Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with an investment in our Company before making any investment decision regarding our Company. You should pay particular attention to the fact that our Company is incorporated in the Cayman Islands and our Group has operations conducted outside Hong Kong and is governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

RISK FACTORS

You should carefully consider all the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

You should pay particular attention to the fact that our business is located almost exclusively in the PRC, the legal and regulatory conditions of which may differ in some respects from those of other countries.

Our operations involve certain risks, many of which are beyond our control. These risks fall into the following categories: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting our operations in the PRC; (iv) risks relating to the Share Offer; and (v) risks relating to statements in this prospectus. Additional risks and uncertainties that are presently unknown to us, or that are currently deemed to be immaterial by us, may also have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO OUR BUSINESS

Our operations are primarily exposed to uncertainties in relation to one major project, our Yangzhuang Iron Mine.

We focus our operations primarily on one iron ore mine, our Yangzhuang Iron Mine. As at the Latest Practicable Date, our Yangzhuang Iron Mine was our only mine in operation.

As our Yangzhuang Iron Mine is the only profit generating mine as at the Latest Practicable Date, our operations are primarily exposed to uncertainties in relation to only one mine. If there are any factors such as environmental or safety problems which affects the operation of our Yangzhuang Iron Mine, our business, financial condition and results of operations may be materially and adversely affected.

We rely on Independent Third Party contractors for certain of our operations.

To use resources more effectively and reduce operating costs, we engage Independent Third Party contractors to carry out geological surveying and exploration and mining and blasting work for us.

We cannot assure you that our monitoring of the work and performance of our Independent Third Party contractors will be sufficient to control the quality of their work or of their safety or environmental standards. In the event that our Independent Third Party contractors fail to meet our quality, safety, environmental and other operating standards and those standards required by the relevant PRC laws and regulations, our operations may suffer and we may be liable to third parties. Costs associated with rectifying any problems caused by our Independent Third Party contractors may have a material adverse effect on our business, financial condition and results of operations.

Furthermore, if we are unable to maintain a cooperative relationship with any of our Independent Third Party contractors or obtain replacements on equal or more favourable terms in a timely manner, or at all, our production schedule may be delayed and we may breach the terms of our contracts, any or all of which may have a material adverse effect on our business, financial condition and results of operations.

Under our contracts with our Independent Third Party Mining Contractors, they are liable to us for any accidents arising from the mining operations. However, we cannot assure you that we will not be involved in any legal claims with respect to such outsourced activities and that we will not be liable to third parties for losses or damages caused by our Independent Third Party contractors. If a third party institutes legal action against us relating to outsourced activities, we may be required to incur costs and devote resources to defend ourselves against such claims. Costs and expenses incurred by us as a result of any acts or omissions of our Independent Third Party contractors or of any failure in the services they render to us or to third parties may have a material adverse effect on our business, financial condition and results of operations.

Our major capital expenditure projects require significant capital investments and may not achieve the intended economic benefits.

An integral part of our business strategy is to expand our business by increasing our mining and processing capacity. We intend to increase our mining capacity and our processing capacity by a number of ways, including (i) increasing the mining capacity at our Yangzhuang Iron Mine by improving our existing facilities and introducing new facilities; (ii) commencing mining work at our Zhuge Shangyu Ilmenite Mine; (iii) constructing new processing lines at our Zhuge Shangyu Ilmenite Mine; and (iv) acquisition of existing mining operations.

However, we may not be able to improve or expand our mining or processing capacity successfully, successfully identify and acquire suitable acquisition target mines or investment opportunities or may not be able to complete any of these transactions on favourable terms. Our expansion plans may also be delayed or adversely affected by numerous factors, including the failure to obtain necessary regulatory approvals, technical difficulties, the lack of manpower or other resource constraints, and may divert resources and management attention from our other business concerns. In addition, the capital requirements of these expansion plans may exceed our planned investment budget. As a consequence of delays, cost overruns, changes in market circumstances or other factors, the intended economic benefits from our intended expansion plans may not materialise and our business, financial condition and results of operations may be materially and adversely affected.

Also, there is no assurance that our exploration activities will result in the discovery of mineable resources and that feasibility assessments will result in the justification of ore extraction. If a viable deposit is discovered, it can take several years and significant capital expenditures from the initial phase of exploration until commercial production commences during which time the capital cost and economic feasibility may change.

Furthermore, we cannot assure you that our development efforts in the titanium products business at our Zhuge Shangyu Ilmenite Mine could be successfully implemented since we are relatively inexperienced in the PRC titanium products industry. We could not assure you that we could develop a stable and reliable customer base or gain a similar profit as our iron ore business, which might have a material adverse effect on our business, financial condition and results of operations.

As a result of our overall business strategy, we will require a high level of capital expenditure in the foreseeable future to fund our ongoing operations and future growth. Our aggregate estimate capital expenditures, which includes total capital investments and working capital, for our Yangzhuang Iron Mine expansion and Zhuge Shangyu Ilmenite Mine development are expected to be approximately RMB212.8 million for an investing period from the second quarter of 2012 to the fourth quarter of 2013 and approximately RMB964.3 million for an investing period from the second quarter of 2012 to the second quarter of 2016, respectively. We intend to fund such capital expenditures out of the net proceeds from the Share Offer, internal sources, bank borrowings and/or other means of equity or debt financing. Our ability to obtain external financing in the future at a reasonable financing cost is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- the condition of the global and domestic financial markets; and
- changes in the monetary policy of the PRC government with respect to bank interest rates and lending practices.

If we require additional funds and cannot obtain them when required or at a reasonable financing cost, we may be unable to fulfill our working capital needs, upgrade our existing facilities or expand our business. These or other factors may also prevent us from entering into transactions that would otherwise benefit our business. Any or all of these factors may have a material adverse effect on our business, financial condition and results of operations.

We rely on a small number of major customers and face competition from other suppliers.

We rely on our major customers for a significant portion of our revenue. Our five largest customers, taken together, accounted for approximately 98.4%, 98.5% and 78.1% of our total revenue for each of the three years ended 31 December 2011, with our largest customer accounting for approximately 41.0%, 33.3% and 27.1% of such total revenue, respectively. Moreover, three of our largest customers in 2011, namely, Laiwu Mine Construction, Lunan Mining and Laiwu Steel collectively accounted for 41.0%, 64.0%, and 52.9% respectively of our revenue for each of the three years ended 31 December 2011. If any of our major customers (including Laiwu Mine Construction, Lunan Mining and Laiwu Steel) significantly reduces its purchases of iron concentrates from us, or if we are unable to sell iron concentrates to any of them on favourable terms or at all, or if any of our major customers are not satisfied with the standard of our iron concentrates or if our products are unable to satisfy the demand of any of our major customers and cease to purchase iron concentrates from us and purchase iron concentrates from our competitors instead our business, financial condition and results of operations may be materially and adversely affected.

We are subject to credit risk in collecting the accounts receivable due from the customers.

Our sales are generally made on credit terms of 90 days, and account receivables were settled by either bank transfers or bank acceptance notes with maturity within 6 months. During the Track Record Period, the accounts receivables turnover days of our Group was 193 days, 74 days and 55 days respectively, which are mostly within our credit period of 90 days save for the year ended 31 December 2009. As at 31 December 2009, 2010 and 2011, accounts receivables of approximately RMB9.6 million, RMB1.1 million, and RMB3.9 million respectively, were past due but not impaired. These related to a number of customers for whom there was no recent history of default. Our Directors consider that a long credit period inevitably increases the potential credit risk of our Group. There is no assurance that all such amounts due to our Group will be settled on time. Accordingly, our Group faces credit risk in collecting the accounts receivable due from the customers. Our Group's performance, liquidity and profitability will be adversely affected if significant amounts due to our Group are not settled on time. The bankruptcy or deterioration of the credit condition of any of our major customers could also materially and adversely affect our business.

We may face shortages in our water and electricity supply.

We use water in various stages of our processing operations. Water for use at our Yangzhuang Processing Facilities is from our water recycling system. However, any climate change that results in unstable or reduced rainfall or any other event that causes a shortage of water supplies may force us to limit or delay our production.

We use electricity in our operations. We obtain our electricity from local electric company at market rates. For the three years ended 31 December 2009, 2010 and 2011, our electricity expenditures accounted for approximately 15.1%, 8.0% and 3.3% of our total cost of sales, respectively, for these periods.

During the Track Record Period, we purchased electricity from the only legal electricity supplier in Shandong Province, and there is no alternative supplier for electricity in Shandong Province. In the event there is an interruption in the supply of electricity or water, our operations, or those of our Independent Third Party contractors, may be disrupted. We cannot assure you that supplies of electricity or water will not be interrupted or that their prices will not increase. If our existing suppliers cease to supply us, or our Independent Third Party contractors, with water or electricity at a sufficiently competitive price, or at all, or if we cannot find alternative sources of these supplies within a reasonable time and at a reasonable cost, or at all, our business, financial condition and results of operations may be materially and adversely affected.

Our business depends on reliable and adequate transportation capacity for our products.

Iron ore and iron ore-related products are bulky, heavy and difficult to transport in large quantities required by downstream users. Transportation costs are therefore generally a component of the cost of purchase for our customers. Fluctuations in transportation costs may have a detrimental effect on the demand for our products. Our expansion plan and associated higher sales volume will increase demand on the road transport networks near our mines and those networks may be inadequate to handle our increased sales volume. Transportation may also be disrupted by a number of factors such as traffic accidents, rain storm, snow, landslide, etc.. If transportation to and from our mines or processing facilities is reduced or cut off entirely for a long period of time, we may lose our customers and also be in breach of any existing sales contracts. Any difficulties experienced by our customers in transporting our products may reduce demand for our products and our business, financial condition and results of operations may be materially and adversely affected.

Our operations may be interrupted if we are denied access to our mines.

Our mining operations at our Yangzhuang Iron Mine is carried out on 10 parcels of collectively-owned lands with an aggregate area of 398,068.6 sq. m. in Yishui County, Shandong ("**Ten Parcels of Wild Lands**") classified as wild land (荒草地) on a two years short-term leased basis. Pursuant to the relevant PRC Land Administration Law and regulations, (1) a party may use collectively-owned land classified as wild land (荒草地) on a short-term leased basis for not more than two years if (i) it has been granted short-term land use rights by the competent governmental authority and; (ii) it has entered into land use agreements with the relevant rural collective economic entity or village committee; and (2) the party can re-apply for approval of the short-term land use rights after expiry of the two-years period. In other words, the Ten Parcels of Wild Lands can be used on a continuous basis by renewal of land use rights in every two years.

We have been granted short-term land use rights to the Ten Parcels of Wild Lands for a period of two years issued by the Yishui County branch of Land Resources Bureau, and we have obtained a written confirmation from such bureau that it undertakes to approve our application for renewal of existing short-term land use rights. We have entered into the specific land-use agreements with the owners of the Ten Parcels of Wild Lands to use such lands for a term of two years, and we have entered into land-use framework agreements with them which allows us to renew the specific land-use agreements every two years upon expiry.

Throughout the mining life of our mines, we intend to keep on renewing the short-term land use rights and relevant specific land-use agreements for some or all of the Ten Parcels of Wild Lands before expiry if we need to utilise some or all of such lands in conducting our mining operations. However, there is no assurance that we will be able to execute such renewals upon the expiration, and if we could not execute any of such renewals in a timely manner or at all, we will not be able to continue conducting our operations on these parcels of land and our financial condition and results of operations will be adversely affected.

We may not be able to obtain temporary structures occupied by us.

As at the Latest Practicable Date, we had not obtained the temporary construction works planning permits (臨時建築規劃許可証) in respect of 13 temporary buildings which are currently used by us for storage and ancillary purposes, including, among others, pump station, power distribution rooms, testing laboratory and other ancillary buildings with a total gross floor area of approximately 2,604 sq. m. at an aggregate net book value as at 31 December 2011 of approximately RMB1,063,000 on the parcels of land we held and occupied at Qinjiazhuang Village, Yishui County, Linyi City, Shandong Province, the PRC. As at the Latest Practicable Date, our Group has submitted applications for temporary construction works planning permits (臨時建築規劃許可証) in respect of such temporary buildings.

There is no assurance that we will be able to obtain the temporary construction works planning permits (臨時建築規劃許可証) for these temporary buildings or any of them. In the event that we are required to demolish such temporary buildings, we may relocate some of the functions (including storage, laboratory room, reception room, guard room and duty room) to our office buildings, Second Yangzhuang Processing Facility and the Third Yangzhuang Processing Facility, for those functions not possible to be relocated (including pump room, power distribution room, etc.), we will relocate them to new simple shelter structures to be constructed by us, such that, we may incur additional costs, hence affecting our financial and operating results. It is estimated that the time and costs required for demolishing the temporary buildings and relocation of those functions conducted in these buildings are approximately 1 month and approximately RMB0.5 million, and our Directors consider that such time and costs taken are not material to our Group.

We may not be able to expand our mining capacity.

Our core strategy is to expand our mineral volume by a number of ways including expansion of mining activities in our existing mines or projects, increase in volume of mining in our existing mines, extension of our mining areas to areas adjacent to the boundary limits of our existing mines or projects set forth in our current mining rights, commencement of mining in our existing mines or projects with mining rights or application for mining rights in mines which we have obtained exploration rights.

There are no assurances that approval for extension of mining areas or increase of production scale or exploration permits or mining permits will be granted, nor that iron or titanium ore will be found in such areas. We cannot assure you that our plans to expand our mineral volume or further development of our Yangzhuang Iron Mine and our Zhuge Shangyu Ilmenite Mine will succeed. Such plans may be delayed or adversely affected by a number of factors, including the failure to obtain relevant regulatory approvals, the failure to secure sufficient financing to fund our expansion, the occurrence of other constrains on managerial, operational, technical and other resources. In the event we encounter any delay or difficulty in the expansion of our iron or titanium mineral volume or we fail to increase our production scale at our Yangzhuang Iron Mine and our Zhuge Shangyu Ilmenite Mine, it will adversely affect our expansion plans which may in turn adversely affect our results of operations.

Our plan to acquire additional mineral reserves may not succeed.

We intend to acquire mines, exploration and mining rights over mines or apply for exploration or mining rights in the future to expand our mineral reserves. However, we may not be successful in our plan to acquire additional reserves. We may encounter intense competition during the expansion process and we may fail to select or value targets appropriately. One of the important factors that we will consider when we select or value targets is their resource and reserve data. Such resource and reserve data are estimates that involve professional judgment based on factors such as technical data, experience and industry practice. The accuracy of these estimates may be affected by many factors, including the quality of the results of exploration, drilling, sampling of the ore, analysis of the ore samples, estimation procedures and the experience of the person making the estimates. There are also many assumptions and variables beyond our control that may result in inherent uncertainties in estimating reserves. As a result, resource and reserve data are only estimates and may be inaccurate. The failure to select or value targets appropriately may result in our inability to complete our expansion plans at a reasonable cost, if at all. Even if our expansion plans are successful, we may have to allocate additional capital and human resources to implement the integration of any acquired business with ours. We cannot assure you that such integration will be completed within a reasonable period of time or at all or that it will generate the expected economic benefits. If our expansion plans are delayed or they fail to deliver the expected economic benefits, then our business, financial condition and results of operations may be materially and adversely affected.

We may have difficulty in managing our future growth and the associated increased scale of our operations.

We expect to expand through increasing the mining capacity of our Yangzhuang Iron Mine, developing the mining and processing facilities of our Zhuge Shangyu Ilmenite Mine and acquisition of other mines as and when our Directors consider appropriate. To sustain our growth, we must also further expand our customer base. The growth of our business will put substantial demands on our managerial, operational, financial and other resources as well as increase our working capital needs. Our ability to sustain growth of our business is also subject to risks and uncertainties that are beyond our control. We may not be able to sustain our historical revenue growth rate for a variety of reasons, including:

- limitations on expansion in our current markets and failure to secure new contracts;

- limited access to necessary working capital and investment capital;

- availability of target iron ore mines and target titanium mines;
- inability to hire and retain essential personnel;
- inability to identify acquisition candidates and integrate them into our business; and
- a significant reduction in demand of iron concentrates and titanium concentrates and titanium related products in the PRC.

Our insurance coverage may be insufficient to cover our business risks.

We face various operational risks in connection with our business, including:

- production interruptions caused by operational errors, electricity outages, raw materials shortages, the failure of equipment and other production risks;
- operating limitations imposed by environmental or other regulatory requirements;
- social, political and labour unrest;
- environmental or industrial accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods, collapse of mine or other natural disasters.

As of the Latest Practicable Date, we maintain the required PRC employee social benefits insurance and insurance for our transport vehicles. We do not maintain fire, earthquake, liability or other property insurance with respect to our property, equipment or inventory. We also do not maintain any business interruption insurance or third party liability insurance against claims for property damage, personal injury and environmental liabilities other than third party liability insurance for our vehicles. Any uninsured losses and liabilities incurred by us may have a material adverse effect on our business, financial condition and results of operations.

We cannot assure you that the safety measures we have in place for our operations will be sufficient to mitigate or reduce industrial accidents. We also cannot assure you that casualties or accidents will not occur or that our insurance coverage would be sufficient to cover costs associated with major accidents. In the event that we incur substantial losses or liabilities and our insurance is unavailable or inadequate to cover such losses or liabilities, our business, financial condition and results of operations may be materially and adversely affected.

Non-compliance with PRC employee social welfare contribution regulations could lead to the imposition of fines or penalties.

In accordance with relevant PRC laws and regulations, we are required to contribute to a number of employee social welfare schemes in respect of our employees, including employees hired on a temporary basis. Such schemes include pension insurance, medical insurance, unemployment insurance, birth insurance, work-related injury insurance (together "**social insurance**") and housing provident fund contributions. During the Track Record Period, we did not fully comply with the social insurance and housing provident fund requirements for our employees. For further details, please refer to the section headed "Business – Employees – Social insurance and housing provident fund contributions" of this prospectus. We estimate that the aggregate unpaid amount by our Group to the social insurance authority for the years ended 31 December 2009, 2010 and 2011 would be approximately RMB1,072,000, RMB773,000 and nil, respectively, and the aggregate unpaid amount by our Group to the housing provident fund authority for the years ended 31 December 2009, 2010 and 2011 would be approximately RMB133,000, RMB227,000 and nil, respectively.

There is no assurance that we will not be required to make up for any historical unpaid contributions or will not be subject to penalties imposed by local authorities in accordance with the relevant PRC laws and regulations which, in either or both cases, could adversely affect our financial results. Shandong Ishine may also face proceedings or claims brought by its employees concerned for the outstanding payment.

According to our PRC Legal Advisers, there is a possibility that we may be required to make retrospective payment of all outstanding social insurance contributions within a prescribed period, be subject to an overdue penalty of 0.05% of the unpaid contributions per day as of the date when the amount becomes overdue and may also be fined for an amount of 100% to 300% of the unpaid contributions for failure to make the required contributions within the prescribed period specified by the relevant authorities. As for housing provident fund, we may be ordered by the relevant housing provident fund authority to pay the outstanding housing provident contributions, and the statutory maximum amount of penalty for failing to make registration with the housing fund administration is RMB50,000 under the PRC law.

We cannot assure you that there will be no claims by relevant employees regarding payment of the social welfare insurances or housing provident fund contributions, or there will be no imposition of fines or penalties by the labor disputes arbitration committee or the People's Court relating to disputes about payment of these insurances in the future, and that we will not be required to pay such insurances or any related damages in the future.

Our future performance is dependent on our ability to attract and retain key qualified personnel.

Our future performance depends to a significant extent upon our ability to continue to attract, retain and motivate key qualified personnel, key senior management and other employees in our business, all of those individuals set out in the "Directors, Senior Management and Staff" and "Business" sections in this prospectus. We cannot assure you that these key qualified personnel will continue to provide services to us or will honour the agreed terms and conditions of their employment or service contracts. Any loss of key qualified personnel or failure to recruit and retain personnel may have a material adverse effect on our business, financial condition, results of operations and future prospects.

We will continue to be controlled by our Controlling Shareholders, whose interests may differ from those of our other Shareholders.

Immediately following the Share Offer, our Controlling Shareholders will hold in aggregate approximately 55.35% of our Shares (assuming the Over-allotment Option and the option, which may be granted under the Share Option Scheme are not exercised). Following the Listing, our Controlling Shareholders will, through their voting power at our Shareholders' meetings, continue to have significant influence over our business and affairs, including decisions with respect to mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and election of our management.

Our Directors are not aware of any case where the Controlling Shareholders made any decisions of our Group that conflict with the best interests of our other shareholders during the Track Record Period. Going forward, our Controlling Shareholders may cause us to undertake certain corporate transactions or not enter into other corporate transactions which might not be in, or may conflict with, the best interests of our other Shareholders. We cannot assure you that our Controlling Shareholders will vote on Shareholders' resolutions in a way that will benefit all of our Shareholders. Furthermore, we cannot assure you that these decisions made by our Controlling Shareholders will not have a material adverse effect on our business, financial condition, and results of operations.

The resource and reserve data cited in this prospectus are estimates and may be inaccurate.

We base our production, expenditure and revenue plans, among others, on our resource and reserve data. The resource and reserve data are estimates based on the result of geographical exploration. Resource and reserve estimates involve professional judgment based on factors such as technical data, experience and industry practice. The accuracy of these estimates may be affected by many factors, including the quality of the results of exploration drilling, sampling of the ore, analysis of the ore samples, estimation procedures and the experience of the person making the estimates. There are also many assumptions and variables beyond our control that may result in inherent uncertainties in estimating reserves. As a result, the resource and reserve data are only estimates and our actual volume of resources and reserves and rates of production may differ materially from these estimates.

Estimates of our resources and reserves may change significantly when new information becomes available or new factors arise to change the assumptions underlying the resource and reserve estimates. Resource and reserve estimates locate in-situ mineral occurrences from which minerals may be recovered, but do not provide an analysis as to whether such resources are capable of being mined or whether minerals could be processed economically and do not incorporate mining dilution or allowance for mining losses. The reserve estimates contained in this prospectus represent the amount of reserves that we believe can be mined and processed economically. In the future we may need to revise our reserve estimates, if, for instance, our production costs increase or the prices of our products decrease and render a portion (or all) of our reserves uneconomical to recover. A revision of our reserve estimates may result in the lowering of our estimated reserves as well as the expected mine life of our mines or projects.

Fluctuations in factors such as the prices of our products, production costs and transportation costs, variation in recovery rates and unforeseen geological or geotechnical perils may require us to revise our resource and reserve data. If such revisions result in a substantial reduction in recoverable reserves at one or more of our mines or projects, our business, financial condition and results of operations may be materially and adversely affected. For more information on our resources and reserves, including qualifications to the Report of the Independent Technical Advisor, please refer to the "Report of the Independent Technical Adviser" in Appendix IV to this prospectus.

We have recorded, and may continue to record, operating cash outflows and we may not be able to maintain sufficient working capital and liquidity from our operations.

We recorded operating cash outflows in the three financial years ended 31 December 2011. Our operating cash outflows increased from RMB21,193,000 for the year ended 31 December 2009 to RMB152,910,000 for the year ended 31 December 2010 which was mainly due to the fact that we advanced to Mr. Li approximately RMB350.6 million in form of bank's acceptance note. Our operating cash outflows was RMB150,820,000 for the year ended 31 December 2011 which is primarily attributable to profit before tax of approximately RMB178,032,000 which was offset by increase in accounts receivables and notes receivables of approximately RMB97,653,000 and RMB220,230,000 respectively primarily due to increase in sales. We may continue to experience significant operating cash outflows in the future as a result of our continuing expansion. If we continue to record significant operating cash outflows in the future, our working capital and liquidity may be constrained which may materially and adversely affect our business, growth, results of operations and financial conditions.

We fund our working capital requirements through a combination of cash inflow from our operations and bank borrowings. Our gearing ratio, as calculated by dividing our total debt by our total capital, amounted to 44%, 56% and 54% as of 31 December 2009, 2010 and 2011, respectively. For more details, please refer to the section headed "Financial Information – Liquidity and capital resources" in this prospectus. As we further expand our business, our requirements for working capital and other payments, such as capital expenditures, will increase. We cannot assure you that we will be able to generate sufficient cash inflows from our operations or obtain adequate debt or equity financing at reasonable costs, or at all, to meet such requirements. If we fail to successfully manage our working capital or acquire adequate funding to finance our operations and expansion, our ability to pay our suppliers and employees and otherwise fund our operations and expansion could be impaired, and our business, financial condition and results of operations may be materially and adversely affected.

Risk relating to investment in Ishine International in Australia

Aboriginal heritage and native title risks

There are areas or objects of Aboriginal heritage located within a number of the exploration tenements of Ishine International, our indirect non-wholly owned subsidiary. Australian Federal and State Aboriginal heritage protection laws may restrict or prohibit exploration on such areas within the tenements. We have to ensure that there will not be any breach of the Commonwealth and applicable State legislation relating to Aboriginal heritage in Australia.

Title risk

Interests in tenements in Australia are governed by State legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, Ishine International could lose title to the tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

Consent to access tenements

There are a number of third party interests which may overlay areas within Ishine International's tenements. Under Australian Federal and State legislation, Ishine International may be required to obtain the consent of the holders of such third party interests prior to commencing any exploration or mining activities on the affected areas within the tenements. Any delay in obtaining these consents may impact on Ishine International's ability to carry out exploration activities within the affected areas.

Tenement applications and licence renewal

A number of Ishine International's tenements are applications, and there is a risk that the tenements may not be granted. In addition, granted tenements are subject to periodic renewal, and there is no guarantee that such tenements will be renewed by the relevant Minister, or renewed on terms acceptable to Ishine International. Further, Ishine International has yet to apply for approval to convert any exploration licences to mining leases. There is no guarantee that such approval will be obtained on terms satisfactory to Ishine International, or at all.

Exploration success

Mineral exploration and development are high risk undertakings. The tenements held by Ishine International are at various stages of exploration, and there can be no assurance that exploration of these tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit.

Operating risks

The operations of Ishine International may be affected by various factors, including failure to achieve predicted grades in exploration and mining; operational and technical difficulties encountered in mining; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of plant, equipment and labour.

Environmental risks

The operations of Ishine International are subject to Australian State and Federal laws concerning the environment. As with most exploration projects and mining operations, Ishine International's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds.

Approvals may be required for such activities, and any delays in obtaining such approvals may delay to anticipated exploration programmes or mining activities. Further, significant liabilities could be imposed on Ishine International for damages, clean up costs or penalties in the event of environmental damage caused by Ishine International's operations or non-compliance with environmental laws.

Joint venture risk

Changes in the status of any of Ishine International's joint ventures (including changes caused by financial failure or default by a participant in the joint venture) may adversely affect the operations and performance of Ishine International. This risk factor applies to the joint venture arrangements between Ishine International and Kabiri Resources Pty Ltd as well as IGME. Further details of the joint venture arrangement of our Group are set out in the paragraph headed "Business – Exploration licences in Australia" of this prospectus.

RISKS RELATING TO OUR INDUSTRY

Our business depends on the economic growth of the PRC, the performance of the PRC iron and steel industries and the growth of the PRC titanium and titanium-related industries.

Our business and prospects depend on the economic growth rate in the PRC which, in turn, affects demand for iron and steel as well as for titanium and its related products. If the PRC's economic growth rate slows or if the PRC economy experiences a recession, the demand for our products may decrease and our business, financial condition and results of operations may be materially and adversely affected.

During the Track Record Period, we derived most of our revenue from the sale of iron concentrates and other iron related products. Growth in demand for our iron concentrates is directly affected by the growth of the PRC iron and steel industries. As our products are mainly sold to our customers in Shandong Province, the demand for our iron concentrates is, in particular, heavily dependent on the performance of major steel producers in Shandong Province of the PRC.

Beginning in September 2008, concerns over the availability and cost of credit, inflation, declining business and consumer confidence and increased unemployment worldwide, among other factors, contributed to diminished expectations for the global economy and heightened volatility in international equity markets. These factors combined with continuing disruptions in global markets precipitated a global economic slowdown. As a result, the prices of our products fluctuated after the fourth quarter of 2008. We recorded a low average selling price per tonne of our iron concentrates of RMB714.3 in 2009 while rebounding to RMB1,026.6 in 2010 due to the recovery of the global and PRC economics and further increased to RMB1,184.5 in 2011, respectively. The average selling prices of our iron concentrates have shown signs of stabilisation beginning in the second half of 2009.

The table below shows the average selling prices per tonne of iron concentrates produced by us, respectively, during the Track Record Period:

Period	**Average selling price per tonne of iron concentrates** *(RMB)*	**Percentage increase (decrease) from previous period** *(%)*
Year ended 31 December 2009	714.3	N/A
Year ended 31 December 2010	1,026.6	43.7
Year ended 31 December 2011	1,184.5	15.4

As a result of its effect on demand and pricing, the economic slowdown may continue to have a material adverse effect on our gross margin, profitability and revenue growth as well as on our plans to expand our mining capacity, processing capacity and our line of business.

Any further significant slowdown in economic growth rates in the PRC or globally or a further reduction in the demand for our products from major steel producers, in particular in Shandong Province of the PRC, may further reduce the prices or increase the price volatility of our products and may have a material adverse effect on our business, financial condition and results of operations.

We plan to expand our business into the mining and processing of titanium ore in 2013, our business will therefore also be affected by the market conditions relating to titanium and titanium related products in the future and any adverse pricing trends or material decreases in the prices of these products may have a material adverse effect on our business, financial condition and results of operations.

We face risks and uncertainties associated with our mining and processing operations.

Our mining and processing operations are subject to a number of operating risks and hazards, some of which are beyond our control. These operating risks and hazards include unexpected maintenance or technical problems, periodic interruptions due to inclement or hazardous weather conditions and natural disasters, industrial accidents, power or fuel supply interruptions, critical equipment failures in our mining and ore processing operations, fires, earthquakes, flooding and unusual or unexpected variations in the ore, and geological or mining conditions such as instability of the slopes and subsidence of the working areas. Such risks and hazards may delay the production and delivery of our products and/or increase the costs associated with our mining and processing operations, and may have a material adverse effect on our business, financial condition and results of operations.

Any disruption for a sustained period to the operations of our mines or projects or processing plants or supporting infrastructure or any change to the natural environment surrounding our mines or projects may have a material adverse effect on our business, financial condition and results of operations.

Natural disasters, such as earthquakes, floods and snowstorms, may also interrupt our customers' operations and production. These natural disasters may also damage ancillary operations such as the transportation of our products to our customers. The occurrence of any natural disaster adversely affecting our customers and their ancillary operations may have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to extensive regulations and affected by government policies in the PRC.

We are subject to extensive national, provincial and local government regulations, policies and controls in the PRC that govern many aspects of our industry, such as:

- grant and renewal of exploration rights;
- grant and renewal of mining rights;

- increases in approved production scale and/or exploration or mining areas;
- grant and renewal of safety production permits;
- production safety and casualty ratings;
- taxes and fees;
- environmental, health and safety standards; and
- annual verification of mining permits and exploration permits.

The liabilities, costs, obligations and requirements associated with these laws and regulations may be significant and may delay or interrupt our operations. Failure to comply with the relevant laws and regulations in our mining operations may result in penalties or in the suspension of our operations. Additionally, we cannot assure you that the relevant government agencies will not alter these laws or regulations or impose additional or more stringent laws or regulations. Compliance with new laws or regulations may require us to incur significant capital expenditures or other obligations and secure new sources of financing. More stringent laws or regulations may also restrict our business operations. The cost of compliance with regulations is and will continue to be substantial, and any increase in costs due to changes in laws or regulations or to our failure to comply may have a material adverse effect on our business, financial condition and results of operations.

For more information on the relevant PRC regulations, see the "Regulatory Overview – PRC Laws and Regulations" section in this prospectus.

Our business operations may be affected by current or future safety and environmental regulations.

We are subject to extensive and increasingly stringent safety and environmental protection laws and regulations in the PRC. These laws and regulations:

- impose fees for the discharge of waste substances;
- mining control and land rehabilitation;
- impose fines for serious environmental offences; and
- allow the PRC government, at its discretion, to close down any facilities failing to comply with orders to correct or stop operations that have caused environmental damage.

The PRC government is currently moving toward more rigorous enforcement of applicable laws and regulations, as well as the adoption and enforcement of more stringent environmental standards. As a result, our budgeted capital expenditure for environmental regulatory compliance may be insufficient and we may need to allocate additional funds. Moreover, we cannot assure you that we can comply with all environmental laws and regulations that may be adopted or amended in the future. If we fail to comply with current or future environmental laws and regulations, we may be required to stop production, pay penalties or fines or take corrective actions, any or all of which may have a material adverse effect on our business, financial condition and results of operations.

Our operations are exposed to risks relating to occupational hazards and production safety.

We cannot assure you that accidents such as explosions, fires, equipment mishandling and mechanical failures which may result in property damage, severe personal injuries or even fatalities will not occur during the course of our operations. Should we fail to comply with any relevant laws, regulations or policies or should any accident occur as a result of any of the foregoing events, our business, reputation, financial condition and results of operations may be adversely affected, and we may be subject to penalties, civil liabilities or criminal liabilities. There can be no assurance that accidents will not occur.

RISKS RELATING TO CONDUCTING OUR OPERATIONS IN THE PRC

The political, social and economic conditions in the PRC may adversely affect our business.

Since 1978, the PRC's GDP has been growing at a rapid rate. However due to the global economic slowdown, the PRC's growth rate slowed in the end of 2008 and rebounded by the end of 2009. However, we cannot assure you that the financial crisis in 2008 will not occur again in the future. The PRC economy differs from the economies of most developed countries in many respects, including structure, government involvement, level of development, economic growth rate, control over foreign exchange, allocation of resources and balance of payment position. For the past two decades, the PRC government has implemented economic reform measures emphasizing the utilisation of market forces in the development of the PRC economy. We cannot predict whether changes in the economic, political and social conditions in the PRC will lead to continued growth or whether any such growth will be in a geographic region or economic sector beneficial to us. Moreover, even if new policies may benefit our industry in the long term, we cannot assure you that we will be able to successfully adjust to such policies. As we derive our revenue exclusively from the PRC, we depend heavily on general economic conditions in the PRC for our continued growth. Therefore, if the PRC's economic growth slows down or if the PRC economy experiences a recession, the growth in demand for our products may be reduced or become minimal, and thus may have a material and adverse effect on our business, financial condition and results of operations.

Demand for our products may be affected by a variety of social and economic factors, some of which may be beyond our control, including:

- political instability or changes in social conditions in the PRC;
- changes in laws and regulations or in the interpretation of laws and regulations;
- measures introduced to control inflation or deflation;
- changes in the rate or method of taxation;
- imposition of additional restrictions on currency conversion and remittances abroad;
- reduction in tariff protection and other import restrictions;
- increases in usage fees and other applicable charges and payments associated with mineral resources; and
- fluctuations in the foreign exchange rate.

Any significant change in any of the above or other factors may have a material adverse effect on our business, financial condition and results of operations. For more information on the relevant PRC regulations, please refer to the "Regulatory Overview – PRC Laws and Regulations" section in this prospectus.

Changes in PRC laws, regulations and policies may adversely affect our business operations.

Our operations, like those of other mining companies in the PRC, are subject to regulations imposed by the PRC government. These regulations affect many aspects of our operations, including the pricing of our main products, utility expenses, industry-specific taxes and fees, business qualifications, capital investment and environmental and safety standards. As a result of the stringent regulations applicable to our industry, we may face significant constraints on our ability to implement our business strategies, to develop or expand our business operations or to maximize our profitability. In addition, our business may be adversely affected by future changes in policies of the PRC government applicable to our industry. Any policy reforms promulgated by the PRC government in respect of iron ore resources may also have an impact on our future operations. Apart from factors arising from our industry itself, the macroeconomic control measures implemented by the PRC government may have an impact on the demand and supply conditions applicable to our products.

In accordance with the provisions of the "Interim Regulations on Resource Tax of the People's Republic of China" (《中華人民共和國資源稅暫行條例》) revised on 30 September 2011 and officially implemented on 1 November 2011, all enterprises engaged in the exploitation of mineral products within China must pay resource tax. The taxable items and amount of resource tax shall be implemented in accordance with the "Table of Resource Taxable Items and Range of Tax Rates" (《資源稅稅目稅額幅度表》) attached to such regulations and relevant provisions of the Ministry of Finance. Tax rates for ferrous metal ores range from RMB2 to RMB30 per tonne. In accordance with the provisions of the "Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment of Resource Tax Policy for Taxable Items such as Molybdenum Ore" (《財政部、國家稅務總局關於調整鉬礦石等品目資源稅政策的通知》) promulgated on 12 December 2005 and officially implemented on 1 January 2006, the resource tax rate for iron ore would be lowered to 60% of the standard tax rate for the time being. In accordance with the provisions of the "Notice of the Ministry of Finance and the State Administration of Taxation on the Applicable Resource Tax Rate Standard for Taxable Items such as Tin Ore" 《財政部國家稅務總局關於調整錫礦石等資源稅適用稅率標準的通知》 officially implemented on 1 February 2012, the resource tax rate for iron ore would be adjusted from 60% to 80% of the standard tax rate for the time being. As at the Latest Practicable Date, the resource tax rate of our Group is RMB8 per tonne of ore mined and extracted. We cannot assure you that our resource tax rate will not increase in future, and that the adjustment to our resource tax rate will not become less favourable to our Group. Any further material increase in resource-related taxes or any policy reforms promulgated by the PRC government in relation to iron ore or titanium ore may have a material adverse effect on our business, financial condition and results of operations.

All of our revenue is denominated in Renminbi, which is not freely convertible for capital account transactions and may be subject to exchange rate volatility.

We require access to foreign currency to pay dividends to our Shareholders. However, all of our revenue is denominated in Renminbi, which currently is not a freely convertible currency. Under the PRC foreign exchange rules and regulations, payments of current account items, including profit distributions, interest payments and expenditures related to business operations, are permitted to be made in foreign currencies without prior government approval but are subject to certain procedural requirements. Strict foreign exchange controls continue to apply to capital account transactions. Capital account transactions must be approved by or registered with SAFE. Repayments of loan principal, direct capital investment and investments in negotiable instruments are also subject to restrictions. As a result of these controls, we cannot assure you that we will be able to meet all of our foreign currency obligations or to remit profits to our Shareholders in the form of dividends.

The value of the Renminbi depends to a large extent on the PRC's domestic and international economic, financial and political conditions and government policies, as well as the local and international currency markets. Prior to 1994, the Renminbi experienced a significant net devaluation against most major currencies and there was significant volatility in the market-based exchange rate. Since 1994, the conversion of Renminbi into foreign currencies in the PRC, including HK and US dollars, has been based on exchange rates published by the People's Bank of China, which are set daily based on the previous day's interbank foreign exchange market rates in the PRC and currency exchange rates in world financial markets. Since 1994, the Renminbi to US dollar exchange rate has largely stabilised. On 21 July 2005, the People's Bank of China announced that the exchange rate of US dollars to Renminbi would be adjusted from US$1.00 to RMB8.27 to US$1.00 to RMB8.11 and it ceased to peg the Renminbi solely to the US dollar. Instead, the Renminbi is now pegged to a basket of currencies as determined by the People's Bank of China, the components of which are adjusted based on market changes and according to a set of systematic principles. On 23 September 2005, the PRC government widened the daily trading band for the Renminbi against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. For almost two years after July 2008, the RMB traded within a very narrow range against the US dollar, remaining within 1% of its July 2008 high. As a consequence, the RMB fluctuated significantly during that period against other freely traded currencies, in tandem with the US dollar. In June 2010, the PRC government announced that it would increase RMB exchange rate flexibility. However, it remains unclear how this flexibility might be implemented. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the US dollar, the Hong Kong dollar or other foreign currency.

In the future, the Renminbi may be revalued further against the US dollar or other currencies or may be permitted to enter into a full or limited free float, any of which may result in the appreciation or depreciation of the Renminbi against the US dollar or other currencies. Any change in PRC foreign exchange policies may give rise to uncertainties in our financial condition and results of operations. We currently do not, nor do we intend to, hedge our exposure to the US dollar or other currencies. Since our income and profits are substantially denominated in Renminbi, any appreciation in the Renminbi may subject us to increased competition from imports while a devaluation of the Renminbi may adversely affect the value of our net assets, earnings and declared dividend in foreign currency terms, as well as our ability to meet our foreign currency obligations.

There are uncertainties associated with the implementation, interpretation and enforcement of the PRC legal system.

Our PRC operating subsidiaries are governed by PRC law. The PRC is a civil law jurisdiction based on written codes and statutes. Unlike common law jurisdictions, prior court decisions may be cited as persuasive authority but do not have binding legal force. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters in general such as foreign investment, corporate organisation and governance, commerce, taxation and trade in order to establish a comprehensive legal system conducive to investment. However, the implementation, interpretation and enforcement of these statutes may involve greater uncertainty compared to those in the common law jurisdictions due to a relatively short legislative history and the limited number and non-binding nature of court cases. Depending on the government agency and court or how an application or a case is presented to such agency or court, we may be subject to less favorable interpretations of the law than those imposed on our competitors. In addition, litigation in the PRC may be protracted and result in substantial legal costs and the diversion of our resources and the attention of our management. Similarly, legal uncertainty in the PRC may limit the legal protections available to potential investors. We cannot predict the effects of future legal developments in the PRC, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national law. As a result, there is substantial uncertainty as to the legal protection available to potential investors.

There may be difficulties in effecting service of process upon us or our management who reside in the PRC and in seeking recognition and enforcement of foreign judgments or arbitral awards in the PRC.

Our assets are primarily located in the PRC and most of our senior management and Directors reside in the PRC. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil commercial case according to a written choice of court agreement may apply for the recognition and enforcement of such judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring the payment of money in a civil commercial case pursuant to a written choice of court agreement may apply for the recognition and enforcement of such judgment in Hong Kong. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole jurisdiction for the dispute. It may be difficult or impossible for investors to effect service of process against our assets, senior management or Directors in the PRC in order to seek the recognition and enforcement of foreign judgments in the PRC, if the parties in dispute do not agree to such a choice of court agreement in accordance with the requirements set forth in the Arrangement.

The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of the United States, the United Kingdom, or most other western countries or Japan. Therefore, it may not be possible for investors to effect service of process on us or those persons in the PRC or to enforce any judgment awarded by non-PRC courts in the PRC.

The PRC is one of the signatories to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"), which allows for the enforcement of arbitral awards given by the arbitration bodies of other New York Convention signatories. Following the resumption of sovereignty over Hong Kong by the PRC on 1 July 1997, the New York Convention is no longer applicable for the enforcement of arbitral awards of Hong Kong in other parts of the PRC. As a result, a memorandum of understanding was signed on 21 June 1999 to permit the reciprocal enforcement of arbitral awards between Hong Kong and the PRC (the "**Memorandum of Understanding**"). This Memorandum of Understanding was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council and became effective on 1 February 2000. It may be difficult to seek recognition and enforcement of arbitral awards in the PRC if the arbitral awards were given by arbitration bodies that are not signatories to the New York Convention or do not have similar arrangements to the Memorandum of Understanding between Hong Kong and the PRC.

Our global income and the dividends we may receive from our PRC subsidiary may be subject to PRC tax under the PRC Enterprise Income Tax Law ("EIT Law"), which would have a material adverse effect on our results of operations.

Under the EIT Law and its implementing rules, both of which became effective from 1 January 2008, an enterprise established outside of the PRC with "de facto management bodies" situated within the PRC could be considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income with any relevant foreign tax paid available to be claimed as a foreign tax credit. The implementing rules of the EIT Law define the term "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise." The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies ("**Guo Shui Fa [2009] No. 82**", or "**Circular 82**") (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知,國稅發 [2009]82號), on 22 April 2009. Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore-incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by PRC individuals or foreigners, like our Company, the determining criteria set forth in Circular 82 may reflect the State Administration of Taxation's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals. If the PRC authorities were to subsequently determine that we should be so treated, a 25% enterprise income tax on our global income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability. Further, if we are regarded as a PRC resident enterprise, dividends that we receive from the subsidiaries which are considered as PRC resident enterprises would be exempt from EIT and no withholding tax would be applied either. However, as there is still uncertainty as to how the EIT Law and its implementation rules will be interpreted and implemented, we cannot assure you that we are eligible for such PRC enterprise income tax exemptions or reductions.

We are a Cayman Islands holding company and substantially all of our income may come from dividends from our PRC subsidiary. To the extent these dividends are subject to withholding tax, the amount of funds available to us to meet our cash requirements will be reduced.

In addition, because there remains uncertainty regarding the interpretation and implementation of the EIT Law and its implementing rules, it is uncertain whether, if we are regarded as a PRC resident enterprise, dividends we pay with respect to our ordinary shares, or the gain you may realise from the transfer of our ordinary shares, would be treated as income derived from sources within the PRC and be subject to a 10% withholding income tax, unless any such foreign corporate shareholder is qualified for a preferential withholding rate under a tax treaty. For example, under the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal

Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) effective on 1 January 2007, for a Hong Kong corporate shareholder owning at least 25% of our shares, a 5% withholding tax would apply. If we are required under the EIT Law to withhold PRC income tax on our dividends payable to our non-PRC corporate shareholders, or if you are required to pay PRC income tax on the transfer of our ordinary shares, your investment in our Shares may be materially and adversely affected.

RISKS RELATING TO THE SHARE OFFER

Because there has been no prior public market for our Shares, their market price may be volatile and an active trading market in our Shares may not develop.

Prior to the Share Offer, there has been no public market for our Shares. The initial issue price range of our Shares is negotiated among the Sole Bookrunner on behalf of the Underwriter(s), and us. The Offer Price may differ significantly from the market price of our Shares following the Share Offer. We have applied for listing and permission to trade our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, that it will be sustainable following the Share Offer or that the market price of our Shares will not decline after the Share Offer. Furthermore, the price and trading volume of our Shares may be volatile.

The following factors, among others, may cause the market price of our Shares after the Share Offer to vary significantly from the Offer Price:

- variations in our revenue, earnings and cash flow;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to compete effectively in the market;
- political, economic, financial and social developments in the PRC and in the global economy;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance; and
- involvement in material litigation.

There may be a future sale or major divestment of our Shares by a substantial Shareholder.

The sale of a significant number of our Shares in the public market after the Share Offer, or the possibility of such sales, may adversely affect the market price of our Shares. Except as otherwise described in the "Underwriting – Underwriting Arrangements and Expenses – Undertakings" section in this prospectus, there are generally no restrictions imposed on our substantial Shareholders selling or otherwise disposing of their shareholdings. Any major disposal of our Shares by any of our substantial Shareholders may cause the market price of our Shares to decline. Future sales, or perceived sales, of a substantial number of our Shares may materially and adversely affect our ability to raise capital in the future at a time and a price favorable to us, and our Shareholders would experience dilution of their holdings upon a future issuance or sale of additional securities.

We cannot assure you that we will declare dividends in the future.

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our PRC operating subsidiary. Under PRC law and the constitutional documents of our PRC operating subsidiary, dividends may be paid only out of distributable profits. Distributable profits refer to after tax profits as determined under PRC Accounting Standards ("**PRC GAAP**") less any recovery of accumulated losses and required allocations to statutory funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years.

The calculation of our distributable profits under PRC GAAP differs in many aspects from the calculation under the Hong Kong Financial Reporting Standards ("**HKFRS**"). As a result, our PRC operating subsidiaries may not be able to pay a dividend in a given year if they do not have distributable profits as determined under PRC GAAP even if they have profits as determined under HKFRS. Accordingly, since our Company derives all of our earnings and cash flows from dividends paid to us by our subsidiary in the PRC, we may not have sufficient distributable profits to pay dividends to our Shareholders.

We declared dividends of RMB100 million and RMB80 million to our then Shareholders for the two years ended 31 December 2011, respectively. Other than the declaration of such dividends, we did not declare or pay any dividends during the Track Record Period. For further details of our dividend policy, see the "Financial Information – Dividend Policy" section in this prospectus. We cannot assure you that future dividends will be declared or paid in an amount equivalent to or exceeding historical dividends. Therefore, investors are cautioned not to use historical dividends as an indication of the amount of future dividends. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other considerations, our operations, earnings, financial condition, cash requirements and availability, our constitutional documents and applicable law.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or disseminated through other media relating to us and/or the Share Offer, certain of which may not be consistent with the information contained in this prospectus.

Prior to the publication of this prospectus, there may be press and media coverage regarding us and/or the Share Offer including certain financial information, financial projections and other information about us that do not appear in this prospectus, the disclosure of which was not authorised by us (the "**Unauthorised Information**"). We wish to emphasize to potential investors that we do not accept any responsibility for any such Unauthorised Information. The Unauthorised Information was not sourced from or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the Unauthorised Information. To the extent that any of the Unauthorised Information is inconsistent with, or is in conflict with, the information contained in this prospectus, we disclaim it. Accordingly, prospective investors are cautioned to make their investment decisions based solely on the information contained in this prospectus and should not rely on any of the Unauthorised Information.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

We cannot guarantee the accuracy of facts and other statistics with respect to certain information obtained from official government and non-official publications contained in this prospectus.

Certain facts and statistics cited in this prospectus are based on various official government and non-official publications, including the CRU Report. We cannot guarantee the quality or reliability of such facts and statistics. Such information has not been independently verified by us and may be inconsistent, inaccurate, incomplete or out-of-date. None of our Company, the Sole Sponsor, the Sole Bookrunner, the Underwriter(s), their respective directors and advisors or any other parties involved in the Share Offer makes any representation as to the accuracy or completeness of such facts and statistics. Such facts and statistics may not be consistent with other information compiled within or outside the PRC. Furthermore, the facts and statistics may be incomparable to statistics on the economies of other nations and there can be no assurance that the statistics are stated or compiled on the same basis or with the same degree of accuracy as compared to those stated or compiled by other nations. Accordingly, such facts and statistics should not be unduly relied upon.