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## HISTORY AND DEVELOPMENT

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### OUR CORPORATE HISTORY

#### *Shandong Ishine*

##### *Establishment of our principal operating subsidiary, Shandong Ishine*

Shandong Ishine, being our Group's principal operating subsidiary was established as a company with limited liability in Yishui, Shandong on 4 December 2001 with a registered capital of RMB1,180,000 which was contributed in fixed assets and cash by Mr. Li and in cash by Mr. G.H. Li as to RMB1,000,000 and RMB180,000, respectively. At the time of its establishment, the shareholding structure of Shandong Ishine was as follows:

<b>Name of shareholders</b>	<b>Approximate equity interest</b>
Mr. Li	84.75%
Mr. G.H. Li	15.25%
<b>Total</b>	<b>100%</b>

On 4 December 2001, the Administration for Industry and Commerce of Yishui, Shandong Province (山東省沂水縣工商行政管理局) granted a business license to Shandong Ishine. As confirmed by the capital verification report issued by a PRC accounting firm on 19 September 2001, as at 19 September 2001, a total of RMB1,180,000, representing 100% of the registered capital of Shandong Ishine, had been contributed by its then shareholders.

##### *Increase in registered capital of Shandong Ishine*

On 4 January 2005, the registered capital of Shandong Ishine was increased from RMB1,180,000 to RMB51,800,000. The additional capital contribution of RMB50,620,000 was contributed by conversion of RMB25,144,000 from capital reserve and RMB25,476,000 from undistributed profit of Shandong Ishine and as agreed between Mr. Li and Mr. G.H. Li was deemed as contributed by Mr. Li and Mr. G.H. Li as to RMB45,620,000 and RMB5,000,000, respectively. As confirmed by the capital verification report issued by a PRC accounting firm on 25 December 2004, as at 31 October 2004, Shandong Ishine had converted its capital reserve in the amount of RMB25,144,000 and undistributed profit in the amount of RMB25,476,000 into registered capital. After the aforesaid increase of registered capital, the shareholding structure of Shandong Ishine was as follows:

<b>Name of shareholders</b>	<b>Approximate equity interest</b>
Mr. Li	90%
Mr. G.H. Li	10%
<b>Total</b>	<b>100%</b>

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## HISTORY AND DEVELOPMENT

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The aforesaid increase of registered capital was not made in proportion to the equity interests held by Mr. Li and Mr. G.H. Li before such increase of registered capital. On 15 November 2011, Mr. Li and Mr. G.H. Li executed a confirmation letter to confirm that they had agreed to the aforesaid increase of registered capital as recognition of Mr. Li's contribution to Shandong Ishine and that Mr. G.H. Li has no claim against Mr. Li, Shandong Ishine and the existing shareholders of Shandong Ishine in respect of the increase of registered capital.

As advised by our PRC Legal Advisers, capital reserve, undistributed profit and registered capital are interests of stakeholders i.e. Mr. Li and Mr. G.H. Li at the time of the aforesaid increase of registered capital. The conversion of capital reserve and undistributed profit into registered capital in accordance with the agreement between Mr. Li and Mr. G.H. Li was in compliance with the PRC Company Laws in force at that time which did not provide for the mandatory requirement that conversion of capital reserve and undistributed profit into registered capital should be made in proportion to the equity interests held by the shareholders. As advised by our PRC Legal Advisers, the aforesaid increase of registered capital was legal and valid.

Save as disclosed above and as a member of the board of directors of Shandong Ishine during January 2008 and November 2010, Mr. G.H. Li is an Independent Third Party.

### *Introduction of shareholders and transformation into a joint stock company*

In contemplation of a proposed listing of Shandong Ishine in the PRC and accordingly to enlarge the shareholders' base, on 26 December 2007, Mr. Li entered into a transfer of equity interest agreement with each of Zhao Hong Yi (趙洪義) and Shandong Xiang Long Steel Co., Ltd. (山東翔龍鋼鐵有限公司) pursuant to which: (i) Mr. Li transferred his 5% equity interests in Shandong Ishine to Zhao Hong Yi (趙洪義) at a consideration of RMB2,590,000; and (ii) Mr. Li transferred his 10% equity interests in Shandong Ishine to Shandong Xiang Long Steel Co., Ltd. (山東翔龍鋼鐵有限公司) at a consideration of RMB5,180,000. On 26 December 2007, Mr. G.H. Li entered into a transfer of equity interest agreement with Lu Ling (呂玲) pursuant to which Mr. G.H. Li transferred his 5% equity interests in Shandong Ishine to Lu Ling (呂玲) at a consideration of RMB2,590,000. The considerations under the aforesaid transfers of equity interests were determined based on the registered capital of Shandong Ishine. On 29 December 2007, the Administration for Industry and Commerce of Yishui, Shandong Province (山東省沂水縣工商行政管理局) granted a new business license to Shandong Ishine. After the aforesaid transfers of equity interests, the shareholding structure of Shandong Ishine was as follows:

<b>Name of shareholders</b>	<b>Approximate equity interest</b>
Mr. Li	75%
Mr. G.H. Li	5%
Lu Ling (呂玲)	5%
Shandong Xiang Long Steel Co., Ltd. (山東翔龍鋼鐵有限公司)	10%
Zhao Hong Yi (趙洪義)	5%
<b>Total</b>	<b>100%</b>

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## HISTORY AND DEVELOPMENT

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Lu Ling (呂玲) had been a director of Ishine International from September 2009 to November 2010. The director of Shandong Xiang Long Steel Co., Ltd. (山東翔龍鋼鐵有限公司), namely Mr. Xie Yongjun (解永軍), has been a director of Shandong Ishine since January 2008. Zhao Hong Yi (趙洪義) had been a supervisor of Shandong Ishine from January 2008 to March 2010. Save as disclosed above, each of Lu Ling (呂玲), Shandong Xiang Long Steel Co., Ltd. (山東翔龍鋼鐵有限公司), the ultimate beneficial owners of Shandong Xiang Long Steel Co., Ltd. (山東翔龍鋼鐵有限公司) and Zhao Hong Yi (趙洪義) is an Independent Third Party.

On 16 January 2008, all the then shareholders of Shandong Ishine resolved to transform Shandong Ishine from a company with limited liability into a joint stock company with limited liability. On 22 January 2008, Mr. Li, Mr. G.H. Li, Lu Ling (呂玲), Zhao Hong Yi (趙洪義) and Shandong Xiang Long Steel Co., Ltd. (山東翔龍鋼鐵有限公司) entered into a promoter agreement for transforming Shandong Ishine from a company with limited liability into a joint stock company with limited liability. Based on an audit report issued by a PRC accounting firm on 16 January 2008, the net asset of Shandong Ishine as at 31 December 2007 amounted to RMB153,858,921.98. Based on a capital verification report issued by a PRC accounting firm on 22 January 2008, as at 22 January 2008, the total registered capital of Shandong Ishine contributed by its then shareholders was RMB112,500,000. RMB112,500,000 of the net asset of Shandong Ishine as at 31 December 2007 was converted into 112,500,000 shares at RMB1 each in Shandong Ishine and the remaining RMB41,358,921.98 was transferred to capital reserve of Shandong Ishine. After transforming into a joint stock company with limited liability, the total share capital of Shandong Ishine was RMB112,500,000 divided into 112,500,000 shares at RMB1 each.

As advised by our PRC Legal Advisers, the aforesaid transformation of Shandong Ishine into a joint stock company with limited liability was in compliance with the PRC Company Law and the PRC Securities Law. On 25 January 2008, the Administration for Industry and Commerce of Shandong Province (山東省工商行政管理局) granted a new business license to Shandong Ishine for approval of its transformation of corporate nature. After the aforesaid transformation of corporate nature, the shareholding structure of Shandong Ishine remained unchanged.

The proposed listing plan of Shandong Ishine in the PRC was aborted and did not proceed after further consideration of the adverse impact on the financial performance of Shandong Ishine caused by the financial tsunami in 2008. No formal listing application regarding Shandong Ishine had been made to the responsible PRC authority.

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## HISTORY AND DEVELOPMENT

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### *Exit of shareholders*

As a result of the abortion of the listing plan of Shandong Ishine in the PRC, on 15 November 2010, each of Lu Ling (呂玲), Zhao Hong Yi (趙洪義) and Shandong Xiang Long Steel Co., Ltd. (山東翔龍鋼鐵有限公司) entered into a share transfer agreement with Mr. Li pursuant to which: (i) Lu Ling (呂玲) transferred her 5,625,000 shares (which represented 5% equity interests in Shandong Ishine) in Shandong Ishine to Mr. Li at a consideration of RMB5,625,000; (ii) Zhao Hong Yi (趙洪義) transferred his 5,625,000 shares (which represented 5% equity interests in Shandong Ishine) in Shandong Ishine to Mr. Li at a consideration of RMB5,625,000; and (iii) Shandong Xiang Long Steel Co., Ltd. (山東翔龍鋼鐵有限公司) transferred its 11,250,000 shares (which represented 10% equity interests in Shandong Ishine) in Shandong Ishine to Mr. Li at a consideration of RMB11,250,000. The considerations under the aforesaid share transfers were determined based on the capital contribution by the relevant transferors to Shandong Ishine. After the aforesaid share transfers, the shareholding structure of Shandong Ishine was as follows:

<b>Name of shareholders</b>	<b>Approximate equity interest</b>
Mr. Li	95%
Mr. G.H. Li	5%
<b>Total</b>	<b>100%</b>

On 24 November 2010, all the then shareholders of Shandong Ishine resolved to transform Shandong Ishine from a joint stock company with limited liability into a company with limited liability. On 26 November 2010, the Administration for Industry and Commerce of Shandong Province (山東省工商行政管理局) granted a new business license to Shandong Ishine for approval of the aforesaid transformation of corporate nature.

### *Introduction of Mr. Lang and conversion into a sino-foreign joint venture company*

On 1 December 2010, Mr. Li, Mr. G.H. Li and SMI entered into a transfer of equity interest agreement pursuant to which: (i) Mr. Li transferred his 20% equity interest in Shandong Ishine to SMI at a consideration of US\$8,877,742.37; and (ii) Mr. G.H. Li transferred his 5% equity interests in Shandong Ishine to SMI at a consideration of US\$2,219,435.59. The considerations in the aforesaid transfers of equity interests were determined based on 25% of the net asset value of Shandong Ishine as at 30 November 2010 which amounted to RMB74,086,979.54 in a valuation report issued by a PRC valuer on 1 December 2010.

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## HISTORY AND DEVELOPMENT

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On 7 January 2011, the Bureau of Commerce of Shandong Province (山東省商務廳) approved the aforesaid transfers of equity interests. The People's Government of Shandong Province (山東省人民政府) granted an approval certificate to Shandong Ishine for the above transfers of equity interests on the same date. On 14 January 2011, the Administration for Industry and Commerce of Shandong Province (山東省工商行政管理局) granted a new business license to Shandong Ishine for conversion of Shandong Ishine into a sino-foreign joint venture enterprise. After the aforesaid transfers of equity interest, the shareholding structure of Shandong Ishine was as follows:

<b>Name of shareholders</b>	<b>Approximate equity interest</b>
Mr. Li	75%
SMI	25%
<b>Total</b>	<b>100%</b>

Before the Reorganisation, SMI was wholly-owned by Fortuneshine Investment which in turn, was wholly-owned by Mr. Lang. Mr. Lang is an executive Director and has years of experience in investment and has management experiences in the mining industry. Further details of Mr. Lang's biographies are set out in the section headed "Directors, senior management and staff" in this prospectus.

During the course of preparation to attend a mining conference in Canada, Mr. Li got to know Mr. Lang in Beijing in March 2009. After the introduction of Shandong Ishine to Mr. Lang by Mr. Li, Mr. Lang expressed interests in investing in Shandong Ishine and was then invited to conduct several visits to Shandong Ishine. As confirmed by Mr. Lang, in order to make a sound investment decision, he has undertaken certain due diligence work, including researched on the prospect of the iron ore industry in the PRC, particularly in Shandong Province, and the laws and regulations governing the industry, and reviewed the reserve reports for our Yangzhuang Iron Mine, Zhuge Shangyu Ilmenite Mine and Qinjiazhuang Ilmenite Project prepared in accordance with PRC standards. After such due diligence and review, he considered that Shandong Ishine has good management, good industry prospect and possesses large amount of reserves. This together with his experience and knowledge of the mining industry affirmed his investment in Shandong Ishine as aforesaid.

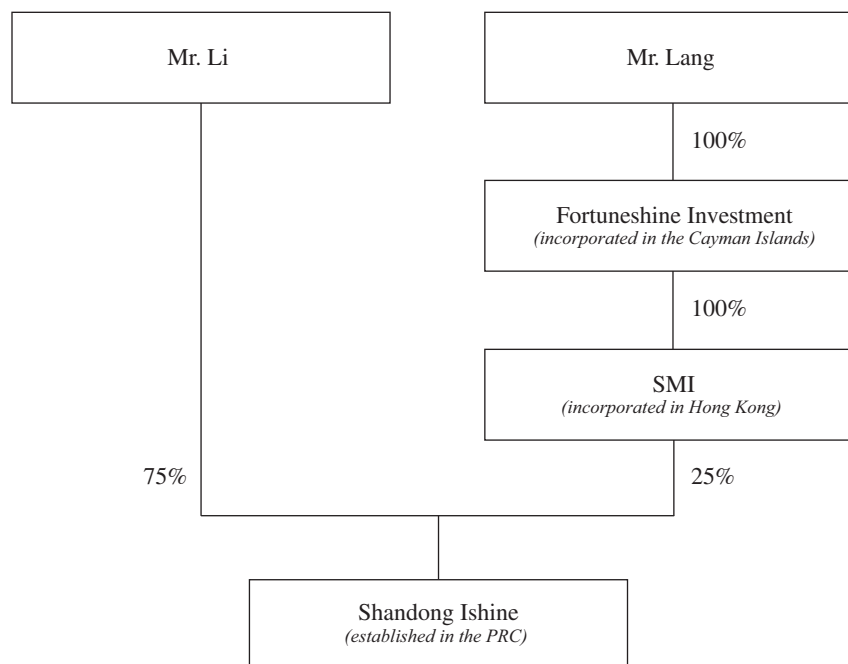
Subsequent to several rounds of negotiations between Mr. Li, who also negotiated on behalf of Mr. G.H. Li, and Mr. Lang, to discuss, among others, the percentage of interest in Shandong Ishine to be acquired and the consideration for the acquisition, Mr. Lang made his investment in Shandong Ishine in December 2010 as detailed above.

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## HISTORY AND DEVELOPMENT

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Set out below is the shareholding structure of Shandong Ishine immediately after completion of the above-mentioned transfers of equity interests:



### ***Ishine International***

As 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 on 18 September 2009 under the Corporations Act as a company limited by shares and was admitted to the official list of ASX on 18 December 2009. Ishine International is principally engaged in the business of the exploration of mineral prospects. As at the Latest Practicable Date, Ishine International had interests in various tenements and exploration licenses in Australia, further details of which are set out in the section headed “Business” of this prospectus.

From the date of its incorporation to the Latest Practicable Date, Ishine International has allotted and issued the following shares:

- (i) on 18 September 2009, one share in Ishine International was issued and allotted to Shandong Ishine at the consideration of AUD1.00;
- (ii) on 30 October 2009, 59,599,999 shares and 10,000,000 shares in Ishine International were issued at AUD0.05 each to Shandong Ishine and Mr. Li, our Chairman, an executive Director and the chairman of the board of directors of Ishine International, respectively;
- (iii) on 9 December 2009, 15,000,000 shares in Ishine International were issued at AUD0.20 each to public shareholders;

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## HISTORY AND DEVELOPMENT

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- (iv) on 9 December 2009, 80,000 shares and 20,000 shares in Ishine International were issued at AUD0.20 each to Graham Anderson and Leonard Math, respectively. The issue of shares to Mr. Anderson was as consideration for his accounting and administration services provided to Ishine International during the listing process and the issue of shares to Mr. Math was as consideration for his services as the company secretary to Ishine International during the listing process;
- (v) on 9 December 2009, 2,000,000 shares in Ishine International were issued at nil paid to Kabiri Resources Pty Ltd (“**Kabiri**”) pursuant to the terms of two agreements between Ishine International and Kabiri;
- (vi) on 2 November 2010, 100,000 shares in Ishine International were issued at AUD0.20 each pursuant to the exercise of options granted to a consultant as consideration for providing consultancy services;
- (vii) on 9 December 2010, 500,000 shares in Ishine International were issued at nil paid as consideration under the service agreement between Ishine International and Dr Caigen Wang, the former managing director of Ishine International. Dr Caigen Wang had been the managing director of Ishine International since its listing on ASX and resigned as the managing director of Ishine International on 9 December 2011.

As advised by the Australian legal advisers to our Company, pursuant to listing rules of ASX, 44,700,000 shares and 7,500,000 shares in Ishine International held by Shandong Ishine and Mr. Li, respectively in item (ii) above and all the shares in Ishine International as mentioned in item (iv) above were subject to escrow until 18 December 2011 as such issue of shares occurred prior to Ishine International’s listing on ASX and are classified as issue of shares to related parties (in relation to item (ii) above) or consultants to Ishine International (in relation to item (iv) above). As advised by the Australian legal advisers to our Company, all the aforesaid shares under escrow have been released from escrow as of 19 December 2011.

Kabiri is a proprietary company limited by shares incorporated in Western Australia, the 2,000,000 shares in Ishine International as mentioned in item (v) above were issued and allotted as part of the consideration under two agreements entered into between Ishine International and Kabiri on 9 October 2009. Pursuant to the aforesaid agreements, Ishine International has the right to acquire up to 70% interest in three exploration permits for minerals held by Kabiri.

As at the Latest Practicable Date, Ishine International had a total of 87,300,000 shares in issue, being fully paid ordinary shares. As at the Latest Practicable Date, Shandong Ishine held 59,600,000 shares in Ishine International, which represented approximately 68.27% of the issued share capital of Ishine International. Mr. Li held 10,000,000 shares in Ishine International, which represented approximately 11.45% of the issued share capital of Ishine International.

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## HISTORY AND DEVELOPMENT

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### REORGANISATION

Our Company undertook the Reorganisation in preparation for the Listing pursuant to which our Company became the ultimate holding company of our Group. The major steps involved in the Reorganisation include the incorporation of our Company and other holding companies, and acquisition of the entire equity interest in Shandong Ishine:

#### (1) Incorporation of holding companies

On 8 February 2011, our Company was incorporated under the laws of the Cayman Islands as an exempted company and one Share was allotted and issued fully paid to the subscriber to the memorandum and articles of association of our Company, on 8 February 2011, which was subsequently transferred to Hongfa Holdings at a consideration of HK\$0.01 on the same date.

On 29 November 2010, Alliance Worldwide was incorporated in the BVI with limited liability with an authorised capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, all of which were allotted and issued fully paid to Mr. Li on 29 November 2010.

On 22 December 2010, Ishine Mining was incorporated in Hong Kong with limited liability with an authorised capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, all of which were allotted and issued fully paid to Alliance Worldwide on 22 December 2010.

On 18 February 2011, Mr. Li transferred the 50,000 shares he held in Alliance Worldwide, which represented the entire issued share capital of Alliance Worldwide, to our Company at a consideration of US\$1.00.

On 18 February 2011, 749,999 Shares were allotted and issued fully paid to Hongfa Holdings which is wholly-owned by Mr. Li.



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## HISTORY AND DEVELOPMENT

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Set out below is the corporate structure of our Company immediately after completion of the above-mentioned incorporation of holding companies and various share transfers, and allotments of shares in various companies:



### (2) Acquisition of the equity interests in Shandong Ishine

As part of the Reorganisation, on 20 February 2011, Ishine Mining entered into an equity transfer agreement with Mr. Li pursuant to which Mr. Li transferred his 75% equity interests in Shandong Ishine to Ishine Mining at a consideration of US\$27,853,200, which was determined with reference to the net asset value of approximately RMB326,409,000 of Shandong Ishine as at 31 December 2010 as stated in its PRC audited account with adjustment in respect of the distribution of dividends to the shareholders of Shandong Ishine of RMB80,000,000 in January 2011. The consideration had been fully settled by Ishine Mining.

On 1 March 2011, the Bureau of Commerce of Shandong Province (山東省商務廳) approved the aforesaid equity transfer. On 17 August 2011, the People's Government of Shandong Province (山東省人民政府) granted an approval certificate to Shandong Ishine for the equity transfer mentioned above. On 19 August 2011, the Administration for Industry and Commerce of Shandong Province (山東省工商行政管理局) granted a new business license to Shandong Ishine.

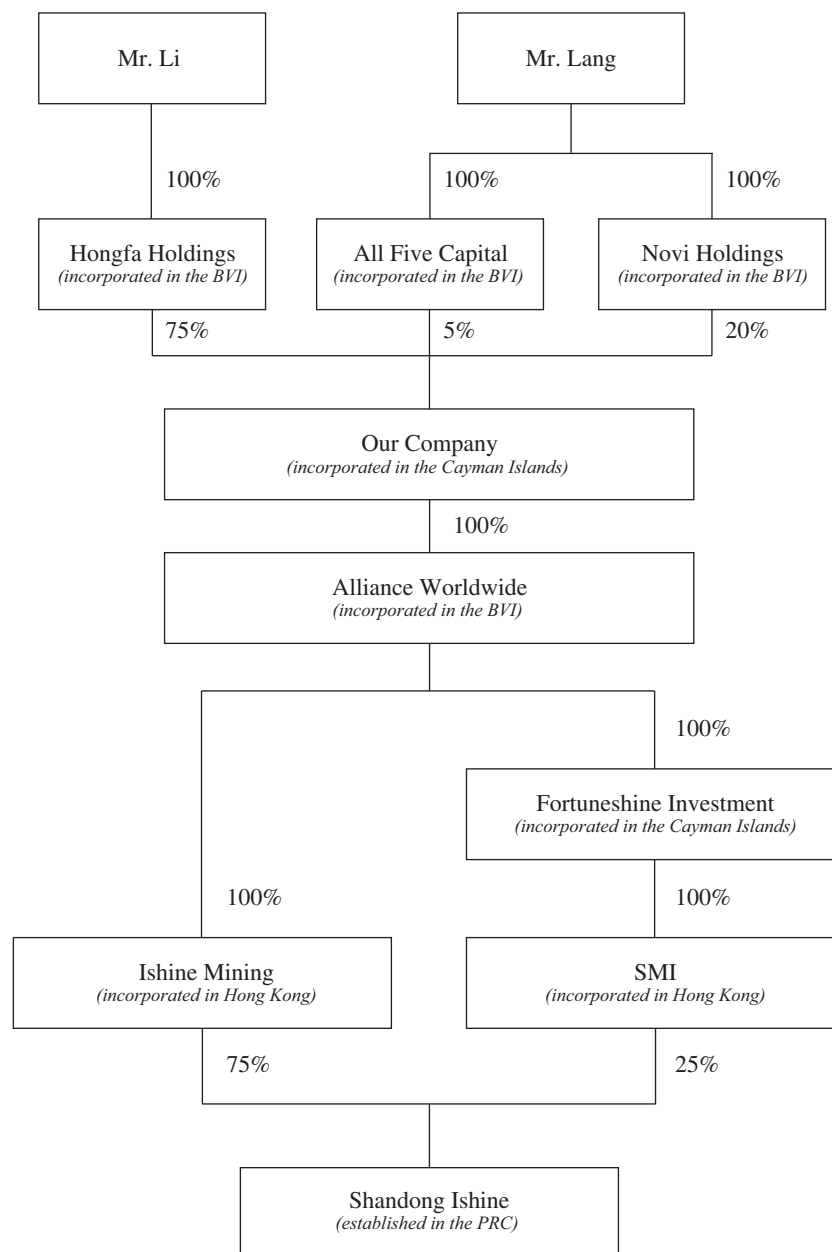
As part of the Reorganisation, on 2 September 2011, Mr. Lang entered into a share transfer agreement with Alliance Worldwide pursuant to which Mr. Lang transferred the 50,000 shares in Fortuneshine Investment held by him, which represented the entire issued share capital of Fortuneshine Investment to Alliance Worldwide and as consideration, 200,000 shares

## HISTORY AND DEVELOPMENT

and 50,000 shares, all credited as fully paid, were allotted and issued to Novi Holdings and All Five Capital, respectively. Novi Holdings and All Five Capital are wholly-owned by Mr. Lang. As confirmed by Mr. Lang, Novi Holdings and All Five Capital are investment holding companies, the only business of which are holding of our Shares.

After the aforesaid transfers of equity interest and shares, and allotment of Shares, Shandong Ishine became a wholly-owned subsidiary of our Company.

Set out below is the shareholding structure of Shandong Ishine immediately after the equity and share transfers, and allotment of Shares as detailed in this paragraph:



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## HISTORY AND DEVELOPMENT

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### (3) Disposal of interests in relevant companies

Shandong Ishine had disposed of its beneficial interests in the following companies namely, Ausrich, Thailand Chang Sheng and Shengrong Small Loans, because (i) the businesses held by such companies had historically been managed by separate management teams different from us; and (ii) such businesses were dissimilar from our principal business in terms of business risks and rewards and customer bases. No gain or loss on disposals of Ausrich, Thailand Chang Sheng and Shengrong Small Loans were recorded in the financial statements of our Group during the Track Record Period.

#### *Ausrich – wholly-owned by Shandong Ishine before the Reorganisation*

Ausrich was incorporated in Western Australia on 23 September 2009 by Shandong Ishine under the Corporations Act as a proprietary company limited by shares. Save as holding of an investment property in Australia, Ausrich did not have other substantial operations since its incorporation up to the disposal of interests in Ausrich by us as detailed below. Based on the management accounts of Ausrich, Ausrich recorded an unaudited net loss of approximately AUD0.3 million from the date of its incorporation to the date of its disposal by Shandong Ishine on 2 May 2011.

On 23 September 2009, one share of AUD1.00 in Ausrich was issued and allotted to Shandong Ishine. On 2 May 2011, Shandong Ishine entered into a share sale agreement with Hesheng Minerals pursuant to which Shandong Ishine transfer its entire interests in Ausrich to Hesheng Minerals at the consideration of US\$6,350,000 which was determined with reference to the total investment costs of Shandong Ishine in Ausrich. Hesheng Minerals was one of our major customers and suppliers during the Track Record Period and is an Independent Third Party.

As advised by the Australian legal advisers to our Company, the incorporation of Ausrich was in compliance with all applicable Australian laws and regulations. As advised by our PRC Legal Advisers, Shandong Ishine's foreign investment in Ausrich, including the incorporation of Ausrich, has obtained the necessary approvals from the PRC authorities, and was in compliance with all applicable PRC laws and regulations.

#### *Thailand Chang Sheng – 49% owned by Shandong Ishine before the Reorganisation*

Thailand Chang Sheng was registered on 26 October 2010 as a limited liability company under the laws of Thailand with registered capital of Baht 30,000,000. Since its incorporation and up to Shandong Ishine's disposal of its entire interests in Thailand Chang Sheng as detailed below, Thailand Chang Sheng had been engaged in the preliminary construction of an iron ore processing plant in Thailand, and accordingly, did not have any substantial operation. Save for the investment in and that Mr. Li was one of the directors of Thailand Chang Sheng, there was no other major involvement of our Group in the operation of Thailand Chang Sheng prior to our disposal of its interests. As Thailand Chang Sheng was at its preliminary set-up stage, our Group did not receive the

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## HISTORY AND DEVELOPMENT

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management accounts of Thailand Chang Sheng from its date of incorporation to the date of disposal of our interests in Thailand Chang Sheng. Our Directors, after having made all reasonable enquiries, believe that Thailand Chang Sheng should only have insignificant profit and loss items from its date of incorporation up to the date of our disposal of its interests as it was at its preliminary development stage.

Thailand Chang Sheng's share capital was initially registered as Baht 30,000,000 consisting of 30,000 shares having par value of Baht 1,000, 25% of which were paid-up. There has been no change in the registered or paid-up capital of Thailand Chang Sheng since its incorporation up to the date of our disposal of its interests.

On 26 October 2010, 15,297 shares, 14,700 shares, one share, one share and one share were issued and allotted at par to Changthae Mining Development Ltd, Shandong Ishine, Mr. Vinai Sae Hun, Mrs. Thatsana Sae Chean and Ms. Sureerat Chantawong, respectively. Each of Changthae Mining Development Ltd, Mr. Vinai Sae Hun, Mrs. Thatsana Sae Chean and Ms. Sureerat Chantawong is an Independent Third Party.

On 2 May 2011, Shandong Ishine and Hesheng Minerals entered into a sale and purchase agreement pursuant to which, Shandong Ishine transferred its entire interests in Thailand Chang Sheng to Hesheng Minerals at the consideration of RMB9,955,865 which was determined with reference to the total investment costs of Shandong Ishine in Thailand Chang Sheng.

As advised by the Thailand legal advisers to our Company, the incorporation of Thailand Chang Sheng was in compliance with all applicable Thailand laws and regulations. As advised by our PRC Legal Advisers, Shandong Ishine's foreign investment in Thailand Chang Sheng, including the incorporation of Thailand Chang Sheng, has obtained the necessary approvals from the PRC authorities, was in compliance with all applicable PRC laws and regulations.

### ***Shengrong Small Loans – 20% owned by Shandong Ishine before the Reorganisation***

Shengrong Small Loans is a joint stock company with limited liability established under the laws of the PRC on 28 July 2010. As at 28 July 2010, it was owned by Shandong Ishine (20%) and the other shareholders of Shengrong Small Loans (80%), who were Independent Third Parties as at the Latest Practicable Date. Shengrong Small Loans is principally engaged in finance and loan business. Based on the management accounts of Shengrong Small Loans, Shengrong Small Loans recorded an unaudited net profit of approximately RMB0.2 million from the date of its establishment to the date of its disposal by Shandong Ishine on 26 February 2011. During the Track Record Period, Shengrong Small Loans did not have any business activities with our Group.

As advised by our PRC Legal Advisers, pursuant to Interim Management Measures for Small Loan Companies in Shandong Province (山東省小額貸款公司試點暫行管理辦法), Shandong Ishine, as the main promoter of Shengrong Small Loans, shall not transfer its interests in Shengrong Small Loans within three years from the date of its establishment.

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## HISTORY AND DEVELOPMENT

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On 26 February 2011, Shandong Ishine and Mr. Li entered into an equity transfer agreement with Linyi Runxing pursuant to which Shandong Ishine transferred its 20% beneficial equity interest in Shengrong Small Loans to Linyi Runxing at the consideration of RMB20,000,000 which was equivalent to the capital contribution of Shandong Ishine in Shengrong Small Loans. However, the legal title of the 20% equity interest in Shengrong Small Loans has not been transferred to Linyi Runxing due to the restriction of the aforesaid measures.

Under the aforesaid equity transfer agreement (among other matters): (i) Shandong Ishine shall exercise its rights in Shengrong Small Loans in accordance with the instructions of Linyi Runxing subject to applicable laws and regulations, and the articles of Shengrong Small Loans; (ii) if Shandong Ishine is required to comply with any procedure or obtain any approval under any applicable laws and regulations (including any rules of the exchange to which the holding companies or subsidiaries of Shandong Ishine are subject) to exercise the instructions of Linyi Runxing, Shandong Ishine shall only act in accordance with the instructions after such procedures have been performed or such approvals have been obtained; (iii) all the risks, liabilities and obligations arising from Shandong Ishine as a shareholder of Shengrong Small Loans shall be borne by Linyi Runxing; and (iv) Mr. Li shall procure Linyi Runxing to be qualified as a transferee to the equity interests in Shengrong Small Loans when the aforesaid three years' lock-up period ends or otherwise, shall procure a qualified third party to acquire the equity interest in Shengrong Small Loans to be transferred from Shandong Ishine.

As advised by our PRC Legal Advisers, the aforesaid equity transfer agreement is legal and enforceable and from the date of such agreement, Shandong Ishine has no effective control on Shengrong Small Loans.

#### (4) Introduction of strategic investor

On 19 October 2011, our Company, Hongfa Holdings and Mr. Li entered into the Jiuding Subscription Agreement with Jiuding Callisto pursuant to which, Jiuding Callisto agreed to subscribe for 111,111 Shares (the “**Jiuding Shares**”), representing approximately 10% of the enlarged issued share capital of our Company immediately upon subscription of the Jiuding Shares at a total subscription price of US\$11,250,000 (the “**Subscription Price**”) (the “**Jiuding Investment**”). The Subscription Price was arrived at after arm's length negotiations among the parties to the Jiuding Subscription Agreement. The Jiuding Investment was completed on 25 October 2011, the proceeds from which have been applied to settle part of the consideration for our acquisition of 75% interests in Shandong Ishine from Mr. Li.

Jiuding Callisto is a limited liability company incorporated under the laws of Hong Kong which is wholly-owned by Jiuding China Growth Fund, L.P., a limited partnership registered in the Cayman Islands and an Independent Third Party.

## HISTORY AND DEVELOPMENT

The following table sets out the details of the Jiuding Investment:

Pre-IPO Subscribers	Date of subscription/ transfer agreements	Number of our Shares subscribed/ purchased	Settlement date of consideration	Total consideration paid (US\$)	Approximate percentage shareholding in the enlarged issued share capital of our Company immediately upon completion of the relevant agreements	Number of our Shares to be held upon Listing	Percentage shareholding in the enlarged issued share capital of our Company immediately upon Listing assuming no exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme	Approximate cost per Share paid (HK\$)	Premium to the Offer Price based on the mid-point of the Offer Price of HK\$1.27
Jiuding Callisto	19 October 2011	111,111	25 October 2011	11,250,000 (or approximately HK\$87,368,000)	10%	59,111,052	8.2	1.48	16.5%

### *Right of repurchase*

Pursuant to the Jiuding Subscription Agreement, Jiuding Callisto has the right to require Mr. Li (or his nominee) to repurchase the whole or any part of the Jiuding Shares (the “**Repurchased Jiuding Shares**”) upon the occurrence of any of the following events:

- (a) the Listing is not successful on or before 31 December 2013;
- (b) the new accumulated loss of our Group after completion of the Jiuding Investment amounts to 20% of the net asset of our Group as of the date of the Jiuding Subscription Agreement;
- (c) there is any undisclosed off-book sale income in cash of our Company; or
- (d) there is a change of our Company’s principal business.

The price to be paid by Mr. Li (or his nominee) to Jiuding Callisto for repurchase of the Repurchased Jiuding Shares (the “**Repurchase Price**”) is calculated as follows:

The Repurchase Price = (the investment amount paid by Jiuding Callisto for the relevant Repurchased Jiuding Shares) + (the total interest at a compound rate of 8% per annum on such investment amount paid by Jiuding Callisto calculated from completion of the Jiuding Investment to the date of registration of transfer of the relevant Repurchased Jiuding Shares) – (the dividend after tax received by Jiuding Callisto regarding the relevant Repurchased Jiuding Shares from our Company during the period which Jiuding Callisto is the holder of such Repurchased Jiuding Shares).

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## HISTORY AND DEVELOPMENT

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In the event that Mr. Li refuses to repurchase the Repurchased Jiuding Shares, Jiuding Callisto is entitled to transfer the Repurchased Jiuding Shares to other third parties at any price to be determined by Jiuding Callisto, subject to the pre-emption of Hongfa Holdings, Novi Holdings and All Five Capital to acquire the Repurchased Jiuding Shares under the same terms. Mr. Li shall pay to Jiuding Callisto the difference between such transfer price and the Repurchase Price.

### *Right of co-sale*

If any of Hongfa Holdings, Novi Holdings and All Five Capital (the “**Selling Shareholder**”) transfers its Shares (the “**Sale Shares**”) during completion of the Jiuding Investment and the Listing, Jiuding Callisto is entitled to the pre-emption right of acquiring the Sale Shares under the same terms or require the Selling Shareholder to have the Jiuding Shares (in whole or in part), in proportion to the shareholding of the Selling Shareholder and Jiuding Callisto in our Company, transferred to the proposed transferee(s) of the Sale Shares under the same terms (the “**Co-sale Right**”). If Jiuding Callisto elects to exercise the Co-sale Right: (i) the Selling Shareholder shall ensure that the proposed transferee(s) to accept transfer of the Jiuding Shares and the consideration for transfer of the Jiuding Shares shall be received by Jiuding Callisto within 15 days upon signing of the relevant Shares transfer agreement or otherwise, the Selling Shareholder shall not transfer the Sale Shares to the proposed transferee(s); and (ii) Jiuding Callisto shall notify Hongfa Holdings, Novi Holdings and All Five Capital and the same shall have the pre-emption rights to acquire the Jiuding Shares under the same terms.

### *Warranted profits*

Under the Jiuding Subscription Agreement, Mr. Li has warranted and undertaken to Jiuding Callisto the following warranted profits of Shandong Ishine (collectively, the “**Warranted Profits**” and each a “**Warranted Profit**”) for the period from 2011 to 2015 (collectively, the “**Relevant Financial Years**” and each a “**Relevant Financial Year**”):

- (a) the net profit of Shandong Ishine after tax for 2011 will not be less than RMB120,000,000;
- (b) the net profit of Shandong Ishine after tax for 2012 will not be less than RMB156,000,000;
- (c) the net profit of Shandong Ishine after tax for 2013 will not be less than RMB202,800,000;
- (d) the net profit of Shandong Ishine after tax for 2014 will not be less than RMB263,640,000; and
- (e) the net profit of Shandong Ishine after tax for 2015 will not be less than RMB342,730,000.

The net profits of Shandong Ishine after tax for the Relevant Financial Years will be determined based on the audited financial statements of Shandong Ishine prepared in accordance with Hong Kong Financial Reporting Standards audited by a practicing

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## HISTORY AND DEVELOPMENT

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accounting firm in Hong Kong appointed by our Company (the “**Financial Statements**”). For the avoidance of doubts, the audited financial statements of Shandong Ishine for 2011 will only state the relevant financial figures of Shandong Ishine itself without any consolidation.

If any of the Warranted Profits cannot be achieved, Mr. Li shall compensate Jiuding Callisto in cash by his own fund (the “**Cash Compensation**”) for each Relevant Financial Year as follows:

The Cash Compensation = the Subscription Price x (1 – (actual net profit after tax of Shandong Ishine for the Relevant Financial Year/ the Warranted Profit for the Relevant Financial Year))

In calculating the Cash Compensation, if Jiuding Callisto has the Jiuding Shares repurchased or transferred as mentioned under the sub-paragraphs headed “Right of repurchase” and “Right of co-sale” above (the “**Adjustment Events**”), the Cash Compensation for the Relevant Financial Years shall be adjusted as follows:

The Cash Compensation = the Subscription Price x (1 – (actual net profit after tax of Shandong Ishine for the Relevant Financial Year/ the Warranted Profit for the Relevant Financial Year)) x (shareholding of Jiuding Callisto in our Company after the Adjustment Events for the Relevant Financial Year/ shareholding of Jiuding Callisto in our Company before any Adjustment Events)

In any event, if the Cash Compensation for a Relevant Financial Year is less than the Cash Compensation for the preceding Relevant Financial Year, Mr. Li shall not be responsible for any Cash Compensation for that Relevant Financial Year. If the Cash Compensation for a Relevant Financial Year is greater than the Cash Compensation for the preceding Relevant Financial Year, then Mr. Li shall only be responsible for the payment of the difference between the Cash Compensation of the said two Relevant Financial Years. In case that the average sale price (without tax) of iron concentrates (with 65% of iron content) is less than RMB1,000/tonne for any Relevant Financial Year as calculated from the Financial Statements, the Cash Compensation will not be applicable for that Relevant Financial Year.

The Warranted Profits were negotiated between Mr. Li and Jiuding Callisto for consideration adjustment purpose and arrived at after the discussions between Mr. Li and Jiuding Callisto with reference to the historical operating and financial performance and future business prospects of Shandong Ishine. The actual amount of our Group’s profit for each of the Relevant Financial Years will be subject to risks and uncertainty relating to future events and circumstances some of which may be beyond the control of our Group, and may differ materially from the Warranted Profits. The Warranted Profits do not constitute profit forecasts of our Company under the Listing Rules and such amounts should not be regarded in any way as an indication of our Group’s projected profits for the Relevant Financial Years. Shandong Ishine has achieved the Warranted Profit for 2011 with a net profit of not less than RMB120,000,000. There is no assurance that Shandong Ishine can achieve the Warranted Profits for the other Relevant Financial Years.



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## HISTORY AND DEVELOPMENT

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In the event that Mr. Li fails to settle the Cash Compensation for any Relevant Financial Year, our Directors consider that there will not be any direct impact on our operations and we will not bare any liabilities and responsibilities in respect of the Cash Compensation as the Cash Compensation is a personal undertaking made by Mr. Li to Jiuding Callisto under the Subscription Agreement.

All the rights of Jiuding Callisto mentioned in the sub-paragraphs headed “Right of repurchase”, “Right of co-sale” and “Warranted profits” above and other rights of Jiuding Callisto as provided in the Jiuding Subscription Agreement including, among others, the rights to be provided with our Company’s monthly, half-year and annual financial reports and the rights to access to our accounting books and records will be terminated upon Listing or the date on which Jiuding Callisto ceases to hold any Shares (whichever is earlier).

Under the Jiuding Subscription Agreement, Jiuding Callisto has undertaken that save as stated in the Jiuding Subscription Agreement or for the Listing, it will not transfer by whatever manner any Share held by it during completion of the Jiuding Investment and the Listing from completion of the Jiuding Investment to a period of six months after the Listing or as required by the Stock Exchange or other relevant regulatory bodies. Mr. Li has warranted to indemnify our Company for any debt or liability arisen from (i) non-disclosure to Jiuding Callisto before completion of the Jiuding Investment; and (ii) any non-compliance matters regarding our Company’s operation before completion of the Jiuding Investment.

The Sponsor confirmed that the Jiuding Investment is in compliance with the “Interim Guidance on Pre-IPO Investments” issued by the Listing Committee as the consideration under the Jiuding Subscription Agreement was settled on 25 October 2011, when was more than 28 clear days before the date of our first submission of the listing application form to the Listing Division of the Stock Exchange in relation to the Listing.

Jiuding Callisto is not a connected person of our Company under the Listing Rules, it did not acquire interests in our Company with finance provided directly or indirectly by our connected person(s) and it does not take instructions from our connected person(s) in relation to the acquisition, disposal, voting or other disposal of our Shares registered in its name; it should be regarded as members of the public upon the Listing pursuant to Rule 8.24 of the Listing Rules.

### **(5) Subscription of Share**

In order to finance the settlement of the remaining consideration under the acquisition of 75% interests in Shandong Ishine by Ishine Mining from Mr. Li, on 15 November 2011, Hongfa Holdings subscribed for one Share at the subscription price of US\$16,603,200. Our Company then injected US\$16,603,200 to Ishine Mining, through a shareholder’s loan to Alliance Worldwide and then as a shareholder’s loan to Ishine Mining from Alliance Worldwide, for full settlement of the consideration under the acquisition of 75% interests in Shandong Ishine on

## HISTORY AND DEVELOPMENT

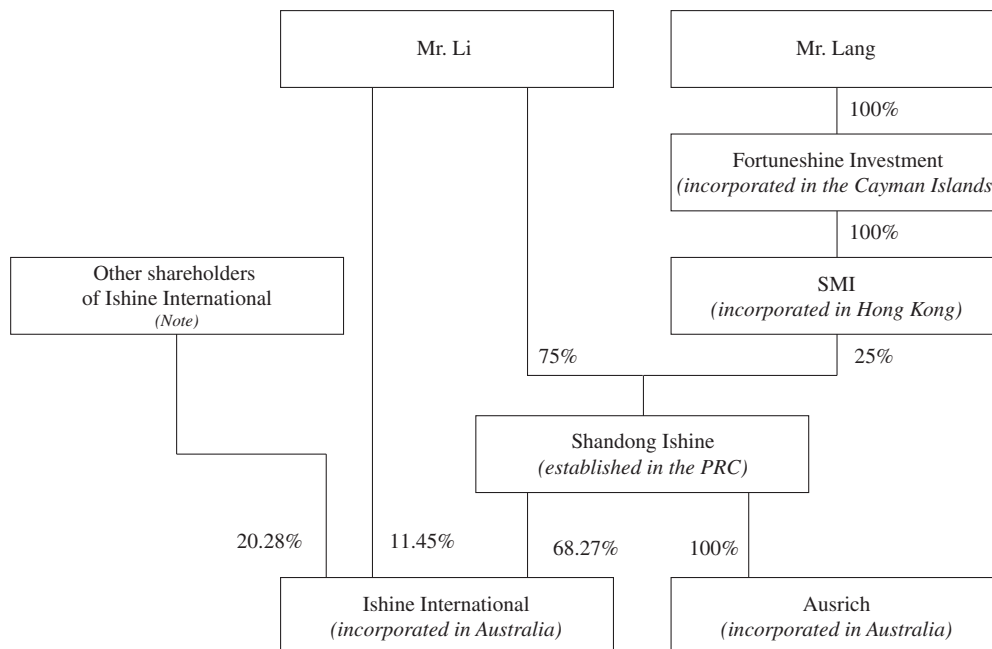
16 November 2011. As one of the objectives of the Reorganisation is to make Shandong Ishine being wholly and indirectly held by our Company in preparation for Listing, it was agreed that the effective shareholdings of Mr. Li and Mr. Lang in Shandong Ishine should be materially the same (save for the effect of the introduction of strategic investor) after completion of the Reorganisation. Therefore, after taking into account the aforesaid and the funding need to complete the acquisition of 75% interests in Shandong Ishine, it was agreed that only one Share should be issued for the aforesaid subscription by Hongfa Holdings.

Our PRC Legal Advisers has confirmed that we have obtained all necessary approvals, licenses and permits under relevant PRC laws and regulations in connection with the Reorganisation.

Mr. Li and Hongfa Holdings, our Controlling Shareholders, have undertaken that they would indemnify us for all costs and damages as a result of or otherwise arising from, whether directly or indirectly, or in connection with (i) the implementation of the Reorganisation; (ii) disposal or acquisition of the equity interest in or any distribution (including but not limited to dividend) or change of corporate nature of Shandong Ishine since its establishment and up to the date on which the Share Offer become unconditional (including but not limited to, any tax payment borne by or to be borne by any of the former or existing holders of equity interest in Shandong Ishine), except that provision, reserve or allowance has been made for such liabilities in the audited consolidated accounts of our Company for the Track Record Period.

Further details of the Reorganisation are set out in the paragraph headed “Corporate Reorganisation” in Appendix VI to this prospectus.

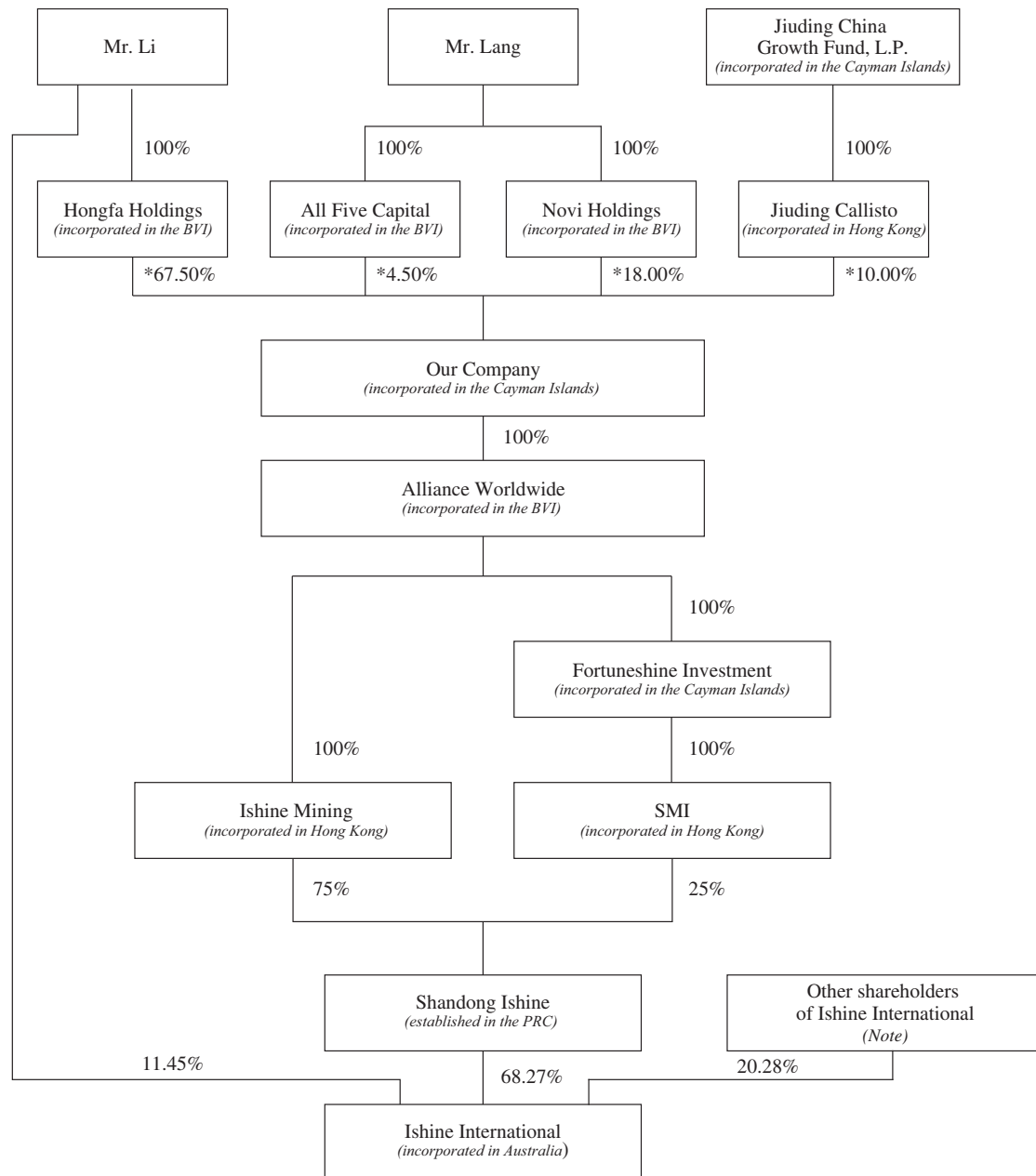
### Corporate and shareholding structure of our Group immediately before the Reorganisation



*Note:* As at 29 November 2010, save and except for Mr. Li and Shandong Ishine, no other shareholders of Ishine International held more than 5% of the issued share capital of Ishine International.

## HISTORY AND DEVELOPMENT

### Corporate and shareholding structure of our Group upon completion of the Reorganisation



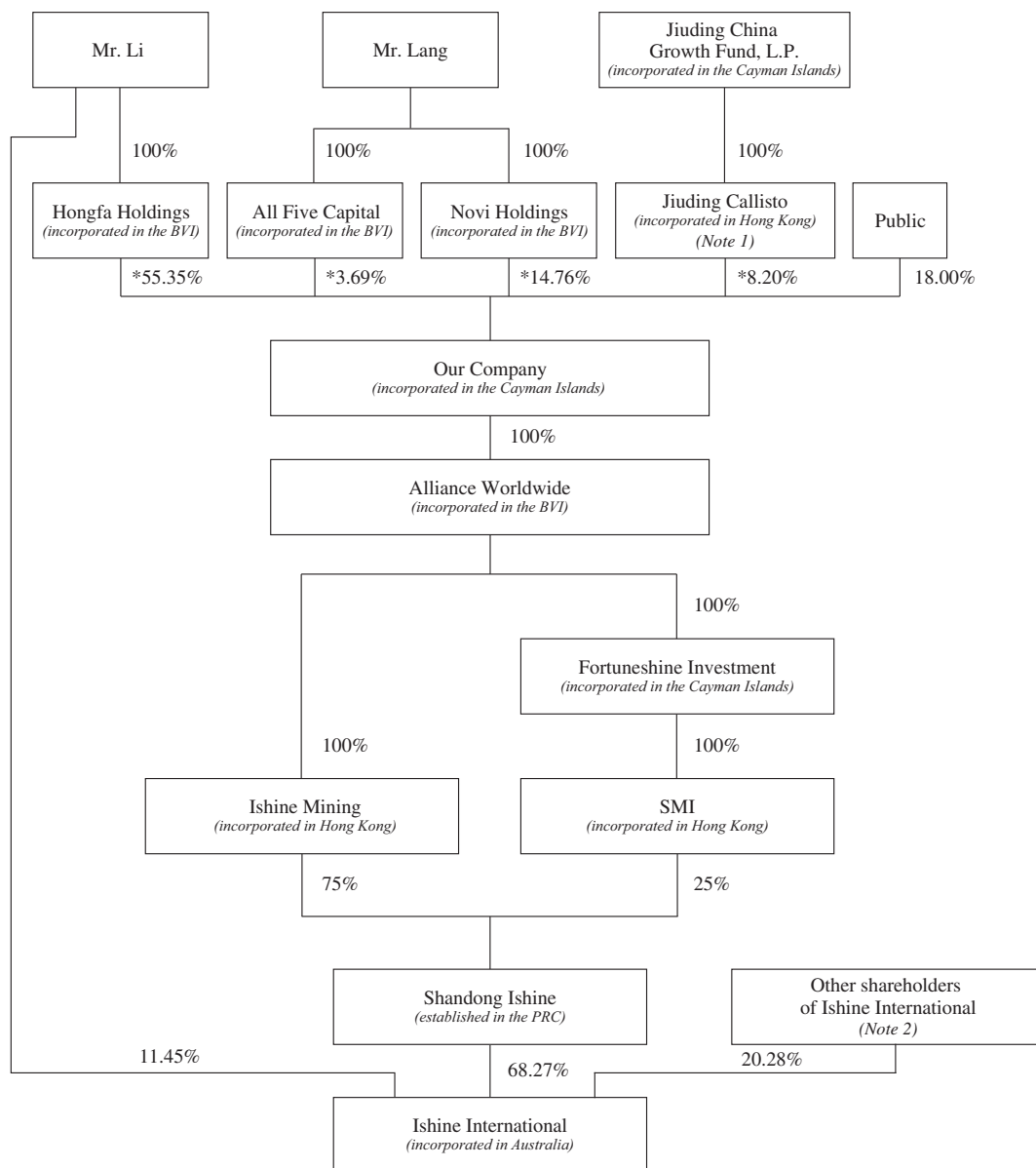
\* approximate percentage

Note: As at 15 November 2011, save and except for Mr. Li and Shandong Ishine, no other shareholders of Ishine International held more than 5% of the issued share capital of Ishine International.

## HISTORY AND DEVELOPMENT

### Corporate structure of our Group upon completion of the Capitalisation Issue and the Share Offer

The following chart sets forth the shareholding and corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme or pursuant to exercise of the Over-allotment Option):



\* approximate percentage

Notes:

1. Jiuding Callisto is not a connected person of our Company under the Listing Rules, it should be regarded as members of the public upon the Listing pursuant to Rule 8.24 of the Listing Rules.
2. As at the Latest Practicable Date, save and except for Mr. Li and Shandong Ishine, no other shareholders of Ishine International held more than 5% of the issued share capital of Ishine International.

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## HISTORY AND DEVELOPMENT

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### OUR BUSINESS HISTORY

Our history began in 2001, when Shandong Ishine was established to engage in, amongst others, the processing of iron ore in Shandong Province.

#### *Mining rights of Yangzhuang Iron Mine*

In September 2001, we acquired from an iron ore processing plant, an Independent Third Party, the processing facility at our Yangzhuang Iron Mine together with the rights of such vendor to a mining permit with an area of approximately 0.6883 sq. km. in our Yangzhuang Iron Mine, which signified the beginning of our business development. The consideration paid by our Group for the acquisition amounted to RMB4.62 million, which was determined through arm's length negotiation between the parties with reference to a valuation conducted by a PRC accounting firm. The vendor, Shandong Province Yishui County Iron Ore Processing Plant, was an enterprise owned by the Yangzhuang Town government. Our Yangzhuang Iron Mine is an iron mine and its current mining permit has a term of up to June 2019, with a mining area of approximately 3.9093 sq. km. and an approved production scale of 2.3 Mt of iron ore each year.

#### *Exploration rights of Yangzhuang Iron Mine and Qinjiazhuang Ilmenite Project*

In 25 September 2002, an exploration permit with an area of 6.25 sq. km. area of our Yangzhuang Iron Mine was granted to us by the Shandong Provincial Department of Land and Resources (山東省國土資源廳) for a term from 25 September 2002 to 30 September 2003. The exploration permit was extended various times subsequently with the latest renewal in 2010 from 16 August 2010 to 31 December 2010 during which no exploration activity had been conducted.

In January 2005, we obtained the exploration rights to our Qinjiazhuang Ilmenite Project with an area of approximately 11.63 sq. km.. An exploration permit was granted to us by the Shandong Provincial Department of Land and Resources (山東省國土資源廳) in January 2005 for a term from 18 January 2005 to 17 January 2006. The exploration permit was subsequently extended various times with the latest renewal in May 2010 for a term from 17 May 2010 to 31 March 2012.

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 combined. In January 2011, an exploration permit was renewed for the Yangzhuang Qinjiazhuang Combined Exploration Right Area of 17.88 sq. km. for a term from 4 January 2011 to 31 December 2012 and this area covers our Yangzhuang Iron Mine of 6.25 sq. km. and our Qinjiazhuang Ilmenite Project of 11.63 sq. km..

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## HISTORY AND DEVELOPMENT

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### *Mining and exploration rights at Zhuge Shangyu Ilmenite Mine*

On 18 January 2004, we also obtained the exploration rights to our Zhuge Shangyu Ilmenite Mine with an area of approximately 7.30 sq. km.. An exploration permit was granted to us by the Shandong Provincial Department of Land and Resources (山東省國土資源廳) on 18 January 2004 for a term from 18 January 2004 to 17 January 2006, which was subsequently extended various times with the latest renewal in July 2010 for a term from 19 July 2010 to 30 June 2012.

In May 2008 we obtained a mining permit for our Zhuge Shangyu Ilmenite Mine with a mining area of approximately 0.356 sq. km. and an approved production scale of 400,000 cubic metres of titanium ore and iron ore each year. We are preparing for the application for the renewal of the mining permit of our Zhuge Shangyu Ilmenite Mine and have submitted to the MLR certain documents in respect of the application. We expect to make the formal application to renew the mining permit to increase the mining area and the approved production scale of our Zhuge Shangyu Ilmenite Mine from 400,000 cubic metres per annum to 8.0 Mt per annum in the second quarter of 2012 and expect to obtain the new mining permit by the third quarter of 2012.

Although we obtained the mining permit in May 2008, we have not yet proceeded to commercial production of our Zhuge Shangyu Ilmenite Mine as of the Latest Practicable Date as such development would involve significant capital expenditure for which we require further funding. Please refer to the section headed “Business – Business Strategies” of this prospectus for details of the funding requirement and source of funding for development of our Zhuge Shangyu Ilmenite Mine. Based on our mining experience and feasibility report on the mine, we consider there is no major obstacle in carrying out mining activities at our Zhuge Shangyu Ilmenite Mine.

### *Exploration rights of Gaozhuang Shangyu Ilmenite Project*

In April 2008, we acquired from an Independent Third Party, the exploration rights to our Gaozhuang Shangyu Ilmenite Project with an area of approximately 7.66 sq. km.. The consideration paid by our Group for the acquisition amounted to RMB4.75 million, which was determined based on arm’s length negotiation between both parties, which our Directors believed was also based on the respective parties’ experience and knowledge in the industry and their respective assessment on the consideration acceptable to them. The vendor was a mine surveying and exploration team, which to our Directors’ best knowledge, was principally engaged in mine exploration, surveying, mapping and safety evaluation. An exploration permit was granted to us by the Shandong Provincial Department of Land and Resources (山東省國土資源廳) on 6 October 2008 for a term from 6 October 2008 to 30 September 2009. The exploration permit was subsequently extended and the current exploration right is for a term up to March 2013.

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## HISTORY AND DEVELOPMENT

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### *Mining rights at Bashan Iron Project*

In May 2008, we obtained a mining permit for our Bashan Iron Project with a mining area of approximately 0.4307 sq. km. and an approved production scale of 40,000 tonnes of iron ore each year, which was subsequently extended and the latest mining permit for our Bashan Iron Project has a term from 21 February 2011 to 21 February 2016.

### *Other business developments*

Iron ore processing were carried out throughout the Track Record Period at our Second Yangzhuang Processing Facility and Third Yangzhuang Processing Facility. Since December 2008, our First Yangzhuang Processing Facility has ceased to be in operation and is currently being used for storage purposes. We commenced expansion of the Third Yangzhuang Processing Facility by (i) setting up one new iron ore processing line at our Third Yangzhuang Processing Facility, which brings an additional planned ore processing capacity of approximately 0.71 Mt per annum following completion of the installation of the new production line in July 2011; and (ii) setting up a new Dry Grinding Workshop in March 2011 for processing non-magnetic coarse iron powder we purchased from other suppliers or from our tailings.

In October 2009, we were accredited with 安全標準化二級企業證書 (Safety Standard Second Grade Corporation Certificate\*) issued by 山東省安全生產監督管理局 (Shandong Province Administration of Work Safety\*), which demonstrated our outstanding safety policy and administration in the years was recognised by the community.

In March 2011, our Yangzhuang Iron Mine was announced by MLR to be one of the 37 units which were selected by the MLR as the first batch of “國家級綠色礦山試點單位” (State Green Mining Pilot Units\*) among mines in the PRC. Among the 37 awarded units, only 5 of them were ferrous metals mine and our Yangzhuang Iron Mine was one of them. Our Directors consider that the award was a recognition of our achievement in the conservation of ecology and natural resources in our mining and ore processing operation as well as the production safety and environmental friendly policies adopted by us.

In September 2009, we expanded our business outside of China and established Ishine International, our subsidiary in Australia; the principal business activity of Ishine International is the exploration of mineral resources. In December 2009, the shares of Ishine International were listed on ASX which signified another milestone of the corporate development of our Group. As at the Latest Practicable Date, Ishine International 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 had a 49% beneficial interest in three granted exploration licences in Queensland, with the right to acquire up to a 70% interest in these licences. Up to the Latest Practicable Date, Ishine International has 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. The potential mineralisation covered by Ishine International's projects includes nickel, copper-gold, iron ore, lead, zinc, etc..

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## HISTORY AND DEVELOPMENT

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Ishine International is considered to be a long term investment of our Group and has no short term impact of our Group's performance since it has no relationship with our Group's existing principal business in Shandong. The principal focus of Ishine International is to explore other mineral opportunities in Australia. The assets of Ishine International are immaterial to our Group's total assets.

The process we intend to adopt for production of titanium concentrates and iron concentrates from ores to be mined at our Zhuge Shangyu Ilmenite Mine is partly different from the process currently adopted at our Processing Facilities. The processes to produce iron concentrates from ores mined at the Yangzhuang Iron Mine mainly involves magnetic separation and the key steps include crushing, dry magnetic separation, grinding, wet magnetic separation and filtering; whilst the processes to be adopted for processing ilmenite ores to produce iron concentrates and titanium concentrates would, apart from magnetic separation, also include other processes such as gravity separation and flotation. Under such process, iron concentrates are produced through magnetic separation while titanium concentrates are produced through (i) gravity separation which minerals are separated based on differences in their density through the use of spiral chutes; and (ii) flotation method where minerals are separated based on differences in their hydrophobicity. We plan to adopt such processing technique in our processing facilities to be constructed at the Zhuge Shangyu Ilmenite Mine. To conduct further testing and trial production for the purpose of fine tuning the processing technique without having to purchase equipments and incur substantial costs, we further collaborated with an independent producer of iron and titanium concentrates to conduct testing and trial production with our processing technique using their processing facilities in 2010. The collaboration mainly involves the running of the relevant processing line by our staff and the other party's staff so that we could apply and fine tune our processing technique through a series of trial production and testing. Our Directors consider the results of the testing and trial production was satisfactory and we expect that such technique will be adopted for commercial production at our Zhuge Shangyu Ilmenite Mine with appropriate fine-tuning and improvement.