This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you. You should read this prospectus in its entirety before you decide to invest in our Shares.

OVERVIEW

We are a mining company based in Shandong Province, the PRC. We are principally engaged in iron and ilmenite ore exploration, iron ore mining and iron ore processing to produce iron concentrates. We sell our products directly to our major customers who are mainly iron pellets or steel manufacturers. According to the CRU Report, we are the largest private-owned iron ore producer and one of the fifth largest iron ore producer (including state-owned enterprises) respectively in Shandong Province in terms of raw iron ore processed for each of the three years ended 31 December 2010, and we also possess the largest known iron ore reserves in Shandong Province as of 2010. As set out in the CRU Report, Shandong Province accounted for about 6.0% of the total Chinese iron ore reserves and about 2.1% of iron ore production in China respectively in 2010 while it accounted for about 8.4% of PRC steel output, the second largest shortfall in iron ore supply in the PRC among all provinces. Shandong Province accounted for about 1.4% of iron ore production in the PRC in 2011 and once again faced the second largest shortfall in iron ore supply among all provinces. The amount of iron ore processed by us in 2010 was approximately 2.0 Mt which, according to the CRU Report, represented about 9.0% of the total iron ore processing volume of Shandong Province in 2010.

We also possess mining rights and exploration rights in respect of our mines and projects located in the Yishui County of Shandong Province, with our Yangzhuang Iron Mine being our only mine in operation as at the Latest Practicable Date. During the Track Record Period, our Yangzhuang Iron Mine produced 321.4 Kt, 332.4 Kt and 328.1 Kt of iron concentrates respectively. Based on management's experience and assuming that the conversion rate of processing approximately 6.2 tonnes of iron ores from our Yangzhuang Iron Mine to produce 1 tonne of iron concentrates with iron content of 65%, it is expected that by processing approximately 2.85 Mt of iron ores from Yangzhuang Iron Mine, representing our current processing capacity, approximately 0.46 Mt of iron concentrates with 65% iron content can be produced.

We intend to expand the mining capacity of our Yangzhuang Iron Mine from an annual mining capacity of 2.3 Mt to 3.5 Mt of iron ores by commencing the expansion plan in the second quarter of 2012 and completing in the fourth quarter of 2013, and to increase our annual processing capacity from 2.85 Mt to 3.56 Mt of iron ores in 2012. We plan to develop our Zhuge Shangyu Ilmenite Mine to achieve annual mining and processing capacities of about 2.0 Mt, 4.0 Mt and 8.0 Mt by fourth quarter of 2013, fourth quarter of 2014 and second quarter of 2016 respectively.

Please refer to the section headed "Business – Overview" on page 159 of this prospectus for further details of our business operation.

Our mines and projects

As of November 2011, the total proved and probable reserve of iron ore and ilmenite ore in our mines and project is summarised as follows:

	Yangzhuang Iron Mine	Zhuge Shangyu Ilmenite Mine	Qinjiazhuang Ilmenite Project
Ore reserves (Mt)			
– proved	11.00	200.08	45.33
– probable	32.94	346.20 *(Note)*	41.30
Total ore reserves	43.93	546.29	86.63
Grade of total iron (TFe) (%)			
– proved	24.17	12.78	13.50
– probable	24.72	12.83	13.61
Average grade of total iron (TFe) (%)	24.58	12.81	13.56
Grade of titanium dioxide (TiO_2) (%)			
– proved	N/A	5.76	4.52
– probable	N/A	5.65	4.48
Average grade of titanium dioxide (TiO_2) (%)	N/A	5.69	4.50

Note: Out of the total probable reserve, about 256.29 Mt is underground reserve.

The following table summarises further information about our major mines and projects as of the Latest Practicable Date:

	Reserves figures available			Reserves figures not available *(Note 6)*
	Yangzhuang Iron Mine	**Zhuge Shangyu Ilmenite Mine**	**Qinjiazhuang Ilmenite Project**	**Gaozhuang Shangyu Ilmenite Project**
Exploration rights area (sq. km.)	17.88 *(Note 1)*	7.30	17.88 *(Note 1)*	7.66
Time when exploration right was first obtained	September 2002	January 2004	January 2005	April 2008
Validity period of the exploration rights *(Note 7)*	4 January 2011 – 31 December 2012 (for the Yangzhuang Qinjiazhuang Combined Exploration Right)	19 July 2010 – 30 June 2012	4 January 2011 – 31 December 2012 (for the Yangzhuang Qinjiazhuang Combined Exploration Right)	22 April 2011 – 31 March 2013
Status of renewal of exploration right *(Note 7)*	To be renewed at around 3 to 6 months before expiry	In the process of renewal	To be renewed at around 3 to 6 months before expiry	To be renewed before expiry or to apply for mining right *(Note 2)*
Mining rights area (sq. km.)	3.9093	0.356	No mining permit obtained yet	No mining permit obtained yet
Time when mining right was first obtained	September 2001	May 2008	N/A	N/A
Validity period of the mining rights	20 June 2011 – 20 June 2019	5 May 2010 – 5 May 2015	NA	NA
Approved production scale under current mining right term	2.3 Mt per annum	400,000 cubic metres per annum (or approximately 1.2 Mt per annum)	NA	NA
Status of renewal of mining rights	To increase the approved annual production scale to 3.5 Mt in 2012	To increase the approved annual production scale to 8.0 Mt in 2012	NA	NA
Mining method	Underground	Open pit *(Note 3)*	Open pit	NA
Mine life	13.2 years	36 years	43.3 years	NA
Depletion rate	2.5 Mt (actual) in 2011 2.4 Mt (expected) in 2012	N/A	N/A	N/A
Total costs incurred *(Note 4)*	Approximately RMB13.8 million	Approximately RMB11.3 million	Approximately RMB8.5 million	Approximately RMB5.0 million
Current status and plan for the mine or project	Current: In operation Plan: Expand annual mining capacity to 3.5 Mt in 2013 *(Note 5)*	Current: Not in operation Plan: Develop annual mining and processing capacities to 2.0 Mt in 2013, 4.0 Mt in 2014 and 8.0 Mt in 2016 *(Note 5)*	Current: Not in operation Plan: No plan to start mining operations yet	Current: Not in operation Plan: Perform further detailed exploration in second half of 2012 and complete by end of 2012
Estimated capital requirements	Approximately RMB212.8 million *(Note 5)*	Approximately RMB964.3 million *(Note 5)*	N/A	RMB2.9 million for further detailed exploration
Sources of funding	Net proceeds from the Share Offer, internal resources, bank borrowings and/or other means of equity or debt financing *(Note 5)*	Net proceeds from the Share Offer, internal resources, bank borrowings and/or other means of equity or debt financing *(Note 5)*	N/A	Internal resources

Notes:

1. *In order to consolidate and integrate mineral resources with a view to developing mineral resources in a more efficient manner, optimizing mineral resource allocation and promoting large-scale operation and centralized management in mining business, the exploration area of our Yangzhuang Iron Mine and Qinjiazhuang Ilmenite Project was requested by relevant government authority to be consolidated to a combined area of 17.88 sq.m.. The last exploration permit in respect of our Yangzhuang Iron Mine with an area of 6.25 sq. km. was valid from 16 August 2010 to 31 December 2010, during which no exploration activity had been conducted.*

2. *For details of the renewal plan of the exploration right of Gaozhuang Shangyu Ilmenite Project, please refer to section headed "Business – Our mineral resources and mining rights – Gaozhuang Shangyu Ilmenite Project" to this prospectus.*

3. *Our Zhuge Shangyu Ilmenite Mine is currently an open-pit mine and we can perform open-pit mining method for mining of ilmenite ores for approximately 36 years from the date of mining commencement, after which it will become an underground mine.*

4. *For details of the total costs incurred in each of our mines, please refer to section headed "Business – Overview" to this prospectus.*

5. *For details of our expansion plans on our Yangzhuang Iron Mine and Zhuge Shangyu Ilmenite Mine, please refer to section headed "Business – Business Strategies" to this prospectus.*

6. *As at the Latest Practicable Date, our preliminary exploration work did not provide us with sufficient data and information for compilation of a competent person report, hence reserves figure is not available for our Gaozhuang Shangyu Ilmenite Project.*

7. *According to the relevant PRC laws and regulations (i) the initial validity period of exploration rights cannot exceed 3 years, and could be renewed for a period of not exceeding 2 years each time afterwards; and (ii) the exploration rights must be renewed at least 30 days before expiry.*

As regards our Zhuge Shangyu Ilmenite Mine, we have not yet proceeded to commercial production as of the Latest Practicable Date as such development would involve significant capital expenditure which requires further funding. As at the Latest Practicable Date, we did not have any plan to carry out mining work or other expansion plan for our Qinjiazhuang Ilmenite Project as we will focus our financial and operational resources on the development of our Yangzhuang Iron Mine and Zhuge Shangyu Ilmenite Mine. As for our Bashan Iron Project, we will not carry out any mining work in the near future since it is not commercially viable, and we shall consider disposal of our Bashan Iron Project in the future.

Our products

Iron concentrates produced by us

During the Track Record Period, our self-produced product was iron concentrates (65% Fe grade). For each of the three years ended 31 December 2011, we derived 100.0%, 89.0% and 68.0% respectively of our revenue from the sale of iron concentrates produced by us.

Trading products

We are also engaged in trading of iron concentrates, iron pellets, coarse iron powder and other iron related products during the Track Record Period. During the Track Record Period, we derived approximately nil, 11.0% and 32.0% respectively of our revenue from our trading activities. We engage in trading of iron concentrates when our production volume is insufficient to meet our customers' demands. Moreover, as our customers include steel manufacturers which require iron pellets for their production process and iron pellet manufacturers, we have sourced iron pellets from other suppliers for onward sale to them. In the second half of 2011, we also engaged in substantial trading of coarse iron powder. With the intention to fully utilise our excess processing capacity, we identified a trading company in Shandong Province to provide us with a stable and long-term source of coarse iron powder for further processing into iron concentrates. Notwithstanding our aforesaid intention, in 2011, a majority amount of the purchases were onward sold to our customers after taking into account the satisfactory gross profit margin. Please refer to the section headed "Business – Products – Trading products" on page 179 of this prospectus for a more detailed discussion of our trading activity of coarse iron powder.

Going forward, should opportunities arise, it is our intention to continue our trading activities as long as such business activities provide us with a satisfactory profit margin.

Sales and customers

Our customers of iron concentrates produced by us are located in Shandong Province in close proximity to us. We have maintained stable relationship with our major customers ranging from approximately 2 years to 8 years. Three of our major customers are Laiwu Steel, Lunan Mining and Laiwu Mine Construction. Laiwu Steel is a subsidiary of Shandong Steel Group, whereas Lunan Mining and Laiwu Mine Construction are associated companies of Shandong Steel Group, a state-owned enterprise ranked the largest steel producer in Shandong Province and the 9th largest steel producer in the world as of 2010 according to the CRU Report. Although Laiwu Steel, Lunan Mining and Laiwu Mine Construction are subsidiary or associated companies of Shandong Steel Group, our Directors consider that each of them is a distinctive and independent customer to our Group as so far as they are aware each of them has independent management and independent operations and procurement departments, and would obtain independent quotations from us. Our Directors consider that such large scale of our major customers would help maintain a sufficient and stable demand of our products. Please refer to the section headed "Business – Sales and Customers" on page 215 of this prospectus for a more detailed discussion of our sales and customers.

During the Track Record Period, our total sales to Laiwu Steel, Lunan Mining and Laiwu Mine Construction was approximately RMB80.5 million, RMB311.1 million, and RMB534.1 million representing approximately 41.0%, 64.0%, and 52.9% of our total sales respectively during the same periods.

During the Track Record Period, we have engaged in the trading of iron concentrates, coarse iron powder, iron pellets and other iron related products. In general, our trading customers are the same as our customers of iron concentrates produced by us. In 2011, we have new customers for our trading of coarse iron powder business which are engaged in trading and/or manufacturing of iron related products.

Independent Third Party Contractors

We have outsourced certain of our business operations to third parties contractors as we believe it lowers our overall operational costs. We have engaged our Independent Third Party Surveying Contractor to carry out our geological surveying work, our Independent Third Party Mining Contractors to carry out our mining work, and our Independent Third Party Blasting Contractor to carry out the related blasting work.

By engaging our Independent Third Party Surveying Contractor, Independent Third Party Mining Contractors and Independent Third Party Blasting Contractor, we would be able to lower our operational costs since it would not be necessary to maintain an in-house surveying and exploration team while exploration work is only carried out periodically when we make new discoveries of geological anomalies; and we also do not have to maintain an internal mining and blasting team and mining and blasting facilities.

Utilities – Electricity and Water

We utilize electricity and water in our operation. We utilize electricity secured from an Independent Third Party, at market rates to our Yangzhuang Processing Facilities in all our operations. As the Independent Third Party is the only legal electricity supplier of Shandong Province, we do not have any alternative supplier for electricity.

The water we utilized at our Yangzhuang Processing Facilities is from our water recycling system (which includes a water reservoir which can be replenished by rainwater from time to time). We can also obtain water from a water reservoir operated by an individual, being a PRC citizen and an Independent Third Party, whom we have entered into an agreement with for the provision of water at an annual fee of RMB5,000 and also a monthly management fee of RMB1,000.

For alternative water supply, we may also use water from the water reservoir operated by the individual, exploit groundwater resources or obtain water from other nearby water suppliers at market prices.

Please refer to the section head "Business – Utilities and Raw Materials – Electricity and Water" on page 211 of this prospectus for a more detailed discussion of our usage on electricity and water.

Transportation of our Products

Our customers can choose to collect our products directly from our Yangzhuang Processing Facilities or request us to deliver our products to their designated destinations. For delivery, we use logistics service providers to deliver our products by trucks to our customers and we will recoup the costs associated with the transport of our products to them by adding these costs to the contracted sales price. We have maintained relationship with the logistics service providers ranging from approximately 1 year to 4 years during the Track Record Period.

Our long-term business diversification in Australia

To diversify our business overseas and to explore other business opportunities in the mining industry for the long-term development of our Group, Ishine International was incorporated in Western Australia, Australia in September 2009 and was admitted to the official list of ASX on 18 December 2009.

As at the Latest Practicable Date, Ishine International, our indirect non-wholly owned subsidiary incorporated in Western Australia, owned 11 granted exploration licences located in Western Australia and 7 granted exploration licences located in South Australia, and it did not own any mining licence. In addition, Ishine International has a 49% beneficial interest in three granted exploration licences in Queensland, with the right to acquire up to a 70% interest in these licences in relation to joint venture projects with Kabiri Resources Pty Ltd ("**Kabiri**"). Up to the Latest Practicable Date, Ishine International had made 12 exploration licence applications in Western Australia, 3 exploration licence applications in South Australia and 1 application for an exploration permit for minerals in Queensland.

As at 31 December 2011, our Group incurred costs and expenditures in relation to the tenement in Australia (capitalized and expensed-off through income statement) of approximately RMB17.8 million. As the tenements held by Ishine International were still in exploration phases, estimated capital expenditure requirements are not applicable. As at 31 December 2011, the total committed expenditures of our Australia tenements amounted to approximately RMB24.8 million, among which approximately RMB5.3 million was attributable to the joint venture projects with Kabiri. Our Directors consider that our source of funding for our business operations in Australia will be from equity financing through the issuance of new shares of Ishine International, or by debt financing by Ishine International.

For details of the joint venture projects and Ishine International's tenements in Australia, please refer to the paragraph headed "Business – Our mineral resources and mining rights – Exploration licences in Australia" of this prospectus.

SUMMARY FINANCIAL INFORMATION

The summary of our consolidated financial information for the three years ended 31 December 2009, 2010 and 2011 set forth below is derived from the Accountant's Report set forth in Appendix I to this prospectus and should be read in conjunction with the Accountant's Report and notes thereto.

Summary consolidated statements of comprehensive income

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	196,447	485,452	1,010,252
Gross profit	71,725	204,389	276,196
Profit from operations	47,732	165,553	228,101
Profit before income tax	39,408	142,125	178,032
Income tax expense	(10,679)	(39,563)	(48,042)
Profit for the year	28,729	102,562	129,990
Total comprehensive income for the year	27,995	105,792	127,517
Total comprehensive income attributable to:			
Equity holders of our Company	28,679	109,468	130,416
Non-controlling interests	(684)	(3,676)	(2,899)
Dividends	–	100,000	80,000

Sales volume and average selling price

The following table sets forth details of the sales volumes and average selling prices of our iron concentrates during the Track Record Period:

	Year ended 31 December		
	2009	**2010**	**2011**
Sales volume of iron concentrates produced by us			
– Produced by iron ores from our Yangzhuang Iron Mine (Kt)	275.0	378.9	328.1
– Produced by mixing (Kt)	–	42.2	251.9
	275.0	421.1	580.0
Sales volume of iron concentrates from trading (Kt)	–	–	9.1
Average selling price of iron concentrates with iron contents of 65% produced by us (RMB per tonne)	714.3	1,026.6	1,184.5
Average historical market price of iron concentrates with iron contents of 65% in Shandong Province (RMB per tonne)	674.0	1,033.2	1,183.0

During the Track Record Period, the only product we produced was iron concentrates with iron contents of 65% which is the iron content grading required by our customers. During the Track Record Period, we produced iron concentrates using iron ores from our Yangzhuang Iron Mine. We conduct testing of our iron concentrates regularly and the monthly average grade of iron concentrates produced using our Yangzhuang iron ore during the Track Record Period was approximately 65% or above. In order to increase our output volume of 65% iron concentrates to meet sales demand and also to utilize our iron concentrates with iron content of over 65% efficiently, we engaged in mixing in 2010 and 2011 of which we mixed (i) iron concentrates with iron contents of approximately 65% or above produced by us using iron ores from our Yangzhuang Iron Mine, with (ii) various grades of iron concentrates sourced from other suppliers; and/or (iii) various grades of iron concentrates produced by us using coarse iron powder sourced from other suppliers, to produce 65% iron concentrates. Our purchases of iron concentrates and coarse iron powder used in mixing do not indicate that the iron ore produced by our Yangzhuang Iron Mine is unsalable without mixing.

The weighted average grade of (i) iron concentrates purchased for the purpose of mixing for 2010 and 2011 was approximately 59.1% and 58.7% respectively; and (ii) coarse iron powder purchased for the purpose of mixing in 2011 was approximately 55.1%.

We have identified our suppliers of iron concentrates and coarse iron powder through our sales and purchase department or we are approached by these types of suppliers directly. So far as our Directors are aware, the suppliers of iron concentrates are principally engaged in trading of iron related products or manufacturer of iron concentrates and/or titanium concentrates, which include Hesheng Minerals and Luxing Titanium. Our Directors consider that our main supplier of iron concentrates, namely, Hesheng Minerals, is not our competitor as we target different markets with Hesheng Minerals focusing mainly on smaller size steel manufacturers while our Group focuses on larger scale iron pellet and steel manufacturers. Our suppliers of coarse iron powder for our mixing are not considered as our competitors as (i) coarse iron powder requires further processing which is different from our product of iron concentrates and (ii) as far as our Directors are aware of, they are mainly traders of iron related products while we are iron concentrates producers with our own mines. The terms of the suppliers' agreements for iron concentrates and coarse iron powder generally includes the grade of iron concentrates or coarse iron powder, the amount purchased, the selling price, and the time of delivery of the products which is in general as requested by us. After these agreements are signed, these suppliers are obliged to provide us with their products.

As shown above, during the Track Record Period, (i) our sales volumes of iron concentrates produced directly from iron ores of our Yangzhuang Iron Mine were approximately 275.0 Kt, 378.9 Kt and 328.1 Kt respectively, representing 100.0%, approximately 90.0% and 56.6% of our total sales volumes of iron concentrates produced by us; and (ii) sales volumes of iron concentrates produced by mixing were approximately nil, 42.2 Kt and 251.9 Kt respectively, representing nil, approximately 10.0% and 43.4% of our total sales volumes of iron concentrates produced by us. The substantial increase in sales volumes of iron concentrates produced by mixing in 2011 was due to the substantial increasing proportion of iron concentrates produced using coarse iron powder as a result of utilising our increased annual processing capacity of 2.85 Mt in July 2011.

We expect to continue mixing using (i) iron concentrates processed from coarse iron powder in 2012 and 2013 until our mining capacity catches up with our processing capacity towards the end of 2013; and (ii) iron concentrates sourced from other suppliers whenever our customers' demand exceeds our production volumes of iron concentrates using iron ores from our Yangzhuang Iron Mine and coarse iron powder.

Fluctuation in the price of our iron concentrates could be attributed to a number of factors, including but not limited to the global, PRC and Shandong supply of and demand for iron ore products, the prosperity of the Shandong steel industry and the market price of iron concentrates in Shandong Province. The average selling price of iron concentrates produced by us in 2009 was approximately RMB714.3 per tonne and in view of the low market price of iron concentrates caused by the global financial crisis beginning from the fourth quarter of 2008, our Directors have strategically reduced the sales of our Group in 2009 in the expectation that the price would pick up in 2010. Our average selling price of iron concentrates was approximately RMB40.3, or 6.0%, higher than the Shandong Province average price in 2009 as we strategically reduced sales volume of iron concentrates during the months when market price was relatively lower than the annual average in 2009. The average selling price of iron concentrates produced by us increased sharply by approximately 43.7% in 2010 and further increased by 15.4% in 2011 as a result of the recovery from the global financial crisis and the gradual recovery of China's economy in 2010 and continuing growth in 2011 and various stimulus plans implemented by the PRC government in both years. Such fluctuation in the average selling prices of our iron concentrates is in line with the fluctuation of the average historical market price of iron concentrates with iron contents of 65% in Shandong Province.

Revenue analysis

The following table illustrates our revenue generated through sales of iron concentrates produced by us and trading for the three years ended 31 December 2009, 2010 and 2011:

	Year ended 31 December					
	2009		2010		2011	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Production						
– Sales of iron concentrates produced by us						
• from iron ore of Yangzhuang Iron Mine	196,447	100	388,945	80.0	388,662	38.5
• from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder	–	–	43,347	9.0	298,348	29.5
	196,447	100	432,292	89.0	687,010	68.0
Trading	–	–	53,160	11.0	323,242	32.0
Total	196,447	100.0	485,452	100.0	1,010,252	100.0

Our revenue increased significantly by 147.1% in 2010 due to the sharp increase in the average selling price and sales volume of our iron concentrates. Our revenue further increased by 108.1% in 2011 mainly due to (i) the increase in sales volume of iron concentrates resulting mainly from the increase in production of iron concentrates by processing coarse iron powder purchased from other suppliers utilising our excess processing capacity as a result of the 2011 Processing Facility Expansion for mixing purpose; and (ii) the substantial increase in trading of coarse iron powder.

Average cost of sales

Average cost of sales per tonne of iron concentrates produced by us for each of the three years ended 31 December 2011 are RMB453.5, RMB538.5 and RMB761.3 respectively.

Average cost of sales per tonne of iron concentrates produced by us increased from RMB453.5 in 2009 to RMB538.5 in 2010 by 18.7% which was partly due to increase in average cost of sales per tonne of iron concentrates produced using ores from our Yangzhuang Iron Mine (and no mixing) from approximately RMB453.5 in 2009 to approximately RMB500.9 in 2010, as a result of (i) increase in payment to mining contractors by 19.1% as fees charged by them increased; and (ii) increase in power and utilities expenses by 19.8% as unit price of electricity increased and more construction work in Yangzhuang Processing Facilities was done which increased the amount of electricity consumed. Such increase in cost of sales was also due to 10.0% of the sales volume of iron concentrates produced by us was produced by mixing iron concentrates of various grades of iron concentrates purchased from other suppliers at average unit cost of iron concentrates produced of approximately RMB876.5, which was higher than our unit cost of producing iron concentrates using ores from our Yangzhuang Iron Mine.

Average cost of sales of iron concentrates produced by us increased from RMB538.5 in 2010 to RMB761.3 in 2011 by 41.4% was partly due to increase in average cost of sales per tonne of iron concentrates produced using ores from our Yangzhuang Iron Mine (and no mixing) from approximately RMB500.9 in 2010 to approximately RMB562.7 in 2011, as a result of (i) increase in cost of other raw materials by 44.5% as more spare parts were purchased as a result of the 2011 Processing Facility Expansion and the average purchase price of fuel increased in 2011; and (ii) increase in employee benefits by 56.6% due to increase in salaries in 2011. Such increase in cost of sales was also due to 43.4% of the sales volume of iron concentrates produced by us was produced by mixing various grades of iron concentrates purchased from other suppliers and iron concentrates produced from processing coarse iron powder sourced from other suppliers, and the average unit cost of iron concentrates produced by mixing amounted to approximately RMB1,020.0, which was higher than unit cost of producing iron concentrates using ores from our Yangzhuang Iron Mine.

Gross profit and gross profit margin

The following tables set forth breakdowns of our Group's gross profit and gross profit margin by segments for the periods indicated.

Gross profit	Year ended 31 December 2009		2010		2011	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Production						
– Sales of iron concentrates produced by us						
• from iron ore of Yangzhuang Iron Mine	71,725	100%	199,167	97.5%	204,031	73.9%
• from mixing iron concentrates purchased from third parties and/or produced from coarse iron powder	–	–	6,357	3.1%	41,411	15.0%
	71,725	100%	205,524	100.6%	245,442	88.9%
Trading	–	–	5,730	2.8%	33,857	12.2%
Exploration costs incurred by Ishine International	–	–	(6,865)	(3.4)%	(3,103)	(1.1)%
Total gross profit	71,725	100.0%	204,389	100.0%	276,196	100.0%

Gross profit margin	Year ended 31 December 2009	2010	2011
Production – Sales of iron concentrates			
– Produced from iron ores of our Yangzhuang Iron Mine	36.5%	51.3%	52.5%
– Produced from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder purchased from other suppliers	–	14.7%	13.9%
	36.5%	47.5%	35.7%
Trading	N/A	10.8%	10.5%
Overall gross profit margin *(Note)*	36.5%	42.1%	27.3%

Note: This overall gross profit margin includes the effect of the exploration costs incurred by Ishine International.

Gross profit margin of iron concentrates produced by us increased by 11.0% from 2009 to 2010 mainly due to increase in gross profit margin of iron concentrates produced from iron ores of Yangzhuang Iron Mine from 36.5% to 51.3% mainly as a result of the increase in average selling price by 43.7% in 2010 which is in line with the increase in market price, offset by the increase in average cost of sales of iron concentrates produced from Yangzhuang Iron Mine mainly due to that 10.0% of sales volume of iron concentrates produced by us represented sales of iron concentrates produced from mixing iron concentrates purchased from other suppliers which contributed a lower gross profit margin of only 14.7%.

Gross profit margin of iron concentrates produced by us declined by 11.8% to 35.7% in 2011 mainly due to that the sales volume percentage of iron concentrates produced from mixing (including mixing of iron concentrates purchased from other suppliers and iron concentrates produced from coarse iron powder) increased significantly from 10.0% to 43.4%, while the gross profit margin of such sales was only 13.9% as compared to that of iron concentrates produced from iron ores of Yangzhuang Iron Mine which was 52.5%.

We recorded a stable gross profit margin for our trading activities of approximately 10.5% in 2011 as compared to approximately 10.8% in 2010.

Listing expenses

We paid legal and professional fees with respect to the Listing. In accordance with relevant accounting standard, listing related fees that are incremental and directly attributable to offering of new Shares should be recorded as prepaid expenses, which will be deducted from equity upon Listing. The remaining listing related fees are charged to income statement. It is expected that approximately RMB13.4 million listing related expenses will be charged to our Group's consolidated statements of comprehensive income for the year ending 31 December 2012.

RECENT DEVELOPMENT

Due to strong demand for steel to support economic growth, China continues to be short of domestic iron ore supply. The price of iron ore has increased significantly in recent years. However, towards the end of 2011, the iron ore industry has experienced fluctuations caused by the slight slow-down in the growth of the PRC economy. Nevertheless, we are optimistic about the PRC iron ore industry as a result of growing demand for steel to fuel China's industrialisation and urbanization.

The recent fluctuation in the PRC iron ore industry has affected our average selling price of iron concentrates to drop. Based on management account, average selling price of our iron concentrates with iron contents of 65% dropped by approximately 13.6% to approximately RMB1,023.8 per tonne for the two months ended 29 February 2012 as compared to that for 2011.

Based on management account, for the two months ended 29 February 2012, our total sales amounted to approximately RMB158.7 million which comprised of (i) approximately RMB93.8 million from the sales of iron concentrates produced by us; and (ii) approximately RMB64.9 million from trading of coarse iron powder. Our monthly average sales volume of iron concentrates dropped by approximately 13.2% to approximately 46 Kt for the two months ended 29 February 2012 as compared to that of approximately 53 Kt for the fourth quarter of 2011 as a result of lower sales during the Chinese New Year.

Based on management account, our accounts receivable increased from approximately RMB199.8 million as at 31 December 2011 to RMB306.7 million as at 29 February 2012 as a result of sales of approximately RMB153.5 million made for the two months ended 29 February 2012, offset by settlement of approximately RMB46.5 of accounts receivables by our customers. As at 29 February 2012, our non-current bank borrowings totaled to approximately RMB160 million, which remained the same as compared to that of 31 December 2011; and our current bank borrowings totaled to approximately RMB398.6 million, representing an increase of approximately RMB41.0 million as compared to the balance as at 31 December 2011. Such additional bank borrowings were used to finance our normal business operations. The lending bank of such bank borrowings have required us to maintain the gearing ratio[*(Note)*] of Shandong Ishine at below 70% and such restriction will be released upon full settlement of such bank borrowings by us. The gearing ratio of Shandong Ishine was approximately 64.9% as at 29 February 2012. We will monitor the compliance of such gearing ratio from time to time and if such ratio is expected to be exceeded, we will settle such additional bank borrowing by our internal resources and/or bank borrowings without this restriction. As at 29 February 2012, we have utilised and unutilised banking facilities amounted to approximately RMB198.7 million and RMB391.3 million, respectively.

Note: Gearing ratio is calculated as total liabilities divided by total assets.

OFFER STATISTICS

	Based on an Offer Price of HK$1.01 per Share	Based on an Offer Price of HK$1.52 per Share
Market capitalisation of our Shares *(note 1)*	HK$728.1 million	HK$1,095.7 million
Unaudited pro forma adjusted net tangible assets per Share *(note 2)*	HK$0.83	HK$0.92

Notes:

(1) The calculation of the market capitalisation of our Shares is based on 720,871,584 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue but does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.

(2) The unaudited pro forma adjusted net tangible assets of our Group per Share has been arrived at after the adjustments referred to in the section headed "Financial Information" in this prospectus and on the basis of 720,871,584 Shares in issue at the respective Offer Price of HK$1.01 and HK$1.52 per Share immediately following completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.

DIVIDEND POLICY

We only declared dividends of RMB100 million and RMB80 million to our then Shareholders for the two years ended 31 December 2010 and 2011, respectively during the Track Record Period. We currently do not have a fixed dividend policy.

We are also subject to withholding income taxes of 5% by the PRC corporate income tax laws and 15% by the Australia Corporation Tax laws respectively.

Please refer to the section headed "Financial Information – Dividend Policy" on page 338 of this prospectus for further information in relation to payment of dividends.

USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised and an Offer Price of HK$1.27 per Share (being the mid-point of the estimated price range), our Directors estimate that the net proceeds to be received by our Company from the Share Offer will be about HK$134.8 million, after deducting the underwriting commissions and other estimated expenses payable by our Company in relation to the Share Offer.

Our Directors presently intend to use the net proceeds from the Share Offer as follows:

- approximately 57.0%, or HK$76.8 million (equivalent to approximately RMB62.4 million), to finance the expansion of mining capacity of our Yangzhuang Iron Mine; and
- approximately 43.0%, or HK$58.0 million (equivalent to approximately RMB47.1 million), to finance the first stage of the development plan of our Zhuge Shangyu Ilmenite Mine.

Further details of the expansion and development plans of our Yangzhuang Iron Mine and Zhuge Shangyu Ilmenite Mine are set out under the paragraph headed "Business Strategies" under the section headed "Business" of this prospectus. You should refer to the section headed "Future Plans and Use of Proceeds from the Share Offer" on page 342 of this prospectus for a more detailed discussion of our use of proceeds.

RISK FACTORS

There are certain risks related to investing in our Shares, among which, the relatively material risks are set out below. You should read the entire section headed "Risk Factors" to this prospectus before you decide to invest in our Shares.

We focus our operations primarily on our Yangzhuang Iron Mine, our only mine in operation as at the Latest Practicable Date; therefore, any factors such as safety problems at our Yangzhuang Iron Mine could materially and adversely affect our business, financial condition, and results of operations.

Our mining operations is carried out on 10 parcels of collectively-owned lands at our Yangzhuang Iron Mine on a two years short-term leased basis, and if we could not execute renewals of such leases upon expiration, our business, financial condition and results of operations may be materially and adversely affected.

Our major capital expenditure projects require significant investment. If we cannot obtain additional funds, we may not be able to, among others, expand our business, which may have material adverse effect on our business, financial, and results of operations.