

We are not subject to Cayman Islands profits tax as we had no assessable income arising in or derived from the Cayman Islands during the Track Record Period. We are not subject to Hong Kong profits tax as we had no assessable income arising in or derived from Hong Kong during the Track Record Period.

RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of comprehensive income for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2008		2009		2010		2010		2011	
	Amount	%	Amount	%	Amount	%	Amount (unaudited)	%	Amount	%
	(RMB'000, except percentage data)									
Revenue	941,789	100.0	847,800	100.0	1,297,498	100.0	644,261	100.0	752,638	100.0
Cost of sales	(292,773)	(31.1)	(499,619)	(58.9)	(465,973)	(35.9)	(273,378)	(42.4)	(201,752)	(26.8)
Gross profit	649,016	68.9	348,181	41.1	831,525	64.1	370,883	57.6	550,886	73.2
Other income	497	0.1	3,068	0.4	1,546	0.1	1,316	0.2	516	0.1
Other expenses	(8,736)	(0.9)	(9,034)	(1.2)	(12,425)	(1.0)	(1,626)	(0.3)	(21,927)	(2.9)
Selling and distribution expenses	(206)	(0.1)	(16,120)	(1.9)	(23,208)	(1.8)	(13,219)	(2.1)	(12,503)	(1.7)
Administrative expenses	(53,301)	(5.7)	(91,407)	(10.8)	(94,650)	(7.3)	(41,477)	(6.4)	(66,027)	(8.8)
Net foreign exchange gain	—	—	—	—	—	—	—	—	4,131	0.5
Finance costs	(168)	(0.0)	(22,431)	(2.6)	(35,598)	(2.7)	(18,127)	(2.8)	(211,591)	(28.1)
Profit before tax	587,102	62.3	212,257	25.0	667,190	51.4	297,750	46.2	243,485	32.3
Income tax expenses	(163,251)	(17.3)	(58,512)	(6.9)	(170,889)	(13.2)	(78,552)	(12.2)	(103,901)	(13.8)
Profit and total comprehensive income for the year/period	423,851	45.0	153,745	18.1	496,301	38.2	219,198	34.0	139,584	18.5
Attributable to:										
Owner of Company	394,952	41.9	140,147	16.5	444,007	34.2	197,478	30.7	136,325	18.1
Non-controlling interests	28,899	3.1	13,598	1.6	52,294	4.0	21,720	3.3	3,259	0.4

To optimize their various businesses and achieve their debt and equity financing plans, the Controlling Shareholders implemented a series of arrangements among us and certain other companies controlled by them in the past several years. Such arrangements included, among other things, arrangements regarding sales and distribution, pursuant to which we sold a substantial portion of the iron ore concentrates produced by Aoniu Mining, Maogong Mining and Benxi Mining to Hanking Group, Fushun Hanking and/or Fushun Metallurgy, which in turn resold these iron ore concentrates to their customers. The following table sets forth our revenue attributable to sales of iron ore concentrates to Hanking Group, Fushun Hanking and/or Fushun Metallurgy and the average discount we granted to them to the reselling prices that they charged their customers for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	(RMB'000, except percentage data)				
Sales of iron ore concentrates to Hanking Group, Fushun Hanking and/or Fushun Metallurgy	931,865	139,825	61,156	61,156	—
Average discount granted by us to the reselling prices charged by Hanking Group, Fushun Hanking and/or Fushun Metallurgy	12%	5%	7%	7%	—

In addition, we also purchased and resold iron ore concentrates produced by companies controlled by our Controlling Shareholders that are not in our Group in 2009 and 2010. The purchase prices paid by us were based on market prices and we generally resold such iron ore concentrates to our customers at approximately the same prices. The following table sets forth our purchases of iron ore concentrates from these companies for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	(RMB'000)				
Purchases of iron ore concentrates from companies controlled by our Controlling Shareholders that are not in our Group	—	183,374	112,619	94,774	—

As disclosed above, we sold a substantial portion of our iron ore concentrates to Hanking Group, Fushun Hanking and Fushun Metallurgy at a discount to the market prices during the Track Record Period. Had we sold these iron ore concentrates directly to the end customers at market prices, our revenue would have been higher. In addition, we purchased iron ore concentrates from companies controlled by the Controlling Shareholders that are not in our Group and resold such iron ore concentrates at approximately the same prices to the end customers during the Track Record Period.

These transactions lowered our gross profit margins. We ceased to enter into transactions pursuant to which we purchased iron ore concentrates from companies controlled by the Controlling Shareholders that are not in our Group in September 2010.

Six months ended June 30, 2011 compared to six months ended June 30, 2010

Revenue

Our revenue increased by 16.8% from RMB644.3 million for the six months ended June 30, 2010 to RMB752.6 million for the six months ended June 30, 2011, primarily due to an increase in our revenue from sales of iron ore concentrates. Our revenue from sales of iron ore concentrates increased by 18.5% from RMB628.6 million for the six months ended June 30, 2010 to RMB745.1 million for the six months ended June 30, 2011, due to an increase in our average selling price of iron ore concentrates, partially offset by a decrease in our sales volume of iron ore concentrates. The average selling price of our iron ore concentrates increased by 31.9% from RMB831 per ton for the six months ended June 30, 2010 to RMB1,096 per ton for the six months ended June 30, 2011. For the six months ended June 30, 2011, we sold 680.1 Kt of iron ore concentrates, compared to 756.6 Kt for the six months ended June 30, 2010, representing a decrease of 10.1%. Our sales volume of iron ore concentrates for the six months ended June 30, 2010 included 109.9 Kt of iron ore concentrates that we purchased from companies controlled by our Controlling Shareholders that are not in our Group and resold to our customers, as Aoniu Mining served as one of the principal centralized sales channels of the Controlling Shareholders' iron ore business from 2009 through September 2010. The purchase prices paid by Aoniu Mining were based on the average resale prices which Aoniu Mining charged its customers each month. As a result, the differences between the purchase prices paid and the resale prices charged by Aoniu Mining were minimal. Excluding the sales volumes of iron ore concentrates purchased from companies controlled by our Controlling Shareholders that are not in our Group, our sales volume of iron ore concentrates was 646.7 Kt for the six months ended June 30, 2010. We did not purchase any iron ore concentrates from companies controlled by our Controlling Shareholders that are not in our Group during the six months ended June 30, 2011.

Cost of sales

Our cost of sales decreased by 26.2% from RMB273.4 million for the six months ended June 30, 2010 to RMB201.8 million for the six months ended June 30, 2011. The decrease in cost of sales was primarily due to decreases in materials costs and amortization of mining rights, partially offset by the new addition of processing fees. Materials costs decreased from RMB164.1 million for the six months ended June 30, 2010 to RMB68.5 million for the six months ended June 30, 2011, primarily because we did not purchase any iron ore concentrates from companies controlled by our Controlling Shareholders that are not in our Group in the six months ended June 30, 2011. We purchased 109.9 Kt of iron ore concentrates for RMB94.8 million from companies controlled by our Controlling Shareholders that are not in our Group and resold them to our customers during the six months ended June 30, 2010. Excluding the purchase prices of these iron ore concentrates, our cost of sales was RMB178.6 million for the six months ended June 30, 2010.

Amortization of mining rights decreased from RMB15.3 million for the six months ended June 30, 2010 to RMB9.6 million for the six months ended June 30, 2011, primarily due to the amortization of the mining rights for the Nianpan Mine that we acquired in January 2010. We amortized all of the mining rights for the Nianpan Mine in 2010 as the reserves were depleted. We began engaging Benxi Iron Processing to process iron ore for us in September 2010 and did not incur any processing fees in the six months ended June 30, 2010.

Gross profit

As a result of the foregoing, our gross profit increased by 48.5% from RMB370.9 million for the six months ended June 30, 2010 to RMB550.9 million for the six months ended June 30, 2011. Our gross profit margin increased from 57.6% for the six months ended June 30, 2010 to 73.2% for the six months ended June 30, 2011. The increase in gross profit margin was primarily due to the increase in the average selling price of our iron ore concentrates and our discontinuation of re-sales of iron ore concentrates produced by companies controlled by our Controlling Shareholders that are not in our Group. Because the differences between the purchase prices paid and the resale prices charged by Aoniu Mining for these iron ore concentrates were minimal, these re-sales significantly increased our revenue but did not significantly increase our gross profit, which resulted in a reduction in our gross profit margin in the six months ended June 30, 2010.

Other income

Other income decreased by 60.8% from RMB1.3 million for the six months ended June 30, 2010 to RMB0.5 million for the six months ended June 30, 2011, mainly because we did not receive any government grants in the six months ended June 30, 2011. We received government grants of RMB1.1 million in the six months ended June 30, 2010.

Other expenses

Other expenses increased by 1,248.5% from RMB1.6 million for the six months ended June 30, 2010 to RMB21.9 million for the six months ended June 30, 2011, primarily due to the incurrence of RMB19.2 million expenses associated with the Listing for the six months ended June 30, 2011.

Selling and distribution expenses

Selling and distribution expenses decreased by 5.4% from RMB13.2 million for the six months ended June 30, 2010 to RMB12.5 million for the six months ended June 30, 2011 primarily due to a decrease in transportation expenses in line with our decreased sales volume of iron ore concentrates.

Administrative expenses

Administrative expenses increased by 59.2% from RMB41.5 million for the six months ended June 30, 2010 to RMB66.0 million for the six months ended June 30, 2011, primarily due to increases in miscellaneous expenses, including compensation costs to villagers for their land and environmental expenses.

Finance costs

Finance costs increased by 1,067.3% from RMB18.1 million for the six months ended June 30, 2010 to RMB211.6 million for the six months ended June 30, 2011, primarily due to the interest on the Facility Loan for the six months ended June 30, 2011.

Income tax expense

Income tax expense increased by 32.3% from RMB78.6 million for the six months ended June 30, 2010 to RMB103.9 million for the six months ended June 30, 2011, primarily because our finance costs associated with the Facility Loan were incurred by our Company, a holding company incorporated in the Cayman Islands, and were therefore not deductible for PRC income tax purposes. As a result, our effective tax rate increased from 26.4% in the six months ended June 30, 2010 to 42.7% in the six months ended June 30, 2011.

Profit and total comprehensive income

As a result of the foregoing, our profit and total comprehensive income decreased by 36.3% from RMB219.2 million for the six months ended June 30, 2010 to RMB139.6 million for the six months ended June 30, 2011. Our net profit margin decreased from 34.0% for the six months ended June 30, 2010 to 18.5% for the six months ended June 30, 2011, primarily due to the finance costs associated with the Facility Loan.

Profit and total comprehensive income attributable to owners of our Company

Profit and total comprehensive income attributable to owners of our Company decreased by 31.0% from RMB197.5 million for the six months ended June 30, 2010 to RMB136.3 million for the six months ended June 30, 2011.

Non-controlling interests

Non-controlling interests decreased by 85.0% from RMB21.7 million for the six months ended June 30, 2010 to RMB3.3 million for the six months ended June 30, 2011 primarily due to the Controlling Shareholders' acquisition of equity interests held by minority shareholders of our subsidiaries in the Reorganization.

Year ended December 31, 2010 compared to year ended December 31, 2009

Revenue

Our revenue increased by 53.0% from RMB847.8 million in 2009 to RMB1,297.5 million in 2010, primarily due to a significant increase in our revenue from sales of iron ore concentrates. Our revenue from sales of iron ore concentrates increased by 51.7% from RMB831.9 million in 2009 to RMB1,261.7 million in 2010, primarily due to a substantial increase in our average selling price of iron ore concentrates, partially offset by a decrease in our sales volume of iron ore concentrates. The average selling price of our iron ore concentrates increased by 65.8% to RMB902 per ton in 2010 from RMB544 per ton in 2009, primarily due to the recovery of the PRC economy from the slowdown that started in the second half of 2008, which led to a rebound of the market prices of iron ore products and our selling prices. In 2010, we sold 1,398.5 Kt of iron ore concentrates, compared to 1,528.7 Kt in 2009, representing a decrease of 8.5%. The decrease in our sales volume of iron ore concentrates was primarily due to a decrease in the volume of iron ore concentrates that we purchased from companies controlled by our Controlling Shareholders that are not in our Group and resold to our customers in 2010. Aoniu Mining served as one of the principal centralized sales channels of the Controlling Shareholders' iron ore business from 2009 through September 2010. In 2009 and 2010, Aoniu Mining purchased and resold 331.1 Kt and 131.1 Kt, respectively, of iron ore concentrates produced by companies controlled by our Controlling Shareholders that are not in our Group. The purchase prices paid by Aoniu Mining were based on the average resale prices which Aoniu Mining charged its customers each month. As a result, the differences between the purchase prices paid and the resale prices charged by Aoniu Mining were minimal. Excluding the sales volumes of iron ore concentrates purchased from companies controlled by our Controlling Shareholders that are not in our Group, our sales volumes of iron ore concentrates were 1,197.6 Kt and 1,264.7 Kt in 2009 and 2010, respectively.

Cost of sales

Our cost of sales decreased by 6.7% from RMB499.6 million in 2009 to RMB466.0 million in 2010. The decrease in cost of sales was primarily due to decreases in materials costs and transportation costs, partially offset by an increase in amortization of mining rights and the new addition of processing fees. Materials costs decreased from RMB296.7 million in 2009 to RMB237.2 million in 2010, primarily due to a decrease in the aggregate purchase price for the iron ore concentrates that Aoniu Mining purchased from companies controlled by our Controlling Shareholders that are not in our Group from RMB183.4 million in 2009 to RMB112.6 million in 2010. This decrease was primarily attributable to a decrease in the purchase volumes from 331.1 Kt in 2009 to 131.1 Kt in 2010. Excluding the purchase prices of these iron ore concentrates, our cost of sales was RMB316.2 million and RMB353.4 million in 2009 and 2010, respectively.

Transportation costs decreased from RMB35.1 million in 2009 to RMB13.9 million in 2010. In 2009, we engaged third party contractors to meet our transportation needs. We purchased additional trucks and reduced our use of third party contractors and our transportation costs in 2010.

Amortization of mining rights increased from RMB11.9 million in 2009 to RMB33.3 million in 2010, primarily due to the higher prices of the mining rights that we acquired more recently. We began engaging Benxi Iron Processing to process iron ore for us in September 2010 and did not incur any processing fees in 2009.

Gross profit

As a result of the foregoing, our gross profit increased by 138.8% from RMB348.2 million in 2009 to RMB831.5 million in 2010. Our gross profit margin increased from 41.1% in 2009 to 64.1% in 2010. The increase in gross profit margin was primarily due to the increase in the average selling price of our iron ore concentrates, which was primarily due to the recovery of the PRC economy and a decrease in our re-sales of iron ore concentrates produced by companies controlled by our Controlling Shareholders that are not in our Group. Because the differences between the purchase prices paid and the resale prices charged by Aoniu Mining for these iron ore concentrates were minimal, these re-sales significantly increased our revenue but did not significantly increase our gross profit, reducing our gross profit margin in 2009.

Other income

Other income decreased by 51.6% from RMB3.1 million in 2009 to RMB1.5 million in 2010, mainly due to a decrease in the amount of government grants we received in 2010.

Other expenses

Other expenses increased by 37.8% from RMB9.0 million in 2009 to RMB12.4 million in 2010, primarily due to the incurrence of expenses associated with the Listing of RMB6.8 million in 2010, partially offset by a decrease in surcharges for late tax payment from RMB3.6 million in 2009 to RMB0.2 million in 2010.

Selling and distribution expenses

Selling and distribution expenses increased by 44.1% from RMB16.1 million in 2009 to RMB23.2 million in 2010 due to an increase in transportation expenses in 2010, primarily due to one of our major customers that had paid for half of the transportation expenses for the iron ore concentrates it purchased from us in 2009 ceasing to do so in 2010 due to its own business considerations.

Administrative expenses

Administrative expenses increased by 3.6% from RMB91.4 million in 2009 to RMB94.7 million in 2010, primarily due to increased staff costs and miscellaneous expenses, partially offset by a decrease in management consulting fees. Staff cost increased from RMB35.3 million in 2009 to RMB47.7 million in 2010, primarily due to both our increased administrative staff headcount and increases in their salary levels. Management consulting fees decreased significantly in 2010 as we strengthened our administrative functions and relied less on Hanking Group's services.

Finance costs

Finance costs increased by 58.9% from RMB22.4 million in 2009 to RMB35.6 million in 2010, primarily due to an increase in bank borrowings to fund our production expansion plan and the increases in interest rates in China.

Income tax expense

Income tax expense increased by 192.1% from RMB58.5 million in 2009 to RMB170.9 million in 2010, primarily due to the increase in profit before tax in 2010. Our effective tax rate was 27.6% in 2009 and 25.6% in 2010.

Profit and total comprehensive income

As a result of the foregoing, our profit and total comprehensive income increased by 222.9% from RMB153.7 million in 2009 to RMB496.3 million in 2010. Our net profit margin increased from 18.1% in 2009 to 38.3% in 2010.

Profit and total comprehensive income attributable to owners of our Company

Profit and total comprehensive income attributable to owners of our Company increased by 216.9% from RMB140.1 million in 2009 to RMB444.0 million in 2010.

Non-controlling interests

Non-controlling interests increased by 284.6% from RMB13.6 million in 2009 to RMB52.3 million in 2010.

Year ended December 31, 2009 compared to the year ended December 31, 2008

Revenue

Our revenue decreased by 10.0% from RMB941.8 million in 2008 to RMB847.8 million in 2009, primarily due to a decrease in the average selling price of iron ore concentrates, partially offset by an increase in our sales volume of iron ore concentrates. The average selling price of our iron ore concentrates decreased by 40.7% to RMB544 per ton in 2009 from RMB917 per ton in 2008, primarily due to the global economic downturn and the slowdown of the PRC economy that started in the second half of 2008, which negatively impacted market prices of iron ore products and our selling prices. In 2009, we sold 1,528.7 Kt of iron ore concentrates, compared to 1,026.2 Kt in 2008, representing an increase of 49.0%. The increase in the sales volume of our iron ore concentrates was primarily due to the change in our sales arrangements with companies controlled by our Controlling Shareholders that are not in our Group in 2009 and to a lesser extent our increased production volume. In 2009, Aoniu Mining replaced Fushun Hanking as the principal centralized sales channel for our Group and other companies controlled by Controlling Shareholders and purchased 331.1 Kt of iron ore concentrates produced by those other companies for RMB183.4 million and resold them to our customers. The purchase prices paid by Aoniu Mining were based on the average reselling prices which Aoniu Mining charged its customers each month. As a result, the differences between the purchase prices paid and the resale prices charged by Aoniu Mining were minimal. Our revenue from sales of auxiliary materials increased by 25.5 times from RMB0.6 million in 2008 to RMB15.9 million in 2009, primarily due to increased sales of auxiliary materials to companies controlled by our Controlling Shareholders that are not in our Group as Aoniu Mining began serving as a principal procurement channel for the Controlling Shareholders' entire iron ore business in 2009 to increase bargaining power and reduce procurement costs.

Cost of sales

Our cost of sales increased by 70.6% from RMB292.8 million in 2008 to RMB499.6 million in 2009. The increase in cost of sales was primarily due to an increase in material costs. Material costs increased from RMB88.5 million in 2008 to RMB296.7 million in 2009, primarily due to the 331.1 Kt of iron ore concentrates Aoniu Mining purchased from companies controlled by the Controlling Shareholders that are not in our Group. The aggregate purchase price for these iron ore concentrates amounted to RMB183.4 million in 2009. Excluding cost of sales for these iron ore concentrates, our cost of sales was RMB316.2 million in 2009, a 8.0% increase from in 2008. The unit cost of sales of the iron ore concentrates we produced, however, decreased 7.4% from RMB285 per ton in 2008 to RMB264 per ton in 2009 primarily due to our cost reduction efforts.

Gross profit

As a result of the foregoing, our gross profit decreased by 46.3% from RMB649.0 million in 2008 to RMB348.2 million in 2009. Our gross profit margin decreased from 68.9% in 2008 to 41.1% in 2009. The decrease in gross profit margin was primarily due to the decrease in the average selling price of our iron ore concentrates driven primarily by the global economic downturn and our re-sales of iron ore concentrates produced by companies controlled by our Controlling Shareholders that are not in our Group. Because the purchase prices paid and the reselling prices charged by Aoniu Mining for these iron ore concentrates were substantially identical, our re-sales of iron ore concentrates produced by the companies outside of our Group significantly increased our revenue and had minimal impact on our gross profit, reducing our gross margin.

Other income

Other income increased 5.2 times from RMB0.5 million in 2008 to RMB3.1 million in 2009, mainly due to an increase in the amount of government grants we received in 2009.

Other expenses

Other expenses increased by 3.4% from RMB8.7 million in 2008 to RMB9.0 million in 2009, mainly due to a larger loss on disposal of property, plant and equipment of RMB2.6 million in 2009 as compared with a loss of RMB0.01 million in 2008, partially offset by a decrease in surcharges for late tax payment from RMB5.8 million in 2008 to RMB3.6 million in 2009.

Selling and distribution expenses

Selling and distribution expenses increased 79.5 times from RMB0.2 million in 2008 to RMB16.1 million in 2009 as we switched to selling most of our iron ore concentrates directly to third party customers in 2009. In 2008, we sold a substantial majority of our iron ore concentrates to our related parties which in turn resold iron ore concentrates and bore the related selling and distribution expenses.

Administrative expenses

Administrative expenses increased by 71.5% from RMB53.3 million in 2008 to RMB91.4 million in 2009, primarily due to increased staff costs. Staff cost increased from RMB6.6 million in 2008 to RMB35.3 million in 2009, primarily due to the transfer of certain management members and administrative staff from Hanking Group to Aoniu Mining in 2009. In addition, increases in depreciation and amortization and business development expenses in connection with the transfer of these management members and administrative staff and our business expansion also contributed to the increase in administrative expenses in 2009.

Finance costs

Finance costs increased 111.0 times from RMB0.2 million in 2008 to RMB22.4 million in 2009, primarily due to a substantial increase in bank borrowings and financing services provided for our Group and other companies controlled by the Controlling Shareholders, as well as an increase in interest paid in discounting bills that we received from our customers in 2009 as Aoniu Mining began serving as Hanking Group's principal centralized sales channel of iron ore concentrates.

Income tax expense

Income tax expense decreased by 64.2% from RMB163.3 million in 2008 to RMB58.5 million in 2009, mainly due to our decreased profit before tax in 2009. Our effective tax rate was 27.8% and 27.6% in 2008 and 2009, respectively.

Profit and total comprehensive income

As a result of the foregoing, our profit and total comprehensive income decreased by 63.7% from RMB423.9 million in 2008 to RMB153.7 million in 2009. Our net profit margin decreased from 45.0% in 2008 to 18.1% in 2009.

Profit and total comprehensive income attributable to owners of our Company

Profit and total comprehensive income attributable to owners of our Company decreased by 64.5% from RMB395.0 million in 2008 to RMB140.1 million in 2009.

Non-controlling interests

Non-controlling interests decreased by 52.9% from RMB28.9 million in 2008 to RMB13.6 million in 2009.

ANALYSIS OF VARIOUS CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

Inventories

Our inventories consist of auxiliary materials, work-in-process and finished goods. The following table sets forth our balances of inventory as of the dates indicated:

	As of December 31,			As of June 30,	Subsequent settlement by August 31, 2011
	2008	2009	2010	2011	
			(RMB'000)		
Auxiliary materials	13,928	16,104	11,801	13,243	13,243
Work-in-process	12,680	29,365	28,554	20,067	20,067
Finished goods	11,088	5,994	22,196	4,294	4,294
	37,696	51,463	62,551	37,604	37,604

Our inventories increased from RMB37.7 million as of December 31, 2008 to RMB51.5 million as of December 31, 2009 because we increased our inventories in late 2009 due to the upward trend of market prices for iron ore concentrates and in anticipation of an increase in the demand for our products in early 2010. Our inventories increased from RMB51.5 million as of December 31, 2009 to RMB62.6 million as of December 31, 2010, primarily due to heavy snowfall in Fushun in the last several days of 2010 that temporarily affected our ability to transport our products.

The following table sets forth our average inventory turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
Average inventory turnover days[(1)]	38.0	32.6	44.7	44.9

(1) The average inventory turnover day for a given period is the average of opening and closing inventory balances divided by the cost of sales for that period and multiplied by 365 days for a year and by 181 days for the six months ended June 30, 2011.

Our average inventory turnover days decreased from 38.0 days in 2008 to 32.6 days in 2009, primarily due to our efforts to improve inventory management, and increased to 44.7 days in 2010 primarily due to the high opening and closing inventory balances in 2010 for the reasons discussed above.

Trade receivables

The following table sets forth the breakdown and subsequent settlement of our trade receivables as of the dates indicated:

	As of December 31,			Six months ended June 30,	Subsequent settlement by August 31,
	2008	2009	2010	2011	2011
			(RMB'000)		
Trade receivables					
— third parties	—	—	6,097	37,434	37,434
— related parties	164,167	11,744	29,998	9,969	8,683
— bills receivable	—	—	41,656	140,420	140,420
Total trade receivables	164,167	11,744	77,751	187,823	186,537

Trade receivables represent receivables from the sale of goods to related parties prior to 2010 and related parties and Independent Third Party customers since 2010. Prior to 2009, we sold all of our iron ore concentrates to Hanking Group, Fushun Hanking and Fushun Metallurgy, companies controlled by our Controlling Shareholders that are not in our Group, which resold our iron ore concentrates to their customers. In 2009 and 2010, in preparation for the Listing, we discontinued the above arrangements and switched to selling iron ore concentrates directly to our customers.

Our trade receivables decreased from RMB164.2 million as of December 31, 2008 to RMB11.7 million as of December 31, 2009, primarily due to the settlement of trade receivables due to us by Hanking Group in 2009. Prior to 2009, Hanking Group was responsible for allocating capital resources among various companies controlled by the Controlling Shareholders, including us. As part of this arrangement, Hanking Group retained a substantial portion of the purchase prices due to us for the iron ore concentrates that we sold to Hanking Group, Fushun Hanking and Fushun Metallurgy in 2008, resulting in our trade receivables of RMB164.2 million as of December 31, 2008. Our trade receivables increased from RMB11.7 million as of December 31, 2009 to RMB77.8 million as of December 31, 2010 primarily due to the following reasons. Trade receivables of RMB30.0 million as of December 31, 2010 primarily arose from our sales of iron ore concentrates to Fushun D.R.I., our related party company. Fushun D.R.I. is primarily engaged in pig iron production and is an end-user of our iron ore concentrates. For more information regarding our sales of iron ore concentrates to these related parties, see Note 36 of the Accountants' Report in Appendix I to this prospectus. Our bills receivable of RMB41.7 million as of December 31, 2010 arose from bank bills that we received from our customers as payments for our iron ore concentrates. We typically decide whether to discount bills we receive with banks based on a number of factors including primarily our liquidity and the prevailing discount rates. As we had sufficient liquidity in late 2010, we chose not to discount certain bank bills. Our trade receivables increased from RMB77.8 million as of December 31, 2010 to RMB187.8 million as of June 30, 2011 primarily due to a significant increase in our bills receivable. We had had sufficient liquidity since late 2010 and chose not to discount certain bank bills.

We generally grant our third party customers an average credit period of seven days. From 2008 to 2010, we did not have a credit period policy for our related party customers, and our related party customers normally settled trade receivables with us within three months. In the first quarter of 2011, we granted our related party customers an average credit period of ten days. We have changed our credit period for related party customers from ten days to seven days since April 2011. The following table sets forth an ageing analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date as of each date indicated:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	(RMB'000)			
Within 7 days	71,721	2,029	20,295	46,301
8 days to 3 months	33,083	2,731	6,472	1,102
3 months to 1 year	59,363	6,984	9,266	—
1 year to 2 years	—	—	62	—
	164,167	11,744	36,095	47,403

The following table sets forth our average trade receivables turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
Average trade receivables turnover days[(1)]	120.9	37.9	12.6	31.9

(1) The average trade receivables turnover day for a given period is the average of opening and closing trade receivables balances divided by revenue for that period and multiplied by 365 days for a year and by 181 days for the six months ended June 30, 2011.

In 2008, we sold all of our iron ore concentrates to Fushun Hanking, Fushun Metallurgy and Hanking Group. Allocating capital resources among various companies controlled by the Controlling Shareholders, Hanking Group retained a substantial portion of the purchase prices due to us for these iron ore concentrates. As a result, our average trade receivables turnover days in 2008 were 120.9 days. Since 2009, we have sold most of our iron ore concentrates directly to third party customers and our credit period for these customers is generally seven days. Accordingly, our average trade receivables turnover days decreased substantially to 37.9 days in 2009 and further to 12.6 days in 2010. Our average trade receivables turnover days increased to 31.9 days in the six months ended June 30, 2011 primarily due to the significant increase in our bills receivable as we had sufficient liquidity and chose not to discount certain bank bills.

Other receivables

The following table sets forth the breakdown of our other receivables as of the dates indicated:

	As of December 31,			As of June 30,	Subsequent settlement by August 31,
	2008	2009	2010	2011	2011
			(RMB'000)		
Other receivables					
— advances to suppliers	346	2,966	7,643	6,575	3,397
— prepaid listing expense	—	—	2,394	7,482	—
— deposits	2,221	3,453	13,151	12,103	1,239
— other tax recoverable	1,233	1,663	33,408	112,796	25,089
— staff advance	1,627	3,049	1,669	2,954	1,421
— consideration receivable for disposal of property, plant and equipment due from a related party	—	—	24,839	—	—
— others	53	502	3,252	2,549	769
	5,480	11,633	86,356	144,459	31,915

Other receivables increased significantly from RMB11.6 million as of December 31, 2009 to RMB86.4 million as of December 31, 2010 primarily due to the following factors: (i) an increase in other tax recoverable to RMB33.4 million in connection with our prepayment of certain resource taxes and local taxes as required by a new policy that the local tax bureau adopted in 2010, (ii) consideration receivable of RMB24.8 million primarily relating to our sale of the Benxi Processing Plant, and (iii) an increase in deposits to RMB13.2 million which primarily consisted of deposits for various local taxes that we kept with the local government. Other receivables further increased to RMB144.5 million as of June 30, 2011 primarily due to an increase in other tax recoverable to RMB112.8 million. The increase was due to our prepayment of certain resources taxes and local taxes as required by the local tax bureau's new policy mentioned above.

Trade payables

The following table sets forth the breakdown of our trade payables as of the dates indicated:

	As of December 31,			As of June 30,	Subsequent settlement by August 31,
	2008	2009	2010	2011	2011
			(RMB'000)		
Trade payables					
— Third parties	8,191	5,644	21,257	8,600	2,697
— Related parties	13,994	46,023	9,963	4,620	595
— Bills payable	—	20,000	—	—	—
	22,185	71,667	31,220	13,220	3,292

Our trade payables mainly consist of payables in respect of purchases of materials and spare parts.

Our trade payables owed to related parties increased from RMB14.0 million as of December 31, 2008 to RMB46.0 million as of December 31, 2009, primarily attributable to purchase prices payable by Aoniu Mining to Fushun Shangma and Fushun Majuncheng for their iron ore concentrates as Aoniu Mining became Hanking Group's principal centralized sales channel in 2009. Our trade payables owed to related parties decreased to RMB10.0 million as of December 31, 2010 due in part to settlement of outstanding balances with Fushun Shangma and Fushun Majuncheng after ceasing purchasing iron ore concentrates from them. Trade payables further decreased to RMB13.2 million primarily due to our payments of certain payables to suppliers.

Our trade payables are normally settled within 90 days from the time we receive the purchased goods from suppliers. The following table sets forth an ageing analysis of our trade payables, based on the invoice date, as of the dates indicated:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
		(RMB'000)		
Within 3 months	5,631	54,829	26,680	8,539
3 months to 1 year	11,272	1,940	410	395
1 year to 2 years	4,850	11,341	324	687
Over 2 years	432	3,557	3,806	3,599
	22,185	71,667	31,220	13,220

The increase in the outstanding balance for trade payables of over one year from RMB5.3 million as of December 31, 2008 to RMB14.9 million as of December 31, 2009 was primarily attributable to our purchases of steel balls and auxiliary materials from Dawei Casting and Fusen parts.

The following table sets forth our average trade payables turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
Average trade payables turnover days(1)	25.6	34.3	40.3	19.9

(1) The average trade payables turnover days for a given period is the average of the opening and closing trade payables balances divided by cost of sales for that period and multiplied by 365 days for a year and by 181 days for the six months ended June 30, 2011.

Our average trade payables turnover days increased from 25.6 days in 2008 to 34.3 days in 2009 and further increased to 40.3 days in 2010. The increase was primarily attributable to our purchases of iron ore concentrates from companies controlled by the Controlling Shareholders in 2009 and 2010 as we did not settle balances with them as promptly as we typically did with other counterparties. Because we did not purchase iron ore concentrates from these companies in the six months ended June 30, 2011, our average trade payables turnover days decreased to 19.9 days during the period.

Other payables

The following table sets forth the breakdown of our other payables as of the dates indicated:

	As of December 31,			As of June 30,	Subsequent settlement by August 31,
	2008	2009	2010	2011	2011
			(RMB'000)		
Other payables:					
Advance from customers	118	74,952	60,000	63,940	3,940
Other tax payable	68,202	24,369	18,285	24,072	24,072
Payable for acquisition of property, plant and equipment	1,361	1,408	12,294	16,834	2,145
Dividends payable	30,749	1,049	—	—	—
Outsourced service payable	7,819	22,281	10,380	6,747	139
Transportation fee payable	4,278	18,560	19,470	15,530	367
Other accrued expenses	2,106	2,487	6,190	19,201	3,162
Salary and bonus payables	2,280	1,335	2,466	7,254	7,254
Interest payable	—	—	—	26,553	26,553
Others	3,022	5,519	6,227	5,715	358
	119,935	151,960	135,312	185,846	67,990

As of December 31, 2008, 2009 and 2010 and June 30, 2011, we had other payables of RMB119.9 million, RMB152.0 million, RMB135.3 million and RMB185.8 million, respectively. Advance from customers comprised primarily the deposit of RMB60.0 million from Fushun New Steel in exchange of which we agreed to lower our selling price of iron ore concentrates to them by RMB5 per ton. Our other tax payable of RMB68.2 million as of December 31, 2008 primarily consisted of resource taxes payable accumulated over the previous years pursuant to the payment schedules set by the local tax authorities. Other tax payable decreased to RMB24.4 million as of December 31, 2009 as a result of our payment of such taxes in 2009. Interest payable of RMB26.6 million as of June 30, 2011 represented primarily interest accrued on the Facility Loan. Other accrued expenses primarily represented accrued transportation expenses owned to Mingcheng Transportation before it issued invoices to us. Accrued transportation expenses increased as of June 30, 2011 primarily because Mingcheng Transportation was late in issuing certain invoices.

Loans to/from related parties

As of December 31, 2008, 2009 and 2010, we had loans to related parties totalling RMB163.8 million, RMB848.1 million, RMB342.9 million, respectively, due to our provision of funding to companies controlled by the Controlling Shareholders that are not in our Group. Our loans to related parties increased significantly as of December 31, 2009 from December 31, 2008 because we provided increased funding to companies controlled by the Controlling Shareholders that are not in our Group as Aoniu Mining replaced Fushun Hanking as the main financing vehicle for our Group and the Controlling Shareholders' other businesses in 2009. See "Financial Information — Factors Affecting Results Of Operations And Financial Condition — Our business arrangements with companies controlled by our Controlling Shareholders outside of our Group — Financing arrangements". In connection with this change, Fushun Hanking transferred to Aoniu Mining certain outstanding loans owed by companies controlled by the Controlling Shareholders that are not in our Group to Fushun Hanking in 2009 and, as a result, we became the creditor of these companies. Because we obtained the rights to be repaid these loans without paying any consideration to Fushun Hanking, we, correspondingly, recorded loans from a related party, namely, Hanking Group, of the same amount. As a result, our loans from related parties increased as of December 31, 2009 compared to December 31, 2008. As of December 31, 2008, 2009 and 2010, we had loans from related parties totalling RMB66.3 million, RMB72.2 million and RMB10.6 million, respectively. For more information regarding our loans to and from related parties, see Notes 24 and 28 of the Accountants' Report in Appendix I to this prospectus.

These loans were interest-free, unsecured and repayable on demand. All loans to/from related parties had been settled as of June 30, 2011.

Tax liabilities

As of December 31, 2008, 2009 and 2010 and June 30, 2011, we had tax liabilities of RMB31.2 million, RMB39.8 million, RMB122.0 million and RMB151.1 million, respectively.

We are generally required to prepay various taxes in amounts determined by the local tax bureaus. Pursuant to a new policy adopted by the local tax bureau in 2010, we prepaid an increased portion of resource taxes and local taxes and correspondingly a decreased portion of income tax in 2010 and the six months ended June 30, 2011, resulting in the increase in our income tax liabilities as of December 31, 2010 and June 30, 2011.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we funded our operations principally from cash generated from our operations and short-term bank loans. Our primary uses of funds include our operating expenses, purchases of property, plant and equipment and repayment of our borrowings.

As of June 30, 2011, we had cash and cash equivalents of approximately RMB264.9 million. Our current assets divided by current liabilities, or current ratio, was 1.35, 1.29, 1.02 and 0.57 as of December 31, 2008, 2009 and 2010 and June 30, 2011, respectively. Our current assets less inventories divided by current liabilities, or quick ratio, was 1.22, 1.22, 0.92 and 0.53 as of December 31, 2008, 2009 and 2010 and June 30, 2011, respectively. Numerous factors beyond our control, including fluctuations in the market prices of our products, may adversely impact our cash flows from operations and may require us to seek other sources of funds including bank borrowings.

The principal uses of cash that affect our liquidity position include operational expenditures, capital expenditures, interest expense and income tax payments.

The table below sets forth the breakdown of our current assets and current liabilities as of each of the dates indicated:

	As of December 31,			As of June 30,	As of August 31,
	2008	2009	2010	2011	2011
					(unaudited)
			(RMB'000)		
Inventories	37,696	51,463	62,551	37,604	36,573
Prepaid lease payments	11,665	11,778	15,944	15,918	15,449
Trade and other receivables	169,647	23,377	164,107	332,282	324,796
Tax recoverables	395	1,458	—	323	323
Loans to related parties	163,763	848,123	342,898	—	—
Pledged bank deposits	—	10,000	—	—	—
Bank balances and cash	10,630	22,903	53,305	264,926	285,928
Current assets	393,796	969,102	638,805	651,053	663,069
Trade and other payables	142,120	223,627	166,532	199,066	177,120
Borrowings	—	415,000	295,000	797,021	805,463
Loans from related parties	66,264	72,238	10,578	—	—
Consideration payables	52,000	—	31,000	2,350	2,350
Tax liabilities	31,241	39,838	122,039	151,062	147,189
Current liabilities	291,625	750,703	625,149	1,149,499	1,132,122
Net current assets (liabilities)	102,171	218,399	13,656	(498,446)	(469,053)

As of June 30, 2011, we had net current liabilities of RMB498.4 million, consisting of current assets of RMB651.1 million and current liabilities of RMB1,149.5 million. Our current assets primarily included trade and other receivables of RMB332.3 million, bank balances and cash of RMB264.9 million, inventories of RMB37.6 million and prepaid lease payments of RMB15.9 million. Our current liabilities primarily included borrowings of RMB797.0 million, trade and other payables of RMB199.1 million and tax liabilities of RMB151.1 million. Our net current liabilities were as of June 30, 2011 primarily due to (1) STSU and Shenyang Yuanzheng's acquisition of the entire equity interest in Aoniu

Mining from Hanking Group and Ms. Yang for a total RMB550 million as part of the Reorganization; and (2) our borrowing of the Facility Loan of US$120 million (RMB790.6 million based on an exchange rate of RMB6.5881 to US$1.00 as of January 25, 2011, being the drawdown date of the loan, published by the People's Bank of China) to fund the Reorganization. See "History, Development and Reorganization — Reorganization — 4. Transfers of Equity Interest in Aoniu Mining". We obtained a two-year bank facility of RMB500 million from Bank of China, Fushun Branch on April 30, 2011. The net proceeds, after the deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, are approximately HK$816.7 million, assuming an Offer Price of HK$2.72 per Share, being the mid-point of the indicative range of the Offer Price of HK$2.51 to HK$2.93 per Share, and assuming that the Over-allotment Option is not exercised. Our Directors believe that, with the two-year bank facility, the cash generated from our operating activities and the net proceeds we will receive from the Global Offering, our net current position will be improved.

Cash flow data

The following table sets forth selected cash flow data for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
	(RMB'000)			
Net cash from operating activities	383,494	461,588	439,340	220,987
Net cash (used in) generated from investing activities	(396,046)	87,887	(342,626)	157,221
Net cash from (used in) financing activities	18,419	(537,202)	(66,312)	(166,587)
Net increase in cash and cash equivalents	5,867	12,273	30,402	211,621
Cash and cash equivalents at beginning of year/period	4,763	10,630	22,903	53,305
Cash and cash equivalents at end of year/period	10,630	22,903	53,305	264,926

Net cash from operating activities

In the six months ended June 30, 2011, we generated net cash from operating activities of RMB221.0 million, which was primarily attributable to profit before tax of RMB243.5 million, partially offset by an increase in trade and other receivables of RMB193.0 million. The increase in trade and other receivables was primarily due to increases in our bill receivables and other tax recoverable. Our bill receivables increased primarily because we had sufficient liquidity and chose not to discount certain bank bills. Our other tax recoverable increased primarily due to an increase in the amount of resource taxes and local taxes that we prepaid as required by the new policy that the local tax bureau adopted in 2010. See "Analysis of Various Consolidated Statement of Financial Position Items — Tax Liabilities".

In 2010, we generated net cash from operating activities of RMB439.3 million, which was primarily attributable to profit before tax of RMB667.2 million, partially offset by an increase in trade and other receivables of RMB172.3 million and a decrease in trade and other payables of RMB57.7 million. The increase in trade and other receivables was primarily attributable to increases in trade receivables from Fushun D.I.R., increases in our bills receivable and in other tax recoverable due to our prepayment of resources taxes and various other local taxes. The decrease in trade and other payables was primarily due to our settlement of outstanding purchase prices of the iron ore concentrates we purchased from companies controlled by our Controlling Shareholders that are not in our Group after we terminated such resale arrangement. In addition, our purchases of supplies through Fusen Parts decreased after we implemented our own central procurement department in June 2010, which further contributed to the decrease in our trade and other payables.

In 2009, we generated net cash from operating activities of RMB461.6 million, which was primarily attributable to profit before tax of RMB212.3 million, a decrease in trade and other receivables of RMB146.1 million and an increase in trade and other payables of RMB111.2 million. The decrease in trade and other receivables was primarily due to the payment of iron ore concentrates prices to us by Fushun Hanking and Fushun Metallurgy. The increase in trade and other payables was primarily due to increased advances from customers in 2009. Fushun New Steel entered into an agreement with us in 2009, pursuant to which Fushun New Steel paid us a deposit of RMB60 million and in exchange we lowered the sales prices of iron ore concentrates for sale to them by RMB5 per ton.

In 2008, we generated net cash from operating activities of RMB383.5 million, which was primarily attributable to profit before tax of RMB587.1 million, partially offset by a decrease in trade and other payables of RMB45.9 million, an increase in inventories of RMB13.8 million and an increase in trade and other receivable of RMB10.9 million.

Net cash (used in) generated from investing activities

In the six months ended June 30, 2011, our net cash generated from investing activities amounted to RMB157.2 million. This amount primarily reflects proceeds from repayments of loans to related parties of RMB376.5 million, partially offset by purchases of property, plant and equipment of RMB102.6 million primarily in connection with the construction of underground mines at the Mengjia and Luobokan Mine and payments for prepaid lease payments of RMB107.1 million primarily in connection with our application for additional land use rights within our mining areas.

In 2010, our net cash used in investing activities amounted to RMB342.6 million. This amount reflects, advances to related parties of RMB447.3 million, purchases of property, plant and equipment of RMB103.0 million, prepaid lease payments of RMB97.1 million, purchases of property and purchase of intangible assets of RMB37.0 million, partially offset by proceeds from repayments of loans to related parties of RMB330.9 million.

In 2009, our net cash generated from investing activities was RMB87.9 million. The amount reflects primarily proceeds from repayments of our loans to related parties of RMB432.7 million, partially offset by advances to related parties of RMB224.7 million, our payment of the outstanding purchase price for Xingzhou Mining of RMB52.0 million, and the purchase of property, plant and equipment of RMB44.0 million.

In 2008, our net cash used in investing activities was RMB396.0 million. This amount primarily reflects advances to related parties of RMB147.7 million, the payment of the purchase price for Xingzhou Mining of RMB126.5 million, and the purchase of property, plant and equipment of RMB86.9 million.

Net cash from (used in) financing activities

In the six months ended June 30, 2011, our net cash used in financing activities was RMB166.6 million. This amount primarily reflects STSU and Shenyang Yuanzheng's payment of a total of RMB550 million to Hanking Group and Ms. Yang to acquire the entire equity interest in Aoniu Mining as part of the Reorganization and repayment of borrowings of RMB325.0 million, partially offset by proceeds from borrowings of RMB780.7 million.

In 2010, our net cash used in financing activities was RMB66.3 million, representing repayment of bank borrowings of RMB415.0 million and repayments of loans from related parties of RMB77.5 million, partially offset by proceeds from new bank borrowings of RMB475.0 million and loans from related parties of RMB15.9 million.

In 2009, our net cash used in financing activities was RMB537.2 million, primarily as a result of our repayments of loans from related parties of RMB1,072.3 million and repayment of bank borrowings of RMB100.0 million, partially offset by proceeds from bank borrowings of RMB515.0 million and loans from related parties of RMB122.1 million.

In 2008, our net cash generated from financing activities was RMB18.4 million, primarily as a result of loans from related parties of RMB26.4 million, partially offset by repayment of bank borrowings of RMB7.0 million.

Capital expenditures

Capital expenditures are expenditures made for the acquisition or upgrade of property, plant and equipment, intangible assets and prepaid lease payments. The following table sets forth our capital expenditures during the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
	(RMB'000)			
Property, plant and equipment	75,022	44,079	108,943	116,813
Prepaid lease payments	19,879	15,816	97,136	107,100
Intangible assets	27,185	2,438	36,991	1,991
	122,086	62,333	243,070	225,904

Our property, plant and equipment increased in 2010 primarily due to our purchases of mining and processing equipment to expand our production capacity and replace obsolete equipment.

We expect our capital expenditures at our existing mines for 2011 to be approximately RMB435 million. For further details, please see Table 10–3 of the Independent Technical Report in Appendix V to this prospectus.

INDEBTEDNESS, CAPITAL COMMITMENTS, CONTINGENT LIABILITIES AND OFF-STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

Indebtedness

Our consolidated borrowings as of December 31, 2008, 2009 and 2010 and June 30, 2011, for the purpose of calculating the indebtedness of our Company, were as follows:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	(RMB'000)			
Bank borrowings:				
Fixed-rate — secured	—	415,000	195,000	—
Floating-rate — secured	—	—	280,000	150,000
Other borrowings:	—	—	—	747,021
	—	415,000	475,000	897,021
Amount repayable:				
Due within one year (Amount shown under current liabilities)	—	415,000	295,000	797,021
More than one year, but not exceeding two years (Amount shown under non-current liabilities)	—	—	180,000	100,000
	—	415,000	475,000	897,021
Effective interest rates	N/A	6.96%	6.07%	23.40%

We had other borrowings of RMB747.0 million as of June 30, 2011, which represented the carrying amount of the Facility Loan of US$120 million as of the same date. We raised the Facility Loan primarily to finance the Reorganization. See "History, Development and Reorganization — Facility Loan Provided to Our Company" in this prospectus for more details.

As of August 31, 2011, which was the latest practicable date for determining our indebtedness, we had total borrowings of RMB905.5 million, including bank borrowings of RMB150.0 million and other borrowings of RMB755.5 million, representing the carrying amount of the Facility Loan as of the same date. We have unutilized banking facilities of RMB500.0 million and bank balance and cash of RMB285.9 million as of August 31, 2011.

Except as disclosed above, we did not have, as of August 31, 2011, any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

Our Directors confirm that, except as disclosed above, there has been no material change in our indebtedness or contingencies since August 31, 2011.

Capital commitments

The table below sets forth a breakdown of our capital commitments as of the dates indicated:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	(RMB'000)			
Capital expenditure in respect of acquisition of property, plant and equipment — contracted but not provided for	—	350	64,125	60,370

Off-statement of financial position arrangements

As of the Latest Practicable Date, we did not have any off-balance sheet arrangements.

MARKET RISK DISCLOSURE

We are exposed to various types of market risks in the ordinary course of our business, including the following:

Liquidity risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. Our management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Interest rate risk

Our fair value interest rate risk relates primarily to fixed rate bank borrowings. Our fixed-rate bank borrowings are mainly due within one year in which the fair value interest rate risk is considered to be minimal. We currently do not have an interest rate hedging policy. However, our management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Foreign currency risk

Our businesses are located in the PRC and our primary operating transactions are conducted in Renminbi. Most of our assets and liabilities are denominated in Renminbi, except for liabilities arising from the Facility Loan denominated in US dollars and certain payables that are denominated in Hong Kong dollars and in US dollars that mainly arise from professional fees incurred relating to the Listing.

The Renminbi exchange rate has been relatively stable during the past few years. However, the Renminbi is not freely convertible. There is a risk that the PRC government may take actions affecting exchange rates which may have a material adverse effect on our net assets, earnings and any dividends we declare if such dividends are to be exchanged or converted from Renminbi into foreign currency. We have not hedged our foreign exchange rate risk.

Credit risk

In order to minimize the credit risk, our Directors have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Directors review the recoverability of each trade debt at the end of each of our reporting periods to ensure that adequate impairment losses are made for unrecoverable amounts. In this regard, our Directors consider that our credit risk is significantly reduced.

We have a concentration of credit risk as our trade and bill receivables as of December 31, 2008, 2009 and 2010 and June 30, 2011 of RMB164.2 million, RMB11.7 million, RMB77.8 million and RMB187.8 million, respectively, representing all of our total trade and bill receivables as of these dates, were derived from a small number of major customers. In order to minimize our credit risk, our Directors continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or even to recover the overdue debts.

We have a concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on bank balances is limited because the majority of the counterparties are state-owned banks with good reputations or banks with good credit ratings assigned by international credit-rating agencies and good reputations for financial soundness.

The following unaudited pro forma forecast basic earnings per Share for the year ending 31 December 2011 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2011. This unaudited pro forma forecast basic earnings per Share has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of financial results of the Group following the Global Offering.

Profit Forecast for the year ending 31 December 2011

Forecast of consolidated profit attributable to owners of the Company(1)(2)(6)	not less than RMB393 million (approximately HK$480 million)
Adjustment(3)(6)	
Amortization of warrant cost	approximately RMB176 million (approximately HK$215 million)
Forecasted consolidated profit attributable to owners of the Company before amortization of warrant cost(2)(6)	not less than RMB569 million (approximately HK$695 million)
Unaudited pro forma forecast basic earnings per Share(5)(6)	approximately RMB0.215 (approximately HK$0.262)

Notes:

(1) The bases and assumptions on which the forecast of consolidated profit attributable to owners of the Company for the year ending December 31, 2011 is calculated are set out in "Appendix III — Profit Forecast" in this Prospectus. The profit forecast prepared by the Directors of the Company is based on the audited consolidated results of the Group for the six months ended June 30, 2011, the unaudited consolidated management accounts of the Group for the two months ended August 31, 2011 and a forecast of the consolidated results of the Group for the remaining four months ending December 31, 2011.

(2) In deriving the forecasted consolidated profit attributable to owners of the Company for the year ending December 31, 2011, we have taken into account the estimated listing expenses of approximately RMB54.1 million (approximately HK$66.0 million).

(3) The warrant cost of approximately RMB176.0 million represents the non-cash capital contribution made by Controlling Shareholders of the Company arising from other borrowings. Details of the transaction are set out in note 29 of Section I of Appendix I. The warrant cost of approximately RMB176.0 million will be charged to finance costs based on the effective interest rate over the expected life of the facility loan, which is expected to be repayable on or around the Listing Date. An amortization of warrant cost of approximately RMB176.0 million is estimated to be charged to the consolidated statement of comprehensive income for the year ending December 31, 2011 as finance costs.

(4) The calculation of forecasted consolidated profit attributable to owners of the Company before amortization of warrant cost is based on the forecast consolidated profit attributable to owners of the Company for the year ending December 31, 2011 adjusted for the amortization of warrant cost of approximately RMB176.0 million (approximately HK$215 million) for the year ending December 31, 2011.

(5) The unaudited pro forma forecast basic earnings per Share is based on the forecast of consolidated profit attributable to owners of the Company for the year ending December 31, 2011 and a total of 1,830,000,000 Shares were in issue and outstanding during the entire period. The 1,830,000,000 shares is calculated based on the 1,000,000 shares in issue and outstanding at the date of the Prospectus, and 330,000,000 shares to be issued pursuant to the Global Offering and 1,499,000,000 shares to be issued pursuant to the Capitalization Issue, assuming that the Global Offering and Capitalization Issue had been completed on 1 January 2011, no share was issued under the Over-allotment Option.

(6) The amounts stated in RMB are converted into Hong Kong dollars at exchange rate of HK$1.00 : RMB0.8192. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that time.

DIVIDEND POLICY

The payment and amount of any dividends will be determined at the discretion of our Directors by taking into account relevant factors, including but not limited to our future operations and earnings, our capital requirements and surplus and our financial condition. In addition, our constitutional documents and the Cayman Companies Law set forth requirements related to the declaration, payment and amount of dividends. Under our constitutional documents and the Cayman Companies Law, 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 subsidiaries. Pursuant to PRC law, dividends may only be paid out of distributable profits, defined as the retained earnings after tax payments as determined under the PRC GAAP less any recovery of accumulated losses and the required allocations to statutory reserves made by our PRC operating subsidiaries. In general, we will not declare dividends in a year where we do not have any distributable earnings.

Taking into account our present financial position, we currently intend to distribute to our Shareholders not less than 10% of our annual distributable profit attributable to owners of our Company in respect of the financial year ending December 31, 2011 and each financial year thereafter. However, such intention does not amount to any guarantee or representation or indication that our Company must or will declare and pay dividends in such manner or declare or pay dividends at all. We cannot assure you that dividends will be paid in the future or as to the timing of any dividends that may be paid in the future. See "Risk Factors — Risks Relating to the Global Offering — We cannot assure you that we will declare dividends in the future". Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

WORKING CAPITAL CONFIRMATION

Taking into account our cash generated from operating activities, the net proceeds of the Global Offering and our credit facilities maintained with our banks and financial institutions, we are satisfied that we will have available sufficient working capital for at least 125% of our requirements for at least 12 months following the date of this prospectus.

DISTRIBUTABLE RESERVES

As of June 30, 2011, the aggregate amount of distributable reserves of our Company was RMB147.8 million. We do not intend to distribute dividends out of this amount in the future.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules for illustration purposes only. It sets out and illustrates the effect of the Global Offering on the consolidated net tangible assets of our Group as of June 30, 2011 as if it had taken place on June 30, 2011.

The following data may not give a true picture of the consolidated net tangible assets of our Group following the Global Offering. It is based on the consolidated net tangible assets attributable to the owners of our Company as of June 30, 2011 as shown in the Accountants' Report, details of which are set out in Appendix I to this prospectus, and adjusted as described below:

	Audited consolidated net assets attributable to owners of our Group as of June 30, 2011[(1)]	Audited intangible assets as of June 30, 2011[(1)]	Audited consolidated net tangible assets of our Group attributable to equity holders of our Company as of June 30, 2011[(1)]	Estimated net proceeds from the Global Offering[(2)]	Unaudited pro forma adjusted net tangible assets attributable to the owners of our Company	Unaudited pro forma adjusted net tangible assets per Share[(3)]	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on the Offer Price of HK$2.51 for each Share	217,531	287,010	(69,479)	615,850	546,371	0.30	0.36
Based on the Offer Price of HK$2.93 for each Share	217,531	287,010	(69,479)	723,078	653,599	0.36	0.44

Notes:

(1) The information is extracted from the Accountants' Report of the Group set out in Appendix I to the Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Shares and the Offer Price range of HK$2.51 and HK$2.93 per Share, after deduction of underwriting fees and related expenses payable by the Company but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that a total of 1,830,000,000 Shares are expected to be in issue pursuant to the Global Offering and Capitalization Issue, taking no account of any additional income the Group may have earned from the estimated net proceeds from the Global Offering and any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option.

(4) The property interests of the Group were valued by Savills Valuation and Professional Services Limited and the valuation report in respect of which was set out in Appendix IV to this prospectus. Since the land premium has not been settled or the land is for temporary use only, Savills Valuation and Professional Services Limited has concluded that there is no commercial value to the properties erected thereon with a carrying amount of RMB196,781,000 as at 30 June 2011. So far as the Directors are aware, the value of the properties erected thereon has not been impaired by such restriction. According to the valuation report, the other property interests of the Group as of June 30, 2011 amounted to approximately RMB131,595,000. Comparing this amount with the net carrying value of the property interests of the Group as of 30 June 2011 of approximately RMB69,224,000 there was a surplus of RMB62,371,000. Had the property interests been stated at revaluation, additional annual depreciation of RMB1,171,000 will therefore be charged. The surplus on revaluation will not be reflected in the Group's consolidated financial statements in subsequent years as the Group has elected to state the property interests at cost model.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

As of the Latest Practicable Date, our Directors confirm there are no circumstances that will give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm there has been no material adverse change in our financial or trading position or prospects since June 30, 2011, being the date of our latest audited financial results as set out in the "Accountants' Report" in Appendix I to this prospectus.