Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks and uncertainties 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 was incorporated in the Cayman Islands and all of our Group's operations are conducted in the PRC and are 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.

We believe that an investment in our Shares involves certain risks, some of which are beyond our control. These risks can be broadly categorised into (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to the PRC; and (iv) risks relating to the Share Offer.

RISKS RELATING TO OUR BUSINESS

Our mining operations are concentrated at one mining site.

Our operations are exposed to uncertainties in relation to the Xinzhuang Mine, which will be our only operating mine immediately following the Share Offer and we expect operations thereat to continue in the future. Therefore, all of our current operating cash flows and sales are derived from the sale of concentrates produced from this single mine. Any significant operational or other difficulties in the mining, processing, storing and transporting of our products at or from the Xinzhuang Mine could reduce, disrupt or halt our production, which would materially and adversely affect our business, prospects, financial condition and results of operations.

We have pledged the mining right for the Xinzhuang Mine to secure banking facilities at a sum of RMB45,000,000 as at 30 April 2012 which had been completely drawn down. Such mining right mortgage will be released upon repayment of all borrowings under the banking facilities in 2016. If such mining right mortgage is foreclosed due to our failure to perform our obligations under the banking facilities, we may lose our mining right for the Xinzhuang Mine or our operations at the Xinzhuang Mine may be interrupted, in which case our business, financial conditions and results of operations could be materially and adversely affected.

We are running a developing mining business. Our limited operating history may not serve as an adequate basis to judge our future operating results and prospects.

We only commenced commercial production at the Xinzhuang Mine in August 2007 and are still in a stage of development, and there is limited historical information available upon which you can base in evaluating our business and prospects. Our revenue experienced significant growth in a relatively short period of time, increasing from RMB86.5 million in 2009 to RMB296.7 million in 2011. Our revenue may not be able to continue to grow at similar rates, if at all. Our gross profit margin was 37.2%, 44.0% and 51.1% for the three years ended 31 December 2011, respectively. Our net profit margin was 16.0%, 26.3% and 27.5% for the three years ended 31 December 2011, respectively. There is no assurance that our gross profit margin and net profit margin will continue to grow or will not fall, if at all. Each of the risks described in this "Risk Factors" section, as well as other factors, may affect our future results of operations and profitability. You should consider our future prospects in light of the risks and challenges encountered by a company with a limited operating history.

We have encountered and may continue to encounter risks and uncertainties frequently experienced by developing-stage companies, including but not limited to those relating to:

– our ability to maintain effective control of our operating costs and expenses;

– our ability to develop and maintain internal personnel, systems and procedures to ensure compliance with the extensive regulatory requirements applicable to the mining industry in the PRC;

– our ability to respond to changes in our regulatory environment; and

– our ability to implement, monitor and enhance our internal controls system.

If we are unable to address these risks, our financial condition and operating results may be materially and adversely affected.

The accuracy of the mineral resources and reserves estimates of the Xinzhuang Mine is based on a number of assumptions, and we may produce less mineral concentrates than our current estimates.

The mineral resources and reserves estimates of the Xinzhuang Mine are based on a number of assumptions that have been made by the Independent Technical Expert in accordance with the JORC Code. However, we cannot assure you that the resources and reserves estimates as presented in this prospectus will be recovered in the quantities, quality or yields presented in this prospectus. Resources and reserves estimates involve expressions of judgement based on various factors such as knowledge, experience and industry practice, and the accuracy of these estimates may be affected by many factors, including quality of the results of exploration drilling and sampling of the ore body and analysis of the ore samples, as well as the procedures adopted by and experience of the person making the estimates.

Estimates of the resources and reserves at the Xinzhuang Mine may change significantly when new information becomes available or new factors arise, and interpretations and deductions on which resources and reserves estimates are based may prove to be inaccurate. Resources estimates indicate in-situ mineral occurrences from which valuable or useful minerals may be recovered, but do not take into account whether such resources could be mined or whether valuable or useful minerals could be recovered economically from them, nor do resources estimates incorporate mining dilution or allow for mining losses. The reserves estimates contained in this prospectus represent the amount of mineral that we believe can be profitably mined and processed and are calculated based on estimates of future production costs and mineral prices. In the future, we may need to revise the reserves estimates of the Xinzhuang Mine, if, for instance, our production costs increase or prices for mineral decrease and as a result the extraction of a portion (or all) of the mineral reserves at the Xinzhuang Mine becomes uneconomical.

The inclusion of resources and reserves estimates should not be regarded as a representation that all these amounts can be economically exploited, and nothing contained in this prospectus (including, without limitation, the estimates of mine lives) should be interpreted as assurances of the economic viability of the Xinzhuang Mine or the profitability of our future operations.

Our failure to achieve our production estimates could have a material adverse effect on our future results of operations.

Estimates of future production for our mining and ore processing operations are subject to change. We cannot give any assurance that we will achieve our production estimates. Our failure to achieve our production estimates could have a material and adverse effect on our future results of operations.

The production estimates are based on, among other things, reserve estimates, assumptions regarding ground conditions and physical characteristics of ores, utilisation of production facilities, costs of production and conditions of the industry and general economy. Actual production may vary from estimates for a variety of reasons, some of which are set out below:

– deviation of actual ore mined from estimates in grade, tonnage, and metallurgical and other characteristics;

– unusual or unexpected geological conditions;

– mining dilution;

– lower-than-estimated recovery rate;

– industrial accidents;

– equipment failures;

– natural phenomena such as weather conditions, floods, blizzards, droughts, rock slides and earthquakes;

– changes in power costs and potential power shortages;

– shortages of principal supplies needed for operation, including but not limited to explosives, fuels, sulfuric acid and equipment parts; and

– other restrictions or policies imposed by government authorities.

Such occurrences could result in damage to mining properties or processing facilities, interruptions in production, injury or death to persons, damage to our property or the property of others, monetary losses and legal liabilities. These factors may cause an operation that has been profitable in the past to become unprofitable. Estimates of production from mines or processing facilities not yet in production or from operations that are to be expanded are based on, for instance, feasibility studies prepared by our personnel and/or external consultants, but it is possible that actual cash operating costs and economic returns will differ significantly from those derived from currently estimated production data.

In addition, the estimates regarding operating costs of the Xinzhuang Mine are based on the Independent Technical Expert's Report. Such estimates are based upon, among other things, (i) anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed; (ii) anticipated recovery rates of minerals from the ore; (iii) cash operating costs of comparable facilities and equipment; and (iv) anticipated geographic and climatic conditions. If any of those factors changes or any of the assumptions is inaccurate, the actual operating costs, production level and economic returns may differ significantly from those estimates.

We rely on a third-party contractor to provide mining service in respect of the Xinzhuang Mine.

We outsource substantially all of our mining activities to a third-party contractor. As a result, our operations will be affected by the performance of the third-party contractor. We monitor the work of the third-party contractor but we may not be able to control the quality, safety and environmental standards of the work done by such third-party contractor to the same extent as when the work is performed by our own employees. Any failure by the third-party contractor to meet our quality, safety and environmental standards may result in our liabilities to third parties and have a material adverse effect on our business, reputation, financial condition and results of operations. Any failure by the third-party contractor could also affect our compliance with government rules and regulations relating to mining and workers' safety. Moreover, any failure by us to retain our third-party contractor or obtain replacements on favourable terms or at all may have a material adverse effect on our business and results of operations.

The contracting fees payable to the third-party contractor for mining works recorded in our consolidated statements of comprehensive income for the three years ended 31 December 2011 were approximately RMB39.3 million, RMB32.6 million and RMB36.8 million, respectively. For further information in relation to our third-party contractor, please refer to the section headed "Business – Mining – Third-party Contractors" in this prospectus.

We rely on a small number of major customers.

We rely on our major customers to purchase a significant portion of our products. For the three years ended 31 December 2011, revenue attributable to our top five customers together accounted for approximately 97.3%, 81.5% and 80.3% of our total revenue, respectively, while the largest customer accounted for approximately 55.1%, 41.6% and 37.9% of our total revenue, respectively.

There can be no assurance that we will be able to retain these customers or that they will maintain their current level of business with us. If there is a reduction or cessation of orders from these customers for whatever reasons and we are unable to obtain suitable orders of a comparable size in substitution, our business, financial condition and results of operations may be materially and adversely affected. Moreover, given that most of our revenue is derived from our sale to our five largest customers, any deterioration on their ability to purchase our products will have a material adverse effect on our results of operations.

Our business is exposed to uncertainties in relation to our expansion plans, further exploration opportunities and future acquisitions.

We are currently investing in an expansion of our mining and ore processing facilities. Our expansion plan requires significant development of the Xinzhuang Mine to bring it to the planned levels of production. It may take longer than we currently anticipate to implement our expansion plan and there may be unforeseen delays before our expanded ore processing facilities are able to operate at our planned capacity. As a result of any delay in completing our expansion, cost overruns, failure to obtain the intended economic benefits from our expansion or other reasons, our business, financial condition and operations may be adversely affected.

If we cannot operate the Xinzhuang Mine at the planned production levels, it will materially and adversely affect our business, financial condition and the results of operations.

There is no assurance that we can obtain or renew approvals, permits and licences necessary for the exploration, mining or ore processing at the Xinzhuang Mine or in respect of any mines we acquire in the future.

Under the relevant laws and regulations of the PRC, all mineral resources in the PRC are owned by the State. Mining enterprises, including us, must obtain certain exploration and mining approvals, permits and licences prior to undertaking any exploration or mining activities, and the exploration and mining licences are limited to a specific geographic area and time period. As a result, whether we can carry out exploration, mining and ore processing activities at the Xinzhuang Mine or in respect of any mines we acquire in the future depends on our ability to obtain the requisite exploration, mining and production approvals, permits and licences from the relevant PRC authorities or to obtain necessary renewals of such approvals, permits and licences when they expire.

As a result of our failure to complete the construction of our backfill system and ventilation system before the end of July 2008, our mining activities had been suspended since 30 July 2008 until we were allowed to resume our mining operations in April 2009. For details, please refer to the section "Business – Occupational Health and Safety" in this prospectus.

During the Track Record Period, pursuant to our then mining licence for the Xinzhuang Mine, we were able to conduct underground mining of ore at a rate of 300,000 tpa. In the three years ended 31 December 2011, the ore production volume at the Xinzhuang Mine was approximately 300,570 tonnes, 306,580 tonnes and 300,070 tonnes, respectively, and exceeded the limit set out in our then mining licence. Our Directors confirmed that the excessive production volumes were caused as a result of a lack of comprehensive system controlling production volume at the early stage of development at the Xinzhuang Mine given that we commenced trial production in January 2007 with an initial designed mining capacity and processing capacity of 200,000 tpa and we reached our expanded mining capacity of approximately 300,000 tpa only in 2009. As advised by our PRC Legal Advisers, according to PRC laws, the mining right owner may be ordered to rectify such excessive activities within a time limit. If the mining right owner cannot meet the relevant requirements after the rectification, it will be ordered to close its mine.

These production-related approvals and licences will expire from time to time. There can be no assurance that we will be able to fully and economically utilise the entire mineral resources of the Xinzhuang Mine during the periods under the currently effective licence and approval or to obtain grant of any extension and renewal of such licences and approvals. Moreover, there can be no assurance that we will be able to obtain mining or production-related licences and approvals in respect of resources we identify in the future either at the Xinzhuang Mine or at any mines we acquire in the future. If we are unable to obtain any of such licences and approvals or to renew any of such licences and approvals upon their expiration, our business and results of operations will be materially and adversely affected.

We are facing certain hydrological issues due to surface water and underground water present in the area of the Xinzhuang Mine.

According to the Independent Technical Expert's Report, we are facing certain hydrological issues at the Xinzhuang Mine due to surface water and underground water present in the area of the Xinzhuang Mine. The Independent Technical Expert advised that special attention should be paid to this issue at all times of our underground mining operation. For details, please refer to the section headed "Business – Hydrological Issue" in this prospectus and sections headed "8.2.2 Hydrological Issues" and "15.0 Risk Analysis" in the Independent Technical Expert's Report set forth in Appendix V to this prospectus.

Should we fail to monitor the hydrological issues and to apply sufficient mitigation and rectification measures against them, the underground mine could be flooded and our mining operation would have to stop and our business and results of operations will be materially and adversely affected.

Discount between market prices and our unit sale prices of respective metals in our concentrates may increase and fall outside the range experienced in the Track Record Period.

We sell our copper concentrates and zinc concentrates to the mineral trading and brokerage enterprises at a price that is equal to market prices of the metals contained in our concentrates products at a discount which essentially represents the treatment fees being (i) the profit and cost of our customers, plus (ii) the profit and cost for the downstream enterprises for processing the concentrates into the respective metal as end products. The discount during the Track Record Period ranged from 11.3% to 46.2% of the market prices of the metals contained in our concentrates. For details, please refer to the section headed "Business – Pricing Policy" in this prospectus.

There can be no assurance that in the future such discount will not increase and fall outside the range of discount experienced in the Track Record Period, in which case our revenue and results of operations will be materially and adversely affected.

We may be unable to pass the annual verification of our mining right of the Xinzhuang Mine.

Our mining right of the Xinzhuang Mine is subject to verification on an annual basis by the relevant competent department of land and resources. In the annual verification, the relevant authorities will consider whether our mining activities in the past year were in compliance with the relevant laws and regulations. If we are unable to meet the relevant requirements or found in material breach of any laws or regulations, we will fail the annual verification and we will be penalised according to the relevant laws and regulations or given a deadline to rectify the situation, failing which our mining right could be revoked. We cannot assure you that we will be able to pass the annual verification of our mining right in the future. Should these rights be suspended or revoked or we fail to pass the annual verification, our operation and financial performance will be materially and adversely affected.

Our operations may face material risk of liability, delays and increased production costs from design defects, environmental hazards and rehabilitation, industrial accidents such as mishandling of dangerous articles and other factors such as severe weather conditions, natural disasters, community protests or civil unrest.

By its nature, the business of mineral exploration and development, mining and ore processing involves significant risk and hazards. The continuous success of our business is dependent on many factors such as (i) successful design and construction of our mining and processing facilities, and (ii) successful commissioning and operating of our mining and ore processing facilities.

The Xinzhuang Mine is subject to technical risks in that our infrastructure may not perform as designed. Increased development costs, lower output or higher operating costs may all combine to make a mine less profitable than expected at the time of the development decision. We cannot assure you that we will be adequately compensated by third-party mine design and construction companies in the event that our mine does not meet its expected design specifications.

Our business may also be disrupted by a variety of other risks and hazards, including environmental hazards, industrial accidents (including but not limited to mishandling of dangerous articles), technical or mechanical failures, processing deficiencies, labour disputes, community protests or civil unrest, unusual or unexpected geological occurrences, severe seismic activity, flooding, discharge of toxic chemicals, fire, explosions, and other delays. Accidents, technical difficulties, mechanical failures or plant breakdowns encountered in the exploration and development, mining and processing activities could result in disruptions to our operations and increases in our operating costs or personal injuries.

As a result of our failure to complete the construction of our backfill system and ventilation system before the end of July 2008, our mining activities had been suspended since 30 July 2008 until we were allowed to resume our mining operations in April 2009. For details, please refer to the section "Business – Occupational Health and Safety".

Our production and operations are subject to laws, rules and regulations imposed by the PRC government regarding environmental matters, such as the treatment and discharge of hazardous wastes and materials and environmental rehabilitation. PRC laws and regulations set a series of standards for waste substances (such as waste water) that may be discharged into the environment, and impose fees for the discharge of such waste substances. In addition, we are required under current PRC laws and regulations to conduct our mining operations in a manner that minimises the impact on the environment, such as through rehabilitation and revegetation of mined land. In the future, we may have rehabilitation obligations in respect of areas we have cleared for mining and production purposes and in respect of our tailings dams.

One of the main environmental issues in the mining industry is wastewater, dust and tailings management. Wastewater, dust and tailings can contain substances that are potentially harmful to human beings and the environment, especially in large quantities. The risk of spills can be increased in steep sloping areas, such as those in which we operates. We may be subject to claims for damages to persons or properties resulting from any discharge or overflow of wastewater, dust or tailings residue into the environment, rivers in particular.

Furthermore, environmental events such as changes in the water table (man-made or naturally occurring), mud-slides and instability of the stopes, and all other potential hazards including but not limited to geotechnical issues and hydrological issues as identified by the Independent Technical Expert, could materially and adversely affect our underground mining. Environmental hazards may occur in connection with our operations as a result of human negligence, force majeure or otherwise. In addition, mishandling of dangerous articles such as explosives and toxic materials such as carbon monoxide, carbon dioxide, nitrogen oxide, carbon disulfide and turpentine produced in the course of our operations could result in material disruptions to our operations. The occurrence of any of these risks and hazards could result in environmental damage, damage to or destruction of production facilities, personal injury, property damage, business interruption, delay in production, increased production costs, monetary losses, possible legal liability (including compensatory claims, fines and penalties) and damage to our reputation, which could materially and adversely affect our business and results of operations. Such incidents may also result in a breach of the conditions of our mining licence, or other consents, approvals or authorisations, which may result in fines or penalties imposed by relevant regulatory authorities.

We may also be subject to actions by environmental protection groups or other interested parties who object to the actual or perceived environmental impact of the operation at the Xinzhuang Mine or other actual or perceived condition at the Xinzhuang Mine. These actions may delay or halt our production or may create negative publicity related to us.

We are also subject to extensive laws, rules and regulations imposed by the PRC government regarding production safety. In particular, our mining operations involve the handling and storage of explosives and other dangerous articles. There can be no assurance that accidents will not occur in the future.

For details, please refer to the section headed "Business – Occupational Health and Safety" in this prospectus.

In the future, we may experience increased costs of production arising from compliance with environmental and production safety laws and regulations. There can be no assurance that more stringent laws, regulations or policies regarding environmental and production safety will not be implemented or that the existing laws, regulations and policies will not be more stringently enforced. We may not be able to comply with all existing or future laws, regulations and policies in relation to environment and production safety economically or at all. Should we fail to comply with any production safety laws or regulations, we would be required to rectify the production safety problems within a limited period. Failure to rectify any problem could lead to suspension of our operations. In addition, there can be no assurance that risks and hazards, including environmental hazards, industrial accidents (including but not limited to mishandling of dangerous articles), technical or mechanical failures, processing deficiencies, labour disputes, community protests or civil unrest, unusual or unexpected geological occurrences, severe seismic activity, flooding, discharge of toxic chemicals, fire, explosions, and other delays will not occur in the future. Should we fail to comply with any relevant laws, regulations or policies or should any industrial accident occur, 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.

We may not be able to renew the relevant temporary approvals required for the use of the land within our mining area for the construction of facilities under our expansion plan. We may also be subject to punishments for commencement of construction prior to obtaining the relevant temporary approvals.

We have leased three parcels of land which are collectively-owned land within the coverage of our mining licence for mining, tailings storage and ancillary purposes. Pursuant to our expansion plan, it is expected that three new shafts, new tailings storage facilities and certain related ancillary structures will be located in these areas. Details of the land and the relevant lease agreements are as follows:

Location	Total site area/mu (畝)	Term
Longxi Village, Yichun Municipal, Jiangxi Province	334	March 2012 to December 2031
Kouxi Village, Yichun Municipal, Jiangxi Province	29.746	March 2012 to December 2031
Zhangjia Village, Yichun Municipal, Jiangxi Province	1.2	March 2012 to March 2032

With a view to ensuring the stability of our long term operation, we have begun the process to obtain the relevant state-owned land use rights certificate for the above land and agreed to pay the total relocation compensations of about RMB32 million, of which approximately RMB29 million was paid as of 31 December 2011. However, pursuant to the relevant laws and regulations, given the three parcels of land are collectively-owned land, we may only obtain the state-owned land use right certificates for the three parcels of land from the authorities after (i) they have been converted into state-owned land from collectively-owned land; (ii) the authorities have entered into the state-owned land use right agreement with us; and (iii) we have paid the relevant land premium to the authorities.

We have already obtained relevant temporary approvals for our use of the above collectively-owned land for the aforesaid purposes for a term of two years until March or April 2014 from the relevant department of land and resources.

There is no assurance that we can renew the necessary temporary approvals in the future, failing which our results of operations and our ability to expand our operations as planned may be materially and adversely affected.

We started the construction of the three new shafts and certain auxiliary facilities on the parcel of land located at Kouxi Village before we obtained the relevant temporary approval. As advised by our PRC Legal Advisers, pursuant to relevant PRC laws and regulations, we may be subject to an order to suspend construction and confiscate the constructed structure, and a maximum fine of approximately RMB30 per square metre as a result of our use of the land without obtaining the necessary approvals prior to the commencement of our construction.

There is no assurance that the relevant competent PRC authority will not impose any sanction against us in the future, including but not limited to, confiscating or ordering us to demolish the constructed structures, or imposing any fine on us, for the use of the above land by us before the grant of the relevant temporary approvals.

For further details, please refer to the section headed "Business – Properties – Land – Leased land in the PRC for our expansion plan" in this prospectus.

Non-compliance with the social insurances and housing fund contribution regulations in the PRC by us could lead to imposition of penalties or other liabilities on us.

Our operating subsidiary in China, namely, Yifeng Wanguo, is required to make social insurances contributions and housing fund contribution for the benefit of its own employees under the PRC laws and regulations. Due to the differences in local regulations, inconsistent implementation of the PRC laws and regulations by local authorities and different levels of acceptance of the social insurances and housing fund systems by employees, Yifeng Wanguo had not made social insurances contributions and housing fund contribution in full for all of its employees before April 2011. According to the relevant PRC laws and regulations, enterprises which have not paid the social insurances contributions or have not contributed to social insurances payments on behalf of employees according to the relevant rules will be required to pay such amounts by the relevant labour insurance administrative departments within a required period and a late charge calculated at 0.05% per day of the outstanding amount will be charged from the date of the default payment. Enterprises which do not make requisite registration or complete procedures to open relevant accounts to make housing fund contributions for their employees will be ordered by the relevant housing fund management centre to make such payment or complete such procedures within a required period. If the necessary procedures are not completed within the required period, such enterprises will be subject to a penalty of not less than RMB10,000 and not more than RMB50,000. If any employee of the enterprises not having paid the social insurances contributions or housing fund contribution in full succeeds in a labour dispute against such enterprises with respect to the outstanding contributions and/or fund, such enterprises may be required to make such outstanding contributions.

Yifeng Wanguo completed the registration process as to social insurances with the relevant social insurances authorities in April 2009 and has made contributions in respect of all of its eligible employees since April 2011. Yifeng Wanguo also completed the requisite registration and opened the requisite housing fund accounts with the relevant housing authorities in accordance with the relevant laws and regulations in April 2011, and has commenced payments of housing fund contributions for all eligible employees since April 2011. As at the Latest Practicable Date, the aggregate outstanding amount of social insurances contribution and housing fund contribution was approximately RMB3.4 million and RMB0.6 million, respectively.

There is no assurance that the social insurances and/or housing authorities in the PRC or their supervising authorities in the future will not take a position different from the confirmation letter as mentioned in the section headed "Business – Employees" in this prospectus, such that we may be ordered by the relevant authorities to make the outstanding contributions. Further, if we are found to be liable for previous non-contributions of social insurances and/or housing fund, we will make the outstanding social insurance and housing fund contributions as required, and the late payment penalties will apply according to the relevant laws and regulations. Payment of significant contributions, penalties and other liabilities could have an adverse effect on our reputation, cash flow and results of operation.

We may not be adequately insured against losses and liabilities arising from our operations.

We face various operational risks in connection with our business. However, we are not insured against certain risks. For example, we 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. Our third party liability insurance for our vehicles is limited and may not be sufficient to cover major vehicle accidents in the future.

According to the relevant PRC laws and regulations, we will be liable for losses and costs arising from accidents resulting from fault or omission on the part of us or our employees. We do not maintain insurance in respect of such losses or costs and, as a result, our financial condition could be materially or adversely affected if we become liable for losses and costs arising from fault or omission on the part of an employee.

Due to the nature of our business, we handle highly flammable and explosive materials and operate under perilous conditions. We may experience accidents in the course of our operations which may cause significant property damage, personal injuries or other liabilities. Losses and liabilities incurred or payments we may be required to make arising from the accidents, if not adequately insured against, could have a material adverse effect on our results of operations or otherwise materially disrupt our operations.

We do not maintain any insurance policy to cover possible losses, damage or costs resulting from accidents, fault or omission of the third-party contractor and/or its employees. Under our outsourcing contracts, the third-party contractor shall comply with our safety standard as well as the applicable laws and regulations and safety requirements imposed by the relevant government authorities and that all losses caused by, or incurred pursuant to, the underground mining works of our third-party contractor as a result of its failure to maintain proper safety standard shall be borne by it.

If any claim in respect of the outsourced activities is made by third parties against us directly, we may have to incur costs and devote resources to defend ourselves against such claims. Any such claim could damage our reputation and lead to loss of customers and revenue.

We may not be able to maintain the provision of adequate and uninterrupted supplies of electricity, water, necessary raw materials, auxiliary materials, equipment and spare parts at favourable prices or at all.

Major raw materials and auxiliary materials used in our mining and processing for our concentrates production include forged steel grinding balls, chemical products, explosives and diesel oil. All our raw materials and auxiliary materials and equipment are sourced from suppliers in PRC. Electricity and water are the main utilities used in our mining and ore processing operations. We obtain our electricity from the local power grid and our water supply from Shishui River, ground water and local water supplier. There can be no assurance that supplies of electricity, water, raw materials and auxiliary materials, equipment or spare parts will not be interrupted or that their prices will not increase in the future. If there is any increase in the prices, our ability to pass the increased costs to our customers is limited. In the event that our existing suppliers cease to supply us with electricity, water, raw materials and auxiliary materials, equipment or spare parts at existing or lower prices or at all, our financial condition and results of operations will be adversely affected. An interruption in supply of electricity or other materials will materially and adversely affect our underground production and our safety by disrupting operations such as water pumping and ventilation. In addition, an interruption in the supply of electricity, water, auxiliary materials, equipment or spare parts will materially and adversely affect the operation of our ore processing plant and other facilities and a suspension of operation may happen as a result. There can be no assurance that our future operation will not be adversely affected by an interruption in the supplies of electricity, water, auxiliary materials, equipment or spare parts or an increase of their prices.

Our financial performance may be affected by fluctuations in raw material prices as our ability to pass on the increase in raw material costs to our customers is limited and we currently do not have any mitigating policy to minimise the potential impact of such increase.

Fluctuations in the prices of raw materials consumed for our productions have a direct impact on the results of our operations. The major raw materials for our productions include, among other things, forged steel grinding balls, explosives, chemicals products and diesel oil. Their prices may fluctuate depending on the grade, demand and supply of these raw materials. As we price our concentrates with reference to respective market prices of minerals contained therein at the time of each transaction less discount or with reference to the then market price of the concentrates, our ability to pass on any increase in raw material costs to the customers is limited. For the three years ended 31 December 2011, our material costs accounted for 21.1%, 14.3% and 11.7% of our total cost of sales. If there is a significant increase in the prices of raw materials in the future, our profitability would be adversely affected. We will monitor the significance of our material costs and review the necessity of implementing specific mitigating policy based on our future operations.

Severe weather conditions could materially and adversely affect our business and results of operations.

Severe weather conditions, such as unexpected snowstorm or floods, may require us to evacuate personnel or curtail operations and may result in damage to our mines, our equipment or our facilities, which could result in the temporary suspension of operations or a reduction in our productivity. During periods of curtailed activity due to adverse weather conditions, we may continue to incur operating expenses even though production has slowed down or ceased altogether. Any damages to our projects or delays in our operations caused by severe weather could materially and adversely affect our business and results of operations.

Our mining operations have a finite life and eventual closure of these operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards.

Our existing mining operations in the Xinzhuang Mine have a finite life and will eventually close. The key tasks for mine closures are (i) long-term management of permanent engineered structures and acid rock drainage; (ii) achievement of environmental closure standards; (iii) orderly retrenchment of employees and our third-party contractor; and (iv) relinquishment of the site with associated permanent structures and community development infrastructure and programmes to new owners. The successful completion of these tasks is dependent on our ability to successfully implement negotiated agreements with the relevant government, community and employees. A difficult closure can lead to consequences such as increased closure costs, handover delays, ongoing environmental rehabilitation costs and damage to our reputation if desired outcomes cannot be achieved, which could materially and adversely affect our business and results of operations.

We may not be able to retain or secure key qualified personnel, key senior management or other personnel for our operations.

We depend on certain key qualified personnel, key senior management and other employees in our business, particularly those set out in the section headed "Directors and Senior Management" in this prospectus. There can be no assurance that such parties 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 personnel or failure to recruit and retain personnel for our future operations and development may have a material adverse effect on our business.

If we fail to manage our liquidity situation carefully, our ability to expand and, in turn, our results of operations may be materially and adversely affected.

As at 31 December 2009 and 2010, we had net current liabilities of approximately RMB91.8 million and RMB61.1 million, respectively, primarily due to outstanding balance due to a Shareholder. As at 31 December 2011, we had net current assets of approximately RMB18.4 million, and the change was mainly due to the waiver of short-term shareholders' borrowings. Our gearing ratio was 1.0, 0.8 and 0.4 as at 31 December 2009, 2010 and 2011 respectively. High gearing ratio as at 31 December 2009 was principally due to substantial capital investment financed by short-term shareholders' borrowings with relatively low assets base. The decrease in gearing ratio as at 31 December 2010 and 31 December 2011 was mainly due to increase in our assets under the growth of our business. A net current liability position may impair our ability to make necessary capital expenditures, develop business opportunities or make strategic acquisitions.

There can be no assurance that our business will generate sufficient cash flow from operations in the future to service any future debts and make necessary capital expenditures, in which case we may seek additional financing, dispose of certain assets or seek to refinance some of or all our future debts. In the event that we are unable to meet our liabilities when they fall due or if our creditors take legal action against us for default payment, we may have to liquidate our long-term assets to repay our creditors. We may encounter difficulty converting our long-term assets into current assets and may suffer losses upon the sale of our long-term assets. This would materially and adversely affect our operations and prevent us from successfully implementing our business strategies.

Our memoranda of understanding with potential customers may not be materialised.

We have entered into several non-binding memoranda of understanding with various companies engaged in smelting and trading business, pursuant to which we may further negotiate and develop business relationship with them for our concentrates sales. As the memoranda of understanding are of a non-binding nature, they may not be materialised and there is no assurance that we will enter into sale agreements or any sale transactions with these potential customers.

We may be unable to obtain financing on favourable terms, or at all, to fund our ongoing operations, existing and future capital expenditure requirements, acquisition and investment plans and other funding requirements, and our ability to raise additional financing could be materially affected by the fluctuations in the capital markets.

Mining and processing of mineral resources are very capital intensive. To fund our current and future operations, capital expenditure requirements, acquisition and investment plans and other funding requirements, we need sufficient internal sources of liquidity or access to additional financing from external sources. We currently fund our capital expenditures with long-term bank loans, cash flow from our operating activities and capital contributions from our Shareholders. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including, for example, (i) obtaining the PRC Government approvals, where necessary, to raise financing in the domestic or international markets; (ii) obtaining the PRC Government approvals to remit to the PRC the proceeds from any financings raised in international markets; (iii) our future financial condition, results of operations and cash flows; (iv) the condition of the global and domestic financial markets; and (v) changes in the monetary policy of the PRC Government with respect to bank interest rates and lending practices and conditions.

The disruptions, uncertainty or volatility in the capital and credit markets resulting from the recent financial turmoil may limit our ability to obtain financing and bank loans to meet our funding requirements. If adequate funding is not available to us on favourable terms in time, or at all, it may materially and adversely affect our ability to fund our existing operations, or develop our business. Additionally, if we decide to raise additional funds through the incurrence of debt, our interest and debt repayment obligations will increase, and we may be subject to additional covenants, which could limit our ability to access cash flows. If we decide to raise additional funds through the issuance of our Shares or other securities, the interests of our Shareholders may be substantially diluted.

Our existing and future major capital expenditure projects may not be completed within the expected time frame and within our budget, or at all, and may not achieve the intended economic results.

We intend to invest in projects at our existing operations to increase our production efficiency, as well as to expand and develop our mining and ore processing capabilities. We have conducted and will continue to conduct feasibility studies to determine whether to undertake significant construction projects. Actual results may differ significantly from those anticipated by our feasibility studies.

Such projects could be delayed or adversely affected by a variety of factors, including the failure to obtain the necessary regulatory approvals or sufficient funding, construction difficulties, technical difficulties and manpower or other resource constraints. In particular, the disruptions, uncertainty or volatility in the capital and credit markets resulted from the recent financial turmoil may limit our ability to obtain financing to meet our funding requirements and we may postpone certain construction projects if our Directors determine that doing so would be in the interest of our Group after taking into consideration the then market conditions, our financial performance and other relevant factors. Costs of these projects may also exceed our planned investment budget. Even if we are able to complete the projects without any delay and within our budget, as a consequence of changes in market circumstances or other factors, we may not achieve the intended economic results of these projects. As a consequence of any delay in completing our capital expenditure projects, cost overruns, changes in market circumstances or other factors, the intended economic benefits from these capital expenditure projects may not materialise, and our financial condition and results of operations may be materially and adversely affected.

Our acquisition and investment strategies may not be successful.

Part of our business strategies is to grow our business through investment in, or acquisition of, additional assets or business operations relating to mineral mining and processing. However, there can be no assurance that we will be able to identify attractive acquisition targets, negotiate acquisitions on favourable terms, obtain necessary government approvals, if applicable, accurately estimate the resources and reserves of these acquisition targets or obtain the necessary funding to complete such acquisitions on commercially acceptable terms or at all. Moreover, we cannot assure you that any business acquired by us will be integrated successfully into our operations or that we will be able to operate it profitably. Further, acquisitions may require utilisation of debt, equity or other capital resources that may lead to a diversion of financial resources from other operations. In addition, the key personnel of the acquired company may decline to work for us. These challenges associated with acquisitions may disrupt our continuing business and divert resources and management's attention from our other business concerns. If we are unable to carry out our acquisition strategy successfully, our business, financial condition and results of operations may be materially and adversely affected.

Our operations may be adversely affected as a result of entering into the Capital Reduction Agreement.

Pursuant to the Capital Reduction Agreement, the redemption monies of approximately RMB207.9 million shall be payable by Yifeng Wanguo to West-Jiangxi Brigade by instalments between 2012 and 2018. For details of the payment terms of the Capital Reduction Agreement, please refer to the section headed "History and Development – Yifeng Wanguo – Capital Reduction Agreement" in this prospectus. Pursuant to the Capital Reduction Agreement, we shall provide a mortgage in favour of West-Jiangxi Brigade over Yifeng Wanguo's right in the State-owned Land Use Rights Certificate numbered "Yifeng County State-owned 2011-556" (宜豐縣國用(2011)第556號) for securing the obligations of Yifeng Wanguo in paying the redemption monies under the Capital Reduction Agreement. If we have any difficulties in generating sufficient operating cashflow and are not able to obtain the necessary debt and/or equity financing, we may not be able to repay the redemption monies pursuant to the terms of the Capital Reduction Agreement and the West-Jiangxi Brigade may take legal action against us, including but not limited to enforcing the mortgage over certain land owned by us. In the event that Yifeng Wanguo fails to pay the redemption monies and rectify within 90 days as requested by West-Jiangxi Brigade in accordance with the Capital Reduction Agreement, the mortgage shall become exercisable by West-Jiangxi Brigade.

Certain supporting facilities such as office buildings and staff quarters are currently under construction on the land covered by the above land use right certificate and the completion of which is expected to take place around the end of 2012. If the above mortgage is enforced after the completion of construction of the relevant office buildings and staff quarters due to our failure to perform our obligations under the Capital Reduction Agreement, we may be ordered to evacuate from the above area and required to seek for other alternative area.

As to the net asset position of our Group, the net assets of our Group had been reduced by approximately RMB154 million as a result of the reduction in the total equity of Yifeng Wanguo of approximately RMB154 million upon completion of the Capital Reduction Agreement. Our Directors currently anticipate that the reduction in net assets of our Group as a result of the completion of the capital reduction would be offset entirely by the estimated net proceeds of approximately RMB182 million (based on the Offer Price of HK$1.75, being the low end of the Offer Price range) to be received by our Group from the Share Offer. Regulations in the PRC currently permit declaration of dividends by PRC companies only out of retained profits as determined in accordance with the PRC generally accepted accounting principles. As such, Yifeng Wanguo will not be able to declare dividends to HK Taylor and the ability of Yifeng Wanguo to transfer funding outside the PRC to our Company would be limited if it has accumulated losses recorded on its balance sheets. For further details of the restrictions on our PRC subsidiary in paying dividends to us, please refer to the section headed "Risk Factors – Risks Relating to the Share Offer – We rely on dividends paid by our PRC subsidiary for our cash needs, and limitations on the ability of our PRC subsidiary to pay dividends to us could have a material adverse effect on our business, prospects, financial condition and results of operations".

We grant credit period to our customers to make payments, but any delay in payments from or non-payment by our customers may affect our working capital and cash flow.

Taking into account their business size, the length of established business relationship, the contract amount and their past payment records, we may grant up to 60 days credit period to our customers to settle outstanding purchase balances after our product delivery. However, delays in receiving payments from or non-payment by our customers may adversely affect our cash flow position and our ability to meet our working capital requirements. In addition, default in payments to us can materially and adversely affect our business operations and financial conditions. We cannot assure you that our customers will make payment in full to us on a timely basis or that we will be able to efficiently manage the level of bad debt arising from overdue payments.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Fluctuations in the market price of copper, iron and other metals contained in the concentrates we produce could materially and adversely affect our profitability and cash flows.

Our revenue is generated from the sale of concentrates we produce. The price we obtain for our concentrates is determined by the amount of copper, iron and other metals contained in the concentrates and the market prices for these metals. Historically, the market price of these metals has fluctuated widely and each has experienced periods of significant decline. We have limited ability to anticipate and manage commodity price fluctuations. There can be no assurance that the market price of any or all of these metals will not decline in the future or that such prices will otherwise remain at sufficiently high levels to support our profitability. A significant decline in the market price of any of these metals, and in particular copper, iron, zinc, gold, silver, etc., could materially adversely affect our business and result of operations.

Approximately 43.6% and 26.0% of our total concentrates sales for the year ended 31 December 2011, respectively, were attributable to copper concentrates and iron concentrates we sold. We have no control over the factors that affect the copper and iron market price. There can be no assurance that the market price of copper and iron will not continue to fluctuate in the future. If copper and iron prices should fall or remain below our cost of production for a sustained period, the prices of our Shares and our results of operations could be materially and adversely affected. Please refer to the section headed “Industry Overview” in this prospectus for a more detailed description of the factors affecting the copper and iron prices.

We face competition from domestic and international competitors.

According to the AME Report, we face competition from both domestic and international concentrates producers. We believe some of our competitors have competitive advantages over us, including more abundant financial, technical and raw material resources, greater economies of scale, broader name recognition and more established relationships in certain markets. Competitive pressure may force us to lower our prices, lead to a decrease in our sales and ultimately may have a material adverse impact on our business, financial condition and results of operations.

Changes to the PRC regulatory regime for the copper, iron and other minerals mining industry may have an adverse impact on our results of operations.

The PRC local, provincial and central authorities exercise a substantial degree of control over the copper, iron and other minerals industry in the PRC. Our operations are subject to a range of PRC laws, regulations, policies, standards and requirements in relation to, among other things, mine development, production, taxation, labour standards, occupational health and safety, waste treatment and environmental protection and operation management. Any changes to these laws, regulations, policies, standards and requirements or to the interpretation or enforcement thereof may increase our operating costs and thus adversely affect our results of operations.

There is no assurance that we will be able to comply with any new PRC laws, regulations, policies, standards and requirements applicable to the copper, iron and other minerals mining industry or any changes in existing laws, regulations, policies, standards and requirements economically or at all. Further, any such new PRC laws, regulations, policies, standards and requirements or any such change in existing laws, regulations, policies, standards and requirements may also constrain our future expansion plans and adversely affect our development, operations and profitability.

Changes in PRC tax laws and regulations applicable to the mining industry may adversely affect our results of operations.

We are subject to, among other things, corporate income tax, resources tax, value-added tax, city maintenance and construction tax, education surcharge and property tax under PRC laws and regulations. Mineral and other by-products produced and sold by us are subject to value-added tax at the rate of 17%. The PRC government increased the resources tax rates of copper and zinc ore effective on 1 August 2007, and the rates applicable to the Xinzhuang Mine range from RMB5 to RMB10 per tonne of copper, iron, lead and zinc ore mined. There is no assurance that the PRC government will not further raise the rates of resources tax or other taxes. Any increase in the rates of resources tax or other taxes will have an adverse impact on our results of operations. For details, please refer to Appendix IV to this prospectus.

The EIT Law and its regulations were enacted and became effective on 1 January 2008. Under this law and the EIT Rules, if we are deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to us by our PRC incorporated subsidiary, unless we are entitled to reduction or elimination of such tax, including by tax treaties. Please refer to the section headed "Risk Factors – Risks relating to the PRC – Restrictions on the payment of dividends under applicable regulations may limit the ability of our PRC operating subsidiary to remit dividends to us, which could affect our liquidity and our ability to pay dividends" in this prospectus.

Mineral markets are highly competitive and are affected by factors beyond our control.

We sell all of the concentrates we produce in the PRC market. We compete with domestic and foreign producers in the PRC concentrates market. Competition in the PRC concentrates market is based on many factors, including, among others, price, mining capacity and processing capacity, concentrates quality and characteristics, transportation capability and costs, blending capability and brand name. Due to their location, some of our PRC competitors may have lower transportation costs than we do. The PRC concentrates market is highly fragmented and we face price competition from some small local concentrates producers that produce concentrates for significantly lower costs than us due to various factors, including their lower expenditure on safety and regulatory compliance. Some of our international competitors may have greater mining capacity and processing capacity as well as more financial, marketing, distribution and other resources than we do, and may benefit from their more established brand names in international markets. Our inability to maintain our competitive position as a result of these or other factors could materially and adversely affect our business, prospects, financial condition and results of operation.

RISKS RELATING TO THE PRC

Changes in the PRC's economic, political and social conditions and government policies may have an adverse effect on us.

Substantially all of our assets and operations are located in the PRC and all of our revenue is derived from the PRC. Accordingly, our business operations and prospects are subject, to a significant degree, to the economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in a number of respects, including structure, degree of government involvement, level of development, control of capital investment, growth rate, control of foreign exchange and allocation of resources.

Before its adoption of reform and open door policies in the late 1970s, the PRC was primarily a planned economy. Since that time, the PRC government has been reforming the PRC economic system and has also begun reforming the government structure in recent years. These reforms have resulted in significant economic growth and social progress. However, despite such transformation, the PRC government continues to play a significant role in regulating various industries by imposing industrial policies and continually adjusting economic reform measures. As such, we cannot assure that we may be able to benefit from all, or any, of the measures that are under continuous adjustments. In addition, we cannot predict whether changes in the political, economic and social conditions in the PRC or changes in the laws, regulations and policies promulgated by the PRC government will have any adverse effect on our current or future business, financial condition and results of operations.

Any significant change in, or promulgation of, laws and regulations may increase our costs of production, and our failure to comply with any of these developments could result in legal liabilities for us.

Our operations are subject to the PRC laws and regulations, which include, but are not limited to laws and regulations governing the mining industry, foreign investment, labour and insurance matters, tax, levy, tariff, foreign exchange and environmental protection. Any significant change in the scope or application of these laws or regulations or any promulgation of new laws and regulations may increase our costs of production and profit margins (as the case may be) and have an adverse effect on our financial condition and results of operations. Further, the production safety and environmental regulations and their implementation regulations govern the operations of our business. Any failure to comply with such laws and regulations could result in fines, suspension of operations, loss of any licences, penalties or lawsuits. There can also be no assurance that the PRC government will not impose additional or stricter laws or regulations in the future, which could give rise to significant compliance costs that we may be unable to pass on to our customers.

The legal system of the PRC is not fully developed, and there are inherent uncertainties which may affect the protection afforded to our business and our Shareholders.

Most if not all of our business and operations are governed by the legal system of the PRC. The PRC legal system is based on written statutes and their interpretations by the Standing Committee of the National People's Congress. Prior court decisions may be used for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations that had the effect of enhancing the protections afforded to corporate organisations and their governance, as well as various forms of foreign investments in the PRC. However, since these laws and regulations are relatively new and as the PRC legal system continues to evolve rapidly, the interpretation and enforcement of these laws, regulations and rules involves significant uncertainty and different degrees of inconsistency, limiting potentially the available legal protections to our business operations. In addition, the PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms. Therefore, it is difficult to evaluate the outcome of administrative and court proceedings and the actual level of legal protection we enjoy. These uncertainties may affect our judgement on the relevance of legal requirements and our decisions on the measures and actions to be taken to fully comply therewith, and may affect our ability to realise our contractual and tort rights. Further, we cannot predict the effect 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-exemption of local regulations by national laws. We cannot therefore assure that we will enjoy the same level of legal protection in the future, nor such new laws and regulations will not affect our operations, causing adverse effects on our financial condition and results.

As an investor holding our Shares, you hold an indirect interest in our PRC incorporated subsidiary, which is subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. The PRC Company Law and these regulations, in general, and the provisions for the protection of Shareholders' rights and access to information, in particular, are less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions. Therefore, our PRC subsidiary (and indirectly, you) does not enjoy certain shareholder protections that are available in the more developed jurisdictions.

Our labour costs may increase for reasons such as the implementation of the PRC Labour Contract Law.

The PRC Labour Contract Law (中華人民共和國勞動合同法) became effective on 1 January 2008 in the PRC. It imposes more stringent requirements on employers in relation to entry into fixed term employment contracts and dismissal of employees. Pursuant to the PRC Labour Contract Law, the employer is required to make compensation payment to fixed-term contract employees when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or are better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law. In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected by the employees themselves, the employer is also required to enter into non-fixed term employment contracts with employees who have previously entered into fixed term employment contracts for two consecutive terms.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. As a result of the PRC Labour Contract Law and the Regulation on Paid Annual Leave for Employees, our labour costs (inclusive of those incurred by our contractor) may increase. Further, under the PRC Labour Contract Law, when we terminate our PRC employees' employment, we may be required to compensate them for such amount which is determined based on their length of service with us, and we may not be able to efficiently terminate non-fixed term employment contracts under the PRC Labour Contract Law without cause. In the event we decide to significantly change or decrease our workforce, the PRC Labour Contract Law could adversely affect our ability to effect these changes cost-effectively or in the manner we desire, which could result in adverse impact to our business, operations or profitability.

Further, if there is a shortage of labour or for any reason the labour cost in the PRC rises significantly, the cost of production of our products is likely to increase. This may in turn affect the selling prices of our products, which may then affect the demand of such products and thereby adversely affect our sales and financial condition. Increase in costs of other components required for production of our products may cause similar adverse effects, particularly if we are unable to identify and employ other appropriate means to reduce our costs of production. In such circumstances, our profit margin may decrease and our financial results may be adversely affected.

Government control of currency conversion and fluctuations in the exchange rate between RMB and other currencies could negatively affect our financial condition, operations and our ability to pay dividends.

Substantially all of our revenue is denominated and settled in RMB. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE provided that certain procedural requirements are satisfied. However, approval from SAFE or its local counterpart is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Since a significant amount of our future cash flow from operations will be denominated in RMB, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside China or fund our business activities that are conducted in foreign currencies. This could also affect the ability of our subsidiaries in China to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us.

The exchange rate of the RMB against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC Government and changes in the PRC's and international political and economic conditions. Any future exchange rate volatility relating to RMB may give rise to uncertainties in the value of our net assets, earnings and dividends. An appreciation of RMB may result in increased competition from foreign competitors; a devaluation of RMB may adversely affect the value of our net assets, earnings and dividends in foreign currency terms. Moreover, to the extent that we need to convert the net proceeds from the Share Offer and future financing into the RMB for our operations, appreciation of the RMB against the relevant foreign currencies would have an adverse effect on the RMB amount we would receive from the conversion. On the other hand, because the dividends on our Shares, if any, will be paid in Hong Kong dollars, any devaluation of the RMB against the Hong Kong dollar could adversely affect the amount of any cash dividends on our Shares in Hong Kong dollar terms.

It may be difficult to effect service of process or to enforce foreign judgements in the PRC.

A substantial amount, if not all, of our assets are located in the PRC. Further, the majority of our Directors and officers reside in the PRC as well as their personal assets. Therefore, investors may encounter difficulties in effecting service of process from outside the PRC upon us or most of our Directors and officers. Moreover, it is understood that the enforcement of foreign judgements in the PRC is still subject to uncertainties. A judgement of a court from a foreign jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if the judgements of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requisite requirements. However, the PRC does not have treaties with Japan, the United Kingdom, the United States and most other countries providing for the reciprocal enforcement of judgements. Also, Hong Kong has no arrangement for reciprocal enforcement of judgements with the United States, causing uncertainties in relation to the enforcement of foreign judgements.

We may be required to pay income tax on capital gains from the transfer of equity interests in our PRC subsidiary held by our offshore subsidiaries.

In connection with the EIT Law which came into effect on 1 January 2008, the Ministry of Finance (財政部) and the SAT jointly issued, on 30 April 2009, the Circular on Issues Concerning Process of Corporate Income Tax in Enterprise Restructuring Business (Cai Shui [2009] No. 59) (關於企業重組業務企業所得稅處理若干問題的通知) (財稅[2009]59號), which became effective retrospectively on 1 January 2008. In preparation for the Share Offer, our Group and its subsidiaries commenced the Reorganisation. For more details of the Reorganisation, please refer to the section headed "History and Development – Reorganisation" in this prospectus. The transfer of equity interests in certain PRC subsidiaries indirectly held by offshore subsidiaries of our Group to other offshore subsidiaries of our Group is subject to an income tax of 10% on capital gains which may be determined as the difference between the fair value of the equity interests transferred and the cost of investment. On 10 December 2009, the SAT issued the Notice on Strengthening the Management on Corporate Income Tax for Non-resident Enterprises Equity Transfer (Guo Shui Han [2009] No. 698) (關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (國稅函[2009]698號), which became effective retrospectively on 1 January 2008. The notice clarified the definition cost of investment and other relevant details on the EIT management regarding the share transfer of a PRC resident enterprise by non-PRC resident enterprises directly or indirectly. We have not made any provision for the payment of any income tax on any capital gain that may arise under the above circular and notice as it is currently unclear how the relevant PRC tax authorities will implement or enforce the above circular and notice and whether such income tax on capital gains treatment will be subject to further change. In the event that we are required to pay the income tax on capital gains by the relevant PRC tax authorities, our tax liability may increase and our net profits and cash flow may be affected.

We may be deemed to be a PRC tax resident under the EIT Law and be subject to PRC taxation on our worldwide income.

Under the EIT Law, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and will generally be subject to a uniform 25% EIT on their worldwide income. Under the EIT Rules, "de facto management bodies" are defined as bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Substantially all of our management is currently based in the PRC and may remain in the PRC. Therefore, we may be treated as a PRC resident enterprise for EIT purposes and thus be subject to EIT on our worldwide income. However, a PRC resident enterprise is exempt from dividend income received from qualified resident enterprises. The tax consequences of such treatment are currently unclear, as they will depend on the implementation regulations and how local tax authorities apply or enforce the EIT Law and the EIT Rules. Our business, financial condition and operating results may be materially and adversely affected if we are subject to PRC taxation on our worldwide income.

Restrictions on the payment of dividends under applicable regulations may limit the ability of our PRC operating subsidiary to remit dividends to us, which could affect our liquidity and our ability to pay dividends.

As a holding company, we currently conduct substantially all of our business through our operating subsidiary, Yifeng Wanguo, incorporated in the PRC. We rely on dividends paid by the PRC subsidiary for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our Shareholders, to service any foreign currency debt we may incur and to make any offshore acquisitions. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit declaration of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Our PRC subsidiary is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. We anticipate that in the foreseeable future our PRC subsidiary will need to continue to set aside 10% of the respective after-tax profits to its statutory reserves. These limitations on the ability of our PRC subsidiary to transfer funds to us limit our ability to receive and utilise such funds. In addition, if our PRC subsidiary incurs debt in the future, the instruments governing the debt may restrict its abilities to pay dividends or make other distributions to us. As a result, our PRC subsidiary may be restricted in its abilities to transfer the net profit to us in the form of dividends. If our PRC subsidiary cannot pay dividends due to government regulations or contractual restrictions, or because it cannot generate the requisite cash flow, we may not be able to pay dividends, service our debt or pay our expenses which may have a material adverse effect on our business, prospects, financial condition and results of operations.

PRC regulations relating to loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the net proceeds of the Share Offer to contribute additional capital or make loans to our PRC subsidiary.

We are an offshore holding company conducting our operations in the PRC through our PRC subsidiary, Yifeng Wanguo. In utilising the net proceeds, we expect to receive from the Share Offer for the purposes described in the section headed "Future Plans and Use of Proceeds" in this prospectus, we may make loans or additional capital contributions to our PRC subsidiary, Yifeng Wanguo.

Any loans to our PRC subsidiary, which is treated as a foreign invested enterprise under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to Yifeng Wanguo to finance its activities cannot exceed statutory limits and must be registered with SAFE or its local counterpart. We may also determine to finance Yifeng Wanguo by means of capital contributions. These capital contributions must be approved by the MOFCOM or its local counterpart.

We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the net proceeds from the Share Offer to capitalise or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders or our PRC subsidiary to liabilities or penalties, limit our ability to inject capital into our PRC subsidiary or limit the ability of our PRC subsidiary to distribute profits to us.

According to SAFE Circular No. 75, PRC residents establishing or taking control of a special purpose company abroad and domestic enterprises receiving round-trip investments from funds raised by an offshore special purpose company controlled by PRC residents are required to effect foreign exchange registration with the local foreign exchange bureau. As advised by our PRC Legal Advisers, it is not necessary for Mr. Gao and Ms. Gao to make the foreign exchange registration with SAFE and our Company, our Controlling Shareholders and Substantial Shareholders are considered to be in compliance with the relevant laws and regulations on foreign exchange. According to the relevant guidance with respect to the operational rules on such foreign exchange registration issued by SAFE to its local branches, if any PRC shareholder of an offshore special purpose company fails to make the required SAFE registration and amendment, the PRC subsidiaries of that offshore special purpose company may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer, the principal and interests of shareholder's loans, advance recovery of investment or liquidation to the offshore special purpose company, otherwise could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, which would materially and adversely affect our business and your investment in our Shares.

Restrictions on foreign investment in the PRC mining industry could materially and adversely affect our business and results of operations.

In the PRC, foreign companies have in the past been, and are currently, required to operate within a framework that is different from that imposed on domestic PRC companies. However, the PRC government has been opening up opportunities for foreign investment in mining projects and this process is expected to continue, especially following the PRC's accession into the World Trade Organisation. However, if the PRC government should reverse this trend, or impose greater restrictions on foreign companies, or seek to nationalise our PRC operations, our business and results of operations could be materially and adversely affected. For a description of the laws and regulations applicable to foreign mining companies, please refer to Appendix IV to this prospectus.

The outbreak of any severe contagious diseases, natural disasters, acts of war, political unrest and other related events in the PRC, if uncontrolled, could adversely affect our business and results of operations.

The outbreak of any severe communicable disease in the PRC could have severe effects on the overall business sentiments and environment in the PRC, and may in turn lead to a slower economic growth in the PRC economy. Examples of such contagious diseases may include Severe Acute Respiratory Syndrome ("**SARS**"), and also more recently, the H1N1 Influenza (originally referred to as the swine flu), as discovered in April 2009. As evident from past events, the outbreak of such major diseases, especially SARS in 2003 has caused significant damage to the global economy, slowing down economic growth in the whole world. As such, recurrence or outbreak of any types of similar diseases may cause such damage to the global market, causing a worldwide slowdown in the levels of economic activity, and may in turn adversely affect our results of operations and the price of our Shares.

Moreover, political unrests, acts of war, terrorist attacks and natural disasters may cause damage or disruption to the PRC economy as a whole, and/or our operations, employees and production facilities, and in turn causing adverse effects on our sales, costs of raw materials, our financial condition and results of operations. This is evident from previous events of terrorist attacks globally, the 8.0 magnitude earthquakes in Sichuan and also the 2004 tsunami events. We cannot control the occurrence of these catastrophic events and our business operations will at all times be subject to the risks of these uncertainties.

Inflation in the PRC could materially and adversely affect our profitability and growth.

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for our products rise at a rate that is insufficient to compensate for the rise in our costs, our business may be materially and adversely affected. In order to control inflation in the past, the PRC Government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such an austerity policy can lead to a slowing of economic growth. A slowdown in the PRC economy could also materially and adversely affect our business and prospects.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares, and an active trading market may not develop after the Share Offer.

Prior to the Share Offer, there has been no public market for our Shares. The Offer Price for our Shares will be determined by agreement between the Joint Bookrunners (acting for and on behalf of the Underwriters) and us on the Price Determination Date. The Offer Price may not be indicative of the price at which our Shares will trade following the completion of the Share Offer. Moreover, there can be no assurance that there will be an active trading market for our Shares, or if it exists, that it can be sustained following the completion of the Share Offer, or that the price at which our Shares will trade will not decline below the Offer Price.

The Offer Price may not be indicative of prices that will prevail in the trading market and such market prices and the liquidity of our Shares following the Share Offer could be volatile.

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements of new technologies, strategic alliances or acquisitions, safety or environmental accidents suffered by us or other similar mining companies or fluctuations in the market prices of minerals contained in our concentrates could cause large and sudden changes in the volume and price at which our Shares will trade. We cannot assure that such development will not occur. In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced substantial price and volume fluctuations in the past. As a result, the prices of our Shares are subject to price fluctuations that may not be directly related to our financial or business performance.

We rely on dividends paid by our PRC subsidiary for our cash needs, and limitations on the ability of our PRC subsidiary to pay dividends to us could have a material adverse effect on our business, prospects, financial condition and results of operations.

We are a holding company incorporated in the Cayman Islands and conduct substantially all of our operations through our PRC subsidiary. We will rely on dividends paid by our PRC subsidiary for our future cash needs that cannot be provided by equity issuance or borrowings outside of the PRC, including the funds necessary to pay dividends and other cash distributions to our Shareholders, to service any debt we may incur and to pay our operating expenses in excess of such amounts will depend on dividends from our PRC subsidiary. Regulations in the PRC currently permit payment of dividends by the PRC subsidiary only out of accumulated profits as determined in accordance with the PRC generally accepted accounting principles. According to applicable PRC laws and regulations, our PRC subsidiary is required to set aside at least 10% of its after-tax profit based on the PRC generally accepted accounting principles each year for its statutory reserves until the amount of such reserves reach 50% of its registered capital. These reserves are not distributable as dividends. Contributions to such reserves are made from our PRC subsidiary's net profit after taxation. In addition, the instruments governing the debt incurred by our PRC subsidiary in its own name may restrict its ability to pay dividends or make other distributions to us. As a result, our PRC subsidiary is restricted in its ability to transfer the net profit to us in the form of dividends. If our PRC subsidiary cannot pay dividends due to government policy and regulations or any restrictions on making payments to our Company contained in any financing or other agreements, or because it cannot generate the requisite cash flow, we may not be able to pay dividends, service our debt or pay our expenses, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our current dividend policy and our historical dividend payment should not be taken as an indication of our future ability to pay dividends and we may not be able to pay any dividends in the future.

Our Company may declare dividends in Hong Kong dollars to be paid to our Shareholders in general meetings but no dividends may be declared in excess of the amount recommended by our Board. Our Company may also make a distribution to our Shareholders out of share premium in general meetings. No dividend or distribution may be paid out of share premium unless immediately following the date on which the distribution or dividend is proposed to be paid, our Company will be able to pay its debts as they fall due in the ordinary course of business.

Our Directors may declare dividends after taking into account, among other things, our results of operations, financial condition and position, the amount of distributable profits based on IFRSs, our Memorandum and Articles of Association, the Cayman Islands Companies Law, applicable laws and regulations and other factors that our Directors deem relevant. For further details of our dividend policy, please see the section headed "Financial Information – Dividend and Dividend Policy" in this prospectus. Our future payments of dividends will be at the absolute discretion of our Board. We cannot assure you when or whether we will pay dividends in the future.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to the PRC and any provinces, cities or regions thereof contained in this prospectus, the reliability of which cannot be assumed or assured.

Certain facts and statistics in this prospectus relating to the PRC, its economy and the industries in which we operate within the PRC are derived from official government publications generally believed to be reliable. We cannot guarantee the quality or reliability of such facts and statistics. These facts and statistics have not been prepared or independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners or the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, or materials prepared based on such facts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other difficulties, the statistics presented in this prospectus may be inaccurate or may not be comparable from period to period or to statistics produced for other economics and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight or importance they should place upon all such facts and statistics.

Forward looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains statements that are forward-looking and uses words typically used for forward-looking statements such as "will," "expect," "estimate," "anticipate," "plan," "believe", "may", "intend", "ought to", "continue", "project", "should", "seek", "potential" and other similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Purchasers of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although we believe that the assumptions upon which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be incorrect and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but not limited to, those identified in this "Risk Factors" section, many of which are not within our control. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us that our plans and objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise.

Future issuances or sales, or perceived issuances or sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares and our Company's ability to raise capital in the future.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, including sales by our Substantial Shareholders, or the issuance of new Shares by our Company, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favourable to us, and the Shareholders would experience dilution in their holdings upon issuance or sale of additional securities in the future. While we are not aware of any intentions of our existing Shareholders to dispose of significant amounts of their Shares upon expiry of the relevant lock-up periods, the details of which are set out in the section headed "Underwriting" in this prospectus, we are not in a position to give any assurances that they will not dispose of any Shares they own now or may own in the future.

The Offer Price per Share is higher than the net tangible asset book value per Share, and, consequently, purchasers of our Shares will incur immediate dilution.

The Offer Price of our Shares is higher than the net tangible asset book value per Share immediately prior to the Share Offer. Therefore, purchasers of our Shares in the Share Offer will experience an immediate dilution in their Share from the Offer Price per Share to the unaudited pro forma adjusted consolidated net tangible asset book value of HK$0.71 per Share (assuming an Offer Price of HK$1.925, which is the mid-point of the indicative range of the Offer Price of HK$1.75 to HK$2.10 per Share), and our existing Shareholders will receive an increase in the net tangible asset book value per Share in respect of their Shares. If we issue additional Shares in the future at a price lower than the then net tangible asset book value per Share, purchasers of our Shares may experience further dilution.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law, which law may provide different protection to minority shareholders than the laws of Hong Kong and other jurisdictions.

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Cayman Islands Companies Law. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that our minority Shareholders, including you, may have less protection than they and you would otherwise have under the laws of other jurisdictions. For further information, please see Appendix VI to this prospectus.

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, some of which may not be consistent with the information contained in this prospectus.

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Share Offer, the disclosure of which has not been authorised by us but included certain financial information, projections, valuations and other information about us (the "**Unauthorised Information**"). We wish to emphasise 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 conflicts 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.