China Vanadium Titano-Magnetite Mining Company Limited

中國釩鈦磁鐵礦業有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 893

GLOBAL OFFERING

Sole Global Coordinator and Sole Sponsor

citi

Joint Bookrunners and Joint Lead Managers

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Deutsche Bank

IMPORTANT

If you are in any doubt about the contents of this prospectus, you should obtain independent professional advice.

China Vanadium Titano-Magnetite Mining Company Limited
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GLOBAL OFFERING

Number of Offer Shares :	588,800,000 Shares (comprising 500,000,000 new Shares to be offered by the Company and 88,800,000 Shares to be offered by the Selling Shareholder, subject to adjustment and the Over-allotment Option)
Number of Hong Kong Offer Shares :	58,880,000 Shares (subject to adjustment)
Number of International Placing Shares :	529,920,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price :	HK$3.86 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.004% and the Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund on final pricing)
Nominal value :	HK$0.10 per Share
Stock code :	893

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The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the "Documents Delivered to the Registrar of Companies and Available for Inspection" attached as Appendix VIII to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement among the Joint Lead Managers (on behalf of the Underwriters), the Selling Shareholder and us on the Price Determination Date, which is expected to be on or around Wednesday, September 30, 2009 and, in any event, not later than Tuesday, October 6, 2009.

The Offer Price will be not more than HK$3.86 per Offer Share and is currently expected to be not less than HK$3.12 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$3.86 per Offer Share, unless otherwise announced, together with 1% brokerage, the Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004%, subject to refund if the Offer Price should be lower than HK$3.86 per Offer Share.

The Joint Lead Managers (on behalf of the Underwriters) may, with our consent and the consent of the Selling Shareholder, reduce the number of Offer Shares being offered in the Global Offering and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, a notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, such applications cannot be subsequently withdrawn even if the number of Offer Shares and/or the indicative Offer Price range is so reduced. For further information, see the "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" sections in this prospectus.

If, for any reason, the Offer Price is not agreed among the Joint Lead Managers (on behalf of the Underwriters), the Selling Shareholder and us on or before Tuesday, October 6, 2009, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information in this prospectus including the risk factors set out in the "Risk Factors" section in this prospectus.

If certain circumstances arise, the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Lead Managers (on behalf of the Underwriters) prior to 8:00 a.m. on the Listing Date. Such circumstances are described in the "Underwriting — Grounds for Termination" section in this prospectus.

The Offer Shares have not been and will not be registered under the US Securities Act and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The Offer Shares are being offered, in the United States, only to QIBs in reliance on Rule 144A under the US Securities Act and, outside the United States, to certain persons in offshore transactions in reliance on Regulation S under the US Securities Act.

September 24, 2009

	Time and Date (Note 1)
Application lists open (Note 2)	11:45 a.m. on Tuesday, September 29, 2009
Latest time for lodging **white** and **yellow** Application Forms and giving **electronic application instructions to** HKSCC (Note 3)	12:00 noon on Tuesday, September 29, 2009
Latest time to complete electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** (Note 4)	11:30 a.m. on Tuesday, September 29, 2009
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, September 29, 2009
Application Lists close (Note 2)	12:00 noon on Tuesday, September 29, 2009
Expected Price Determination Date (Note 5)	Wednesday, September 30, 2009
Announcement of ● Offer Price ● the level of applications in the Hong Kong Public Offer; ● the level of indications of interest in the International Placing; and ● the basis of allotment of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese)	Wednesday, October 7, 2009
Results of allocations in the Hong Kong Public Offer (including the successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see the "How to Apply for Hong Kong Offer Shares — Results of Allocations" section in this prospectus) from	Wednesday, October 7, 2009
Results of allocations in the Hong Kong Public Offer will be available at **www.iporesults.com.hk** with a "search by ID" function	Wednesday, October 7, 2009
White Form eIPO Refund payment instructions in respect of wholly or partially unsuccessful applications to be despatched on or before (Note 6 & 11)	Wednesday, October 7, 2009
Refund checks in respect of wholly or partially unsuccessful applications to be posted on or before (Note 7, 8, 9 & 11)	Wednesday, October 7, 2009
Share certificates to be posted or deposited into CCASS on or before (Note 7 to 10)	Wednesday, October 7, 2009
Dealings in the Shares on the Stock Exchange to commence on	Thursday, October 8, 2009

Notes:

1. All times and dates refer to Hong Kong local times and dates.
2. If there is a "Black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon on Tuesday, September 29, 2009, the application lists of the Hong Kong Public Offer will not open on that day. Further information is set out in the "How to Apply for Hong Kong Offer Shares — V. When May Applications Be Made — Effect of bad weather on the opening of the application lists" section in this prospectus.
3. Applicants who apply by giving ***electronic application instructions*** to HKSCC should refer to the "How to Apply for Hong Kong Offer Shares — III. Applying By Giving Electronic Application instructions to HKSCC" section in this prospectus.
4. You will not be permitted to submit your application through the designated website at ***www.eipo.com.hk*** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

5. Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or around Wednesday, September 30, 2009. Notwithstanding that the Offer Price may be fixed at below the maximum offer price of HK$3.86 per Offer Share payable by applicants for Shares under the Hong Kong Public Offer, applicants for the Hong Kong Offer Shares are required to pay, on application, the maximum offer price of HK$3.86 per Offer Share, together with 1% brokerage, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.004% but will be refunded the surplus application monies as provided in the "How to Apply for Hong Kong Offer Shares" section in this prospectus.

6. Applicants who apply through the **White Form eIPO** service by paying the application monies through a single bank account, may have e-Refund payment instructions (if any) despatched to their application payment bank account on or around Wednesday, October 7, 2009. Applicants who apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts, may have refund cheque(s) sent to the address specified in their application instructions to the designated **White Form eIPO** Service Provider on or around Wednesday, October 7, 2009, by ordinary post and at their own risk.

7. Applicants who apply on **white** Application Forms for 1,000,000 Hong Kong Offer Shares or more and have indicated in their Application Forms that they wish to collect refund checks (where applicable) and share certificates (where applicable) in person from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, October 7, 2009. Applicants being individuals who opt for personal collection must not authorize any other persons to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives bearing letters of authorization from their corporations stamped with the company's chop. Identification documents and (where applicable) authorization documents acceptable to our Hong Kong Share Registrar must be produced at the time of collection. Further information is set out in the "How to Apply for Hong Kong Offer Shares — IX. Publication of Results, Despatch/Collection of Share Certificates and Refunds of Application Monies" section in this prospectus. Part of your Hong Kong Identity Card number/passport number, or, if you are a joint applicant, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund check, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund check. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of, or may invalidate, your refund check.

8. Applicants who apply on **yellow** Application Forms for 1,000,000 Hong Kong Offer Shares or more and have indicated in these Application Forms that they wish to collect refund checks in person may collect their refund check (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund checks (if any) for applicants who apply on **yellow** Application Forms are the same as those for applicants who apply on **white** Application Forms.

9. Uncollected share certificates and/or refund checks (if any) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms. Further information is set out in the "How to Apply for Hong Kong Offer Shares — IX. Publication of Results, Despatch/Collection of Share Certificates and Refunds of Application Monies" section in this prospectus.

10. Share certificates for the Hong Kong Offer Shares to be distributed via CCASS are expected to be deposited into CCASS on Wednesday, October 7, 2009 for credit to the respective CCASS participant's stock accounts designated by the International Underwriters, the placees or their agents, as the case may be.

11. Refunds will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applicants in the event that the Offer Price as finally determined is less than the price payable on application.

Share certificates for the Offer Shares will only become valid certificates of title provided that the Underwriting Agreements have become unconditional and have not been terminated in accordance with their respective terms, which is scheduled to occur at or around 8:00 a.m. on Thursday, October 8, 2009. No dealings should take place in the Offer Shares prior to the commencement of dealings in the Shares on the Stock Exchange. Investors who trade the Offer Shares on the basis of publicly available allocation details prior to receipt of the share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

CONTENTS

We have issued this prospectus solely in connection with the Hong Kong Public Offer and the Hong Kong Offer Shares, and it does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offer. No person may use this prospectus for the purpose of, and it does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. We have taken no action to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and we have taken no action to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offer is made solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorized by us, the Sole Global Coordinator, the Joint Lead Managers, any of the Underwriters, any of their respective directors and advisors, or any other persons or parties involved in the Global Offering.

CONTENTS

This summary provides you with an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are summarized in the "Risk Factors" section in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

Capitalized terms are defined in the "Definitions" section in this prospectus. Please also refer to the "Glossary" section in this prospectus for definition and explanation of various technical expressions.

OVERVIEW

We are the second largest operator and the largest non state-owned operator of iron ore mines in Sichuan based on our actual output volume of iron ore in 2008 and for the six months ended June 30, 2009, according to the records of the Sichuan Metallurgy Economic Association (四川省冶金經濟協會). The ore in our mines is vanadium-bearing titanomagnetite ore, which we use to produce iron ore products and titanium products. Sichuan has approximately 83.2% of the total vanadium-bearing titanomagnetite reserves in the PRC, according to the Hatch Report, and we believe that we are well-positioned to expand our operations due to the size of our operations and our experience in acquiring and operating mines of this type in Sichuan's Panxi Region.

We believe that there is room for our expansion and growth because the PRC has historically experienced a significant shortfall in domestically-produced iron ore. The PRC is the world's largest iron ore importer. In 2008, the total PRC iron ore demand of 753.1 Mt exceeded the domestic PRC iron ore output of 387.3 Mt by approximately 365.8 Mt, according to the Hatch Report. For each year beginning in and since 2005, the annual iron ore supply shortfall in the PRC has exceeded 300.0 Mt. Sichuan is also a net importer of iron ore from overseas and from other provinces in the PRC. We believe that this supply shortfall will continue based on information in the Hatch Report which showed that the total PRC and Sichuan iron ore supply shortfalls during the six months ended June 30, 2009 were 235.5 Mt and 3.6 Mt, respectively.

As of the Listing Date, we will be the first and only Hong Kong listed PRC producer focused primarily on iron ore and iron ore-related products. We are primarily engaged in mining, ore processing and iron pelletizing and we sell our iron concentrates, iron pellets and titanium concentrates to steel producers and downstream users of titanium-related products.

We own and operate two vanadium-bearing titanomagnetite mines, our Baicao Mine and Xiushuihe Mine, both of which are located in Huili County of the Panxi Region, an area with the largest reserves of vanadium-bearing titanomagnetite in the PRC. As of June 30, 2009, the total proved and probable reserves of vanadium-bearing titanomagnetite in our Baicao Mine and Xiushuihe Mine were approximately 60.0 Mt and 18.7 Mt, respectively. As of June 30, 2009, the average iron contents of ore from our Baicao Mine and Xiushuihe Mine were approximately 25.5% and 27.1%, respectively. As of June 30, 2009, the ore from our Baicao Mine and Xiushuihe Mine each had a relatively high titanium content, with an average titanium content of approximately 10.3% and 11.1%, respectively. As of June 30, 2009, the ore from our Baicao Mine and Xiushuihe Mine each had a relatively high vanadium content, with an average vanadium pentoxide content of 0.23% in each mine.

In addition to our mining operations, we operate two processing plants, our Baicao Processing Plant and Xiushuihe Processing Plant, and a pelletizing facility, our Iron Pelletizing Plant. Due to the relatively high titanium content of our ore, we are able to separate iron concentrates and titanium concentrates simultaneously through a single production process in which high-grade ore undergoes low-intensity magnetic separation to yield iron concentrates and titanium concentrates. As a result, we sell two products (i.e., iron concentrates and titanium concentrates) produced from the same production process and thereby benefit from significant cost efficiencies. We produce iron pellets at our Iron Pelletizing Plant through the pelletizing and sintering of iron concentrates, with the majority of such iron concentrates supplied by our Xiushuihe Processing Plant.

We grew rapidly during the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, with revenue increasing from RMB211.1 million in 2006 to RMB791.2 million in 2008, representing a CAGR of 93.6%, and from RMB315.3 million for the six months ended June 30, 2008 to RMB486.0 million for the six months ended June 30, 2009, representing an increase of 54.1%.

During the Track Record Period, we derived the majority of our revenue from the sale of iron concentrates and iron pellets. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue generated from the sale of our iron concentrates and iron pellets in aggregate accounted for approximately 89.6%, 96.9%, 94.5% and 98.7% of our total revenue, respectively. See the "Business — Products" section in this prospectus. The following table sets forth our revenue contribution by product and percentage of total revenue by product for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, respectively:

	Year ended December 31,							Six months ended June 30,				
	2006		2007		2008			2008		2009		
	Revenue (RMB'000)	Percentage of total revenue (%)	Revenue (RMB'000)	Percentage of total revenue (%)	Revenue (RMB'000)	Percentage of total revenue (%)	CAGR from 2006 to 2008 (%)	Revenue (RMB'000)	Percentage of total revenue (%)	Revenue (RMB'000)	Percentage of total revenue (%)	Period increase/ (decrease) (%) *(Note 3)*
Iron concentrates	75,194	35.6	190,171	51.9	495,568	62.6	156.7	168,661	53.5	239,411	49.3	41.9
Iron pellets	113,899	54.0	165,145	45.0	252,319	31.9	48.8	115,120	36.5	240,498	49.4	108.9
Medium-grade titanium concentrates	7,452	3.5	11,271	3.1	43,276	5.5	141.0	31,554	10.0	6,132	1.3	(80.6)
Others *(Note 1)*	14,558	6.9	83 *(Note 2)*	—	—	—		—	—	—	—	—
Total	211,103	100.0	366,670	100.0	791,163	100.0	93.6	315,335	100.0	486,041	100.0	54.1

Notes:

1. Others include revenue generated from the sale of materials that we purchased from third party suppliers to our customers. We have not sold any materials purchased from third party suppliers to our customers since 2007.

2. This amount represents an adjustment to the selling price of other products sold to our customers in 2006 which was due to a higher content of iron and was agreed to by these customers in 2007.

3. This amount represents the percentage increase or decrease in the six month period ended June 30, 2009 over the corresponding amounts for the six month period ended June 30, 2008.

The following table summarizes information about our mines as of June 30, 2009:

Mine name	Total proved reserves of vanadium-bearing titanomagnetite reserves(Note 1)	Total probable reserves of vanadium-bearing titanomagnetite reserves(Note 1)	Mine life(Note 2)	Current mining permit expiration date	Reserves to be mined under current mining right term	Commencement date of commercial production
	(Mt)	(Mt)	(years)	(month/year)	(Mt)	(month/year)
Baicao Mine	25.5	34.5	14.0	12/2027	60.0	01/2005
Xiushuihe Mine	9.5	9.2	5.8	12/2027	18.7	01/2005

Notes:

1. Total proved and probable vanadium-bearing titanomagnetite reserve figures are based on the portion of the measured and indicated mineral resources that are economical to mine and process. See the "Report of Independent Technical Adviser" attached as Appendix V to this prospectus.

2. Mine life is calculated by dividing the ore reserves of vanadium-bearing titanomagnetite as of June 30, 2009 by the long term production rate for the specific mine or project as set out in the "Report of Independent Technical Adviser" attached as Appendix V to this prospectus.

See the "Report of Independent Technical Adviser" attached as Appendix V to this prospectus for the mining quantities covered by our current mining rights.

The following table summarizes information about our mining permits, exploration permit, safety production permits and state-owned land use rights certificates.

Type of permit	Holder	Issuance Date	Term	Content
Mining permit	Huili Caitong	September 8, 2009	18 years and 3 months	Type of Mine: iron ore Operation Scale: 4.6 Mt per annum for open pit mining operation Mining Area: 1.9 sq. km.
	Xiushuihe Mining	May 6, 2008	19 years and 7 months	Type of Mine: iron ore Operation Scale: 2.3 Mt per annum for open pit mining operation Mining Area: 0.5 sq. km.
Exploration permit	Xiushuihe Mining	July 8, 2009	2 years	Type of Mine: iron ore Exploration Area: 1.7 sq. km.(Note 1)
Safety production permit	Huili Caitong	March 27, 2008	3 years	For iron ore mining
		June 23, 2008	3 years	For operation of tailings storage facility
	Xiushuihe Mining	October 31, 2008	3 years	For iron ore mining
		June 24, 2008	3 years	For operation of tailings storage facility
State-owned land use rights certificate	Huili Caitong	June 2, 2008	50 years	Use Purpose: industrial Area: 45,372.0 sq.m. Location: Lima River Village, Guanhe Townlet, Huili County, Sichuan.
		February 18, 2009	50 years	Use Purpose: industrial Area: 64,469.6 sq.m. Location: Sections No. 3 and No. 4, Kuangshan Village, Xiaoheiqing Townlet, Huili County, Sichuan

Type of permit	Holder	Issuance Date	Term	Content
		February 18, 2009	50 years	Use Purpose: industrial Area: 3,279.2 sq.m. Location: Section No. 3, Kuangshan Village, Xiaoheiqing Townlet, Huili County, Sichuan
		February 18, 2009	50 years	Use Purpose: industrial Area: 4,977.2 sq.m. Location: Section No. 3, Kuangshan Village, Xiaoheiqing Townlet, Huili County, Sichuan
		February 18, 2009	50 years	Use Purpose: industrial Area: 70,930.5 sq.m. Location: Sections No. 1 and No. 3, Kuangshan Village and Section No. 1, Hongliang Village, Xiaoheiqing Townlet, Huili County, Sichuan
		February 18, 2009	50 years	Use Purpose: industrial Area: 105,601.1 sq.m. Location: Section No. 3, Kuangshan Village, Xiaoheiqing Townlet, Huili County, Sichuan
	Xiushuihe Mining	November 13, 2008	50 years	Use Purpose: industrial Area: 37,995.3 sq.m. Location: Section No. 1, Baisha Village, Xiaoheiqing Townlet, Huili County, Sichuan
		November 13, 2008	50 years	Use Purpose: industrial Area: 75,868.2 sq.m. Location: Section No. 1, Laoyingpan Village, Ailang Townlet, Huili County, Sichuan
		November 13, 2008	50 years	Use Purpose: industrial Area: 89,927.3 sq.m. Location: Section No. 3, Chelin Village, Ailang Townlet, Huili County, Sichuan

Note:

1. The exploration permit was granted for the entire Xiushuihe deposit area of 1.7 sq. km. This area consists of approximately 0.5 sq. km. of land for which we presently hold mining rights and approximately 1.2 sq. km of land previously unexplored by us.

For details on each of the above, see the "Business — Properties — Owned properties" and "Business — Our Mineral Resources and Mining Rights — Mining rights, exploration permit and safety production permits" sections in this prospectus.

We currently plan to acquire additional mineral reserves and expand our production capacities as well as expand our line of business by developing titanium-related downstream products. See the "Business — Expansion and Construction Plan", "Risk Factors — Risks Relating to our Business and Industry — Our major capital expenditure projects require significant capital investments and may not achieve the intended economic benefits" and "Risk Factors — Risks Relating to our Business and Industry — Our plan to acquire additional mineral reserves may not succeed" sections in this prospectus. Our expansion plans may be affected if the global economic slowdown that began in mid-2008 continues to affect iron ore demand. See the "Risk Factors — Risks Relating to our Business and Industry — Our business depends on the economic growth of the PRC, the performance of the PRC iron and steel industries and the growth of the PRC titanium and titanium-related industries" and "Business — Customers — Recent global economic trends and impact on our business" sections in this prospectus.

The PRC governmental authorities have implemented a number of policies in response to the global economic slowdown, including a RMB4.0 trillion economic stimulus plan. We believe that the implementation of the economic stimulus plan will involve the use of steel and stimulate the PRC's demand for iron ore products, particularly the stimulus plan's proposed investments of RMB1.5 trillion into the construction of railroads, airports, and the urban and rural electricity grids; RMB1.0 trillion into the reconstruction of areas in Sichuan affected by the Sichuan earthquake of May 2008; RMB400.0 billion into affordable housing; and RMB370.0 billion into rural infrastructure. Additional reconstruction plans for areas affected by the Sichuan earthquake and related standards for the seismic protection of buildings and policies governing the production of high-strength steel will also promote the use of high-strength steel. See the "Business — Expansion and Construction Plan — Expansion of mineral reserves — PRC policies supporting growth in the mining and steel industries" and "Industry Overview — PRC Policies and Regulations Supporting Growth in the Mining and Steel Industries" sections in this prospectus. Due to our proximity to Sichuan steel producers and the price of locally produced iron ore products being generally lower than imported iron ore because of the transportation costs involved, we believe that the increase in steel production in Sichuan as a result of these and other policies will increase the demand for our products.

Both of our mines and almost all of our customers are located in the southwest region of the PRC and have access to the Chengdu-Kunming Railroad. Pursuant to a strategic cooperative understanding we have reached with Tongyu, a subsidiary of Chuan Wei that engages in freight forwarding, Tongyu gives our customers priority to use the railroad transport capacity it secures from the Chengdu Railway Bureau Industry Development Corporation. We believe that the competitiveness of our products is enhanced by this assured transportation capacity and the lower transportation costs that result from our customers' proximity to our facilities.

We have two types of customers: direct customers and distributors. The term "direct customers" refers to customers who use our products directly in their manufacturing operations. During the six months ended June 30, 2009, Weiyuan Steel, our connected party, was one of two direct customers of our iron concentrates while our other direct customers purchased medium-grade titanium concentrates from us. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the total revenue derived from sales to our direct customers was approximately RMB205.5 million, RMB359.6 million, RMB205.2 million and RMB89.7 million, respectively, accounting for approximately 97.4%, 98.1%, 25.9% and 18.5% of our total revenue for these periods, respectively. The remainder of our revenue in each period was derived from sales to distributors.

The term "distributors" refers to customers who purchase our products from us and resell them to end users. We did not sell our iron concentrates or iron pellets to any distributors in 2006 or 2007. In 2008 and the six months ended June 30, 2009, we sold our iron concentrates and iron pellets to five distributors. For the year ended December 31, 2008 and the six months ended June 30, 2009, the total revenue derived from sales of iron concentrates and iron pellets to these distributors was approximately

RMB580.8 million and RMB395.7 million, respectively, accounting for approximately 73.4% and 81.4% of our total revenue for these periods, respectively. In 2008, we sold our medium-grade titanium concentrates to seven distributors and in the six months ended June 30, 2009, we sold our medium-grade titanium concentrates to three distributors. Each of these distributors are Independent Third Parties. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the total revenue derived from sales of medium-grade titanium concentrates to these customers was approximately RMB5.6 million, RMB7.0 million, RMB5.2 million and RMB0.6 million, respectively, representing approximately 2.6%, 1.9%, 0.7% and 0.1% of our total revenue for these periods, respectively.

The sale of our products to both our direct customers and distributors are made pursuant to sales contracts that specify the quantity, price, payment date and manner of delivery. These contracts stipulate a quantity that our customers are obliged to purchase, though we are not obliged to supply such quantities. These contracts also specify a sales price, subject to adjustment based on market prices. In June 2009, we began entering into supplemental agreements with all our customers of iron ore products that set out the pricing arrangements for iron ore products contracted for 2009 and 2010. According to these supplemental agreements, if the market price of the iron ore products falls below the contracted sales price, the contracted sales price remains unchanged. If the market price of the iron ore product rises above the contracted sales price, the contracted sales price will be adjusted to a higher amount equal to the sum of the contracted sales price and an amount to be agreed that is not more than 50.0% of the increase in the market price above the contracted sales price. The quantity and price arrangements set forth in these contracts and supplemental agreements provide us a basis upon which we believe we can forecast our production needs and minimum revenues for 2009 and 2010. See the "Business — Customers" section in this prospectus.

The table below shows the monthly average selling prices per tonne of our iron concentrates and iron pellets, respectively, from June 2008 to June 2009.

	Average selling price per tonne (RMB)												
	Month ended June 30,	Month ended July 31,	Month ended August 31,	Month ended September 30,	Month ended October 31,	Month ended November 30,	Month ended December 31,	Month ended January 31,	Month ended February 28,	Month ended March 31,	Month ended April 30,	Month ended May 31,	Month ended June 30,
	2008							2009					
Iron concentrates	764.5	733.1	758.2	696.7	603.4	457.3	465.2	519.4	468.6	475.2	510.0	514.4	582.3
Iron pellets	935.6	954.5	936.7	904.6	805.1	651.0	679.7	682.8	676.1	675.7	684.7	717.5	826.5

In 2008, the highest monthly average selling price of our iron concentrates was RMB764.5 per tonne in June 2008 and the lowest monthly average selling price of our iron concentrates was RMB457.3 per tonne in November 2008. In 2008, the highest monthly average selling price of our iron pellets was RMB954.5 per tonne in July 2008 and the lowest monthly average selling price of our iron pellets was RMB651.0 per tonne in November 2008. For the six months ended June 30, 2009, the highest monthly average selling price of our iron concentrates was RMB582.3 per tonne in June 2009 and the lowest monthly average selling price of our iron concentrates was RMB468.6 per tonne in February 2009. For the six months ended June 30, 2009, the highest monthly average selling price of our iron pellets was RMB826.5 per tonne in June 2009 and the lowest monthly average selling price of our iron pellets was RMB675.7 per tonne in March 2009. The average selling prices of our iron concentrates and iron pellets have shown signs of stabilization beginning in February 2009.

INDEPENDENT THIRD PARTY CONTRACTORS

We engage Independent Third Party contractors for waste stripping, mining, processing, pelletizing and transportation to avoid incurring substantial capital expenditures while still increasing both our raw ore output volume and product production volume.

The following table summarizes the role of each of our Independent Third Party contractors:

Type of Independent Third Party Contractor	Role of Independent Third Party Contractor
Independent Third Party Mining Contractor	To extract ore at our Baicao Mine and Xiushuihe Mine
Independent Third Party Processing Contractor(s)	To produce iron concentrates and medium-grade titanium concentrates from the ore extracted from our Baicao Mine and Xiushuihe Mine
Independent Third Party Pelletizing Contractor(s)	To produce iron pellets using the iron concentrates supplied by our Xiushuihe Processing Plant and our Independent Third Party Processing Contractors
Independent Third Party Transportation Contractor(s)	To transport our iron ore products from our processing plants to our Iron Pelletizing Plant and from our production facilities to the designated railroad stations

The following table sets out the production volumes provided to us by our Independent Third Party Mining Contractor, Independent Third Party Processing Contractors and Independent Third Party Pelletizing Contractors in absolute terms and as a percentage of our total production volume of our raw ore, iron concentrates and iron pellets, respectively, and the volume of our sales transported by our Independent Third Party Transportation Contractors in absolute terms and as a percentage of our total sales volume of our iron ore products, during the Track Record Period.

	2006		2007		2008		Six months ended June 30, 2009	
	Production volume (Kt)	% of total production volume	Production volume (Kt)	% of total production volume	Production volume (Kt)	% of total production volume	Production volume (Kt)	% of total production volume
Independent Third Party Mining Contractor(Note 1)	946.2	100.0	1,751.4	100.0	4,771.4	100.0	2,995.5	100.0
Independent Third Party Processing Contractor(s)(Note 2)	N/A	N/A	206.6	39.8	460.8	39.6	270.5	36.4
Independent Third Party Pelletizing Contractor(s)(Note 3)	N/A	N/A	N/A	N/A	12.8	3.9	161.7	51.5

	2006		2007		2008		Six months ended June 30, 2009	
	Transportation volume (Kt)	% of total sales volume	Transportation volume (Kt)	% of total sales volume	Transportation volume (Kt)	% of total sales volume	Transportation volume (Kt)	% of total sales volume
Independent Third Party Transportation Contractor(s)(Note 4)	336.8	93.0	653.7	91.1	411.7	31.2	283.9	33.0

Notes:

1. The production volume for 2006, 2007 and 2008 and six months ended June 30, 2009 refers to the production volume of raw ore.
2. The production volume for 2006, 2007 and 2008 and six months ended June 30, 2009 refers to the production volume of iron concentrates. We engaged our first Independent Third Party Processing Contractor in August 2006 for a five-year term with an option to renew for another two five-year terms. This contractor commenced production of the iron concentrates and medium-grade titanium concentrates for us in January 2007. We engaged our second Independent Third Party Processing Contractor in April, 2009 for a eight-month term.
3. The production volume for 2006, 2007 and 2008 and six months ended June 30, 2009 refers to the production volume of iron pellets. We engaged our first Independent Third Party Pelletizing Contractor in December 2008 for a one-year term. We engaged our second Independent Third Party Pelletizing Contractor on February 6, 2009 for a one-year term.
4. The transportation volume for 2006, 2007 and 2008 and six months ended June 30, 2009 and the percentage of total sales volume refer to the transportation volume and sales volume of iron ore products that we have delivered to Weiyuan Steel and some of our other customers pursuant to the separate transportation arrangements we have entered into with them. See the "Business — Sales — Settlement and delivery of products" and "Financial Information — Factors Affecting Results of Operations and Financial Condition — Transportation Expenses" sections in this prospectus.

We obtain quotes from third parties and make a selection of our Independent Third Party contractors based on price, skill and experience. Our Independent Third Party Mining Contractor, Independent Third Party Processing Contractors and Independent Third Party Pelletizing Contractors are supervised by our production department, while our Independent Third Party Transportation Contractors are supervised by our logistics department. We pay our Independent Third Party contractors monthly based on work progress, with adjustments, if any, made at the end of the year. Pursuant to the contracts with our Independent Third Party contractors, our contractors are contractually responsible for accidents caused by their negligence. See the "Business — Occupational Health and Safety" section in this prospectus.

Because most of our operations rely on the services of our Independent Third Party contractors, a stable relationship with them and their satisfactory performance are crucial to our business. We believe the performance of our contractors has been satisfactory and we did not have any disputes with them during the Track Record Period that would have resulted in a material adverse effect on our business, financial condition or results of operations. In addition, our Directors confirm that historically our operations have not been suspended or delayed by any improper act of our contractors during the Track Record Period. Nonetheless, we cannot assure you that our contractors will comply with our quality, safety, environmental and other operating standards and those standards required by the relevant PRC laws and regulations, and we may be liable to third parties for losses or damages caused by our contractors. See the "Risk Factors — Risks Relating to Our Business and Industry — We rely on Independent Third Party contractors for the majority of our operations" and the "Business — Independent Third Party Contractors" sections in this prospectus.

Our Independent Third Party Mining Contractor became our contractor at both our Baicao Mine and Xiushuihe Mine when Huili Caitong became a member of our Group in January 2005. In July 2005, we entered into two contracts with our Independent Third Party Mining Contractor to conduct mining and stripping operations, respectively, at our Baicao Mine and Xiushuihe Mine, each for a term of five years. In August 2006, we entered into a new contract with our Independent Third Party Mining Contractor to conduct mining and stripping operations at our Baicao Mine for a term of five years, with an option to renew for two five-year terms, to replace the contract we had entered into in July 2005 with the same party and for the same purposes. In these contracts, the mining fee is calculated based on the volume of the ore extracted multiplied by a fixed rate per tonne and the stripping fee is calculated based on the volume of waste material extracted multiplied by a fixed rate per cubic meter. Such fees are determined through an arm's length negotiation taking into account the following factors:

(i) the operating costs of our Independent Third Party Mining Contractor;

(ii) the grade of the ore;

(iii) the geological structure of the ore; and

(iv) the distance separating the mining site and the designated processing plant.

Our Independent Third Party Mining Contractor is responsible for 100% of the ore extraction operations at our Baicao Mine and Xiushuihe Mine. It carries out labor intensive work and work requiring certain technical skills such as waste blasting, stripping, ore drawing work and the transportation of the ore from our mines to the designated processing plant. In addition, under its contracts with us, it is liable to us for any accidents arising from its lack of safety management in the mining operations. At both our mines, we are responsible for planning and overseeing the technical aspects of the mining operations, such as the planning and designing of the pits, designing mining plans and operational safety. We also retain operational control over the work carried out by our Independent Third Party Mining Contractor and undertake quality control and assurance programs to determine the grade of our ore. Our employees supervise and direct the mining and stripping operations undertaken by our Independent Third Party Mining Contractor. Our Independent Third Party Mining Contractor is also required to operate and produce iron ore in accordance with our mining plans and we review the iron ore production volume on a monthly basis. In the event that the iron ore production volume of our Independent Third Party Mining Contractor does not meet our stipulated targets, we direct our Independent Third Party Mining Contractor to allocate more resources for its operations. We also conduct annual assessment of the performance of our Independent Third Party Mining Contractor. See the “Business — Independent Third Party Contractors — Mining contractor” section in this prospectus.

In addition to the iron concentrates and medium grade titanium concentrates we process ourselves at our own processing plants, we also engage two Independent Third Party Processing Contractors in order to increase our production capacity of iron concentrates and medium-grade titanium concentrates. We entered into a contract with our first Independent Third Party Processing Contractor in August 2006 for a term of five years with an option to renew for another two five-year terms and our first Independent Third Party Processing Contractor commenced production of iron concentrates and medium-grade titanium concentrates from the ore extracted from our Baicao Mine in January 2007. Our first Independent Third Party Processing Contractor produced 460.8 Kt of iron concentrates and 80.8 Kt of medium-grade titanium concentrates in 2008, representing 39.6% and 48.2% of the total production volume of iron concentrates and medium-grade titanium concentrates in 2008, respectively. Our first Independent Third Party Processing Contractor has agreed to allocate production capacity of at least 550.0 Kt of iron concentrates and 110.0 Kt of medium-grade titanium concentrates to us in 2009. For the six months ended June 30, 2009, this Independent Third Party Processing Contractor produced 266.8 Kt of iron concentrates and 37.7 Kt of medium-grade titanium concentrates, representing 35.9% and 60.1% of our total production volume of iron concentrates and medium-grade titanium concentrates, respectively, in that period.

We entered into a contract with our second Independent Third Party Processing Contractor for a term commencing April 1, 2009 and terminating on December 31, 2009. Our second Independent Third Party Processing Contractor agreed to allocate production capacity of at least 150.0 Kt of iron concentrates to us in 2009. For the six months ended June 30, 2009, our second Independent Third Party Processing Contractor produced 3.6 Kt of iron concentrates, representing 0.5% of our total production volume of iron concentrates in that period.

Because our Independent Third Party Processing Contractors are Independent Third Parties, we do not control their management. However, during the term of each of their contracts, we are responsible for overseeing and supervising processing operations and we control the quality and quantity of both the raw materials provided to our Independent Third Party Processing Contractors and the final products from our Independent Third Party Processing Contractors. We undertake random inspections of our Independent Third Party Processing Contractors’ facilities several times a month to monitor their operations. In these inspections, we send two persons to test the products for their iron and titanium content. We also test the iron content of the waste materials to ensure that the iron content of the waste materials does not exceed 18.0% as a method to monitor operational efficiency. Under our contracts with them, our Independent Third Party Processing Contractors are liable to us for any accidents arising from their lack of safety management in their processing operations.

The processing fee for each of the products in each contract is calculated based on a fixed rate for each product on a dry basis, subject to adjustment as a result of the quantity and quality of the products produced. The fee is determined based on an arm's length negotiation taking into account the operating costs of each Independent Third Party Processing Contractor. See the "Business — Independent Third Party Contractors — Processing contractors" section in this prospectus.

In addition to the iron pellets we produce at our own Iron Pelletizing Plant, we currently engage two Independent Third Party Pelletizing Contractors to increase our production capacity of iron pellets. We entered into contracts with our two Independent Third Party Pelletizing Contractors for a term of one year commencing December 12, 2008 and February 6, 2009, respectively. Our Independent Third Party Pelletizing Contractors produce iron pellets using the iron concentrates supplied by our Xiushuihe Processing Plant and our Independent Third Party Processing Contractors. Our first Independent Third Party Pelletizing Contractor produced 12.8 Kt of iron pellets for us in 2008, representing 3.9% of our total production volume of iron pellets in 2008. Pursuant to a written confirmation from our first Independent Third Party Pelletizing Contractor dated February 14, 2009, our contractor has agreed to allocate production capacity of a total of 250.0 Kt of iron pellets to us in 2009. For the six months ended June 30, 2009, our first Independent Third Party Pelletizing Contractor produced 93.9 Kt of iron pellets for us, representing 29.9% of our total production volume of iron pellets for the six months ended June 30, 2009. Pursuant to a written confirmation from our second Independent Third Party Pelletizing Contractor dated February 26, 2009, our contractor has agreed to allocate production capacity of a total of 150.0 Kt of iron pellets to us in 2009. For the six months ended June 30, 2009, our second Independent Third Party Pelletizing Contractor produced 67.8 Kt of iron pellets for us, representing 21.6% of our total production volume of iron pellets for the six months ended June 30, 2009. Because our Independent Third Party Pelletizing Contractors are Independent Third Parties, we do not control their management. However, for the duration of the contract, we will oversee and supervise the pelletizing operations and control the quality and quantity of the iron concentrates and other raw materials provided to our Independent Third Party Pelletizing Contractors as well as test the quality of the final products. We undertake random inspections of our Independent Third Party Pelletizing Contractors' facilities several times a month to monitor the hardness of iron pellets produced and the contractors' operational efficiency. Under our contracts with them, our Independent Third Party Pelletizing Contractors are liable to us for any accidents arising from their lack of safety management in their operations.

The pelletizing fee in each contract is calculated based on a fixed rate of RMB137.0 per tonne on a dry basis, subject to adjustment depending on the quality of the iron pellets produced. The fee is determined based on an arm's length negotiation taking into account both the operating costs of our Independent Third Party Pelletizing Contractors and in comparison with our own pelletizing operating costs incurred by us at our own Iron Pelletizing Plant. See the "Business — Independent Third Party Contractors — Pelletizing contractors" section in this prospectus.

We currently engage three Independent Third Party Transportation Contractors and rely on them to transport our iron ore products from our processing plants to our Iron Pelletizing Plant and from our production facilities to the designated railroad stations for those customers that we have entered into separate transportation arrangements in respect of the delivery of our iron ore products.

We entered into contracts with two of the Independent Third Party Transportation Contractors, each for a term of one year commencing January 1, 2008. On November 26, 2008, we renewed the contract with the first Independent Third Party Transportation Contractor for a term of approximately three years commencing November 1, 2008 and terminating on December 31, 2011. We entered into a separate transportation contract with the first Independent Third Party Transportation Contractor on December 15, 2008 to deliver products to a new location for a term of approximately one year commencing December 1, 2008 and terminating on December 31, 2009. On November 1, 2008, we renewed the contract with the second Independent Third Party Transportation Contractor for a term of approximately three years commencing November 1, 2008 and terminating on December 31, 2011. On July 21, 2008, we entered into a contract with the third Independent Third Party Transportation Contractor commencing July 21, 2008 and terminating on October 30, 2011. We usually settle the fees of our Independent Third Party Transportation Contractors within three months. We recoup the costs associated with the transport of products for Weiyuan Steel and other customers by adding these costs to our contracted sales price. See the "Business — Sales — Settlement and delivery of products" and the "Financial Information — Factors Affecting Results of Operations and Financial Condition — Transportation expenses" sections in this prospectus.

COMPETITIVE STRENGTHS

Our Directors believe our primary competitive strengths include the following:

- As of the Listing Date, we will be the first and only Hong Kong listed PRC producer focused primarily on iron ore and iron ore-related products.
- We are the second largest operator and the largest non state-owned operator of iron ore mines in Sichuan and a leading processor of iron ore in Sichuan.
- Our iron ore contains vanadium and is capable of being used in the production of high-strength steel and for the production of vanadium byproducts.
- Our mines can be mined using low-cost mining methods and yield raw ore with a relatively high iron and titanium content.
- We are well-positioned to expand our operations because we are located in a region with the largest vanadium-bearing titanomagnetite reserves in the PRC and expansion plans such as ours are supported by PRC government policies.
- We are located close to our customers and to the railroad transportation network.

OUR STRATEGIES

We intend to pursue the following strategies:

- Increase our iron ore reserves.
- Expand our production capacity.
- Capitalize on the high titanium content of our iron ore.

SUMMARY OF FINANCIAL INFORMATION

The following information summarizes our financial information and is extracted from, and is to be read in conjunction with, our audited consolidated financial statements, prepared in accordance with IFRS, included in Appendix I to this prospectus. The basis of preparation is set forth in Note 2 of section II of the "Accountants' Report" attached as Appendix I to this prospectus.

Consolidated Statements of Comprehensive Income

	Year ended December 31,			Six months ended June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Revenue	211,103	366,670	791,163	486,041
Cost of sales	(100,130)	(187,769)	(364,122)	(276,538)
Gross profit	110,973	178,901	427,041	209,503
Other income	147	1,496	17,277	2,230
Selling and distribution costs	(51,261)	(86,572)	(22,444)	(12,749)
Administrative expenses	(7,300)	(13,108)	(33,002)	(11,762)
Other operating expenses	(1,334)	(3,107)	(37,000)	(5,478)
Finance costs	(1,792)	(1,920)	(3,048)	(2,293)
Profit before tax	49,433	75,690	348,824	179,451
Income tax expense	(17,119)	(1,378)	(30,067)	(29,573)
Total comprehensive income for the year/period	32,314	74,312	318,757	149,878
Attributable to:				
Owners of our Company	23,042	53,686	248,675	133,445
Minority interests	9,272	20,626	70,082	16,433
	32,314	74,312	318,757	149,878
Earnings per share (RMB) — Basic	0.02	0.04	0.17	0.09

Consolidated Statements of Financial Position

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Non-current assets				
Property, plant and equipment	100,596	122,896	357,264	451,141
Intangible assets	8,684	144,155	140,829	135,729
Prepaid land lease payments	—	—	23,177	49,375
Prepayment	—	—	—	16,604
Payment in advance	—	—	3,217	—
Goodwill	15,318	15,318	15,318	15,318
Long-term deposits	—	—	—	1,277
Deferred tax assets	3,567	4,186	5,848	6,241
	128,165	286,555	545,653	675,685
Current assets				
Pledged bank balances	14,310	4,316	40	—
Cash and cash equivalents	3,289	7,586	133,098	149,110
Trade and notes receivables	330	3	87,632	192,768
Prepayments, deposits and other receivables	13,247	32,884	88,854	111,792
Due from related parties	31,183	229,695	30,433	36,406
Inventories	20,474	31,841	65,595	60,964
	82,833	306,325	405,652	551,040
Current liabilities				
Interest-bearing bank loans	30,000	30,000	—	100,000
Trade and notes payables	46,892	78,723	108,030	102,792
Other payables and accruals	32,591	168,546	139,756	161,608
Due to related parties	—	—	12,466	13,446
Dividend payable	—	—	—	26,003
Tax payable	27,434	24,637	29,724	44,441
	136,917	301,906	289,976	448,290
Net current assets/(liabilities)	(54,084)	4,419	115,676	102,750
Total assets less current liabilities	74,081	290,974	661,329	778,435
Non-current liabilities				
Other payables	459	—	51,870	44,918
Provision for rehabilitation	—	4,999	5,341	5,524
	459	4,999	57,211	50,442
Net assets	73,622	285,975	604,118	727,993
Equity				
Issued share capital	—	—	1	1
Reserves	49,907	202,983	539,349	652,794
Minority interests	23,715	82,992	64,768	75,198
Total equity	73,622	285,975	604,118	727,993

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

The unaudited pro forma forecast earnings per Share of our Group for the year ending December 31, 2009 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2009. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and, because of its nature, may not provide a true picture of the financial results of our Group following the Global Offering.

Forecast consolidated total comprehensive income attributable to owners of our Company for the year ending December 31, 2009*(Note 1)*	not less than RMB321.8 million (approximately HK$365.0 million)
Unaudited pro forma forecast earnings per Share for the year ending December 31, 2009*(Note 2)*	not less than RMB0.161 (approximately HK$0.182)

Notes:

1. The forecast consolidated total comprehensive income attributable to owners of our Company for the year ending December 31, 2009 is extracted from the "Financial Information — Profit Forecast" section in this prospectus. The bases and assumptions on which the above profit forecast for the year ending December 31, 2009 has been prepared are summarized in Part A of Appendix III to this prospectus.

2. The calculation of unaudited pro forma forecast earnings per Share is based on the forecast consolidated total comprehensive income attributable to owners of our Company for the year ending December 31, 2009 of RMB321.8 million and on the assumption that our Company had been listed since June 30, 2009 and a total number of 2,000,000,000 Shares were in issue during the year ending December 31, 2009.

3. The unaudited pro forma forecast earning per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.8817.

The following table sets forth a sensitivity analysis of the forecast consolidated total comprehensive income attributable to owners of our Company for the year ending December 31, 2009 with respect to the variation in the forecast average selling prices of our major products, namely iron concentrates and iron pellets, for the five months ending December 31, 2009 and on the assumption that there is no change in other input variables, including fixed and variable costs:

Iron ore products price (RMB per tonne)		**Variation from iron ore products price**	**Corresponding 2009 forecasted consolidated total comprehensive income attributable to owners of the Company**	**Variation from 2009 forecasted consolidated total comprehensive income attributable to owners of the Company**
Iron concentrates	**Iron pellets**	**(%)**	**RMB'000**	**(%)**
473.9	661.2	(20)	321,776	—
503.5	702.5	(15)	321,776	—
533.1	743.8	(10)	321,776	—
562.8	785.2	(5)	321,776	—
592.4	826.5	—	321,776	—
622.0	867.8	5	339,737	6
651.6	909.1	10	357,697	11
681.2	950.5	15	375,658	17
710.9	991.8	20	393,619	22

The above sensitivity analysis is based on the principal assumptions set out in part A of Appendix III to this prospectus.

GLOBAL OFFERING STATISTICS(Note 1)

	Based on an Offer Price of HK$3.12 per Offer Share	Based on an Offer Price of HK$3.86 per Offer Share
Market capitalization of our Shares(Note 2)	HK$6,240 million	HK$7,720 million
Prospective Price/earnings multiple — pro forma fully diluted(Note 3)	17.1 times	21.2 times
Unaudited pro forma adjusted net tangible assets value per Share(Note 4)	HK$1.02	HK$1.20

Notes:

1. All statistics are based on the assumption that the Over-allotment Option is not exercised.
2. The calculation of market capitalization is based on 2,000,000,000 Shares expected to be in issue immediately after completion of the Global Offering and the Capitalization Issue and assuming that the Over-allotment Option is not exercised or any options which may be granted under the Share Option Scheme.
3. The calculation of the prospective price/earnings multiple on a pro forma fully diluted basis is based on the forecast earnings per Share for the year ending December 31, 2009 on a pro forma fully diluted basis of HK$0.182 at the respective Offer Price of HK$3.12 and HK$3.86.
4. The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in "Appendix II — Unaudited Pro Forma Adjusted Net Tangible Assets" to this prospectus and on the basis of 2,000,000,000 Shares in issue at the respective Offer Price of HK$3.12 and HK$3.86 immediately following completion of the Global Offering and Capitalization Issue, without taking into account any Shares which may be issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.

If the Over-allotment Option is exercised in full, assuming an Offer Price of HK$3.12 and HK$3.86, respectively, the unaudited pro forma adjusted net tangible assets value per Share will be HK$1.09 per Share and HK$1.29 per Share, respectively. If the Over-allotment Option is exercised in full, the unaudited pro forma forecast earnings per Share for the year ending December 31, 2009 will be diluted to HK$0.176.

REASONS FOR THE GLOBAL OFFERING AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,642.7 million after deducting the underwriting commissions and estimated expenses payable by us in the Global Offering, assuming the Over-allotment Option is not exercised, and an Offer Price of HK$3.49 per Share (being the mid-point of the offer price range stated in this prospectus). We intend to use these net proceeds for the following purposes:

- approximately 62.0%, or HK$1,018.4 million, to finance the acquisition or consolidation of other mines to be identified by our Group, which may include the mines with respect to which we have entered into option agreements described below. Our growth model includes the acquisition of vanadium-bearing titanomagnetite mines in Sichuan Province. We have begun to identify potential mines in our region and since April 2009 have entered into option agreements with the owners of five mines that allow us, within a specified time period and at our sole discretion, to purchase the mining rights and related assets of the five mines. Together, these five mines are estimated to have total iron ore resources of approximately 126.2 Mt. We have not made any payments in respect of any of these option agreements and are not contractually committed to purchase any of the five mines. We currently do not have plans to exercise our options with respect to any of the five mines. If we do decide to exercise any of these options, the terms of purchase would be subject to further negotiations with the mine owner and any such purchase would comply with the applicable requirements of the Listing Rules. See the "Business — Expansion and Construction Plan — Expansion of mineral reserves — Option agreements in respect of five iron ore mines in Sichuan and Yunnan" and the "Relationship with Controlling Shareholders — Excluded Mines" sections in this prospectus.

- approximately 8.0%, or HK$131.4 million, to finance the expansion of the mining boundaries set forth in our existing mining rights. On July 8, 2009, we obtained a two-year exploration permit to conduct exploration activities in the adjacent areas to the west of our current Xiushuihe mining rights area. Upon completion of the exploration phase and if we consider it beneficial to do so, we intend to apply for the relevant mining permits for this area and believe we can obtain such mining permits by July 2011. Pursuant to relevant PRC laws and regulations and as advised by our PRC advisors, we have a right of priority in the grant of the relevant mining permits for the area covered by the exploration permit. The expansion of our current mining area will extend the mine life of Xiushuihe Mine. The total estimated cost of obtaining the exploration permit and mining rights is expected to be approximately RMB120.0 million. We intend to utilize this portion of the proceeds from the Global Offering to expand the mining boundaries set forth in our existing mining rights even if we acquire other mines. See the "Business — Expansion and Construction Plan — Expansion of mineral reserves — Expansion of the mining boundaries of our Xiushuihe Mine" section in this prospectus;
- approximately 8.0%, or HK$131.4 million, to finance the construction of two titanium slag production lines with a planned annual aggregate production capacity of 120.0 Kt at the Luchang Vanadium Titanomagnetite Industrial Park;
- approximately 10.0%, or HK$164.3 million, to finance the construction of both a new iron concentrates production line with a planned annual production capacity of 300.0 Kt and a new high-grade titanium concentrates production line with a planned annual production capacity of 60.0 Kt at our Xiushuihe Processing Plant;
- approximately 2.0%, or HK$32.9 million, to finance the upgrade of our existing medium-grade titanium concentrates production line to a high-grade titanium concentrates production line with a planned annual production capacity of 50.0 Kt at our Xiushuihe Processing Plant;
- approximately 2.0%, or HK$32.9 million, to finance the upgrade of our existing medium-grade titanium concentrates production line to a high-grade titanium concentrates production line with a planned annual production capacity of 40.0 Kt at our Baicao Processing Plant; and
- approximately 8.0%, or HK$131.4 million, for working capital.

See the "Business — Expansion and Construction Plan" section in this prospectus for a description of these and other projects.

Our Directors confirm that we have not entered into any contractual commitments or agreements in relation to our use of the net proceeds.

We will not receive any of the proceeds from the sale of Sale Shares in the Global Offering by the Selling Shareholder.

If the Offer Price is determined to be at the highest point of the indicative range, the net proceeds to our Company would increase by approximately HK$178.5 million. In such event, we intend to use 100% of the additional net proceeds for the acquisition or consolidation of other mines as set forth above. If the Offer Price is determined at the lowest point of the indicative range, the net proceeds to our Company would decrease by approximately HK$178.5 million. In such event, we will reduce our planned usage on a pro-rata basis. We will finance any shortfall in the implementation of our plans by internal resources and/or additional bank borrowings, as and when appropriate.

Assuming that the Over-allotment Option is exercised in full, the additional net proceeds we will receive are estimated to be approximately HK$252.6 million (based on the mid-point of the indicative range of the Offer Price of HK$3.49 per Share). We intend to use 100% of the additional net proceeds for the acquisition or consolidation of other mines as set forth above.

To the extent that any of our net proceeds from the Global Offering are not applied immediately, we intend to deposit them in interest-bearing bank accounts.

Our Directors may reallocate the use of proceeds from the Global Offering should any of the above future plans not be implemented. In such event, we will comply with the appropriate requirements under the Listing Rules and issue an announcement if there are any material changes or modifications to the use of proceeds from the Global Offering.

Pursuant to Article 4 of the SAFE Circular No. 75 and other relevant laws and regulations of the PRC, we are required to transfer the net proceeds from the Global Offering to the PRC in accordance with the use of proceeds set forth above or the use of capital plan stipulated in the business plan letter submitted to the relevant foreign exchange authority. Pursuant to the relevant laws and regulations of the PRC, we may transfer the net proceeds from the Global Offering to the PRC by (a) making capital contributions to the relevant PRC subsidiaries, (b) establishing new foreign investment enterprises, (c) acquiring existing domestic or foreign investment enterprises in the PRC and/or (d) providing shareholder loans to our qualified PRC operating subsidiaries. As advised by our PRC legal advisors, we may, subject to the approval of the competent PRC authorities, transfer the net proceeds we will receive from the Global Offering to the PRC and use the same in accordance with the use of proceeds set forth above.

We do not expect any difficulties in using the net proceeds from the Global Offering in the manner described above. Should we be unable to use the net proceeds from the Global Offering for any reason (including if we are unable to obtain the approval of the relevant PRC authorities for the transfer of the net proceeds from the Global Offering into the PRC), our Directors believe that our production capacity expansion projects, namely the upgrade of our existing medium-grade titanium concentrates production lines and the construction of a new iron concentrates production line, can be funded by a combination of funds generated by our operations and bank borrowings. Our Directors do not believe that there will be any material adverse impact on our liquidity position if we are unable to use the net proceeds from the Global Offering for these projects.

If we are unable for any reason (including if we are unable to obtain the approval of the relevant PRC authorities for the transfer of the net proceeds from the Global Offering into the PRC) to use the net proceeds from the Global Offering on certain planned expansion projects, namely the acquisition or consolidation of other mines, the expansion of the mining boundaries set forth in our existing mining rights and the expansion of our production lines through the construction of the titanium slag production lines, then we currently plan not to proceed with such projects. As these projects are important to our business growth, we expect that not proceeding with such projects would have a material adverse effect on our future business growth.

DIVIDEND POLICY

The payment and amount of any dividends will be determined at the discretion of the Board by taking into account relevant factors, including but not limited to, our future operations and earnings, our capital requirements and surplus and our financial condition. In addition, our constitutional documents and the Cayman Companies Law set forth requirements related to the declaration, payment and amount of dividends. Under our constitutional documents and the Cayman Companies Law, payment of dividends out of our share premium account is possible on the condition that we are able to pay our debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

Our ability to declare future dividends will also depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Pursuant to the PRC laws, dividends may only be paid out of distributable profits, defined as the retained earnings after tax payments as determined under the PRC GAAP less any recovery of accumulated losses and the required allocations to statutory reserves made by our PRC operating subsidiaries. In general, we will not declare dividends in a year where we do not have any distributable earnings.

We declared one-off and non-recurring special dividends of RMB20.0 million to our Shareholders on February 24, 2009 and distributed such dividends on September 16, 2009. Because such special dividends are derived from the undistributed profits of Huili Caitong prior to January 1, 2008, our PRC legal advisors have advised us that such dividends are not subject to PRC withholding tax. Other than the declaration of such special dividends, we did not declare or pay any dividends during the Track Record Period. Taking into account our present financial position, we currently intend to distribute to our Shareholders not less than 20% of our annual distributable profit attributable to owners of our Company in respect of the financial year ending December 31, 2010 and each financial year thereafter. However, such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividends in such manner or declare or pay dividends at all. We cannot assure you that dividends will be paid in the future or as to the timing of any dividends that may be paid in the future. See the "Risk Factors — Risks Relating to the Global Offering — We cannot assure you that we will declare dividends in the future" section in this prospectus. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

REGULATORY COMPLIANCE ISSUES

The PRC laws and regulations governing vanadium-bearing titanomagnetite mining activities, including the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法》), Implementing Rules on the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法實施細則》), Regulations on Work Safety License (《安全生產許可證條例》) and Implementing Rules on the Work Safety License of Non-coal Mines (《非煤礦礦 山企業安全生產許可證實施辦法》), require mining operators such as ourselves to obtain business licenses, mining permits and safety production permits before commencing mining operations. See the "PRC Laws and Regulations" section in this prospectus. As advised by our PRC legal advisors, we have obtained the necessary business licenses, mining permits and safety production permits. See the "Business — Properties" section in this prospectus for information relating to our land use rights.

In the past, we have been notified that we were in breach of certain PRC regulations relating to waste water discharge and carrying out mining operations outside our mining permit areas. In each case, we have taken the required rectifying actions and/or paid the fines imposed by the relevant government authority. As advised by our PRC legal advisors, these PRC authorities will not impose additional penalties in conjunction with these past non-compliance incidents. To help avoid the recurrence of these or other regulatory non-compliance incidents, we have adopted various controls and monitoring measures. See the "Business — Regulatory Compliance Issues" section in this prospectus.

RISK FACTORS

There are certain risks related to investing in our Shares. These risks fall into the following categories: (i) risks relating to our business and industry; (ii) risks relating to conducting our operations in the PRC; (iii) risks relating to the Global Offering; and (iv) risks relating to statements in this prospectus. These risk factors are further described in the "Risk Factors" section in this prospectus and are summarized below.

Risks relating to our business and industry

- Our business depends on the economic growth of the PRC, the performance of the PRC iron and steel industries and the growth of the PRC titanium and titanium-related industries.
- We face risks and uncertainties associated with our mining and processing operations.
- Our major capital expenditure projects require significant capital investments and may not achieve the intended economic benefits.
- We sold the majority of our products to a connected person during the years ended December 31, 2006 and 2007.
- We have only recently begun selling our iron ore products to Independent Third Party customers.
- Our short operating history and rapid growth may make it difficult for investors to evaluate our business and growth.
- We rely on Independent Third Party contractors for the majority of our operations.
- Our plan to acquire additional mineral reserves may not succeed.
- We may be unable to increase the ore production quotas of our Baicao Mine and Xiushuihe Mine.
- Our business depends on reliable and adequate transportation capacity for our products.
- We may incur transportation costs if our customers do not pay the contract sales price.
- Our mines are both located in Huili County of the Panxi Region and are exposed to the same risks.
- Our operations may be interrupted if we are denied access to our mines.
- Amortization expenses related to our mining rights may adversely affect our results of operations.
- We had net cash outflow from operating activities in 2007 and we had net current liabilities as of December 31, 2006.
- Our insurance coverage may be insufficient to cover our business risks.
- Our future performance is dependent on our ability to attract and retain key qualified personnel.
- We may be unable to transfer the net proceeds from the Global Offering to the PRC.

- Our business is subject to extensive regulations and affected by government policies in the PRC.
- Our business operations may be affected by current or future safety and environmental regulations.
- We will continue to be controlled by our Controlling Shareholders, whose interests may differ from those of our other Shareholders.
- We may face shortages in our water supply or in the supply of our other utilities or raw materials.
- The resource and reserve data cited in this prospectus are estimates and may be inaccurate.

Risks relating to conducting our operations in the PRC

- The political, social and economic conditions in the PRC may adversely affect our business.
- Changes in PRC laws, regulations and policies may adversely affect our business operations.
- All of our revenue is denominated in Renminbi, which is not freely convertible for capital account transactions and may be subject to exchange rate volatility.
- There are uncertainties associated with the implementation, interpretation and enforcement of the PRC legal system.
- Compliance with the PRC Labor Contract Law may increase our labor costs.
- There may be difficulties in effecting service of process upon us or our management who reside in the PRC and in seeking recognition and enforcement of foreign judgments or arbitral awards in the PRC.
- A recurrence of SARS or an outbreak of other epidemics, such as avian flu or the H1N1 influenza, may adversely affect the national and regional economies in the PRC and our business prospects.
- The New Tax Law may affect tax exemptions on dividends received by us and by our Shareholders and may increase our enterprise income tax rate.

Risks relating to the Global Offering

- Because there has been no prior public market for our Shares, their market price may be volatile and an active trading market in our Shares may not develop.
- There may be a future sale or major divestment of our Shares by a substantial Shareholder.
- We cannot assure you that we will declare dividends in the future.
- 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 Global Offering, certain of which may not be consistent with the information contained in this prospectus.

Risks relating to statements in this prospectus

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

In this prospectus, the following terms shall have the meanings set forth below unless the context otherwise requires.

"Application Form(s)"	**white** application form(s), **yellow** application form(s) and **green** application form(s) or, where the context so requires, any of them relating to the Global Offering
"Articles of Association" or "Articles"	the articles of association of our Company, adopted on September 4, 2009 and as amended from time to time
"Baicao Mine"	the Baicao Vanadium-bearing Titanomagnetite Mine located in Xiaoheiqing Townlet, Huili County, Sichuan, the PRC and operated by Huili Caitong
"Baicao Processing Plant"	the ore processing plant located at our Baicao Mine
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalization Issue"	the issue of Shares to be made upon the capitalization of part of the sum standing to the credit of the share premium account of our Company referred to in the paragraph "Statutory and General Information — A. Further Information about our Group — 3. Resolutions of our Shareholders" attached as Appendix VII to this prospectus
"Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chengdu Yingchi"	Chengdu Yingchi Trading Co., Ltd. (成都盈馳貿易有限公司), a limited liability company (non-state owned) incorporated in the PRC on May 8, 2006 and an Independent Third Party customer of our Group
"Chengdu Yushengtian"	Chengdu Yushengtian Electrical and Mechanical Equipment Co., Ltd. (成都宇盛天機電設備有限公司), a limited liability company (non-state owned) incorporated in the PRC on December 16, 2005 and an Independent Third Party customer of our Group
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Chuan Wei"	Sichuan Chuanwei Group Co., Ltd. (四川省川威集團有限公司), a limited liability company established in the PRC on March 29, 1998 and a connected person to our Group
"Citi", "Sole Global Coordinator" or "Sole Sponsor"	Citigroup Global Markets Asia Limited, which is licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 7 (providing automated trading services) regulated activities under the SFO
"Companies Ordinance"	Companies Ordinance, (Chapter 32 of the Laws of Hong Kong) as amended and supplemented from time to time
"Company" or "our Company", "we" or "us"	China Vanadium Titano-Magnetite Mining Company Limited (中國釩鈦磁鐵礦業有限公司), a limited liability company incorporated in the Cayman Islands on April 28, 2008 and, except where the context indicates otherwise, including our subsidiaries

"Controlling Shareholders"	has the meaning ascribed to it in the Listing Rules and, in the context of this prospectus, refers to Trisonic International, Kingston Grand and our Founders
"constitutional documents"	the Memorandum of Association and Articles of Association
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), the regulatory body responsible for the supervision and regulation of the PRC national securities markets
"DB"	Deutsche Bank AG, Hong Kong Branch, which is licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO, and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
"Deyang Henggu"	Deyang City Henggu Trading Co., Ltd. (德陽市恒固貿易有限公司), formerly known as Guanghan Yuxing Trading Co., Ltd. (廣漢市宇星貿易有限公司) (change of name effective from November 24, 2008), a limited liability company (non-state owned) incorporated in the PRC on June 17, 1999 and an Independent Third Party customer of our Group
"Director(s)"	director(s) of our Company
"Enterprise Office of Luchang District"	Township and Village Enterprise Office of Luchang District, Huili County Government (會理縣鹿廠區鄉鎮企業辦公室), a former interest holder of Xiushuihe Iron and an Independent Third Party
"Enterprise Office of Luchang Town"	Enterprise Office of Luchang Town Government, Huili County (會理縣鹿廠鎮企業辦公室), a previous interest holder of Xiushuihe Iron and an Independent Third Party
"Excluded Businesses"	the businesses of Weiyuan Steel, Neijiang Chuanwei Special Steel and Neijiang Bowei Combustion

"Excluded Mines"	(i) Lagaluo mine (拉嘎洛鐵礦), an iron ore mine located at Zhonglu Village, Weixi County, Diqing, Yunnan Province; (ii) Maoling mine (毛嶺鐵礦), an iron ore mine located at Maoling Village, Weizhou Town, Aba, Sichuan; and (iii) Huangcaoping mine (黃草坪鐵礦), an iron ore mine located at Huangcaoping near the Ping Chuan Town of Yuanyuan County, Sichuan
"First China"	First China Limited (三民有限公司), a company incorporated in Hong Kong on March 5, 2008 and a wholly owned subsidiary of our Company
"Founders"	Messrs. WANG Jin, SHI Yinjun, YANG Xianlu, WU Wendong, ZHANG Yuangui and LI Hesheng, parties acting in concert
"GDP"	gross domestic product
"Green Globe"	Green Globe Investments Limited, a company incorporated in the BVI on January 28, 2008 and a Shareholder holding 20.4% of the issued share capital of our Company prior to the Global Offering
"Global Offering"	the Hong Kong Public Offer and the International Placing
"Group"	our Company and our subsidiaries, or where the context so requires, with respect to the period before our Company became the holding company of such subsidiaries, the entities which carried on the business of the present Group at the relevant time
"Hatch"	the Hatch Group, an international consulting firm specializing in providing data and analyses in relation to the mining, metallurgical, manufacturing and energy industries
"Hatch Report"	the iron ore industry report prepared by Hatch consisting of two reports dated March 17, 2009 and August 10, 2009, respectively
"Hejiawan Iron Ore"	Huili County Tongan District Hejiawan Iron Ore (會理縣通安區何家灣鐵礦), a former equity holder of Huili Caitong and an Independent Third Party
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 58,880,000 Shares initially being offered by us for subscription pursuant to the Hong Kong Public Offer (subject to adjustment as described in the "Structure of the Global Offering" section in this prospectus)
"Hong Kong Share Registrar"	Computershare Hong Kong Investors Services Limited
"Hong Kong Public Offer"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Underwriters"	the several underwriters of the Hong Kong Public Offer listed in the "Underwriting — Hong Kong Underwriters" section in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated September 23, 2009 relating to the Hong Kong Public Offer entered into by us, the Controlling Shareholders, the Selling Shareholder, the Joint Lead Managers and the Hong Kong Underwriters
"Huili Caitong"	Huili County Caitong Iron and Titanium Co. Ltd. (會理縣財通鐵鈦有限責任公司), a limited liability company established in the PRC on July 7, 1998. It became a Sino-foreign equity joint venture enterprise in the PRC on September 22, 2006 and a member of our Group beneficially owned as to 72% by Simply Rise, 18.5% by First China and 9.5% by Xichang Vanadium
"Huili Land Bureau"	Huili County Land and Resources Bureau (會理縣國土資源局)
"Huili Mining"	Sichuan Huili Mining Co. (四川省會理縣礦業公司), a former interest holder of Xiushuihe Iron and an Independent Third Party
"IFRS"	International Financial Reporting Standards promulgated by the International Accounting Standard Board ("IASB"). IFRS includes International Accounting Standards ("IAS") and interpretations

"Independent Technical Adviser"	Behre Dolbear Asia, Inc., a wholly owned subsidiary of Behre Dolbear & Company, Inc.
"Independent Third Party(ies)"	a person(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any Directors, the chief executive of our Company, our substantial Shareholders or our subsidiaries or any of their respective associates
"Independent Third Party Mining Contractor"	Huili County Yangqueqing Iron Mine (會理縣陽雀箐鐵礦), a sole proprietorship (non-state owned) (unlimited liability) established on June 4, 2001 and an Independent Third Party contractor of our Group since January 2005
"Independent Third Party Pelletizing Contractor(s)"	Panzhihua Henghong Iron Pellets Co., Ltd. (攀技花恆弘球團有限公司), established on July 20, 2005, a limited liability company (non-state owned) and an Independent Third Party contractor which entered into a pelletizing contract with us with effect from December 2008; or Panzhihua City Guangchuan Metallurgy Co. Ltd. (攀技花市廣川冶金有限公司), established on October 27, 2004, a limited liability company (non-state owned) and an Independent Third Party contractor which entered into a pelletizing contract with us with effect from February 2009
"Independent Third Party Processing Contractor(s)"	Yanbian County Hongyuan Mining Co., Ltd. (鹽邊縣宏緣礦業有限責任公司), established on April 25, 2001, a limited liability company (non-state owned) and an Independent Third Party contractor which entered into a processing contract with us with effect from August 2006. It commenced the production of iron concentrates and medium-grade titanium concentrates from our ore in January 2007; or Panzhihua City Aolei Gongmao Co., Ltd. (攀枝花市奧磊工貿有限責任公司), established on March 12, 2004, a limited liability company (non-state owned) and an Independent Third Party contractor which entered into a processing contract with us with effect from April 2009

"Independent Third Party Transportation Contractor(s)"	Sichuan Zizhong County Tiema Motor Transport Co. Ltd. (四川省資中縣鐵馬運輸有限公司), established on March 3, 2003, a limited liability company (non-state owned) and an Independent Third Party contractor which entered into a transportation contract with us with effect from October 2006; or Huili County Xinxingda Motor Transport Co. Ltd. (會理縣鑫興達汽車運輸有限公司), established on July 15, 2005, a limited liability company (non state-owned) and an Independent Third Party contractor which entered into a transportation contract with us with effect from January 2007; or Huili County Liyuan Industry Co. Ltd. (會理縣力源實業有限公司), established on July 10, 2008, a limited liability company (non-state owned) and an Independent Third Party contractor which entered into a transportation contract with us with effect from July 2008
"International Placing"	the conditional placing of the International Placing Shares to institutional, professional and other investors as further described in the "Structure of the Global Offering" section in this prospectus
"International Placing Shares"	the 529,920,000 Shares initially being offered by us for subscription and the Selling Shareholder for sale at the Offer Price under the International Placing, subject to adjustments and the Over-allotment Option as described in the "Structure of the Global Offering" section in this prospectus
"International Underwriting Agreement"	the international underwriting agreement relating to the International Placing to be entered into on or around September 30, 2009 by us, the Controlling Shareholders, the International Underwriters, the Selling Shareholder and the Joint Lead Managers
"International Underwriters"	the underwriters of the International Placing named in the International Underwriting Agreement represented by the Sole Global Coordinator

"Iron Pelletizing Plant"	our plant that produces iron pellets and is located approximately 36 km from our Xiushuihe Mine
"Jian An"	Sichuan Chuanwei Construction and Installation Project Co. Ltd. (四川省川威建築安裝工程有限公司), a limited liability company (non-state owned) established on August 23, 2000 and a connected person to our Group owned as to 82.17% by Chuan Wei
"Joint Bookrunners" or "Joint Lead Managers"	Citi and DB
"Kingston Grand"	Kingston Grand Limited, a company incorporated in the BVI on February 20, 2007, holder of 40% of the issued share capital of Trisonic International and one of our Controlling Shareholders and a connected person to our Group owned as to 60% by Mr. WANG Jin and 40% by Sapphire Corporation Limited
"Latest Practicable Date"	September 17, 2009, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing sub-committee of the board of the directors of the Stock Exchange
"Listing Date"	the date, expected to be October 8, 2009, on which trading in the Shares will first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as may be amended from time to time)
"Longwei Hotel"	Sichuan Longwei Hotel Management Co. Ltd (四川龍威酒店管理有限公司), a limited liability company established in the PRC on March 30, 2005 and a connected person to our Group owned as to 10% by an Independent Third Party and 90% by Sichuan Jinli Property Development Co. Ltd (四川勁力房地產開發有限公司)
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange

"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company
"MEP"	Ministry of Environmental Protection (中華人民共和國環境保護部)
"Ministry of Commerce"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Ministry of Finance"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MLR"	Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nanjiang"	Sichuan Nanjiang Mining Group Co., Ltd. (四川南江礦業集團有限公司), established on April 10, 1996, a limited liability company (non-state owned) and an Independent Third Party which entered into a co-operation agreement with us on August 8, 2007 and a new co-operation agreement with us with effect from March 18, 2009
"Neijiang Bowei Combustion"	Neijiang City Bowei Combustion Co. Ltd. (內江市博威燃化有限公司), a limited liability company established in the PRC on November 28, 1994 and which was subsequently converted into a Sino-foreign equity joint venture on September 4, 2006 and a connected person to our Group owned as to 70% by Trisonic International
"Neijiang Chuanwei Special Steel"	Neijiang City Chuanwei Special Steel Co. Ltd. (內江市川威特殊鋼有限公司), a limited liability company established in the PRC on September 1, 1998 and which was subsequently converted into a Sino-foreign equity joint venture on September 4, 2006 and a connected person to our Group owned as to 29.43% by Chuan Wei and 0.57% by Weiyuan Steel
"Neijiang Jiarui"	Neijiang City Jiarui Construction Material Trading Co., Ltd. (內江市嘉瑞建材貿易有限公司), a limited liability company (non-state owned) incorporated in the PRC on April 18, 2005 and an Independent Third Party customer of our Group

"Neijiang Ruiwei"	Neijiang Ruiwei Sintering Co. Ltd. (內江市瑞威燒結有限公司), a limited liability company established in the PRC on October 21, 1998 and a former equity holder of Huili Caitong and a connected person of our Group
"New Tax Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) passed by the Fifth Session of the tenth NPC on March 16, 2007 and its implementation rules passed by the State Council on November 28, 2007, both of which came into effect on January 1, 2008
"NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"Non-Competition Deed"	the deed of non-competition dated September 23, 2009 entered into by our Controlling Shareholders with and in favor of our Company, further details of which can be found in the "Relationship with Controlling Shareholders — Deed of Non-Competition" section in this prospectus
"Offer Price"	the final Hong Kong dollar price per Share (exclusive of brokerage, Stock Exchange trading fee and SFC transaction levy) at which the Offer Shares are to be subscribed pursuant to the Hong Kong Public Offer and the International Placing, to be determined as further described in the "Structure of the Global Offering" section in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by us and the Selling Shareholder to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters pursuant to the International Underwriting Agreement until 30 days after the last day for lodging of applications under the Hong Kong Public Offer, to require us to allot and issue up to an aggregate of 75,000,000 additional Shares and the Selling Shareholder to sell 13,320,000 Shares, representing in aggregate approximately 15% of the initial number of Offer Shares, at the Offer Price, to cover, among other things, any over-allocations in the International Placing

"Panxi Region"	a region in Sichuan located southwest of Chengdu reaching from Panzhihua to the Xichang region
"Panzhihua"	the city located in Sichuan on the confluence of the Jinsha and Yalong Rivers
"Panzhihua Jingzhi"	Panzhihua Jingzhi Mining Co., Ltd. (攀枝花市經質礦產有限責任公司), a limited liability company established in the PRC on August 2, 2000, the owner of Xiaoheiqing Jingzhi mine (小黑箐經質鐵礦)
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Powerside"	Powerside Holdings Limited (威方控股有限公司), a company incorporated in the BVI on January 8, 2008 and a member of our Group wholly owned by our Company
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
"Price Determination Date"	on or before September 30, 2009, and in any event not later than October 6, 2009
"Qualified Institutional Buyers" or "QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Renminbi" or "RMB"	the lawful currency of the PRC
"Regulation S"	Regulation S under the US Securities Act
"Reorganization"	the corporate reorganization of our Group effected for the preparation for the Listing, details of which are set out in the "History, Reorganization and Group Structure" section in this prospectus
"Rule 144A"	Rule 144A under the US Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"Sale Shares"	a total of 88,800,000 Shares being offered for sale by the Selling Shareholder
"Selling Shareholder"	Green Globe

"SARS"	severe acute respiratory syndrome, a respiratory disease in humans which is caused by the SARS corona virus
"SAWS"	State Administration of Work Safety of the PRC (中華人民共和國國家安全生產監督管理總局)
"Securities and Futures Commission" or "SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with nominal value of HK$0.10 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on September 4, 2009, the principal terms of which are set forth under the paragraph headed "Share Option Scheme" attached as Appendix VII to this prospectus
"Sichuan"	the Sichuan province of the PRC
"Sichuan Xingchuancheng"	Sichuan Xingchuancheng Cement Limited Joint Stock Company (四川省星船城水泥股份有限公司), (formerly known as Sichuan Xingchuancheng Cement Co., Ltd (四川省星船城水泥有限公司)) a limited liability company established in the PRC on March 5, 2003, which became a Sino-foreign equity joint venture enterprise on November 26, 2007 and was subsequently converted into a Sino-foreign limited joint stock company on January 14, 2009, and is a former equity holder of Huili Caitong and a connected person to our Group
"Simply Rise"	Simply Rise Holdings Limited (易陞控股有限公司), a company incorporated in Hong Kong on January 2, 2008 and a member of our Group wholly owned by Powerside
"SGD" or "S$"	the lawful currency of Singapore
"Stabilization Manager"	Citi or any of its affiliates or any persons acting for it
"State" or "PRC government"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities of them or any of them as the context requires

"State Administration of Taxation"	State Administration of Taxation of the PRC (國家稅務總局)
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers and Share Repurchases
"Tongyu"	Sichuan Chuanwei Tongyu Transportation Co. Ltd. (四川省川威通宇運輸有限公司), a limited liability company established in the PRC on August 18, 2005 and a connected person to our Group beneficially owned as to 75.0% by Chuan Wei
"Track Record Period"	the period comprising the years ended December 31, 2006, 2007 and 2008, and the six months ended June 30, 2009
"trading day"	the day on which the Stock Exchange is open
"Trisonic International"	Trisonic International Limited (合創國際有限公司), a company incorporated in Hong Kong on July 19, 2006 and one of our Controlling Shareholders holding 79.6% of our Shares immediately prior to the Global Offering
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars" or "US$"	the lawful currency of the United States
"US Securities Act"	the US Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

"Weiyuan Steel"	Weiyuan Steel Co., Ltd. (威遠鋼鐵有限公司), a Sino-foreign equity joint venture enterprise established in the PRC on April 3, 2001 and a connected person to our Group previously established as a limited liability company in the PRC on April 3, 2001 and subsequently converted into a Sino-foreign equity joint venture enterprise on September 4, 2006
"White Form eIPO"	online application for the Hong Kong Offer Shares to be issued in the applicant's own name that will be submitted through the designated website at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Xichang region"	a region around Xichang, the capital of the Liangshan Yi Autonomous Prefecture located in Sichuan
"Xichang Kangxi"	Xichang Kangxi Industrial Co. (西昌康西實業公司), an enterprise wholly owned by the people (全民所有制企業) established in the PRC on November 18, 1996 and a previous equity holder of Huili Caitong and an Independent Third Party
"Xichang Vanadium"	Xichang Vanadium and Titanium Products Co., Ltd (西昌釩鈦制品有限公司) (formerly known as Xichang Iron & Steel Co. Ltd. (西昌鋼鐵有限公司)), a limited liability company established in the PRC on August 19, 2003 and a connected person to our Group holding a 9.5% equity interest in Huili Caitong and a 5.0% equity interest in Xiushuihe Mining
"Xiushuihe Iron"	Huili County Xiushuihe Iron (會理縣秀水河鐵礦), a township and village enterprise established in the PRC on March 21, 2000 and the predecessor of Xiushuihe Mining
"Xiushuihe Mine"	the Xiushuihe Vanadium-bearing Titanomagnetite Mine located in Ailang Townlet, Huili County, Sichuan, the PRC and operated by Xiushuihe Mining

"Xiushuihe Mining"	Huili County Xiushuihe Mining Co. Ltd. (會理縣秀水河礦業有限公司), a limited liability company established in the PRC on June 26, 2007 and a member of our Group beneficially owned as to 95.0% by Huili Caitong and 5.0% by Xichang Vanadium
"Xiushuihe Processing Plant"	the ore processing plant located at our Xiushuihe Mine and operated by us
"%"	percent

In this prospectus, the terms "associate", "connected person", "connected transaction", "subsidiary" and "substantial shareholder" shall, unless the context otherwise requires, have the meanings given to such terms in the Listing Rules.

In this prospectus, unless otherwise stated, certain amounts denominated in RMB have been translated into HK dollars or US dollars and vice versa at an exchange rate of RMB0.8817 = HK$1.00, or RMB6.8337 = US$1.00, respectively, and certain amounts denominated in US dollars have been translated into HK dollars and vice versa at an exchange rate of US$1.00 = HK$7.7506, in each case, for illustrative purposes only. Such conversions shall not be construed as representations that amounts in RMB or US dollars were or may have been converted into those currencies and vice versa at such rates or any other exchange rates.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, if there are any inconsistencies between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.

All English translations of the PRC laws and regulations and the names of entities established in the PRC in this prospectus are unofficial translations and provided for identification purposes only.

GLOSSARY

The glossary contains certain definitions and other terms related to our business and used in this prospectus. The terms and their meanings may not correspond to the standard industry meaning or usage of these terms.

"Al_2O_3"	the chemical symbol for aluminium oxide
"anatase"	one at the mineral forms of titanium dioxide, TiO_2, found in nature
"beneficiation"	a process to upgrade the mineralized content of an ore or of ore concentrates typically through flotation, gravity or magnetic separation
"ball mill"	a rotating cylindrical mill that uses heavy iron balls to grind ore into fine particle powder
"concentrates"	the product of ore processing plants that contain higher concentrations of the minerals and are suitable for smelting
"crusher"	a machine for crushing solids to smaller grain sizes
"drilling"	in mineral exploration, boring a hole to recover core or rock chip samples to obtain geological information as well as for use as samples for grade determination and other analyses
"flotation"	a mineral concentrating process in which, water and frothing reagents are mixed with ground ore to separate types of ore
"gangue"	waste rock
"grade"	the concentration, commonly expressed as percentage or grams per tonne, of useful elements, minerals or their components in any ore or concentrate
"gravity (tabling) separation"	a mineral process using shaking tables to separate useful mineral from gangue in crushed or ground ore based on differences in their density
"gravity titanium tail"	waste materials produced under the titanium mineral concentrating process by using the gravity separation method

"high-intensity magnetic separation"	a mineral concentrating process to separate weak magnetic minerals such as titanium dioxide from non-magnetic materials in ground ore
"ilmenite"	a weak magnetic titanium-iron oxide mineral that is a crystalline iron titanium oxide ($FeTiO_3$)
"indicated resource"	part of the iron ore resource for which tonnage, densities, shape, physical characteristics, quality and mineral content can be estimated with a reasonable level of confidence as defined by the JORC Code
"inferred resource"	part of the iron ore resource for which tonnage, quality and mineral content can be estimated with a low level of confidence as defined by the JORC Code
"in-situ"	in its natural position
"iron"	a silvery-white, lustrous, malleable, ductile, magnetic or magnetizable, metallic element occurring abundantly in combined forms, notably in hematite, limonite, magnetite, and taconite, and alloyed for use in a wide range of important structural materials
"iron ore"	compounds of iron and oxygen (iron oxides) mixed with impurities (gangue); it is a mineral which when heated in the presence of a reductant will yield metallic iron
"iron ore products"	iron concentrates or iron pellets
"iron concentrates"	concentrates whose main mineral content (by value) is iron
"iron pellet"	a round hardened clump of iron-rich material suitable for application in blast furnaces
"JORC"	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 edition published by JORC and used to determine resources and reserves

"km"	kilometer(s), a metric unit measure of distance
"Kt"	thousand tonnes
"kwh"	kilowatt hours
"low-intensity magnetic separation"	a mineral concentrating process to separate strong magnetic minerals such as magnetite from weak magnetic and non-magnetic materials in ground ore
"measured resource"	mineral resource that has been intersected and tested by drill holes or sampling procedures at locations close enough to confirm continuity
"mine life"	the number of years that a mine is expected to continue operations based on the current mine plan
"mineral resource"	an identified in-situ mineral occurrence from which valuable or useful minerals may be recovered
"mining rights"	the rights to mine mineral resources and obtain mineral products in areas where mining activities are licensed
"MPa"	million pascal; a pascal is a measure of force per unit area, defined as one newton per square meter
"Mt"	million tonnes
"open pit"	surface mining where the ore is extracted from a pit open to the surface
"ore"	mineral-bearing rock that contains one or more minerals
"ore processing"	the process which in general refers to the extraction of usable portions of ores by using physical and chemical extraction methods
"ore reserve(s)" or "reserve(s)"	the part of a measured and/or indicated resource which could be mined and from which valuable or useful minerals could be recovered economically under conditions reasonably assumed at the time of estimation

"ore resource(s)" or "resource(s)"	a concentration or occurrence of iron ore of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction
"orebodies"	natural mineral accumulations which can be extracted for use under existing economic conditions and using existing extraction techniques
"pelletizing"	a process to compress the iron ore into the shape of a pellet
"pigment", "titanium pigment", or "titanium powder"	powder whose main content (by value) is titanium dioxide, TiO_2; a substance used as coloring
"proved and probable reserves"	reserves that have been based after application of mining recovery and dilution facts, on an in-situ identified resource which has been categorized as "indicated" and "measured" under the JORC Code
"reclamation"	in the context of mining, the process of returning the land to another productive use after mining has been completed or the restoration of land and environmental values to a surface mine site after the raw iron ore is extracted
"recovery rate"	the percentage of valuable mineral resource that is able to be recovered from mining and processing activities
"rutile"	a mineral composed primarily of titanium oxide, TiO_2; rutile is the most common natural form of TiO_2
"sinter" or "sintering"	a heat treatment for mineral powder that applies a temperature below the melting point, the purpose of which is to combine the component particles in order to increase size and strength
"SiO_2"	the chemical symbol for silicon dioxide
"slag"	a by-product of smelting ore to purify metals and a mixture of metal oxides and contain metal sulphides and metal atoms in the elemental form
"specialty steel"	a class of steel including stainless, tool, and silicon electrical steels

"sponge titanium"	a chemical product made from titanium and commonly used in the production of titanium ingots and titanium slabs
"sq.km."	square kilometer
"sq. m." or "m^2"	square meter
"stockpile"	material mined and stored for future use
"sulfides"	any type of chemical compound containing sulfur in its lowest oxidation number
"sulfides flotation"	the flotation process for the purpose of the separation of sulfides
"synthetic rutile"	near-colorless titania oxide, which is sold as diamond substitute under the name Titania
"tail"	waste materials that are produced after processing of ore for extracting target minerals
"TFe"	the symbol for denoting total iron
"TiO_2"	the chemical symbol for titanium dioxide
"titanium"	a light, strong, lustrous, corrosion-resistant transition metal with a white-silvery-metallic color
"titanium concentrates"	concentrates whose main content (by value) is titanium dioxide
"titanium metals"	metallic materials which contain a mixture of titanium and other chemical elements, also known as titanium alloys
"titanium slag"	a slag containing the metal atoms of titanium
"titanomagnetite"	one of the four main types of iron ore deposits mined by current iron ore mining methods
"tonne"	metric ton
"V_2O_5"	the chemical symbol for vanadium pentoxide
"vanadium"	a rare, soft and ductile element, vanadium is found combined in certain minerals and is used mainly to produce certain alloys

"vanadium-bearing titanomagnetite"	a type of iron ore that contains oxides of vanadium and titanium, in addition to iron oxide
"waste stripping"	the process by which waste material above the ore layer is removed to allow the mining of ore in the open pit

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

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

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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

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

During the Track Record Period, we derived the majority of our revenue from the sale of iron concentrates and iron pellets. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue generated from the sale of our iron concentrates and iron pellets in aggregate accounted for approximately 89.6%, 96.9%, 94.5% and 98.7% of our total revenue, respectively. Growth in demand for these products is fueled largely by the growth of the PRC iron and steel industries. The demand for our iron concentrates and iron pellets is, in particular, heavily dependent on the performance of major steel producers in the mid-south and southwest regions of the PRC.

Beginning in August 2008, concerns over the availability and cost of credit, inflation, declining business and consumer confidence and increased unemployment worldwide, among other factors, contributed to diminished expectations for the global economy and heightened volatility in international equity markets. These factors combined with continuing disruptions in global markets precipitated a global economic slowdown. As a result, the prices of our products fluctuated in 2008, with the monthly average selling prices per tonne of our iron concentrates and iron pellets reaching highs of RMB764.5 in June 2008 and RMB954.5 in July 2008, respectively, and lows of RMB457.3 and RMB651.0, respectively, in November 2008. The average selling prices of our iron concentrates and iron pellets have shown signs of stabilization beginning in February 2009, with the monthly average selling prices per tonne of our iron concentrates and iron pellets reaching highs of RMB582.3 and RMB826.5, respectively, in June 2009 and lows of RMB468.6 in February 2009 and RMB675.7, respectively, in March 2009. When compared with the average selling prices of our products in June 2008, the June 2009 average selling prices of iron concentrates and iron pellet show a decrease of approximately 23.8% and 11.7%, respectively.

The table below shows the monthly average selling prices per tonne of our iron concentrates and iron pellets, respectively, from June 2008 to June 2009:

	Average selling price per tonne (RMB)												
	Month ended June 30,	Month ended July 31,	Month ended August 31,	Month ended September 30,	Month ended October 31,	Month ended November 30,	Month ended December 31,	Month ended January 31,	Month ended February 28,	Month ended March 31,	Month ended April 30,	Month ended May 31,	Month ended June 30,
	2008							2009					
Iron concentrates	764.5	733.1	758.2	696.7	603.4	457.3	465.2	519.4	468.6	475.2	510.0	514.4	582.3
Iron pellets . .	935.6	954.5	936.7	904.6	805.1	651.0	679.7	682.8	676.1	675.7	684.7	717.5	826.5

As a result of its effect on demand and pricing, the economic slowdown may continue to have a material adverse effect on our gross margin, profitability and revenue growth as well as on our plans to expand our mineral reserves, production capacities and our line of business. See the "Business — Customers — Recent global economic trends and impact on our business", "Industry Overview — Overview of the Iron Ore and Titanium Industries — Iron ore and titanium prices" and the "Financial Information — Factors Affecting results of Operations and Financial Conditions — Price of products" sections in this prospectus. Any further significant slowdown in economic growth rates in the PRC or globally or a further reduction in the demand for our products from major steel producers in the mid-south and southwest regions of the PRC may further reduce the prices or increase the price volatility of our products and may have a material adverse effect on our business, financial condition and results of operations.

In accordance with our plan to increase our production of titanium and titanium-related products, we expect to increase our revenue and profits from the sale of these products. Our business will therefore become relatively more sensitive to market conditions relating to titanium and titanium-related products in the future and any adverse pricing trends or material decreases in the prices of these products may have a material adverse effect on our business, financial condition and results of operations.

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

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

Any disruption for a sustained period to the operations of our mines or processing plants or supporting infrastructure, particularly the railroad transportation network, or any change to the natural environment surrounding our mines, such as landslides as a result of earthquakes such as the earthquake suffered by Sichuan on May 12, 2008, may have a material adverse effect on our business, financial condition and results of operations.

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

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

An integral part of our business strategy is to expand our business by increasing our production capacity. We intend to increase our capacity to produce iron concentrates, iron pellets, titanium concentrates and titanium-related products by (i) improving our existing production lines; (ii) constructing new production lines; (iii) acquiring the production lines of other enterprises; and (iv) increasing the quantity of our products we produce utilizing Independent Third Party processing and pelletizing contractors. See the "Business — Expansion and Construction Plan" section in this prospectus. However, we may not be able to improve or build our production lines successfully, identify suitable acquisition targets or investment opportunities or enter into economically beneficial contracts with processing or pelletizing contractors, or may not be able to complete any of these transactions on favorable terms. These transactions may also be difficult to manage or integrate with our existing operations or may be delayed or adversely affected by numerous factors, including the failure to obtain necessary regulatory approvals, technical difficulties, the lack of manpower or other resource constraints, and may divert resources and management attention from our other business concerns. In addition, the costs of these transactions may exceed our planned investment budget. As a consequence of delays, cost overruns, changes in market circumstances or other factors, the intended economic benefits from these transactions may not materialize and our business, financial condition and results of operations may be materially and adversely affected.

Another of our business strategies is to produce high-grade titanium concentrates and titanium-related downstream products such as titanium slag. However, we have limited experience in the production of high-grade titanium concentrates and titanium-related downstream products. Furthermore, related research and development activities require considerable human resources and capital investment and may not yield returns in the short term, if at all. We cannot assure you that our research and development efforts will be successful or remain within our budget limits. Nor can we assure you that we can implement the results of such research and development in our operations. If our investment in high-grade titanium concentrates and titanium-related downstream products fails to achieve our objectives, our business, financial condition and results of operations may be materially and adversely affected.

As a result of our overall business strategy, we will require a high level of capital expenditure in the foreseeable future to fund our ongoing operations and future growth. Our aggregate capital expenditures for our Baicao Mine and Xiushuihe Mine in 2009, 2010 and 2011 are expected to be RMB519.7 million. We intend to fund such capital expenditures out of internal sources of liquidity and/or through access to additional financing from external sources. Our ability to obtain external financing in the future at a reasonable financing cost is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;

- the condition of the global and domestic financial markets; and
- changes in the monetary policy of the PRC government with respect to bank interest rates and lending practices.

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

For further details of our net current liabilities positions and our future capital requirements during the Track Record Period, see the "Financial Information — Liquidity and Capital Resources" section in this prospectus.

We sold the majority of our products to a connected person during the years ended December 31, 2006 and 2007.

Weiyuan Steel is a company in which Trisonic International, one of our Controlling Shareholders, owns a 68.0% equity interest and is therefore a connected person of our Company. Weiyuan Steel was the single largest customer of our iron concentrates and iron pellets during the years ended December 31, 2006 and 2007. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, sales to Weiyuan Steel accounted for approximately 96.5%, 94.1%, 21.1% and 17.3% of our total revenue, respectively. We cannot assure you that any of our attempts to expand our customer base will succeed and we expect Weiyuan Steel to continue to be one of our major customers. For further details relating to sales to Weiyuan Steel, see the "Business — Sales — Sales to Weiyuan Steel" section in this prospectus. Any adverse development affecting Weiyuan Steel's demand for our products may have a material adverse effect on our business, financial condition and results of operations.

We have only recently begun selling our iron ore products to Independent Third Party customers.

We began in January 2008 to sell a larger percentage of our products to Independent Third Party customers. We cannot assure you that we will be able to expand our Independent Third Party customer base or maintain our relationships with our present Independent Third Party customers. If we are unable to expand our customer base, we will remain reliant on sales to Weiyuan Steel, which accounted for approximately 21.1% of our total revenue in 2008 and 17.3% of our total revenue for the six months ended June 30, 2009. Our relatively short history of dealing with Independent Third Party customers makes it difficult to evaluate the strength of our relationships with such customers or to determine whether they will maintain their present purchase volumes with us. This short history also makes it difficult to determine whether there may be seasonal or cyclical fluctuations in customer demand for our products or whether our customers may face adverse developments in their own business that may cause them to reduce their demand for our products. If we are unable to expand our customer base or maintain our present customer base, the demand for our products may decrease and our business, financial condition and results of operations may be materially and adversely affected.

We have entered into a three-year iron concentrates sales contract with Weiyuan Steel. This contract is considered to be a continuing connected transaction under the Listing Rules, which stipulate a cap on the annual aggregate value for such transaction. If we increase our production capacity as planned but fail to expand our customer base, we may have a surplus of products which we will not be able to sell to Weiyuan Steel if such sales would exceed the cap on the annual aggregate transaction value stipulated in the waiver granted to us by the Stock Exchange unless we obtain independent Shareholders' approval in accordance with Chapter 14A of the Listing Rules to sell such surplus to Weiyuan Steel. If we fail to obtain such independent Shareholders' approval, or there is a delay in obtaining such independent Shareholders' approval, our business, financial condition and results of operations may be materially and adversely affected. See the "Connected Transactions — Waiver from the Stock Exchange" section in this prospectus.

Our short operating history and rapid growth may make it difficult for investors to evaluate our business and growth.

We commenced operations in 2004 and have since experienced rapid growth, with revenue increasing from approximately RMB211.1 million in 2006 to RMB791.2 million in 2008, representing a CAGR of 93.6% and from approximately RMB315.3 million for the six months ended June 30, 2008 to RMB486.0 million for the six months ended June 30, 2009, representing an increase of 54.1%. Due to our limited operating history, there may not be an adequate basis on which to evaluate our future operating results and prospects. Moreover, the rate of our future growth may not continue at the same level as the growth we have experienced in the past. Because our past results may not be indicative of our results in the future, investors may have difficulties evaluating our business and prospects.

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

To use resources more effectively and reduce operating costs, we engage an Independent Third Party Mining Contractor to carry out labor intensive work and work requiring certain technical skills such as blasting, waste stripping, ore drawing and the transportation of the ore from our mines to the designated processing plant. Our Independent Third Party Mining Contractor is responsible for 100% of the ore extraction operations at our Baicao Mine and Xiushuihe Mine.

We currently engage two Independent Third Party Processing Contractors to increase our production capacity of iron concentrates and medium-grade and high-grade titanium concentrates. Our first Independent Third Party Processing Contractor commenced production of iron concentrates and medium-grade titanium concentrates from the ore extracted from our Baicao Mine in January 2007. It has agreed to allocate production capacity of at least 550.0 Kt of iron concentrates and 110.0 Kt of medium-grade titanium concentrates to us in 2009. For the six months ended June 30, 2009, our first Independent Third Party Processing Contractor produced 266.8 Kt of iron concentrates and 37.7 Kt of medium-grade titanium concentrates for us, representing 35.9% and 60.1% of our total production volume of iron concentrates and medium-grade titanium concentrates, respectively, in that period.

Our second Independent Third Party Processing Contractor agreed to allocate production capacity of at least 150.0 Kt of iron concentrates to us in 2009. For the six months June 30, 2009, our second Independent Third Party Processing Contractor produced 3.6 Kt of iron concentrates for us, representing 0.5% of our total production volume of iron concentrates in that period.

We currently engage two Independent Third Party Pelletizing Contractors to increase our iron pellets production capacity. Our Independent Third Party Pelletizing Contractors produce iron pellets using the iron concentrates supplied by our Xiushuihe Processing Plant and our Independent Third Party Processing Contractors. Our first Independent Third Party Pelletizing Contractor agreed to allocate production capacity of a total of 250.0 Kt of iron pellets to us in 2009. For the six months ended June 30, 2009, our first Independent Third Party Pelletizing Contractor produced 93.9 Kt of iron pellets for us, representing 29.9% of our total production volume of iron pellets in that period. Our second Independent Third Party Pelletizing Contractor agreed to allocate production capacity of a total of 150.0 Kt of iron pellets to us in 2009. For the six months ended June 30, 2009, our second Independent Third Party Pelletizing Contractor produced 67.8 Kt of iron pellets for us, representing 21.6% of our total production volume of iron pellets in that period.

We currently engage three Independent Third Party Transportation Contractors and rely on them to transport our iron ore products from our processing plants to our Iron Pelletizing Plant and from our production facilities to the designated railroad stations for those customers that we have entered into separate transportation arrangements with in respect of the delivery of our iron ore products. See the “Business — Independent Third Party Contractors” section in this prospectus.

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

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

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

Our plan to acquire additional mineral reserves may not succeed.

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

We may be unable to increase the ore production quotas of our Baicao Mine and Xiushuihe Mine.

Our ore output volume at both our mines is subject to the ore output volume limits stipulated in our current mining permits. The current mining rights for our Baicao Mine and Xiushuihe Mine authorize an annual ore production of 4.6 Mt and 2.3 Mt, respectively, for open pit mining operations. Any increase in the authorized ore production quota is subject to feasibility studies and the approvals of the relevant authorities, including MEP, SAWS and MLR or their respective branches. If we decide to increase our ore production quotas, any such increase will depend on the outcome of our negotiations with the relevant authorities. If we are unable to increase our ore production quotas, our growth may be delayed and our business, financial condition and results of operations may be materially and adversely affected.

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

Iron ore and iron ore-related products are bulky, heavy and difficult to transport in the large quantities required by downstream users. The mountain roads in our region can be steep and difficult to traverse. Transportation costs are therefore generally a large component of the cost of purchase for our customers. Fluctuations in transportation costs may have a detrimental effect on the demand for our products. Our expansion plan and associated higher sales volume will increase demand on the railroad and road transport networks near our mines and those networks may be inadequate to handle our increased sales volume. In general, long distances transport by railroad is cheaper than by road. If the railroad network is not available, whether due to problems on the railroad line arising from the occurrence of natural disasters or accidents or because the capacity of the railroad has been reached, our customers may be forced to turn to road transport. As a result, they may choose suppliers closer to their operations or demand lower prices for our products. If transportation to and from our mines is reduced or cut off entirely for a long period of time, we may lose our customers and also be in breach of any existing sales contracts. Any difficulties experienced by our customers in transporting our products may reduce demand for our products and our business, financial condition and results of operations may be materially and adversely affected.

We may incur transportation costs if our customers do not pay the contract sales price.

We pay the costs of transportation from our processing plants to a specified delivery point for some of our customers, depending on the negotiated terms of the applicable sales contract, and recoup such transportation costs by adding the full costs to the contract sales price. Because the transportation costs of our products can be substantial, in the event we do not recoup such costs from our customers due to default in payment by a customer, our business, financial condition and results of operations may be materially and adversely affected.

Our mines are both located in Huili County of the Panxi Region and are exposed to the same risks.

Both of our main operating mines are located within approximately 30 km of each other in Huili County of the Panxi Region. Therefore, both mines use the same railroad and road transportation networks and are vulnerable to natural disasters or accidents that may close either or both transportation networks. As a result, demand for our products may be reduced because we and our customers are dependent on the same railroad and road transportation networks. In addition, both mines use the same utilities suppliers and any natural disaster or accident affecting us may also affect our utility suppliers. Each mine is thus exposed to the same pricing and supply risks as the other. In addition, we cannot assure you that the present government policies encouraging the consolidation of mines in the Panxi Region will continue and we may therefore not be able to purchase other mines in the different areas of the Panxi Region to mitigate these risks. See the “Business — Expansion and Construction Plan — Expansion of mineral reserves” section in this prospectus. If a natural disaster or accident that affects both of our mines should occur at the same time or to the same extent, our business, financial condition and results of operations may be materially and adversely affected.

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

We operate our mining activities on collectively-owned land. Pursuant to Article 57 of the Land Administration Law, a party may use collectively-owned land on a short-term basis for not more than two years if it has been granted short-term land use rights by the competent governmental authority and entered into land use agreements with the relevant rural collective economic entity or village committee. We have been granted short-term land use rights by the competent governmental authority. We have also entered into framework land-use agreements and detailed land-use agreements with the owners of the collectively-owned land, as represented by the relevant rural collective economic entity or village committee who has the right to manage the land used in our mining operations. Pursuant to the framework land-use agreements, the owners of the collectively-owned land have authorized us to use and occupy the land for our mining operations for the duration of the relevant mining permits. Details of the area, method of use and relevant compensation for each affected mining area are set forth in the detailed land use agreements. If we are denied access to any of our mines due to a breach of these land use agreements by the owners of the relevant collectively-owned land, it may require substantial time, cost and effort to regain access to our mines and any such interruptions in our operations may have a material adverse effect on our business, financial condition and results of operations.

Amortization expenses related to our mining rights may adversely affect our results of operations.

We amortize our mining rights over the shorter of the period of the rights on a straight-line basis or the useful lives of our mines in accordance with the production plans and reserves of the mines on the unit-of-production method. The period of useful life of our mines as of June 30, 2009 are 14.0 years for our Baicao Mine and 5.8 years for our Xiushuihe Mine. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our mining rights cost was RMB1.1 million, RMB145.2 million, RMB149.7 million and

RMB149.7 million, respectively, and the period amortization cost was RMB0.1 million, RMB0.8 million, RMB7.8 million and RMB5.1 million, respectively. We intend to review the amount of reserves for our mines on an annual basis. Any material decrease in the amount of reserves for our mines may cause an impairment on the carrying value of our mining rights, which may have a material adverse effect on our business, financial condition and results of operations.

We had net cash outflow from operating activities in 2007 and we had net current liabilities as of December 31, 2006.

In 2007, our net cash outflow from operating activities was RMB96.9 million. See the “Financial Information — Liquidity and Capital Resources — Net cash inflow (outflow) from operating activities” section in this prospectus. As of December 31, 2006, we had net current liabilities of RMB54.1 million. See the “Financial Information — Liquidity and Capital Resources” section in this prospectus. If we are unable to repay any of our debts when they fall due, our creditors may take action to recover such debts, which may have a material adverse effect on our business, financial condition and results of operations.

In the event that we do not generate sufficient cash from our operations to meet our obligations, we may need to raise additional funding through debt or other forms of financing. There will be costs in raising and servicing such additional funding. If we are unable to raise additional funding or there is a delay in obtaining such funding, our business, financial condition and results of operations may be materially and adversely affected.

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

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

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

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

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

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

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

We may be unable to transfer the net proceeds from the Global Offering to the PRC.

Pursuant to Article 4 of SAFE Circular No. 75 and other relevant laws and regulations of the PRC, we are required to transfer the net proceeds from the Global Offering to the PRC in accordance with the use of proceeds set forth in the "Future Plans and Use of Proceeds" section in this prospectus or the use of capital plan stipulated in the business plan letter submitted to the relevant foreign exchange authority. If we are unable for any reason (including if we are unable to obtain the approval of the relevant PRC authorities for the transfer of the net proceeds of the Global Offering into the PRC) to use the net proceeds from the Global Offering on certain planned expansion projects, namely the acquisition or consolidation of other mines, the expansion of the mining boundaries set forth in our existing mining rights and the construction of the titanium slag production lines, then we currently plan not to proceed with such projects. Because these projects are important to our business growth, we expect that not proceeding with such projects may have a material adverse effect on our business, financial condition and results of operations.

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

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

- increases in ore output volume limits;
- grant and renewal of mining rights;
- grant and renewal of safety production permits;
- production safety and casualty ratings;
- taxes and fees;
- environmental, health and safety standards; and
- annual verification of mining permits and exploration permits.

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

In addition, the current PRC government policies favor the acquisition and consolidation of mines by large mining companies. However, we cannot assure you that such policies will not change in the future. In the event that those policies favoring our acquisition and expansion plans change, our costs incurred in carrying out our acquisition and expansion plans may increase substantially and our ability to effect such plans may decrease. For more information on the relevant PRC regulations, see the "PRC Laws and Regulations" section in this prospectus.

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

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

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

The PRC government is currently moving toward more rigorous enforcement of applicable laws and regulations, as well as the adoption and enforcement of more stringent environmental standards. As a result, our budgeted capital expenditure for environmental regulatory compliance may be insufficient and we may need to allocate additional funds. Moreover, we cannot assure you that we can comply with all environmental laws and regulations that may be adopted or amended in the future. We have been sanctioned by the PRC government for breach of certain regulations in the past and were fined and/or required to take rectifying actions by the relevant government authority for improper use of forest land for mining purposes and improper waste water discharge. If we fail to comply with current or future environmental laws and regulations, we may be required to stop production, pay penalties or fines or take corrective actions, any or all of which may have a material adverse effect on our business, financial condition and results of operations. See the "Business — Regulatory Compliance Issues — Breach of PRC regulations" section in this prospectus.

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

Immediately following the Global Offering, our Controlling Shareholders will hold in aggregate approximately 59.7% of our Shares, or approximately 57.5% if the Over-allotment Option is exercised in full. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions with respect to:

- mergers or other business combinations;

- acquisition or disposition of assets;
- issuance of additional shares or other equity securities;
- timing and amount of dividend payments; and
- our management.

Our Controlling Shareholders may cause us to undertake certain corporate transactions or not enter into other corporate transactions which might not be in, or may conflict with, the best interests of our other Shareholders. We cannot assure you that our Controlling Shareholders will vote on Shareholders' resolutions in a way that will benefit all of our Shareholders.

We may face shortages in our water supply or in the supply of our other utilities or raw materials.

We use water in various stages of our processing operations. Water for our Baicao Mine is drawn from local ground water. Water for our Xiushuihe Mine is drawn from the nearby Ailang River. Any climate change that results in unstable or reduced rainfall or any other event that causes a shortage of water supplies may force us to limit or delay our production. For example, during the last months of the dry season, usually in April and early May, water supplies become increasingly limited for both of our processing plants. We have entered into an investment co-operation agreement with the local government on September 18, 2008 pursuant to which the local government will construct a reservoir with a capacity of approximately 1.0 million cubic meters at Xiaoheiqing mining village (小黑箐鄉礦山村) near our Baicao Processing Plant. The construction of the reservoir was completed in July 2009 and the reservoir will begin operations by October 2009.

We are responsible for the full construction cost of the reservoir, which amounts to approximately RMB36.0 million, and are responsible for the ongoing maintenance of the reservoir. In return, we are entitled to use the water in the reservoir without further payment. See the "Business — Utilities and Raw Materials — Electricity and water" section in this prospectus. We cannot assure you that the water in the reservoir will be sufficient for our needs. In the event of shortages in water supply, our production schedule may be delayed and our business, financial condition and results of operations may be materially and adversely affected.

We use electricity in all our operations. We obtain our electricity from local power grids at market rates. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our electricity expenditures accounted for approximately 9.3%, 5.9%, 7.3% and 7.5% of our total cost of sales, respectively, for these periods. Our major purchased raw materials are bentonite clay and coal, both of which are used at our Iron Pelletizing Plant in the iron pellet production process. We currently purchase bentonite clay from a single supplier. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, costs related to bentonite clay represented 1.4%, 1.1%, 0.5% and 0.3% of our total cost of sales, respectively, for these periods. We currently purchase coal from three suppliers. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, costs related to coal represented 8.5%, 6.1%, 4.9% and 3.4% of our total cost of sales, respectively, for these periods. In the event there is an interruption in the supply of electricity, bentonite clay or coal, our operations, or those of our Independent Third Party contractors, may be disrupted. We cannot assure you that supplies of electricity, bentonite clay or coal will not be interrupted or that their prices will not increase. If our existing suppliers cease to supply us, or our Independent Third Party contractors, with bentonite clay, coal or electricity at a sufficiently low price, or at all, or if we cannot find alternative sources of these materials within a reasonable time and at a reasonable cost, or at all, our business, financial condition and results of operations may be materially and adversely affected. See the "Business — Utilities and Raw Materials" section in this prospectus.

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

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

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

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

RISKS RELATING TO CONDUCTING OUR OPERATIONS IN THE PRC

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

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

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

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

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

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

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

The Ministry of Finance and the State Administration of Taxation issued the Circular on Adjusting the Policy on Resource Tax of Molybdenum Ore and Other Resources (《財政部、國家稅務總局關於調整鉬礦石等品目資源稅政策的通知》) on December 12, 2005 to adjust the resource tax rates of ferrous metal ore. Pursuant to the notice, which has been in effect since January 1, 2006, the resource tax rate of iron ore has increased from RMB2.8 per tonne to RMB4.2 per tonne. As such, the resource tax for our mines increased by RMB1.4 per tonne of iron ore. Any further material increase in resource-related taxes or any policy reforms promulgated by the PRC government in relation to iron ore may have a material adverse effect on our business, financial condition and results of operations.

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

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

The value of the Renminbi depends to a large extent on the PRC's domestic and international economic, financial and political conditions and government policies, as well as the local and international currency markets. Prior to 1994, the Renminbi experienced a significant net devaluation against most major currencies and there was significant volatility in the market-based exchange rate. Since 1994, the conversion of Renminbi into foreign currencies in the PRC, including HK and US dollars, has been based on exchange rates published by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates in the PRC and currency exchange rates in world financial markets. Since 1994, the Renminbi to US dollar exchange rate has largely stabilized. On July 21, 2005, the PBOC announced that the exchange rate of US dollars to Renminbi would be adjusted from US$1.00 to RMB8.27 to US$1.00 to RMB8.11 and it ceased to peg the Renminbi solely to the US dollar. Instead, the Renminbi is now pegged to a basket of currencies as determined by the PBOC, the components of which are adjusted based on market changes and according to a set of systematic principles. On September 23, 2005, the PRC government widened the daily trading band for the Renminbi against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. In the future, the Renminbi may be revalued further against the US dollar or other currencies or may be permitted to enter into a full or limited free float, any of which may result in the appreciation or depreciation of the Renminbi against the US dollar or other currencies. Any change in PRC foreign exchange policies may give rise to uncertainties in our financial condition and results of operations. We currently do not, nor do we intend to, hedge our exposure to the US dollar or other currencies. Since all of our income and profits are denominated in Renminbi, any appreciation in the Renminbi may subject us to increased competition from imports while a devaluation of the Renminbi may adversely affect the value of our net assets, earnings and declared dividend in foreign currency terms, as well as our ability to meet our foreign currency obligations.

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

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

Compliance with the PRC Labor Contract Law may increase our labor costs.

The PRC Labor Contract Law became effective on January 1, 2008. Compliance with the requirements under the PRC Labor Contract Law, in particular the requirements to make severance payments and non-fixed term employment contracts, may increase our labor costs.

Pursuant to the PRC Labor Contract Law, since January 1, 2008, we have been required to enter into non-fixed term employment contracts with employees who have worked for us for more than ten years or, unless otherwise provided in the PRC Labor Contract Law, for whom a fixed term employment contract has been concluded for two consecutive terms. We may not be able to efficiently terminate non-fixed term employment contracts under the PRC Labor Contract Law without cause. We are also required to make severance payments to fixed term contract employees when the term of their employment contracts expire, unless such employee voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance 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, except in circumstances where the employee's monthly wage is three or more times greater than the average monthly wage in the relevant district or locality, in which case the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by a maximum of twelve years. A minimum wage requirement has also been incorporated into the PRC Labor Contract Law. Liability for damages or fines may be imposed for any material breach of the PRC Labor Contract Law.

As confirmed by our Directors, there was no increase in the amount of labor costs for our Company in 2008 as a result of the PRC Labor Contract Law and we have been in compliance with the PRC Labor Contract Law since it became effective on January 1, 2008. In addition to the cost of compliance with current PRC labor laws and regulations, any significant changes in PRC labor laws in the future may substantially increase our operating costs and have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

A recurrence of SARS or an outbreak of other epidemics, such as avian flu or the H1N1 influenza, may adversely affect the national and regional economies in the PRC and our business prospects.

Some regions in the PRC are susceptible to epidemics such as SARS. Past occurrences of epidemics, depending on their scale of occurrence, have damaged national and local economies in the PRC. A recurrence of SARS or an outbreak of any other epidemic in the PRC, such as the H5N1 avian flu or the H1N1 influenza, especially in the areas where we have operations, may result in quarantines, temporary closures of our offices and manufacturing facilities, travel restrictions and/or the illness or death of our key personnel. Any of the above may cause material disruptions to our operations, which in turn may have a material adverse effect on our business, financial condition and results of operations. Even if we are not directly affected by an epidemic, an outbreak of SARS, avian flu, H1N1 influenza or other epidemics, whether inside or outside the PRC, could slow down or disrupt general economic activities, which may in turn have a material adverse effect on our business, financial condition and results of operations.

The New Tax Law may affect tax exemptions on dividends received by us and by our Shareholders and may increase our enterprise income tax rate.

We are incorporated under the laws of the Cayman Islands and hold interests in our PRC operating subsidiaries. Pursuant to the New Tax Law, effective January 1, 2008, if the overseas members of our Group are deemed to be non-PRC resident enterprises for tax purposes without an office or premises in the PRC, Simply Rise and First China will be subject to a withholding tax rate of 10% for any dividends paid by Huili Caitong unless they are entitled to certain tax reductions or exemptions. Under the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) effective on January 1, 2007 (the "Tax Agreement"), the withholding tax rate for dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is 5% if the Hong Kong enterprise owns at least 25% of the PRC enterprise; if otherwise, the dividend withholding tax rate is 10%. According to the Notice of the State Administration of Taxation on issues relating to the administration of the dividend provision in tax treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guoshuihan [2009] No. 81) ("Notice 81") promulgated on February 20, 2009, the corporate recipients of dividends distributed by Chinese enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends. Pursuant to the Tax Arrangement and Notice 81, a payment of dividends by Huili Caitong to Simply Rise and First China, which hold 72% and 18.5% of the equity interest in Huili Caitong, respectively, may be subject to a PRC withholding tax at a rate of 5% and 10%, respectively, if the provisions of Notice 81 are satisfied and the overseas members of our Group are not considered to be PRC resident enterprises for tax purposes. According to Notice 81, if the primary purpose of the transactions or arrangements is deemed by the relevant authorities to be entered into for the purpose of enjoying a favorable tax treatment, the favorable tax benefits enjoyed by us pursuant to the Tax Arrangement may be adjusted by the relevant tax authorities in the future.

The New Tax Law provides that if an enterprise incorporated outside the PRC has its "de facto management organization" within the PRC, such enterprise may be deemed a PRC resident enterprise for tax purposes and be subject to an enterprise income tax rate of 25% on its worldwide income. Most members of our management are located in the PRC and, if they remain there, the overseas members of our Group may be deemed PRC resident enterprises and therefore subject to an enterprise income tax rate of 25% on our worldwide income. As a result of these tax provision changes, our historical operating results will not be indicative of our operating results for future periods and the value of our Shares may be materially and adversely affected.

The New Tax Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, but due to the short history of the New Tax Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC operating subsidiaries to us will meet such qualification requirements even if the overseas members of our Group are considered as PRC resident enterprises for tax purposes.

The New Tax Law also stipulates that if (i) an enterprise distributing dividends is domiciled in the PRC or (ii) capital gains are realized from the transfer of equity interests in enterprises domiciled in the PRC, then such dividends or capital gains are treated as PRC-sourced income. If the overseas members of our Group are deemed PRC resident enterprises for tax purposes, then (i) any dividends we pay to our overseas Shareholders and (ii) any capital gains realized by our Shareholders from transfers of our Shares may be regarded as PRC-sourced income and be subject to a PRC withholding tax at a rate of up to 10%.

As the New Tax Law has only recently taken effect, it is uncertain how it will be implemented by the relevant PRC tax authorities. If dividend payments from our PRC operating subsidiaries to us are subject to the PRC withholding tax, it may have a material adverse effect on our business, financial condition and results of operations. If our dividend payments to overseas Shareholders are subject to the PRC withholding tax, it may have a material adverse effect on your investment return and the value of your investment in us.

RISKS RELATING TO THE GLOBAL OFFERING

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

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

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

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

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

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

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

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

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

We declared one-off and non-recurring special dividends of RMB20.0 million to our Shareholders on February 24, 2009 and distributed such dividends on September 16, 2009. Other than the declaration of such special dividends, we did not declare or pay any dividends during the Track Record Period. For further details of our dividend policy, see the "Financial Information — Dividend Policy" section in this prospectus. We cannot assure you that future dividends will be declared or paid in an amount equivalent to or exceeding historical dividends. Therefore, investors are cautioned not to use historical dividends as an indication of the amount of future dividends. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other considerations, our operations, earnings, financial condition, cash requirements and availability, our constitutional documents and applicable law.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or disseminated through other media relating to us and/or the Global Offering, certain 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 Global Offering such as in the Hong Kong Economic Times published on August 17, 2009 and September 8, 2009, the disclosure of which was not authorized by us but included certain information about us (the "Unauthorized Information"). We wish to emphasize to potential investors that we do not accept any responsibility for any such Unauthorized Information. The Unauthorized 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 Unauthorized Information. To the extent that any of the Unauthorized Information is inconsistent with, or is in conflict with, the information contained in this prospectus, we disclaim it. Accordingly, prospective investors are cautioned to make their investment decisions based solely on the information contained in this prospectus and should not rely on any of the Unauthorized Information.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

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

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

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

These forward-looking statements include, without limitation, statements relating to:

- our operations and business prospects, including development plans for our existing and new business;
- our financial conditions;
- future developments, trends and conditions of the iron, steel and related industries in the PRC and the world;
- our dividend distribution plans;
- general economic conditions;
- changes to regulatory or operating conditions in the market(s) in which we operate;
- our ability to reduce costs;
- capital market developments;
- certain statements in "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this prospectus that are not historical fact.

In some cases, we use the words "aim", anticipate", "believe", "continue", "could", "expect", "intend", "may", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would" and similar expressions to identify forward-looking statements.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

In preparation for Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This requirement normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since our principal business operations are primarily based in the PRC, all our executive Directors are, and are expected to continue to be, based in the PRC. Our Company does not consider it beneficial to appoint additional executive Directors because the administrative expenses of our Company will increase and the efficiency and effectiveness of the management of our Company in the PRC will be reduced. Our Company does not contemplate that it will have a sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules in the foreseeable future. Therefore, our Company has applied to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules.

Our Company has received from the Stock Exchange a waiver from compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

(a) our Company has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules to act as our Company's principal communication channel with the Stock Exchange and will ensure that the two authorized representatives comply with the Listing Rules at all times. The two authorized representatives are Mr. JIANG Zhongping, the Chairman and an executive Director and Mr. KONG Chi Mo, the company secretary of our Company. Mr. KONG Chi Mo is ordinarily resident in Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong upon short notice at the request of the Stock Exchange and will be readily contactable by telephone, facsimile or e-mail;

(b) in compliance with Rule 3A.19 of the Listing Rules, our Company shall retain a qualified institution to act as our compliance advisor for a period beginning on the Listing Date and ending on the date on which our Company distributes the annual report for the first full financial year after the Listing Date in accordance with Rule 13.46 of the Listing Rules to provide our Company with advice on compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines;

(c) both the authorized representatives have means to contact all members of the Board (including our independent non-executive Directors) if and when the Stock Exchange wishes to contact the members of the Board. Our Company will implement a policy whereby (a) each Director will provide his mobile phone number, residential phone number, fax number and e-mail address to the authorized representatives; (b) each executive Director will provide valid phone numbers or means of communication to the authorized representatives when he is traveling; and (c) each executive Director will provide his mobile phone number, residential phone number, office phone number, fax number and e-mail address to the Stock Exchange;

(d) the two authorized representatives have been authorized to accept service of process and notices in Hong Kong on our Company's behalf;

(e) all Directors who are not ordinary residents of Hong Kong have confirmed that they either possess or will apply for valid travel documents for Hong Kong and when so required, will be able to meet with relevant members of the Stock Exchange if and when required; and

(f) meetings between the Stock Exchange and our Directors can be arranged through our authorized representatives or our compliance adviser or directly with our Directors at short notice. We also undertake to inform the Stock Exchange promptly, if we change our authorized representatives and/or compliance adviser.

CONNECTED TRANSACTIONS

We have entered into certain transactions which constitute continuing connected transactions of our Company under the Listing Rules, one of which is a non-exempt continuing connected transaction for the purposes of the Listing Rules. Our Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the announcement requirements set forth in Chapter 14A of the Listing Rules for such non-exempt continuing connected transaction. Further information on the connected continuing transactions and the conditions of the aforementioned waiver is set forth in the "Connected Transactions" section in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material aspects and not misleading, there are no other facts the omission of which would make any statement in this prospectus misleading, and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are formed on bases and assumptions that are fair and reasonable.

UNDERWRITING

The Global Offering comprises the Hong Kong Public Offer at initially 58,880,000 Hong Kong Offer Shares and the International Placing of initially 529,920,000 International Placing Shares, subject, in each case, to reallocation on the basis as described in the "Structure of the Global Offering" section in this prospectus and, in case of the International Placing, additionally to any exercise of the Over-allotment Option.

This prospectus is published solely in connection with the Hong Kong Public Offer. The Sole Sponsor is sponsoring the listing of our Shares on the Stock Exchange. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters on a conditional basis. One of the conditions is that we, the Selling Shareholder and the Joint Lead Managers (on behalf of the Underwriters) have agreed on the Offer Price. The International Placing will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement.

We expect that the Offer Price will be fixed by the agreement among us, the Selling Shareholder and the Joint Lead Managers (on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Wednesday, September 30, 2009 and, in any event, not later than Tuesday, October 6, 2009. If, for any reason, we, the Selling Shareholder and the Joint Lead Managers (on behalf of the Underwriters) cannot agree on the Offer Price, the Global Offering will not proceed. For information about the Underwriters and the Underwriting Agreements, see the "Underwriting" section in this prospectus.

RESTRICTIONS ON SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offer will be required to confirm, or be deemed to confirm by his acquisition of Hong Kong Offer Shares, that he is aware of the restrictions on offers of the Offer Shares as described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

The Hong Kong Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus. No person is authorized in connection with the Hong Kong Public Offer to give any information or to make any representation not contained in this prospectus and any information or representation not contained in this prospectus must not be relied upon as having been authorized by us, the Sole Global Coordinator, the Joint Lead Managers, the Underwriters or any of their respective directors or any other persons or parties involved in the Global Offering.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Save as disclosed herein, no part of the share or loan capital of our Company is listed on or dealt on any other stock exchanges and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotments made in respect of any applications will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused prior to the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisors.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the tax implications of subscribing for, purchasing, holding disposing of dealing in the Shares under the laws of the place of your operations, domicile, residence, citizenship or incorporation. We emphasize that none of our Company, the Selling Shareholder, the Sole Global Coordinator, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisors or any other persons involved in the Global Offering accepts responsibility for the tax effect or any tax liabilities resulting from your subscription for, purchase, holding or disposal of or dealing in our Shares.

SHARE REGISTERS AND STAMP DUTY

All Shares issued pursuant to applications made in the Global Offering will be registered on our Company's register of members to be maintained in Hong Kong. Our Company's principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

Dealings in the Shares registered in the register of our Company in Hong Kong will be subject to Hong Kong stamp duty.

OVER-ALLOTMENT AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. In Hong Kong, the stabilization price is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilization Manager, on behalf of the underwriters, may over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offer. This stabilizing activity may include (i) exercising the Over-allotment Option; (ii) stock borrowing; (iii) making market purchases of Shares in the secondary market; (iv) selling Shares to liquidate a position held as a result of those purchases; and/or (v) offering or attempting to do the foregoing. Any such market purchases will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilization Manager to conduct any such stabilizing activities. Stabilizing activity, if commenced, will be done at the absolute discretion of the Stabilization Manager and may be discontinued at any time. Any such stabilizing activities are required to be brought to an end within 30 days from the last day for the lodging of applications under the Hong Kong Public Offer. The number of Shares that may be over-allocated will not exceed 88,320,000 Shares, which is 15% of the number of Shares initially available under the Global Offering.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilization Manager, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilization Manager, will maintain the long position is at the discretion of the Stabilization Manager and is uncertain. In the event that the Stabilization Manager liquidates this long position by selling in the open market, the market price of the Shares may decline.

Stabilizing action by the Stabilization Manager is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offer. The stabilizing period is expected to end on or before Thursday, October 29, 2009. As a result, demand for the Shares and their market price may fall after the end of the stabilizing period.

Any stabilizing action taken by the Stabilization Manager may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for on-market purchases of the Shares by the Stabilization Manager may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by subscribers or purchasers.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedure for the Hong Kong Offer Shares is set out in the "How to Apply for the Hong Kong Offer Shares" section in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the "Structure of the Global Offering" section in this prospectus.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. JIANG Zhongping (蔣中平)	Unit 3, #72, Building 5 Annex No.1 No.24 Yongfeng Road Gaoxin District Chengdu 610041 PRC	Chinese
Mr. LIU Feng (劉峰)	Unit 1, #9, Building 18 No.888 Longgong Road (South) Baihe Village Longquanyi District Chengdu 610100 PRC	Chinese
Mr. WANG Yunjian (王運建)	Unit 1, #6, Building 14 No.888 Longgong Road (South) Baihe Village Longquanyi District Chengdu 610100 PRC	Chinese
Mr. YU Xingyuan (余興元)	F19, #3 Unit 2, Building 2 No.34 Jinxiu Road Wuhou District Chengdu 610043 PRC	Chinese
Non-executive Directors		
Mr. WANG Jin (王勁)	No. 603, Building 15 Hongqi Xinqu Lianjie Village Weiyuan County Sichuan 642469 PRC	Chinese
Mr. ZHU Xiaolin (朱曉林)	Unit 1, #9, Building 8 No.888 Longgong Road (South) Baihe Village Longquanyi District Chengdu 610100 PRC	Chinese
Mr. TEO Cheng Kwee (張青貴)	41 Goodman Road Singapore 439013	Singaporean

Name	Address	Nationality
Mr. DEVLIN Paul Jason	10A, Block 3 Springdale Garden 888 Shaanxi Road (South) Shanghai 200031 PRC	British
Independent non-executive Directors		
Mr. YU Haizong (余海宗)	Unit 1, #2, Building 28 No.55 Guanghuacun Street Qingyang District Chengdu 610072 Sichuan PRC	Chinese
Mr. GU Peidong (顧培東)	No.3, Building 26 No.9 Xinxiwang Road Wuhou District Chengdu 610041 Sichuan PRC	Chinese
Mr. LIU Yi (劉毅)	No.2, 5/F, Building 3 No.20 Section 4, Renmin Road (South) Wuhou District Chengdu 610041 Sichuan PRC	Chinese
Mr. WU Wei (吳瑋)	No.14-1, Unit 1, Building 23 No.96 Taoyuan Street East District Panzhihua City 617000 Sichuan PRC	Chinese

OTHER PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Global Coordinator and Sole Sponsor	Citigroup Global Markets Asia Limited 50/F, Citibank Tower, Citibank Plaza 3 Garden Road Central Hong Kong
Joint Bookrunners and Joint Lead Managers	Citigroup Global Markets Asia Limited 50/F, Citibank Tower, Citibank Plaza 3 Garden Road Central Hong Kong
	Deutsche Bank AG, Hong Kong Branch 48/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
Legal advisors to our Company	*as to Hong Kong and US law* Hogan & Hartson Suite 2101, Two Pacific Place 88 Queensway Hong Kong
	as to PRC law King & Wood 40/F, Office Tower A Beijing Fortune Plaza 7 Dongsanhuan Zhonglu Chaoyang District Beijing 100020
	as to Cayman Islands law Conyers Dill & Pearman Cricket Square Hutchins Drive, Grand Cayman KY1-1111 Cayman Islands

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	Mr. ZHU Xiaolin
	Mr. GU Peidong
	Mr. LIU Yi
Remuneration Committee	Mr. WANG Jin (Chairman)
	Mr. YU Haizong
	Mr. GU Peidong
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Investors should note that Hatch, an experienced consultant in the metals and mining industry, has been engaged to prepare an Iron Ore Industry Report, for use in whole or in part in this prospectus. Hatch prepared its report based on Hatch's in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Hatch contacts companies operating in the industry to gather and synthesize information about market, prices and other relevant information. Hatch has assumed that the information and data which it relied on are complete and accurate.

Hatch has provided part of the statistical and graphical information contained in this Industry Overview. Hatch has advised that (i) some information in the Hatch's database is derived from estimates from industry sources or subjective judgments; and (ii) the information in the database of other mining data collection agencies may differ from the information in Hatch's database.

Investors should also note that no independent verification has been carried out on any facts or statistics that are directly or indirectly derived from official government and non-official sources. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The Company, the Sole Sponsor, the Joint Lead Managers, any of the Underwriters, any of their respective directors and advisors or any other persons or parties involved in the Global Offering make no representation as to the accuracy of the information from official government and non-official sources, which may not be consistent with other information compiled within or outside the PRC. Accordingly, the official government and non-official sources contained herein may not be accurate and should not be unduly relied upon.

INTRODUCTION TO IRON ORE

Iron ore is mainly composed of compounds of iron and oxygen (iron oxides) mixed with impurities (gangue). It is a mineral that, when heated in the presence of a reductant, will yield metallic iron (Fe). Iron ore is graded as fines or lumps depending on whether the majority of individual particles have a diameter of less or more than six millimeters. Iron ore concentrates are the valuable fines that are separated commercially from crude iron ore in the format of rock with gangue by crushing, grinding, and beneficiation and can be agglomerated before being used in an iron making blast furnace or a direct reduction furnace. Iron ore concentrates are the iron ore that is actually counted and traded worldwide. Almost all of the iron ore mined globally (>98%) is used in the production of iron and, subsequently, steelmaking and other downstream processing. Iron ore is the only known source of primary iron and is used directly as lump ore, or as concentrates or fines converted into pellets or sinter.

Iron ore is characterized by the type of iron-oxygen compound as well as by the tramp elements, such as gangue and other non-metallic and non-ferrous oxides. The types of iron ore most commonly found and used are hematite and magnetite iron ore. Other iron ore types that are naturally occurring include limonite, siderite, goethite, pyrites, chamosite and greenalite.

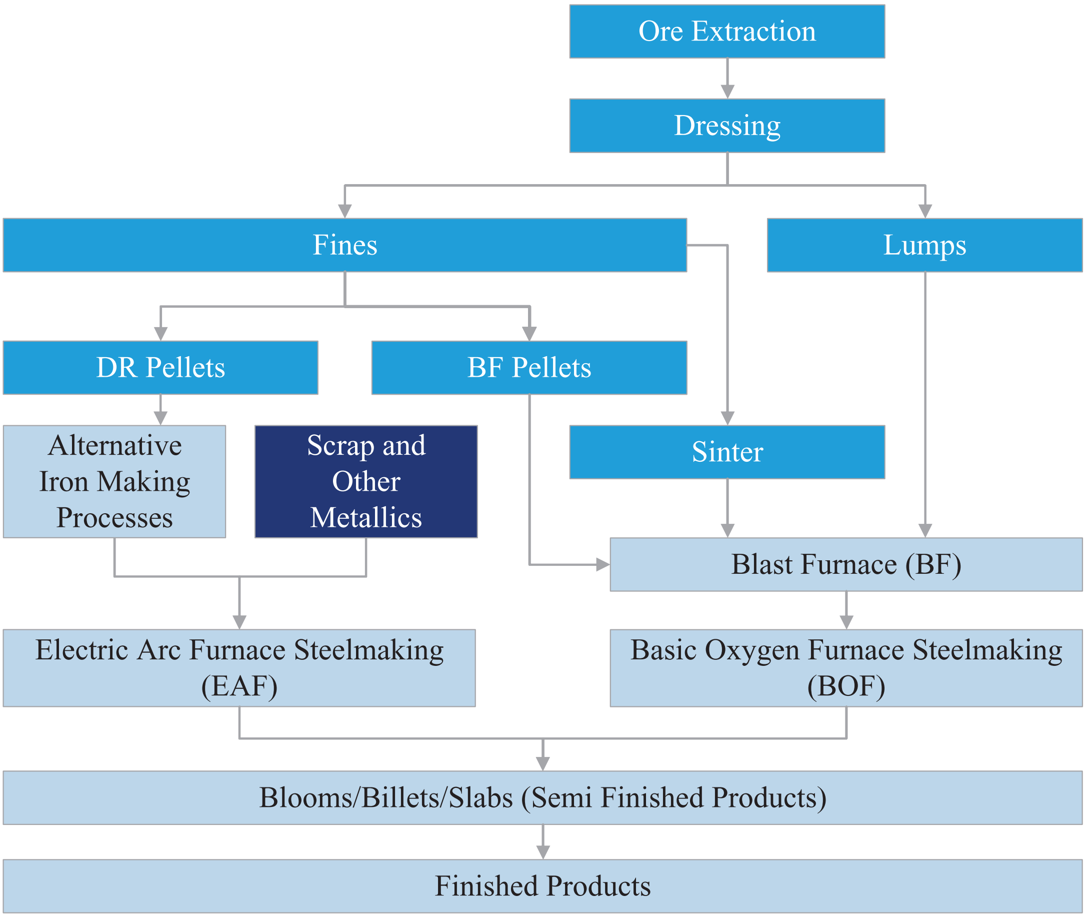
Iron is produced from iron ore by one of three methods:

- blast furnaces;

- direct reduction processes (e.g. DRI, HBI); or
- direct smelting process (e.g. HISmelt, FINEX).

The latter two methods are often grouped together and referred to as "alternative iron making" processes, as they are relatively under-developed. The diagram below illustrates the overall production process.

Process Routes from Ore to Steel



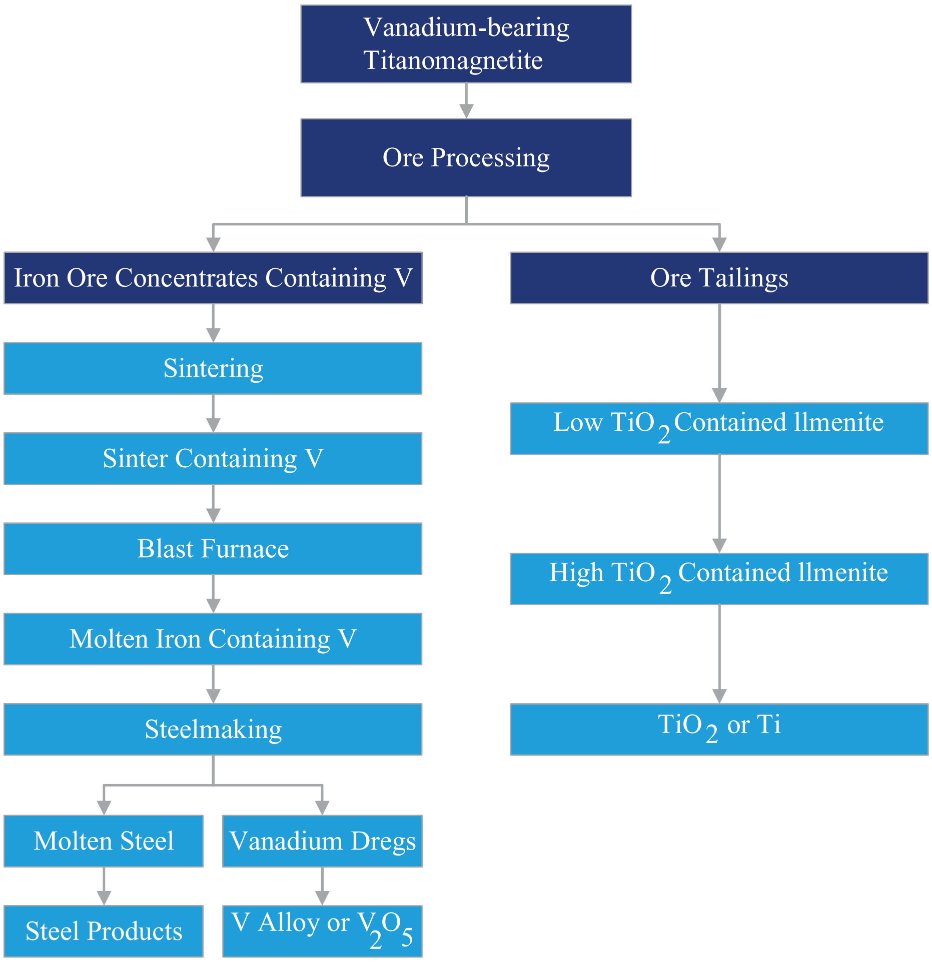
Source: Hatch

Vanadium-bearing titanomagnetite ore

Vanadium-bearing titanomagnetite is a type of magnetite that contains vanadium oxides and titanium oxides in addition to iron oxide. Its exact composition varies depending on each deposit and the region in which it is found. With such ore, the V_2O_5 content is usually less than 2% and the TiO_2 content is usually less than 16%. If the V_2O_5 content exceeds 1.5%, it can be used to produce V_2O_5 directly. The global vanadium reserve (contained V_2O_5) is estimated to be approximately 13 billion tonnes, according to the U.S. Geological Survey ("USGS"). The top three countries, the PRC, Russia and South Africa have 38%, 38% and 23% of the world's reserve, respectively.

The following chart shows how the vanadium-bearing titanomagnetite is processed and used after extraction.

Process Routes and Utilization of Vanadium-bearing Titanomagnetite



Source: Hatch

Two typical products of vanadium-bearing titanomagnetite are iron concentrates containing vanadium and titanium concentrates. The iron ore concentrates can be used in the production of iron, together with vanadium-bearing slag as a byproduct, and the titanium concentrates can be used to produce downstream titanium products such as pigment and sponge titanium.

The vanadium-bearing titanomagnetite reserve in the PRC are estimated to account for one-sixth of the world's total reserve. Iron ore deposits containing this type of ore can also be found in Russia, South Africa and New Zealand. The technology to process vanadium-bearing iron concentrates in steel making is more prevalent in these countries, together with the PRC.

Vanadium-bearing titanomagnetite deposits in the PRC are mainly located in the Panxi Region (reaching from Panzhihua to Xichang, Sichuan Province) and in the Chengde region (Hebei Province). According to China Nonferrous Metal Industry Association Titanium Industry Council and Jin Qiu Cai Zhi, the vanadium-bearing titanomagnetite reserve in the Panxi Region in 2007 was calculated to be approximately 8.87 billion tonnes*(Note 1)*.

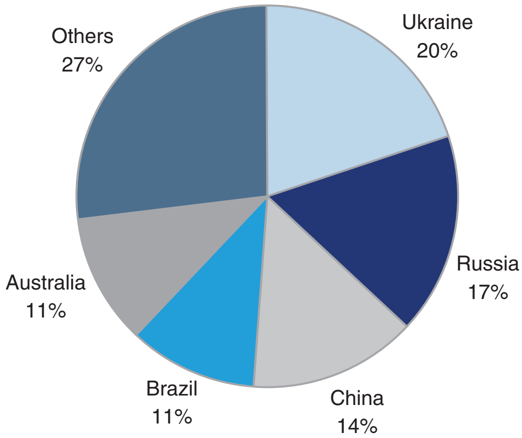
OVERVIEW OF THE IRON ORE AND TITANIUM INDUSTRIES

Global iron ore industry

Iron ore reserve

Global crude iron ore reserve are currently estimated to be at 150 billion tonnes, according to the USGS. The top five countries (Ukraine, Russia, the PRC, Brazil and Australia) collectively account for 72% of the world's reserve; although there are iron ore deposits distributed over the entire planet.

World Iron Ore Reserve (2008)



Source: USGS

Iron ore production

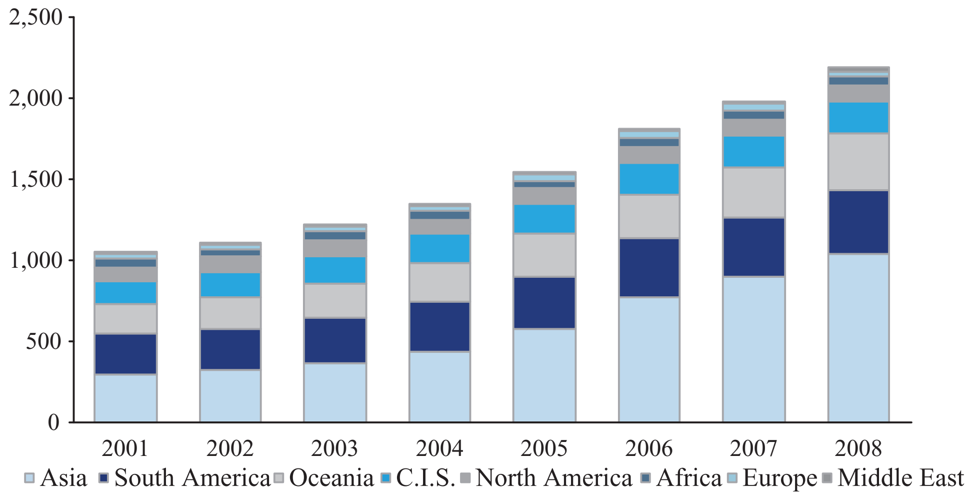
Global iron ore production increased from 932 Mt to 1,645 Mt in the period from 2001 to 2007, representing a CAGR of 9.9%. In 2008, global iron ore production reached 1,807 Mt, according to preliminary estimates by USGS. This amount represents a 9.8% increase from 2007.

Note:

1. Because such figures are calculated once annually in the succeeding year, 2008 figures will not be available until fourth quarter 2009.

According to the Hatch Report, Asia, South America, Oceania and C.I.S. are the major iron ore producing regions that together accounted for over 89.3% of the total world iron ore output in 2008. The increase in output came mainly from the PRC and Australia.

World Iron Ore Output (Unit: Mt)



Source: Hatch

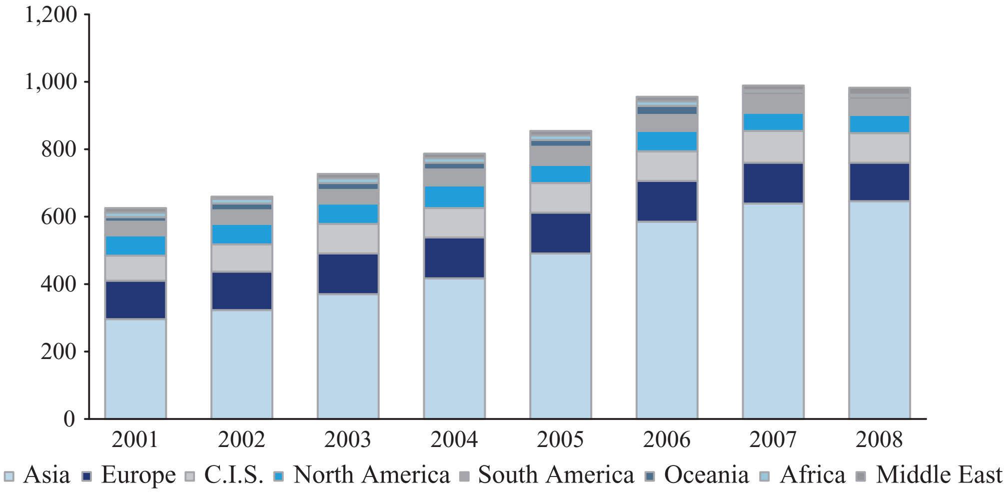
Iron ore demand

Iron ore is mainly used as blast furnace feedstock to produce iron but can also be used (after agglomeration) in direct reduction furnaces to produce directly reduced iron and hot briquetted iron (DRI/HBI). Most of the iron produced in a blast furnace is then transferred to the basic oxygen conversion process in integrated steelworks, whereas DRI/HBI is used mainly as a substitute for ferrous scrap in electric arc furnaces.

World Steel Association (the "WSA") statistics showed global pig iron and DRI/HBI output increased from 616 Mt to 984 Mt between 2001 and 2008 at a CAGR of 6.9% compared to the iron ore output growth at a CAGR of 9.9% over the same period.

Unlike iron ore, the production of pig iron and DRI/HBI is mainly geographically concentrated in Asia, Europe and the C.I.S.. The pig iron and DRI/HBI output in these areas accounted for approximately 80% of the world total during the period from 2001 to 2008.

World Pig Iron and DRI/HBI Output (Unit: Mt)



Source: WSA

World Iron Ore Supply and Demand (Unit: Mt)

	Year ended							
	2001	2002	2003	2004	2005	2006	2007	2008
World Iron Output	616.19	654.22	715.96	777.53	842.04	940.61	1001.03	983.89
World Iron Ore Demand	985.90	1046.76	1145.54	1244.05	1347.26	1504.97	1601.65	1574.22
World Iron Ore Output	932.05	986.39	1074.22	1184.24	1315.82	1482.44	1645.00	1807.00
Estimated Balance	(53.86)	(60.36)	(71.31)	(59.81)	(31.44)	(22.53)	43.35	232.78

Source: WSA, NBSC, USGS and Hatch estimates
Note: Iron ore demand, ore/iron=1.60, iron ore refers to iron concentrates

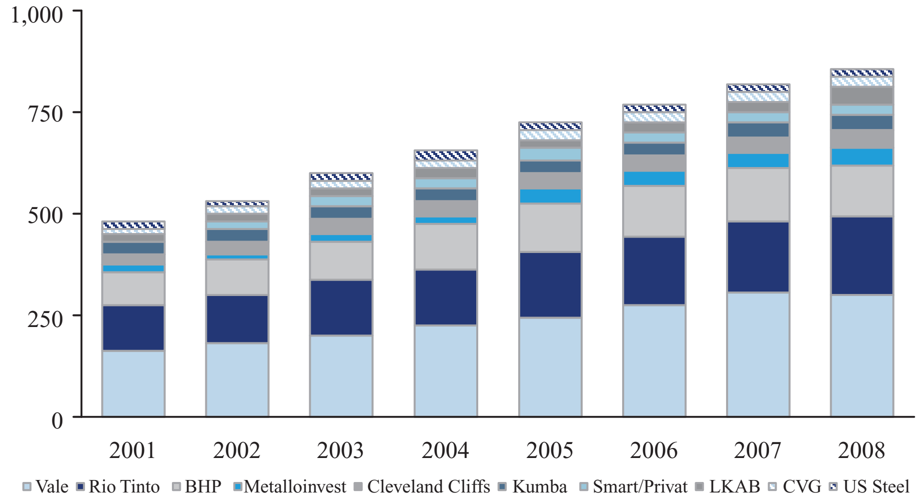
Iron ore trade and competition

Since most of the world's accessible iron ore deposits are not located in the same countries as most steel production facilities are found, approximately 912 Mt of iron ore (or approximately 41% of total global production) was internationally traded in 2008, representing a CAGR of 8.7% from 2001.

Australia and Brazil accounted for 33.7% and 28.6% of world iron ore exports, respectively, and together they were the source of over 60% of world shipments; while the PRC, Japan and Europe accounted for 48.5%, 15.3% and 18.1% of world iron ore imports in 2008, respectively, according to Iron and Steel Statistics Bureau ("ISSB").

The iron ore industry has been consolidating more or less continuously since the 1970s and is dominated by three large global suppliers, Vale (formerly CVRD), Rio Tinto and BHP Billiton. From 2001 to 2005, the market share of the top three iron ore suppliers' was maintained at above 30%. However, as more marginal players entered the market, their market share decreased to 28.1% in 2008. The top three iron ore suppliers dominated 64% of the seaborne trade in 2008.

Output of the Top Ten Iron Ore Suppliers 2001-2008 (Unit: Mt)



Source: *Hatch, Tex Report and Company data.*

PRC iron ore industry

Iron ore reserve

According to the data provided by the China Geological Survey Department (中國地質調查局) in February 2008, the PRC iron ore inferred reserve base was estimated to be in excess of 100 billion tonnes, with the reserve base estimated to be 60.7 billion tonnes, of which 20 billion tonnes can be economically extracted or produced in the short-term.

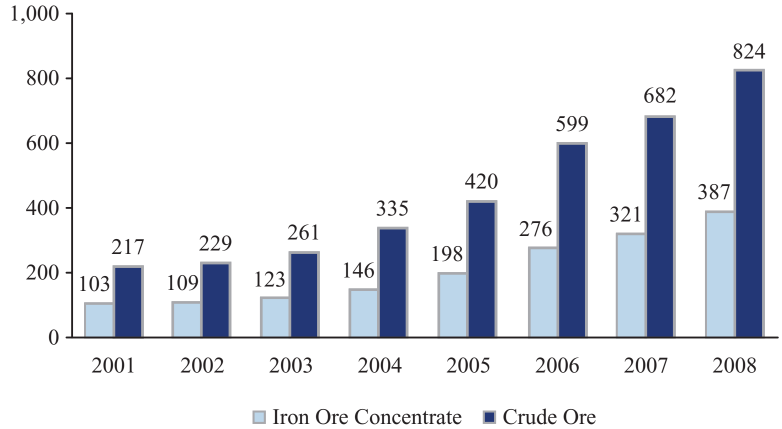
Iron ore production

The PRC is the world's leading producer of iron ore on a gross tonnage basis. Crude iron ore output reached 824 Mt in 2008, achieving a year-on-year rise of 20.7%, according to the National Bureau of Statistics of China (the "NBSC").

However, because the iron content (or ore grade) of the PRC's resource is generally lower than the world average, the PRC's crude ore output figures are usually discounted to enable reasonable comparisons with other countries.

On an iron content-adjusted basis, the PRC's iron ore output reached 387 Mt in 2008, positioning it to become the top iron ore producer globally, as estimated by Metallurgical Mines' Association of China ("MMAC").

PRC Iron Ore Output (Unit: Mt)



Source: NBSC, WSA and MMAC

Iron ore demand

Overall, the PRC has significant shortfall in terms of the available domestic supply of iron ore.

PRC Iron Ore Supply and Demand (Unit: Mt)

	Years Ended								Six months ended June 30,
	2001	2002	2003	2004	2005	2006	2007	2008	2009
PRC Iron Output	147.18	170.97	214.10	257.17	330.72	413.85	471.42	470.67	258.80
PRC Iron Ore Demand	235.49	273.55	342.56	411.47	529.15	662.16	754.27	753.07	414.08
PRC Iron Ore Output	102.60	108.76	122.71	145.75	200.33	276.44	320.77	387.29	178.56
Supply Shortfall	(132.89)	(164.79)	(219.85)	(265.72)	(328.82)	(385.72)	(443.51)	(365.79)	(235.52)
PRC Iron Ore Import	92.30	111.49	148.13	208.09	275.26	326.30	384.76	443.66	297.22

Source: WSA, NBSC, USGS, AME and Hatch estimates
Note: Iron ore demand, ore/iron = 1.60, iron ore refers to iron concentrates

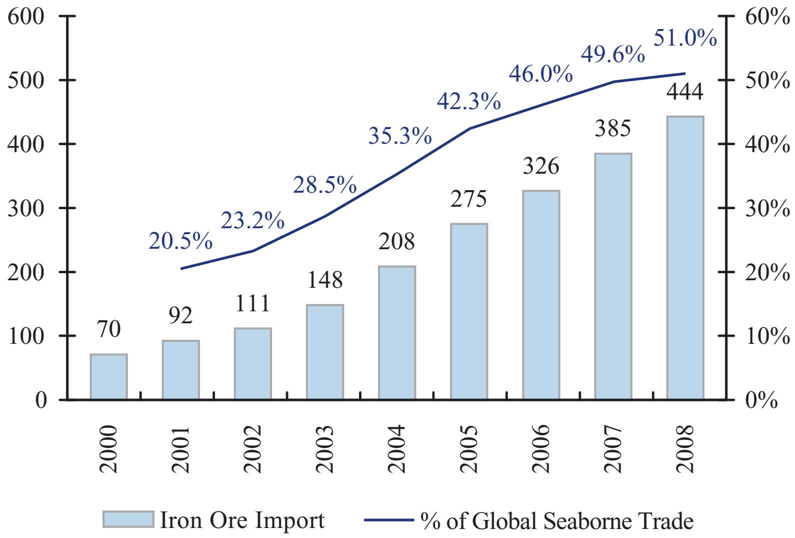
The vast majority of iron in the PRC is produced using the blast furnace method, with DRI/HBI output in the PRC is extremely limited with a share of no more than 1% of total PRC iron product output.

The PRC's pig iron output increased from 147 Mt in 2001 to 471 Mt in 2008 at a CAGR at 18.1%, according to WSA. The PRC is the fastest growing country in terms of iron ore demand and has been the main driver behind the growth of the iron ore sector globally.

Iron ore trade and competition

The PRC continues to be the main destination for global iron ore shipments, with 444 Mt entering PRC ports in 2008, representing an increase of 15.3% over 2007. The PRC's share of the global iron ore trade reached 51% in 2008, a significant increase from 2001 when it accounted for only 20.5%. Australia, Brazil and India are three main sources of iron ore imports in the PRC.

PRC Iron Ore Imports (Unit: Mt)



Source: China Customs Statistics and Clarkson Research Services

The PRC's iron and steel production will remain reliant on imported ore, although, according to the Ministry of Land and Resources of the PRC, domestic ore output capacity is forecast to increase, albeit at a reduced rate, to 1,100 Mt in crude ore terms by 2015.

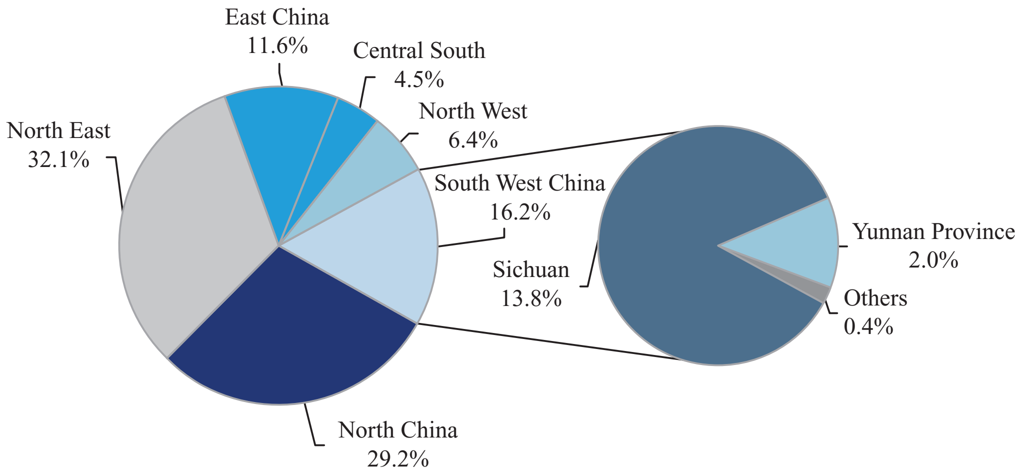
The PRC has over 8,000 iron mines, most of which are small in scale. According to MMAC, the output from small and medium sized mines in 2008 was 634 Mt, accounting for approximately 77% of total iron ore output in the PRC. The other 23% was produced by large mines, most of which belong to state-owned steel companies.

Sichuan iron ore industry

Iron ore reserve

The PRC's iron ore reserve are mainly found in the northeastern, northern and southwestern regions. These three regions account for 78% of the PRC's iron ore reserve. Sichuan has the third largest iron ore reserve at 3.1 billion tonnes (not including vanadium-bearing titanomagnetite), representing approximately 13.8% of the national reserve in 2007, according to the NBSC.

Geographic Distribution of PRC Iron Ore Reserve (2007)



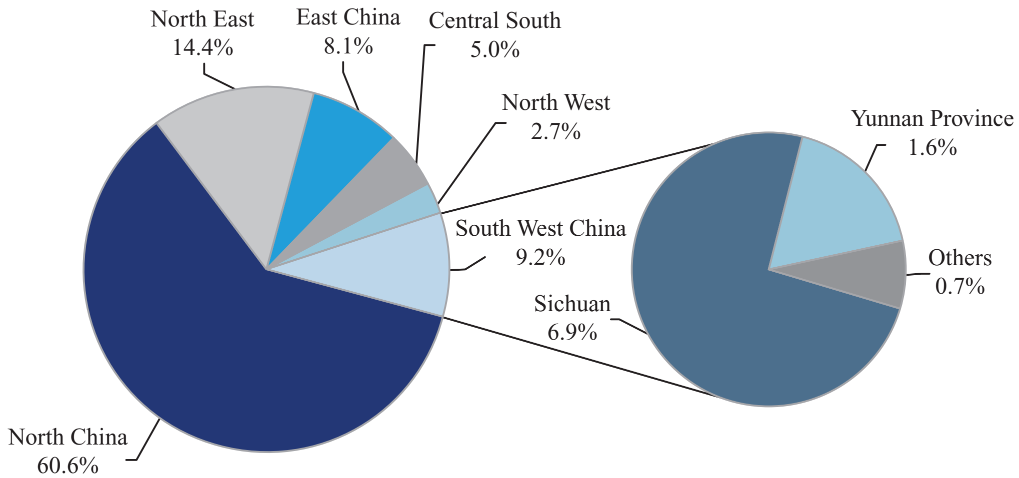
Source: NBSC

Sichuan has abundant vanadium-bearing titanomagnetite deposits and has the largest reserves of this type in the PRC, with the province representing approximately 83.2% of the PRC's vanadium-bearing titanomagnetite reserves.

Iron ore production

According to NBSC, in 2008, the southwest region contributed 9.2% of the total output of crude iron ore in the PRC. According to NBSC, Sichuan ranked No. 4 in the PRC in 2008 with a crude iron ore output of 57 Mt, representing 6.9% of the total output of crude iron ore in the PRC and a year-on-year increase of 22.9%.

PRC Crude Iron Ore Output by Region (2008)



Source: NBSC

According to the Sichuan Metallurgy Economic Association (四川省冶金經濟協會), our market share of iron ore output in Sichuan in 2007 and 2008 was 3.6% and 10.7%, respectively. The increase in our market share from 2007 to 2008 was due to the increase in our iron ore production. See the "Business — Products" and "Business — Our Production Facilities and Operations — Production facilities" sections in this prospectus.

Iron ore demand

Local iron ore output in Sichuan has been insufficient to meet local demand over the past several years. Despite being the major producer of iron ore in the southwest region, Sichuan remains a net importer of iron ore. According to data provided by Chengdu's railroad logistics company, the inflow of iron ore into Sichuan from other regions in the PRC by railroad was around 7.6 Mt while the outflow to other regions was only 1.3 Mt. PRC's customs data also shows that Sichuan has imported 2.3 Mt of iron ore in 2008.

Within Sichuan, according to the Sichuan Province Iron and Steel Industry 11th 5-Year Plan, the Pangang Group will install two additional blast furnaces of 1,300 m^3 each by 2010. Further, Chuan Wei Iron & Steel Group will expand its No. 2 BF to 2,000 m^3; Xichang New Steel plans to build two 1,000 m^3 blast furnaces; and Desheng Iron and Steel Corporation plans to install one 1,500 m^3 blast furnace. As a result of these expansion plans, demand for iron ore in Sichuan is expected to increase.

Sichuan Iron Concentrates Supply and Consumption (Unit: Mt)

	Years ended				Six months ended June 30,
	2005	2006	2007	2008	2009
Sichuan Iron Output	10.61	13.08	14.46	14.25	7.57
Sichuan Iron concentrates Consumed	18.86	23.25	25.71	25.33	14.77
Sichuan Iron concentrates Output	6.79	10.66	17.19	21.12	11.22
Supply Shortfall	(12.07)	(12.60)	(8.52)	(4.22)	(3.55)

Source: NBSC, Sichuan Metallurgy Economic Association and Hatch estimates

Note: For data from 2001 to 2008, iron concentrate consumed/iron output = 1.78, iron ore concentrate output is calculated by using average Fe content of Sichuan crude iron ore of 27%, iron ore concentrate of 54% and a recovery ratio of 74%. The data for six months ended June 30, 2009 is provided by Sichuan Metallurgy Economic Association.

Sichuan crude steel production

The growth in steel production in Sichuan averaged around 10.3% per annum between 2001 and 2008, reaching 13.7 Mt in 2008. The top three producers in 2008 were as follows:

Crude Steel Output by Plant for the Top Three Producers in Sichuan Province (Unit: Mt)

	Crude Steel Output		Y-O-Y Change (%)	
	2007	2008	Volume	
Panzhihua Iron and Steel Company (Pangang Group)	7.46	7.51	0.05	0.72%
Chuanwei Iron and Steel	2.63	2.63	0.00	0.08%
Dazhou Iron and Steel	2.00	2.02	0.02	1.10%
Total	**12.09**	**12.16**	**0.07**	**0.58%**

Source: NBSC, CISA , Jin Qiu Cai Zhi (錦秋財智) and Sichuan Metallurgy Economic Association

Competition

According to Sichuan Metallurgy Economic Association, there were 54 iron ore mines in Sichuan as of December 31, 2008. The iron ore output of these 54 mines reached 44.3 Mt in the aggregate in 2008.

Among the top 10 iron ore mines, there were five state-owned mines which account for approximately 52% of Sichuan iron ore output. The major regional steel companies, Panzhihua Steel Group and Chongqing Steel, accounted for 36.2% and 4.6% of Sichuan iron ore output in 2008, respectively.

The top 10 iron ore producers in Sichuan as of December 31, 2008 were as follows:

Company	Location	Iron ore output (2008)	Ownership	Market share
1. Panzhihua Iron & Steel Company (攀枝花鋼鐵（集團）公司)	Panzhihua	16,199,801 tonnes	State-owned	36.2%
2. Our Group	Liangshan zhou	4,771,371 tonnes	Non State-owned	10.7%
3. Sichuan Lomon Corporation (四川龍蟒礦冶有限責任公司)	Panzhihua	4,601,898 tonnes	Non State-owned	10.3%
4. Huili Xiaoba Jingzhi Iron Ore Mining of Panzhihua Jingzhi Kuangchan Co., Ltd. (攀枝花市經質礦產有限責任公司會理小黑箐經質鐵礦)	Liangshan zhou	2,436,221 tonnes	Non State-owned	5.4%
5. Sichuan Huidongmanyingou Mining Ltd. (四川會東滿銀溝礦業集團有限公司)	Liangshan zhou	2,146,074 tonnes	State-owned	4.8%
6. Taihe Iron Mining, Chongqing Iron & Steel Mining Industry Co., Ltd. (重慶鋼鐵集團礦業有限公司太和鐵礦)	Liangshan zhou	2,048,442 tonnes	State-owned	4.6%
7. Yanyuan Pinchuan Iron Ore Mining (鹽源縣平川鐵礦)	Liangshan zhou	1,453,381 tonnes	State-owned	3.3%
8. Sichuan Nanjiang Mining Co., Ltd. (四川南江礦業集團有限公司)	Bazhong	1,446,808 tonnes	State-owned	3.2%
9. Huili County Xiaoheqing Village Maanshan Iron Ore Mining (會理縣小黑箐鄉馬鞍山鐵礦)	Liangshan zhou	1,210,682 tonnes	Non State-owned	2.7%
10. Desheng Group Iron & Steel Corporation (四川德勝集團鋼鐵有限公司)	Leshan	1,205,083 tonnes	Non State-owned	2.7%

Source: Sichuan Metallurgy Economic Association

Global titanium mineral industry

Titanium reserve

In addition to iron concentrates, vanadium-bearing titanomagnetite ore is also used to produce ilmenite. Ilmenite supplies about 92% of the world's demand for titanium minerals. World resources of ilmenite, anatase and rutile total more than two billion tonnes. Titanium reserves globally are extensive. The USGS estimates that, based on current production levels and existing identified titanium reserve, there are approximately 730 Mt of titanium reserve (of contained TiO_2).

Titanium Reserve (2008) (Mt, TiO_2 equivalent)

	Ilmenite		Rutile	
	Reserve	Reserve Base	Reserve	Reserve Base
United States	6.0	59.0	0.4	1.8
Australia	130.0	150.0	22.0	31.0
Brazil	43.0	84.0	1.2	2.5
Canada	31.0	36.0	—	—
PRC	200.0	350.0	—	—
India	85.0	210.0	7.4	20.0
Mozambique	16.0	21.0	0.5	0.6
Norway	37.0	60.0	—	—
South Africa	63.0	220.0	8.3	24.0
Sierra Leone	—	—	2.5	3.6
Ukraine	5.9	13.0	2.5	2.5
Vietnam	1.6	14.0	—	—
Other countries	66.0	150.0	0.4	1.0
World total (rounded)	680.0	1,400	45.0	87.0

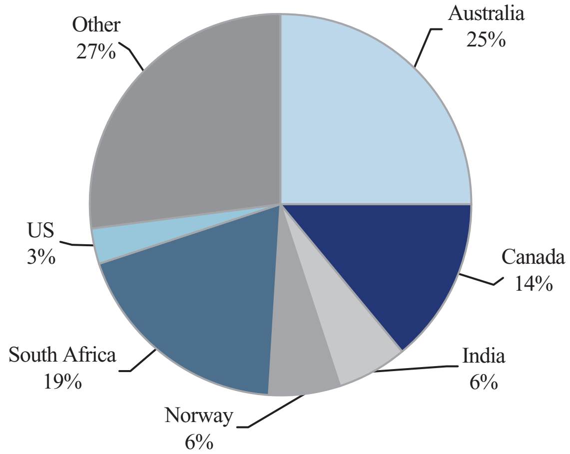
Source: USGS

Titanium mineral supply

In 2008, global production of titanium mineral concentrates were estimated to have decreased slightly compared with that of 2007. Yet new mining projects are being developed in Australia, Canada, Chile, India, Kenya, Madagascar, Mozambique, Senegal, and South Africa.

Australia is the world's largest supplier of titanium minerals, accounting for 25% of the global supply. South Africa is the second largest supplier, accounting for 19% of the global supply.

Titanium Minerals: Supply by Country (2008)



Source: USGS

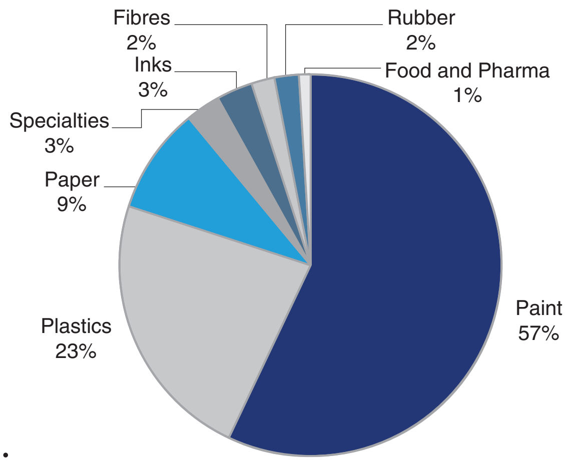
Titanium mineral demand

Titanium-related products exhibit strength and ensure resistance and are widely used in many industries, such as the painting, paper manufacturing, plastic, chemistry, aviation and metallurgy industries, which are expected to continue to grow.

Titanium dioxide pigment accounts for more than 90% of the consumption of titanium minerals. It is a white powder with high opacity, brilliant whiteness, excellent covering power and resistance to color change. These properties have made it a valuable pigment and opacifier for a broad range of applications, including paints, plastic goods, inks and paper.

The global demand for this pigment, by sector, is shown below.

Consumption of Titanium Dioxide Pigment by Sector in 2008



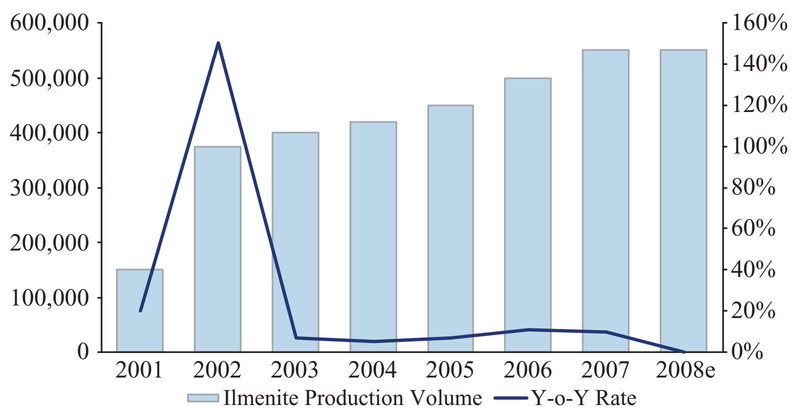
Source: TZ Minerals International

PRC titanium mineral industry

Titanium mineral supply

The PRC's ilmenite output was 550 Kt in 2007, an increase of 50 Kt from 2006. Preliminary estimates indicate that the PRC produced approximately the same volume in 2008.

Production Volume of Ilmenite (TiO_2 Equivalent, Unit: Tonne)

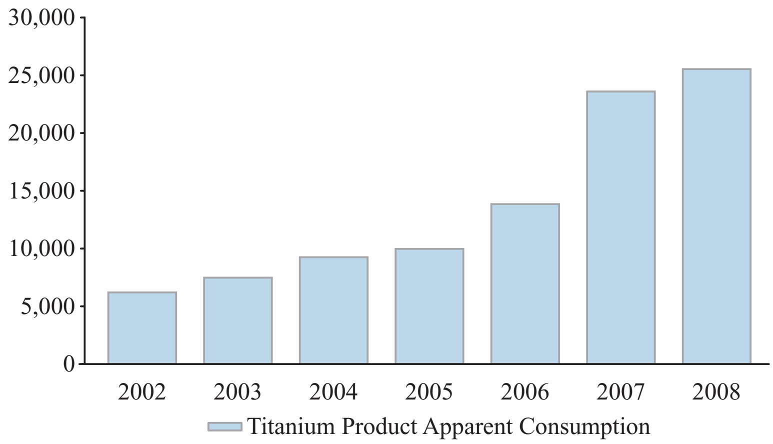


Source: USGS

Titanium mineral demand

In 2008, consumption of titanium finished products in China was 25,554 tonnes, which represented an increase of 8.1% from 2007, according to data supplied by the China Nonferrous Metal Industry Association Titanium Industry Council.

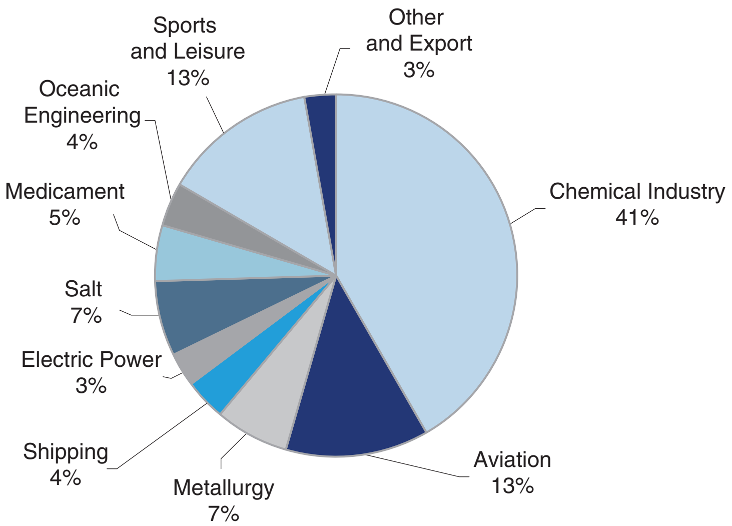
Consumption of Titanium Products in China (Unit: Tonnes)



Source: China Nonferrous Metal Industry Association Titanium Industry Council

In terms of the types of consumers, the chemical, aviation and sports and leisure industries account for the highest demand for titanium products.

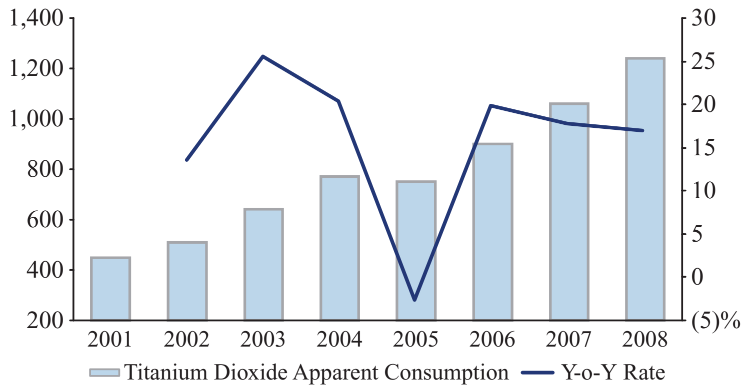
PRC Titanium Finished Products Consumption Breakdown by Sector in 2008



Source: China Nonferrous Metal Industry Association Titanium Industry Council

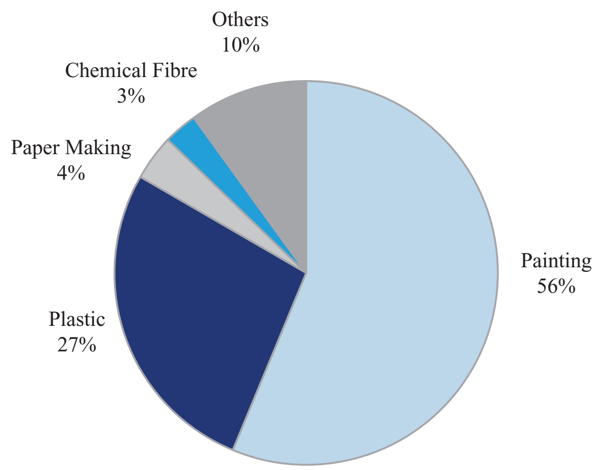
The apparent consumption of TiO_2 in the PRC was 1,240 Kt in 2008, representing an increase of 17% when compared with 2007, according to the Hatch Report.

PRC TiO_2 Consumption (Unit: Thousand Tonnes, %)



Source: China Petroleum and Chemical Industry Association and Hatch

China Titanium Pigment Consumption Breakdown by Sector in 2008



Source: Journal of Electronic Science and Technology of China, and Hatch estimates

Sichuan titanium mineral industry

Supply

There are almost 70 companies in Sichuan which produce titanium products and the total output capacity of titanium concentrates, titanium slag, pigment (TiO_2), titanium ferrous, and nano-meter pigment in Sichuan is 1.5 Mt, 0.3 Mt, 0.6 Mt, 10 Kt and 0.3 Kt, respectively.

Production of Titanium Concentrates, Pigment and Titanium Slag from 2003 to 2008 in Sichuan (Unit: Kt)

	Years Ended					
Titanium Products	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Titanium Concentrates	120	300	500	800	1,000	974
Pigment	12	20	35	75	150	129
Titanium Slag	0	0	0	40	80	128

Source: Jin Qiu Cai Zhi (錦秋財智)

Demand

Demand for titanium concentrates and titanium finished products from 2005 to 2008 is shown in the following table.

Demand for Titanium Concentrates and Titanium Finished Products in Sichuan (Unit: Kt)

	Years Ended			
Products	**2005**	**2006**	**2007**	**2008**
Titanium Concentrates	91	195	390	553
Titanium Finished Products	0.2	0.8	1.5	2.7

Source: Jin Qiu Cai Zhi (錦秋財智)

In 2008, demand for titanium finished products, titanium slag and titanium concentrates in Sichuan were 2.68 Kt, 0.23 Mt and 0.55 Mt, respectively.

The main products and associated grade of titanium of producers in Sichuan are shown below.

Main Products of Titanium Producers in Sichuan

Producer	**Main Products**	**Composition**
Panzhihua Iron and Steel Company (Pangang Group)	Titanium concentrates	TiO_2 46-48%
Sichuan Lomon Titanium Industry Co. Ltd	Pigment	TiO_2 94-97%
Chongqing Titanium Industry Co. Ltd of Pangang Group	Pigment	
Xingzhong Titanium Industry Co. Ltd	Pigment	
Yuantong Titanium Industry Co. Ltd	Titanium Slag	TiO_2 90-92%
Pangang Titanium Industry	Titanium Slag	TiO_2 85%
Pangang Titanium Industry	Pigment	
Panmian Titanium Industry	Pigment	

Source: Jin Qiu Cai Zhi (錦秋財智)

Main Producers and Output Capacity

Producer	Output Capacity
Panzhihua Iron and Steel Company (Pangang Group)	Titanium Concentrates: 300 Kt, titanium slag: 180 Kt; Pigment 126 Kt
Sichuan Lomon Titanium Industry Co. Ltd	80 Kt sulfate rutile pigment
Chongqing Titanium Industry Co. Ltd of Pangang Group	40 Kt sulfate rutile pigment
Xingzhong Titanium Industry Co. Ltd	36 Kt high-grade rutile
Yuantong Titanium Industry Co. Ltd	20 Kt high-grade titanium slag
Pangang Titanium Industry	16 Kt sulfate pigment, 40 Kt sulfate rutile, 60 Kt high-grade titanium slag
Panmian Titanium Industry	30 Kt chloride pigment

Source: *Jin Qiu Cai Zhi (錦秋財智)*

Titanium Produces Output of Main Producers in Sichuan (Unit: Kt)

Producer	Product	2005	2006	2007	2008
Panzhihua Iron and Steel Company (Pangang Group)	Titanium Concentrates	215.0	240.0	255.0	306.6
Sichuan Lomon Titanium Industry Co. LTD	Pigment	35.2	43.0	64.0	55.0
Chongqing Titanium Industry Co. LTD of Pangang Group	Pigment	33.8	37.7	39.6	41.2
Xingzhong Titanium Industry Co. LTD	Pigment	11.2	15.4	18.0	23.0
Yuantong Titanium Industry Co. LTD	Titanium Slag	15.6	16.8	19.8	33.7
Pangang Titanium Industry	Titanium Slag	21.0	26.0	33.0	54.0
Pangang Titanium Industry	Pigment	13.6	15.0	17.9	28.0
Panmian Titanium Industry	Pigment	14.7	15.1	16.0	25.0
Hengwei Titanium Industry	Sponge Titanium	0.0	0.0	0.4	1.8

Source: *Jin Qiu Cai Zhi (錦秋財智)*

Iron ore and titanium prices

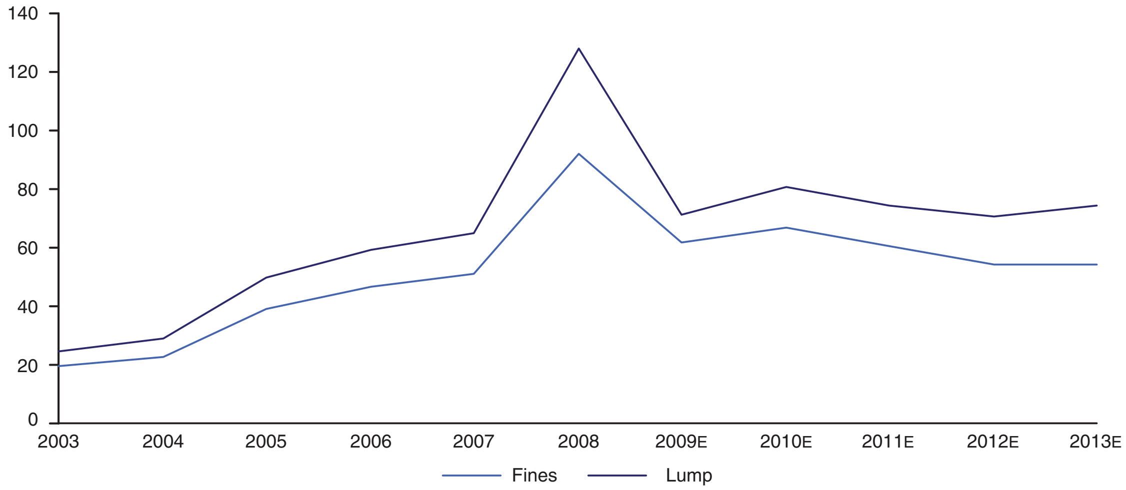
International iron ore prices

Iron ore prices are generally negotiated directly between buyers and sellers and are mostly set on a yearly basis. The benchmark level for price negotiations is usually the first major sinter fine contract signed and announced by one of CVRD, BHPB or Rio Tinto with either a major European or Asian steelmaker. CVRD and Japan's Nippon Steel were the first to reach an agreement in 2008 at a price which represented an increase of 65% in comparison with the price in 2007.

The following chart represents the US$ per tonne price for international benchmark contract prices that are calculated using a standard 63.5% iron content on a dry basis.

Historically, the prices of iron fines and lump from Australia to Asia have grown at a CAGR of 27.6% between 2003 and 2007. These prices reached peak in 2008 with US$91.9/t and US$128.1/t for iron fines and lumps, respectively. With the recent slowdown in the macro economy, prices retreated in the second half of 2008 before stabilizing at the end of 2008. In July 2009, most of the Asian and European steel makers have reached an agreement on new iron ore long-term prices with the largest iron ore producers, and iron ore prices even expected to achieve a stable price outlook thereafter. According to the Hatch Report, iron ore fines and lump prices are expected to increase in 2010 and then move towards a long-term equilibrium of US$54.5/t and US$74.3/t, respectively.

Iron Ore Contract Prices
(Unit: US$/t)



Source: Hatch
Note:
1. Prices are calculated on a 63.5% Fe grade, dry basis and are FOB prices from Australia to Asia.

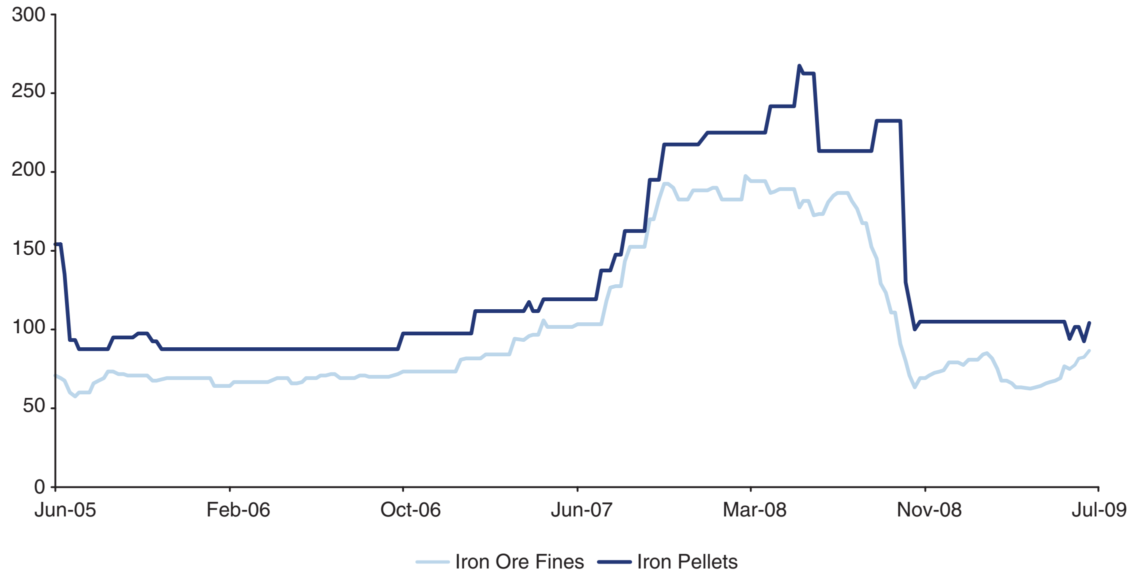
PRC domestic iron ore prices

Globally, though most iron ore transactions are conducted using long term contractual arrangements, spot sales of individual iron ore cargoes may occur under certain conditions (unexpected furnace outages etc). In China, however, a large spot market exists and Chinese steel producers buy approximately 40% of all their iron ore requirements on a spot basis. Currently, India is one of the three biggest iron ore supply countries to the PRC and mostly sells iron ore products to the PRC at a spot price.

In July 2005, the prices for fines and pellets in the PRC hit a low of US$57.5/t and US$87.5/t, respectively, due to increases in supply. Prices remained low until the second quarter of 2007 when they began to increase due to sharp increases in demand from the infrastructure and real estate industries. Prices peaked at US$194.0/t and US$267.5/t for fines and pellets in March and May 2008, respectively. These prices represent a growth rate of 237.4% and 205.7% since the lows in 2005 for fines and pellets, respectively. With the slowdown in the macro economy, shrinking demand caused a sharp drop in prices in the third quarter of 2008. In October 2008, the prices for fines and pellets dropped to US$63.5/t and US$100.0/t, representing a decrease from the peak of 67.3% and 62.6%, respectively. Since then prices have begun to stabilize with fines and pellets prices reaching

US$87.0/t and US$104.5/t in mid July 2009, representing a growth rate of 37.0% and 4.5% compared to the low price in 2008.

China Average Prices for Iron Ore Fines and Iron Pellets (Unit: US$/tonne)



Source: *Metal Bulletin, Bloomberg*
Note: Prices are iron ore fines/pellets CFR main China port prices (63.5% Fe for fines and 65%-66% Fe for pellets).

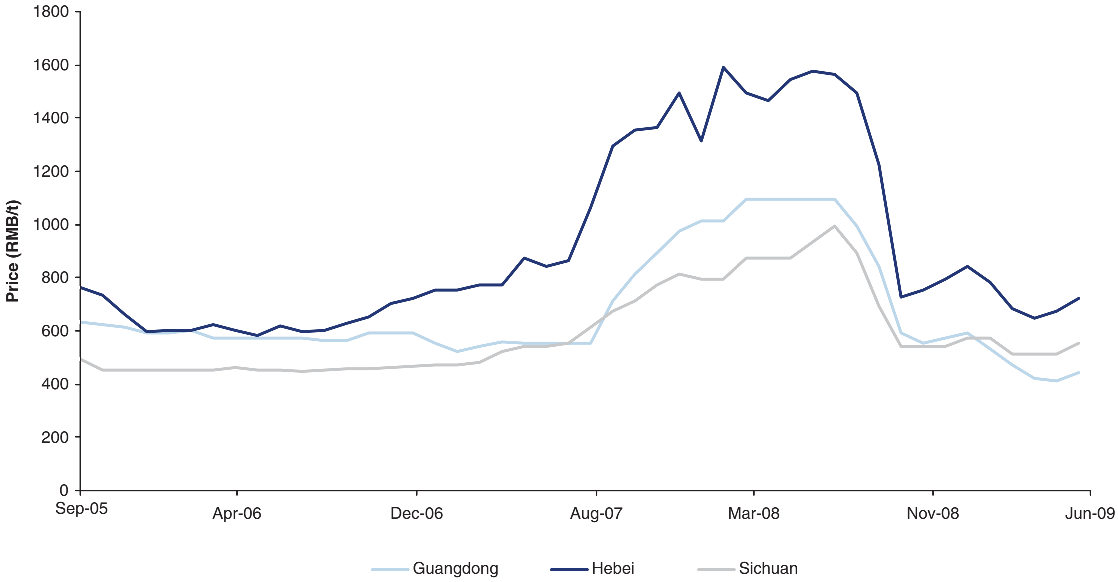
Vanadium-bearing titanomagnetite ore is primarily produced in the Panzhihua region in Sichuan and the Hebei province in the PRC. Due to the recent severe shortage of iron ore in the PRC and the increasing use of vanadium-bearing titanomagnetite ore by steel producers arising from technological improvements, iron ore concentrates containing vanadium have been sold close to the prices of non vanadium-bearing iron ore. Although vanadium-bearing titanomagnetite ore can be more expensive to process than non vanadium-bearing iron ores, the revenue generated from the sale of such recovered vanadium can offset the production costs and may lead to an increase in the price of vanadium-bearing titanomagnetite ore in the future as producers become more accustomed to the processing requirement of the ore.

There are three methods of pricing iron ore in the PRC. First is the pricing set by the steel manufacturers which own mines. Each company has its own transfer pricing practice but iron ore is usually sold at a percentage discount to the then prevailing market prices. Second, mines and steelworks can enter into off-take agreements where both parties commit to a certain quantity. The transaction price is usually based on the market price, but can also be sold at a small discount or premium. The third, and the most common pricing method in the PRC, is spot pricing.

Sichuan iron ore prices

Prices in Sichuan follow the same trends as those in other regions because the transportation costs across provinces become cost effective only once a sufficiently large price gap develops. Domestic prices are largely influenced by imported ore prices, especially those imported on a spot basis. Prices in Sichuan were low, with an average price of RMB491/t between 2005 and the second quarter of 2007. Prices began to rise after the second quarter of 2007 to reach a peak of RMB1,000/t in the early third quarter of 2008. With the slowdown in the macro economy, prices dropped sharply between September and October 2008, with average prices of RMB700/t in September dropping to RMB550/t in October 2008. However, prices started to stabilize in March 2009 at RMB520/t and increased to RMB560/t in June 2009.

Iron Ore Prices in Guangdong, Hebei and Sichuan



Source: *Hatch*
Notes:

1. Guangdong Province (Huaiji): excluding VAT.
2. Hebei Province (Tangshan): including 13% VAT and 17% VAT before and after January 1, 2009.
3. Sichuan Province: including 13% VAT and 17% VAT before and after January 1, 2009.

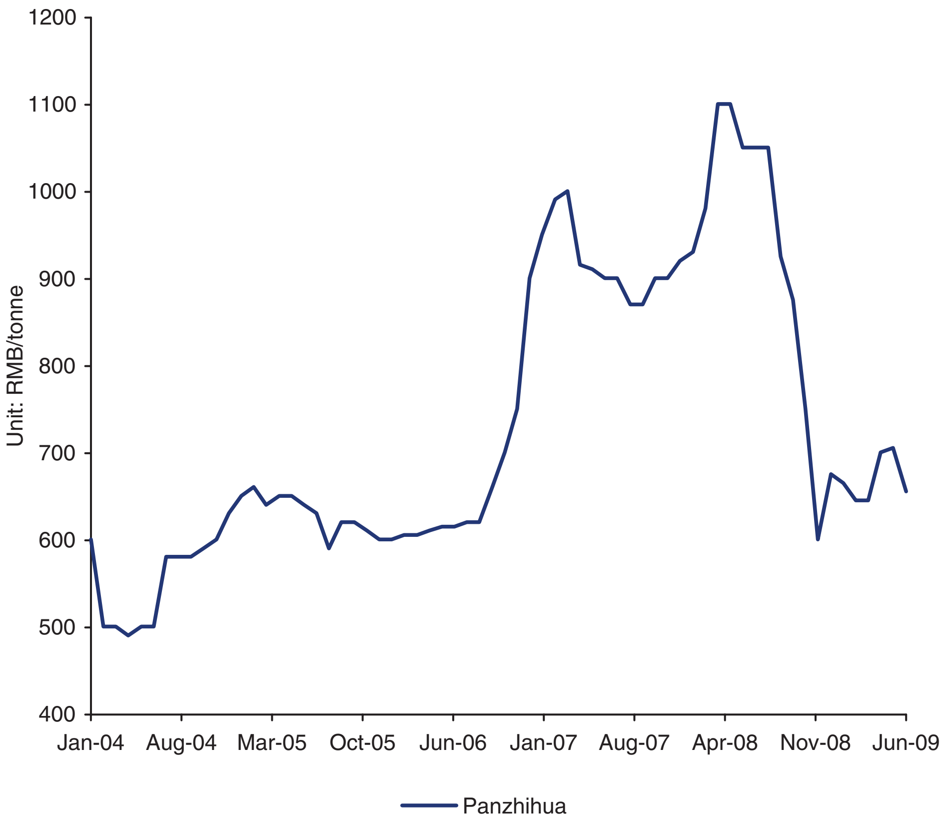
Due to the economic slowdown in the second half of 2008, there was a decrease in demand for iron ore products globally and in the PRC. Despite a decrease in the second half of 2008, iron ore prices have begun to stabilize since March 2009 in Sichuan as well as in other regions in the PRC due to the PRC government's stimulus policy and fixed asset investment growth in China. Following the Sichuan earthquake in May 2008, the PRC government announced reconstruction plans for the areas affected by the earthquake. Specifically, the PRC government plans to construct 54.9 million sq.m of residential buildings, repair 2,548 km of highway, construct 1,509 km of new highway, repair 728 bridges and construct 123 new bridges in the areas mainly in Sichuan, Gansu and Shaanxi provinces that were affected by the Sichuan earthquake. As of April 30, 2009, the planned investment for the Sichuan General Reconstruction Plan had reached RMB1,700 billion. For details concerning such policies and investment, see "— Economic reconstruction and stimulus policies affecting the iron and steel industry — Sichuan Reconstruction Plan" in this section.

In addition, as a result of the PRC government's Sichuan reconstruction plans, Sichuan's steel producers increased their steel production volume since late 2008 and demand for iron ore has also increased. We believe that the outlook for iron ore prices in Sichuan remains positive in the near future.

Global and the PRC titanium products prices

Towards the end of 2006, titanium concentrates prices showed a strong upward movement. They reached a peak of RMB1,000/t in March 2007, representing an increase of 62.8% when compared to the average prices between 2004 and 2006 of RMB614/t. Titanium concentrates prices retreated to RMB870/t in August 2007 due to an increase in supply, representing a decrease of 13.0%. Prices began to increase again toward the end of 2007 to reach a new peak of RMB1,100/t in March 2008 partly due to the rising production costs and increase in demand from downstream industries. With the slowdown in the macro economy in the second half of 2008, the prices of titanium concentrates dropped sharply by 45.5% to RMB600/t in November 2008. The prices of titanium concentrates have showed signs of stabilization with prices at RMB655/t in June 2009.

Titanium Oxide Concentrates Price in PRC



Source: *Chinaccm*

Note: Prices are ex-work price at Panzhihua in Sichuan Province, excluding VAT for Titanium oxide concentrates (TiO_2>47%, Fe_2O_3<7%, P<0.01%).

PRC POLICIES AND REGULATIONS SUPPORTING GROWTH IN THE MINING AND STEEL INDUSTRIES

Facing the rapid development of the steel and mining industries in the PRC, the PRC government has focused on establishing and implementing policies to regulate the industry's development, its impact on the environment and international trade.

Policies for the Development of the PRC Iron and Steel Industry

Development policy for the PRC iron and steel industry

Since 2003, the PRC has imposed adjustments and controls at a micro level over the steel industry. The State Council promulgated the "Decisions of State Council on Promulgation and Implementation of Interim Provisions for Promoting Adjustment on Industry Structure" (Guo Fa [2005] No. 40) (《國務院關於發佈實施<促進產業結構調整暫行規定>的決定》) (國發 [2005] 40 號) in 2005 and the "Notice of State Council on Accelerating and Pushing the Structural Adjustment of Industries with Excess Capacity" (Guo Fa [2006] No. 11) (《國務院關於加快推進產能過剩行業結構調整的通知》(國發 [2006] 11 號)) in 2006 and the NDRC issued the "Development Policy for Iron and Steel Industry" (NDRC Decree No. 35) (《鋼鐵產業發展政策》) (國家發改委第 35 號令) in 2005 (the "Development Policy").

Regarding the national geological distribution of iron and steel industry, it is expressly reiterated in Article 11, Chapter 3 of the Development Policy that the Panxi Region has large iron ore and coal resources. However, the Development Policy also states that transportation is inconvenient in the southwestern region and the existing key enterprises must focus on improving facilities; adjusting the product mix; and developing high value-added products in addition to focusing on increasing their output volumes so that their output volumes can be adjusted in accordance with the sustainability of ore supply. As to the import and export of steel products and semi-finished products, the Development Policy provides that the State shall restrict the export of primary products which consume lots of energy and results in a large amount of pollution, such as coke, ferrous alloy, pig iron, scrap, steel billets and ingots. As to research and development of steel products, the Development Policy provides that iron and steel enterprises are encouraged to manufacture high-strength steel and hot rolled ribbed bars of Grade III (400MPa) and above.

China's State Council approved the "Steel Industry Support Plan" in principle on January 14, 2009, to help revitalize the steel industry (the "Support Plan"). The Support Plan seeks to control national steel output, continue to eliminate inefficient steelmaking facilities, encourage industry consolidation, upgrade technology and optimize the geographic placement of steel plants to strengthen the Chinese steel industry. The Support Plan clarifies that: (a) the PRC will adopt moderately flexible export systems to further develop the overseas and domestic markets; (b) it is necessary to control the national total steel capacity, retire inefficient factories, and restrict permission for capacity expansion projects; (c) it is vital to spur industrial consolidation by encouraging leading steel enterprises to engage in merger and acquisition activities; (d) technology is to be transformed and upgraded and more effort placed on research and development and the introduction of new technologies; and (e) both the iron ore import market and steel sales must be regulated to establish risk reduction and marketing risk-sharing mechanisms.

The 11th five year development program for Sichuan's iron and steel industry

The "11th Five Year Development Program for Sichuan's Iron and Steel Industry" (四川省鋼鐵工業"十一五"發展規劃) (the "Program") was issued on April 30, 2007. The Program stipulates that crude steel and finished steel production will reach 20 Mt in Sichuan by 2010. Production targets are given for the vanadium and titanium industries as well, with vanadium slag production to reach 600 Kt; vanadium products to reach 50 Kt; titanium concentrates to reach 2.10 Mt; titanium pigment to reach 60 Kt; titanium sponge to reach 20 Kt; and titanium finished products to reach 10 Kt by 2010. Pangang Group is aiming to expand its total steel capacity to 9.0 Mt by 2010.

Policies for the Development of Mine Exploration and Mining

Policy and regulation of mine exploration and mining

In addition to the development of the iron and steel industry, the Development Policy also gives directives related to raw materials. The Development Policy encourages large-scaled steel enterprises to explore and develop iron ore resources, although a mining license must be obtained for the mines. New mining projects with iron ore reserves of 50 Mt or more are subject to verification or approval by the NDRC.

As early as September 2000, six ministries, including the MLR, jointly issued the "Several Opinions about Further Encouraging Foreign Investment in Exploitation and Mining of Non-oil-or-gas Mineral Resource" (《關於進一步鼓勵外商投資勘查開採非油氣礦產資源的若干意見》), which provides for the further development of the exploration and mining rights market of domestic non-oil-or-gas mineral resources and the encouragement of foreign investment in exploration and mining of non-oil-or-gas mineral resources in the western region of the PRC.

In 2001, the MLR issued the "Circular of MLR on Promulgation and Implementation of National Plan of Mineral Resources" (the Guo Tu Zi Fa [2001] No. 134) (《國土資源部關於發佈實施 <全國礦產資源規劃> 的通知》) (國土資發〔2001〕134 號), which states the overall objective of exploration, development, utilization and protection of mineral resource in the PRC, with the goal of further enhancing the investigation and the assessment and exploration of mineral resources to improve the availability of domestic mineral resources.

In December 2003, the Information Office of the State Council issued the white book, "China's Policy on Mineral Resources" (《中國的礦產資源政策》) and mentioned that the PRC will mainly rely on the development of domestic mineral resources to meet the demand of modern construction requirements. The PRC government encourages the exploration and development of mineral resources demanded by the market, especially the mineral resources found in the western region of the PRC, in order to improve the availability of domestic mineral products.

The State Council issued in 2006 the "State Council's Decision on Enhancing Geological Work" (Guo Fa [2006] No. 4) (《國務院關於加強地質工作的決定》) (國發〔2006〕4 號), which further expresses that the PRC will enhance the exploration and mining of mineral resources.

While continuously enhancing the exploration and mining of mineral resources, the State has also issued, from time to time, policies to regulate the development and utilization of mineral resources.

In January 2004, the State Council officially issued the "Regulation on Safety Production Permits" (the State Council's Decree No. 397) (《安全生產許可證條例》) (國務院令(第397號)), which stipulates that the State has adopted the requirement for work safety licenses for certain enterprises.

Mining enterprises are not allowed to participate in any production until work safety licenses have been obtained.

The MLR issued in December 2007 the "Notice on Adoption of Uniform Numbering of Exploration Rights across the Country" (《關於實行全國探礦權統一配號的通知》), which stipulates that as of January 1, 2008, the creation, modification, extension and continuance of exploration rights, as well as geological investigation, are subject to the registration and approval by the exploration rights registration authority after which an exploration permit number is electronically generated.

In 1999, the Ministry of Finance and the MLR jointly issued the "Measures on Administration of the Use Fee and Payment for Exploration Rights and Exploitation Rights" (《探礦權採礦權使用費和價款管理辦法》), which provides that the exploration rights utilization fee shall be calculated for the year of exploration and paid yearly according to the block area at a price of RMB100 per sq. km. each year starting from the first year of exploration through to the third year of exploration. In addition, RMB100 per sq. km. for every additional year starting from the fourth year of exploration will be paid, up to RMB500 per sq. km. each year. The mining rights utilization fee shall be paid yearly according to a mine area of RMB1,000 per sq. km. each year.

On March 3, 2008, the State Council published the "Regulation on Administration of Qualification for Geological Exploration" (中華人民共和國國務院令(第520號)《地質勘查資質管理條例》), which became effective on July 1, 2008. It stipulates that no geological exploration activity is allowed until consignors obtain a mineral resource exploration license.

On March 3, 2008, the MLR issued the notice on "National Plan on Geological Exploration" (《全國地質勘查規劃》), containing the objectives planned for geological exploration in the PRC by 2010 including major breakthroughs in mineral exploration, large increases in the availability of domestic mineral resource, establishment of backup areas in the western region of the PRC for the exploration and development of important resources and increases in newly-identified iron ore reserves by five billion tonnes.

The MLR officially issued the "National Mineral Resources Plan (2008~2015)" on December 31, 2008 in an attempt to promote mineral resources sustainability. The "National Mineral Resources Plan (2008~2015)" stipulates that the national newly-added iron ore ensured reserve will amount to 3 billion tonnes during 2008-2010 and further expanded to 6 billion tonnes during 2011-2015. Meanwhile, the iron ore production will rise to 940 million tonnes in 2010 and to 1,100 million tonnes in 2015.

Sichuan's 11th five year plan

Sichuan's "11th Five Year Plan" (四川省國民經濟和社會發展第十一個五年規劃綱要) (the "Plan") was passed on January 20, 2006. The Plan expressly mentions that the mining industry in Sichuan will take the opportunities created by the State's enhancement of exploration of mineral resources to increase the mineral exploration in the Sanjiang, South Qinling and Panxi areas in the southwest region of the PRC. By 2010, the utilization of associated minerals is expected to reach 40% through the increase of technical achievements in mining and processing of associated minerals.

The Plan also mentions the development of new materials; the promotion of the efficient use of vanadium-bearing titanomagnetite ore; and the establishment of a world-class vanadium and titanium industry based in the Panxi Region as soon as possible.

Panzhihua Steel Group will use its ore, which has a high vanadium content, to develop the vanadium and titanium industries. Vanadium products will be developed for the steel industry and other vanadium products will also be actively developed. The titanium industry will develop titanium and sponge titanium and titanium products. Sichuan Changcheng Special Steel Co., Ltd. of Panzhihua Steel Group is expected to focus on the development of its competitive products, such as steel used for oil extraction, petrochemical and chemical fibre industries, and high-temperature alloy steel. It plans to expand its alloy rod line and associated finishing facilities and build a new 10.0 Kt titanium product line.

Economic reconstruction and stimulus policies affecting the iron and steel industry

General economic stimulus plan

In November 2008, the PRC government announced a RMB4.0 trillion economic stimulus plan and further revised this plan in March 2009 (四萬億元經濟刺激計劃). This plan stipulates that, among other projects, RMB1.5 trillion will be invested in the construction of railroads, highways, airports, and urban and rural electricity grids; RMB1.0 trillion will be invested in areas affected by the Sichuan Earthquake; RMB400.0 billion will be invested in affordable housing projects and RMB370.0 billion will be invested into rural infrastructure.

Sichuan reconstruction plans

Following the Sichuan earthquake in May 2008, the PRC government announced reconstruction plans for the areas affected by the earthquake. According to the general reconstruction plan issued by the State Council dated September 19, 2008 (the "Sichuan General Reconstruction Plan"), the PRC government will invest broadly in three areas, namely, the reconstruction of residential buildings in urban and rural areas; the reconstruction of public utilities; and the reconstruction of infrastructure and rebuilding of industries. Specifically, the PRC government plans to construct 54.9 million sq.m. of residential buildings, repair 2,548 km of highway, construct 1,509 km of new highway, repair 728 bridges and construct 123 new bridges in the areas mainly in Sichuan, Gansu and Shaanxi provinces that were affected by the Sichuan earthquake. As of April 30, 2009, the demand for investment for the Sichuan General Reconstruction Plan was expected to reach RMB1.7 trillion, representing approximately 2.2 times of the total fixed assets investment in Sichuan in 2008. According to the Sichuan Development and Reform Commission, the demand for steel products in Sichuan in 2009 and 2010 is projected to be 36.7 Mt and 32.6 Mt, respectively, out of which approximately 16.7 Mt and 12.6 Mt, respectively, is expected to be needed for reconstruction.

The Sichuan provincial government has also drawn up a schedule of reconstruction projects that include 470 projects with an expected total investment of RMB430.3 billion. According to the schedule, it is expected that the total investment for reconstruction will reach RMB40.0 billion in 2009. According to recent press statements, Sichuan has also reached an understanding with the Railroad Ministry on the construction or reconstruction of the following railroads: Chengdu — Lanzhou Railroad (成都—蘭州鐵路), Chengdu — Mianyang — Leshan Railroad (成都—綿陽—樂山城際鐵路), Chengdu — Dujiangyan Speed Passenger Transportation Railroad (成都—都江堰快速客運鐵路), Lanyu Railroad (蘭渝鐵路) and Chengwen Lateral Railroad (成汶支綫鐵路).

The Chengdu municipal government has also recently announced a comprehensive plan to invest RMB258.9 billion in reconstruction projects. The Chengdu municipal government also intends to allocate RMB77.3 billion for the reconstruction of Chengdu transportation facilities.

Policies on the use of high-strength steel in construction

The PRC government has recently announced various policies to promote the use of high-strength steel. On March 20, 2009, the PRC State Council announced the "Adjustment and Revitalization Plan for the Steel Industry" (《鋼鐵產業調整和振興規劃》) to support the steel industry. The details of the plan include the following: (a) steel consumed in construction projects in the PRC is expected to constitute approximately 50% of total steel consumed; (b) to promote the use of high-strength steel products of 400MPa or above in construction; and (c) by 2011, high-strength steel products of 400MPa or above to constitute 60% of hot rolled ribbed steel bars consumed in the PRC.

On July 30, 2008, the PRC government promulgated various standards relating to the seismic protection of building construction, such as the "Standard for classification of seismic protection of building construction" (《建築抗震設計規範》), which raises the standard for the strength of steel used in building construction.

Source of information

Hatch Report

Hatch, an experienced consultant in the mining & metals industry, has been engaged to provide the Hatch Report for use in whole or in part in this prospectus.

The research and writing of the Hatch Report was a desktop exercise carried out by experienced Hatch professionals who have extensive knowledge of the iron ore sector. Hatch utilizes its in-house database, independent third-party reports and publicly available data from reputable industry organizations to prepare the Hatch Report. Where necessary, Hatch's researchers contact companies operating in the industry to gather and synthesize information about the market, prices and other relevant information.

In preparation of its Hatch Report, Hatch has assumed the completeness and accuracy of the information and data that Hatch has relied on. Hatch has confirmed that it is not aware of anything which could possibly lead it to believe that this assumption is unfair, unreasonable or incomplete.

Hatch operates at strict international standards of moral, legal and professional conduct. Hatch guards its reputation for independence and confidentiality with great care. Hatch has more than 15 years of project experience in the PRC and has successfully undertaken assignments on over 150 projects with a capital value in excess of US$3.0 billion.

This prospectus contains information extracted from the Hatch Report in sections such as "Summary", "Risk Factors", "Industry Overview", "Business" and "Financial Information".

We have paid Hatch a total of RMB544,400 in fees for the preparation and update of the Hatch Report.

Others

We have not engaged USGS, IISI, AME NBSC, MMAC, Clarkson Research Services, MLR, NBSC, CISA, TZMI, China Nonferrous Metal Industry Association Titanium Industry Council, China Petroleum and Chemical Industry Association, Journal of Electronic Science and Technology of China, Jin Qiu Cai Zhi, Tex Report, China Customs, Steelhome, Mysteel and Chinacom when preparing data quoted in this prospectus. Data from these sources were not prepared on a commissioned basis by us.

PRC LAWS RELATING TO THE INDUSTRY

General

On December 2, 2005, to facilitate industry restructuring, the State Council and the NDRC promulgated the Interim Provisions for Promoting the Adjustment of the Industrial Structure (《促進產業結構調整暫行規定》) and the Adjustment of Industrial Structure Guidance Catalogue (《產業結構調整指導目錄》). According to the said Catalogue, the relevant PRC enterprises fall into three industry categories: encouraged, restricted and prohibited. Industries that do not fall within any of the three industry categories, but conform with the relevant PRC laws, regulations and policies, such as mining of iron ore shall be classified under the permitted category, which is a category of industries not mentioned in the Adjustment of Industrial Structure Guidance Catalogue.

Mineral industry

Pursuant to the Mineral Resource Law (《礦產資源法》) promulgated on March 19, 1986, effective on October 1, 1986 and amended on August 29, 1996, and the related implementation rules promulgated on March 26, 1994, (a) mineral resources are owned by the State with the State Council exercising ownership over such resources on behalf of the State; (b) the department in charge of geology and mineral resources under the State Council is authorized by the State Council to supervise and administer the exploration and exploitation of mineral resources nationwide. The department in charge of geology and mineral resources, of each province, autonomous region or municipality directly under the Central Government is responsible for the supervision and administration of the exploration and exploitation of mineral resources within its respective administrative regions; and (c) an enterprise that intends to explore and exploit mineral resources shall apply for each exploration and mining rights separately according to the relevant PRC laws, regulations and policies, and is required to undergo the registration process for each of the exploration and mining rights, unless the mining enterprise which intends to conduct exploration operations for its own production within the defined mining areas has previously obtained mining rights.

Pursuant to the Provisions on the Administration of the Collection of Mineral Resources Compensation (《礦產資源補償費徵收管理規定》) promulgated on February 27, 1994, effective on April 1, 1994 and amended on July 3, 1997, mineral resources compensation shall be paid by the holder of the mining right if such holder decides to exploits mineral resources within the PRC territory, unless such PRC laws or administrative regulations provide otherwise.

The Procedures for the Registration of Mining of Mineral Resources (《礦產資源開採登記管理辦法》) ("State Council Circular No. 241") was promulgated by the State Council and became effective on February 12, 1998. Under the State Council Circular No. 241, anyone with mining rights shall file an application for registration of change(s) with the appropriate registration administration authority within the duration of the mining license term if there is any change in the scope of the mining area, the main-exploited mineral categories, the exploitation mode, the name of the mining enterprise and/or the transfer of the mining right according to the relevant laws. If continuation of mining is necessary after the expiration of the mining licence, the mining right holder shall apply for an extension with the registration authority within 30 days prior to the expiration of the term of the mining license. If the mining right holder fails to apply for an extension prior to the expiration of the term, the mining license shall terminate automatically.

PRC LAWS RELATING TO PRODUCTS

Pursuant to the PRC Regulation regarding the Administration of Production Licences for Industrial Products (《中華人民共和國工業產品生產許可證管理條例》) promulgated by the State Council on July 9, 2005 and effective on September 1, 2005 and the related implementation rules (《實施辦法》) promulgated by the State Quality Inspection Bureau on September 15, 2005 and effective on November 1, 2005, products listed in the Industrial Products Catalogue (《國家實行生產許可證制度的產品目錄》) must comply with the production permit system. An enterprise shall not produce any product listed in the Industrial Products Catalogue without obtaining a production permit. Iron concentrates, iron pellets and titanium concentrates are not listed in the Industrial Products Catalogue.

PRC LAWS RELATING TO FOREIGN INVESTMENT IN THE MINERAL INDUSTRY

Pursuant to the Catalogue for the Guidance of Foreign Investment Industries (amended in 2007) (《外商投資產業指導目錄(2007年修訂)》) effective on December 1, 2007, foreign investment in the exploration, exploitation and design of iron mines is categorized as an encouraged investment. According to the Comments Regarding Further Encouraging Foreign Investment (《關於當前進一步鼓勵外商投資的意見》), effective on August 3, 1999 and the Provisions on Guiding the Foreign Investment Direction (《指導外商投資方向規定》), effective on April 1, 2002, an encouraged foreign investment is entitled to receive certain benefits and incentives from the PRC government.

PRC LAWS RELATING TO FOREIGN EXCHANGE

Pursuant to the Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) promulgated on January 29, 1996, effective on April 1, 1996 and amended on August 5, 2008, payments made in foreign currencies for international transactions, such as the sale or purchase of goods, are not subject to PRC governmental control or restrictions. Certain organizations in the PRC, including foreign-invested enterprises, may purchase, sell and/or remit foreign currencies at certain banks authorized to conduct foreign exchange business upon providing valid commercial documents to such banks. However, approvals from the SAFE are required for the relevant capital account transactions, such as an overseas investment by a domestic company.

Pursuant to the Circular of the SAFE on Relevant Issues concerning Foreign Exchange Administration of Financing and Return Investments Undertaken by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外滙管理有關問題的通知》 (“SAFE Circular No. 75”), promulgated on October 21, 2005 and effective on November 1, 2005, (a) a PRC citizen (a “PRC Resident”) must register with the local SAFE branch before he or she establishes or controls an overseas special purpose vehicle (“SPV”) for the purpose of conducting overseas equity financing; (b) when a PRC Resident contributes assets or equity interests to an overseas SPV, or engages in overseas financing after contributing assets or equity interests in a domestic enterprise to an overseas SPV, such PRC Resident must register his or her interest in the overseas SPV or any change to his or her interest in the overseas SPV with the local SAFE branch; and (c) when the overseas SPV undergoes a material change in capital outside the PRC, such as a change in share capital or merger and acquisition, the PRC Resident must, within 30 days after the occurrence of such event, register such change with the local SAFE branch. Pursuant to SAFE Circular No. 75, failure to comply with these registration procedures may result in penalties, including the imposition of restrictions on a PRC subsidiary’s foreign exchange activities and its ability to distribute any dividends to the overseas SPV.

On July 21, 2005 the PBOC issued a Public Announcement of the PBOC on Improving the Reform of the RMB Exchange Rate Regime (《中國人民銀行關於完善人民幣匯率形成機制改革的公告》), which announced that the PRC would reform the exchange rate regime by using a managed floating exchange rate, which is pegged to a basket of currencies, instead of being pegged to the US Dollar.

PRC LAWS RELATING TO QUALITY

The revised Product Quality Law of the PRC (《中華人民共和國產品質量法》) was promulgated on July 8, 2000 and became effective on September 1, 2000. The State Council's product quality supervision authority is in charge of the nationwide supervision of product quality, while the local product quality supervision authority at or above the county level is responsible for supervising the product quality within its respective administrative region. Producers and sellers shall establish internal quality management systems, implement strict job quality specifications and corresponding quality evaluation procedures. The State encourages the enterprises to ensure that the quality of their products achieve and surpass the industrial, national and international standards.

PRC LAWS RELATING TO ENVIRONMENTAL PROTECTION

The PRC laws and regulations on environmental protection include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated and effective on December 26, 1989; the Air Pollution Prevention of the PRC (《中華人民共和國大氣污染防治法》) revised on April 29, 2000 and effective on September 1, 2000; the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) revised on February 28, 2008 and effective on June 1, 2008 and the related implementing regulations (《中華人民共和國水污染防治法實施細則》) promulgated and effective on March 20, 2000; the Rules on the Administration concerning Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated and effective on November 29, 1998 and the Regulations on Administration concerning the Environmental Protection Acceptance Check on Construction Projects (《建設項目竣工環境保護驗收管理辦法》) promulgated on December 27, 2001 and effective on February 1, 2002.

Pursuant to the laws and regulations stated above, an enterprise that discharges and dispenses toxic and hazardous materials including waste water, solid waste and waste gases, shall comply with the applicable national and local standards, as well as report to and register with the applicable environmental protection authority. Failure to comply can result in a warning, an order, or a penalty against the enterprise. Before commencing a construction project, an environmental impact assessment report must be submitted by an enterprise to the relevant environmental protection authority for approval. An acceptance inspection by the relevant environmental protection authority is required before the completed project can commence its operations.

PRC LAWS RELATING TO GEOLOGICAL ENVIRONMENT PROTECTION

Pursuant to the Sichuan Interim Regulations on the Management of Security Deposits for the Restoration of the Geological Environment of Mines (《四川省礦山地質環境恢復治理保證金管理暫行辦法》) promulgated on March 20, 2008 and effective on May 1, 2008, (a) a holder of mining rights shall pay a security deposit to guarantee performance of its obligations to restore the geological environment of the relevant mines; (b) the amount of the first installment of the security deposit shall not be less than 20% of the total amount, provided that the effective term of the relevant mining permit is for 11 to 20 years (inclusive) and the remainder of the security deposit shall be paid once a year in an amount that in each case shall not be less than 20% of the remaining amount of the security deposit provided further that the remaining amount of the security deposit shall be fully paid at least one year prior to the expiration of the relevant mining permit; (c) the entire amount of security deposit collected shall be placed in a special account; (d) prior to the closure of a mine, the holder of the relevant mining rights shall complete the restoration of the geological environment of the mine, apply for an inspection of the mine and submit a report regarding the restoration of the mine; and (e) the security deposit together with interest shall be refunded if the inspection is satisfactory, otherwise, the relevant land and resources authority shall organize the restoration using the security deposit and the relevant mine owner shall be liable for any shortfall if the security deposit is insufficient.

PRC LAWS RELATING TO PRODUCTION SAFETY

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) promulgated on June 29, 2002 and effective on November 1, 2002 and the Law of the PRC on Safety in Mines (《中華人民共和國礦山安全法》) and its related implementation rules (《實施條例》) promulgated on November 7, 1992 and October 30, 1996 and effective on May 1, 1993 and October 30, 1996, respectively, (a) safety facilities in mine construction projects must be designed, constructed and put into operation at the same time as the commencement of the principal parts of the projects; (b) the design of a mine shall comply with the safety rules and technological standards of the mining industry and shall be approved by the relevant authorities; and (c) such mines may start production or operations only after they have passed the safety check and approval process as required by the relevant PRC laws and administrative regulations.

The Regulation on Work Safety Licenses (《安全生產許可證條例》) was promulgated and became effective on January 13, 2004. Pursuant to the regulation, (a) the work safety licensing system is applicable to any enterprise engaging in mining and such enterprise may not produce any products without obtaining a work safety license; (b) prior to producing any products, the mining enterprise shall apply for a work safety license, which is valid for three years; and (c) if a work safety license needs to be extended, the enterprise must apply for an extension with the administrative authority who issued the original license three months prior to the expiration of the original license.

PRC LAWS RELATING TO LABOR

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》) promulgated on July 5, 1994 and effective on January 1, 1995 and the PRC Labor Contract Law (《中華人民共和國勞動合同法》) promulgated on June 29, 2007 and effective on January 1, 2008, if an employment relationship is established between an entity and its employees, written labor contracts shall be prepared. The relevant laws stipulate the maximum number of working hours per day and per week, respectively. Furthermore, the relevant laws also set forth the minimum wages. The entities shall establish and develop systems for occupational safety and sanitation, implement the rules and standards of the State on occupational safety and sanitation, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

Pursuant to the Regulations on Occupational Injury Insurance (《工傷保險條例》) promulgated on April 27, 2003 and effective on January 1, 2004 and the Interim Measures concerning the Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》) promulgated on December 14, 1994 and effective on January 1, 1995, PRC companies shall pay occupational injury insurance premiums and maternity insurance premiums for their employees.

Pursuant to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費征繳暫行條例》) promulgated and effective on January 22, 1999 and the Interim Measures concerning the Administration of the Registration of Social Insurance (《社會保險登記管理暫行辦法》) promulgated and effective on March 19, 1999, basic pension insurance, medical insurance and unemployment insurance are collectively referred to as social insurance. Each of the PRC companies and their employees are required to contribute to the social insurance plan.

Pursuant to the Regulations on the Administration of Housing Fund (《住房公積金管理條例》) promulgated and effective on April 3, 1999, as amended on March 24, 2002, PRC companies must register with the applicable housing fund management center and establish a special housing fund account in an entrusted bank. Each of the PRC companies and their employees are required to contribute to the housing fund and their respective deposits shall not be less than 5% of an individual employee's monthly average wage during the preceding year.

PRC LAWS RELATING TO TAXATION

Enterprise income tax

The New Tax Law became effective on January 1, 2008, replacing the Income Tax Law of the PRC on Enterprises with Foreign Investment and Foreign Enterprises (《中華人民共和國外商投資企業和外國企業所得稅法》) and Provisional Regulations of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅暫行條例》). The New Tax Law imposes a single uniform tax rate of 25% for most domestic enterprises and foreign-invested enterprises and contemplates various transitional periods and procedures. The Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax (《國務院關於實施企業所得稅過渡優惠政策的通知》) (the "Notification") which was promulgated and became effective on December 26, 2007 further clarifies that from January 1, 2008, the enterprises that enjoyed a "Two year exemption and three year half payment" of enterprise income tax and other preferential treatments in the form of periodic tax deductions and exemptions according to the then applicable tax laws, administrative regulations and relevant documents may, after the enactment of the Enterprise Income Tax Law, continue to enjoy such benefits until the expiration of the applicable period. Enterprises whose preferential treatment period has not commenced due to the fact that no profits had been generated in previous years will enjoy such preferential tax treatment beginning January 1, 2008 until the expiry of such period.

Resources tax

Pursuant to the Interim Regulations of the PRC on Resource Tax (《中華人民共和國資源稅暫行條例》) promulgated on December 25, 1993 and effective on January 1, 1994, any enterprise engaged in the exploitation of mineral products within the PRC is subject to pay a resource tax.

Pursuant to the Circular of the Ministry of Finance, the State Administration of the Taxation, on Adjusting the Policy on Resource Tax of Molybdenum Ore and Other Resources (《財政部、國家稅務總局關於調整鉬礦石等品目資源稅政策的通知》) promulgated on December 12, 2005 and effective on January 1, 2006, the resource tax rate on iron ore shall temporarily be adjusted to 60% of the standard rate.

Value-added tax

Pursuant to the Notice of Value-added Tax Rate in Metal and Non-metal Mineral Dressing Products (《關於金屬礦非金屬礦採選產品增值稅稅率的通知》) promulgated on December 19, 2008 and effective on January 1, 2009, beginning from January 1, 2009 the value-added tax rate for metal and non-metal mineral dressing products, including iron ore, is adjusted from 13% to 17%.

PRC LAWS RELATING TO DIVIDEND DECLARATION

Pursuant to the Implementation Rules on the Sino-foreign Equity Joint Venture Law as amended in accordance with the Decision of the Implementation Rules on the Sino-foreign Equity Joint Venture Law (《中華人民共和國中外合資經營企業法實施條例》) promulgated and effective on September 20, 1983 and amended on July 22, 2001, the Sino-foreign equity joint venture shall pay certain taxes and allocate portions of its profits to the reserve funds, bonuses, welfare funds and expansion funds, prior to the declaration of its dividends. The allocation proportion will be decided by the board of directors of the Sino-foreign equity joint venture.

PRC LAWS RELATING TO LAND

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated on June 25, 1986 and effective on January 1, 1987 and amended on August 28, 2004, land owned by the State and land collectively-owned by collective economic entities may be allocated and used by units or individuals according to law. The ownership of land and land use rights registered according to the relevant laws shall be protected by law. In the case of temporary use of State-owned land or land collectively-owned by farmers for construction projects or by geological survey teams, approval shall be obtained from the land administrative department of the government at or above the county level. Land users shall sign contracts with relevant land administrative department or rural collective organizations or village committees for the temporary use of land, depending on the ownership of land and shall pay land compensation fees as stipulated in the contracts for the temporary use of land. The term for the temporary use of land shall generally not exceed two years.

Pursuant to the Implementation Rules on the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法實施細則》) promulgated and effective on March 26, 1994, a mining rights holder shall have the right to obtain the land use rights according to the relevant PRC laws for the purposes of production and construction.

HISTORY AND DEVELOPMENT

We are principally engaged in the business of mining, ore processing, iron pelletizing and the sale of iron concentrates, iron pellets and titanium concentrates, through our PRC operating subsidiaries, Huili Caitong and Xiushuihe Mining.

Our Founders have been engaged in the business of steel production and most of them have been involved in the management of Chuan Wei since 1998. Chuan Wei is a limited liability company established in the PRC on March 29, 1998. At the time of its establishment in 1998, it was a state-owned enterprise that engaged solely in steel production. Its predecessor was Weiyuan Steel Factory (威遠鋼鐵廠) which had been engaged in steel production since 1929. Since 2001, Chuan Wei has been involved in other businesses in addition to its steel production business, such as property development, cement and mining. See the "Relationship with Controlling Shareholders — Background Information of Controlling Shareholders — Our Founders" section in this prospectus for background information on our Founders for the period between 1998 and 2004. Based on the experience of our Founders in the steel industry, they recognized the importance of securing the supply of iron ore for steel production and the growth potential of the iron ore production business. On November 12, 2004, Chuan Wei and Neijiang Ruiwei, its subsidiary, acquired the entire equity interest in Huili Caitong. As a result, Chuan Wei became the owner and operator of our Baicao Mine and Baicao Processing Plant through Huili Caitong. On November 22, 2004, Huili Caitong subsequently acquired a 95.0% interest in Xiushuihe Iron, an Independent Third Party, the entity that operated our Xiushuihe Mine. Since January 1, 2005, our Founders have been the majority shareholders of Chuan Wei. Details of these acquisitions are set forth in this section. We began the construction of our Iron Pelletizing Plant in January 2005 and our Iron Pelletizing Plant commenced operations in June 2005.

Incorporation of our Company

Our company was incorporated in the Cayman Islands as a limited liability company on April 28, 2008. As of the Latest Practicable Date, Trisonic International and Green Globe held 79.6% and 20.4% of the issued share capital, respectively.

Shareholding arrangements in Trisonic International

Pursuant to two separate entrustment agreements both dated July 8, 2006 and three separate declarations of trust dated June 2, 2008, Mr. SHI Yinjun held 7.2% of the issued share capital in Trisonic International in trust for Mr. ZHANG Yuangui, and Mr. YANG Xianlu held 6.0% of the issued share capital in Trisonic International in trust for Mr. WU Wendong and 3.0% of the issued share capital in Trisonic International in trust for Mr. LI Hesheng. For the purpose of this section, Messrs. ZHANG Yuangui, WU Wendong and LI Hesheng are collectively referred to as the Beneficial Owners or each individually as a Beneficial Owner and Messrs. SHI Yinjun and YANG Xianlu are referred to as the Nominees. Such arrangements were made because the Beneficial Owners did not wish to have their names appear in public records as shareholders of Trisonic International for privacy reasons. Although Trisonic International is a private company, it is required to file an annual return disclosing certain information about its shareholders to the Companies Registry in Hong Kong. The annual return is available for public inspection. The Beneficial Owners did not wish to publish their names in this public record.

The Beneficial Owners understand that it is necessary to disclose their shareholdings in Trisonic International in our Company's listing application and that they have continuing disclosure obligations as our Controlling Shareholders. To assist our Company to complete its listing application, they now agree to disclose their shareholdings in Trisonic International.

The two separate entrustment agreements are each valid for a term of five years beginning July 2006. Under these agreements, each of the Nominees holds certain shares in Trisonic International on behalf of the relevant Beneficial Owner and the Nominees are required to act in accordance with the instructions of the relevant Beneficial Owner when passing resolutions and exercising certain shareholder's rights. The Nominees are further required to transfer the benefits and other assets they receive as a result of such arrangements to the relevant Beneficial Owner in proportion to their respective share holdings. The Beneficial Owners retain control over all their shareholders' rights associated with their shareholdings in Trisonic International, including but not limited to voting power and entitlement to dividends. As advised by our PRC legal advisors, the entrustment agreements do not contravene any compulsory provision of the PRC law and the holding of shares in Trisonic International by the Nominees on behalf of the Beneficial Owners under the entrustment agreements is legal and valid under the PRC law. Our Hong Kong legal advisors advise that based on the two entrustment agreements dated July 8, 2006, the Beneficial Owners became the beneficial owners of Trisonic International on August 18, 2006, i.e., the same time when the Nominees became shareholders of Trisonic International.

At the time when Mr. WANG Jin and the Nominees became shareholders of Trisonic International in August 2006, our Founders were not aware of the practice in Hong Kong to execute a declaration of trust when a person holds shares in a Hong Kong company on behalf of a third party. Subsequently, on June 2, 2008, each of the Nominees executed a declaration of trust in favor of the relevant Beneficial Owner after becoming aware of this Hong Kong practice. Although the three declarations of trust were executed on June 2, 2008, they are operating documents prepared based on two separate entrustment agreements dated July 8, 2006. The Nominees executed the declarations of trust because our Hong Kong legal advisors advised that it is common practice in Hong Kong to execute such declarations of trust in these circumstances and to submit the declarations of trust instead of the entrustment agreements for Hong Kong stamp duty purposes. Our Hong Kong legal advisors are of the view that there are no differences in the relevant rights and obligations attached to the relevant shares in Trisonic International that were assumed by the Beneficial Owners between the execution date of the entrustment agreements of July 8, 2006 and the execution date of the declarations of trust of June 2, 2008, after taking into consideration the fact that (i) the number of shares in Trisonic International held by a Nominee on behalf of a particular Beneficial Owner remained the same throughout the period (ii) our Founders have confirmed that there were no revisions of the entrustment agreements during the period that affected the rights and obligations attached to the relevant shares in Trisonic International that were assumed by the Beneficial Owners and (iii) the declarations of trust were prepared based on the entrustment agreements. The Sole Sponsor concurs with the view of our Hong Kong legal advisors.

On November 11, 2008, Mr. YANG Xianlu transferred the 6.0% and 3.0% of the issued share capital in Trisonic International held in trust for Mr. WU Wendong and Mr. LI Hesheng to the respective Beneficial owner, at par. Mr. SHI Yinjun transferred the 7.2% of the issued share capital in Trisonic International held in trust for Mr. ZHANG Yuangui to Mr. ZHANG Yuangui, at par.

As of the Latest Practicable Date, Mr. WANG Jin owns 30.6%, Kingston Grand owns 40.0% and five other Founders own 29.4%, respectively, of the issued share capital of Trisonic International.

Through the injection of approximately RMB128.6 million to the registered capital of Huili Caitong on September 22, 2006, Trisonic International held 72.0% equity interest in Huili Caitong. Details of the transaction between Trisonic International and Huili Caitong are set forth in this section. As a result of the investment from Trisonic International, Huili Caitong was converted into a Sino-foreign equity joint venture company.

Change of equity interest in our PRC operating subsidiaries

Huili Caitong

Huili Caitong was established as a limited liability company in the PRC on July 7, 1998 by Xichang Kangxi and Hejiawan Iron Ore, each holding a 50.0% equity interest. Both Xichang Kangxi and Hejiawan Iron Ore were Independent Third Parties. At the time of Huili Caitong's establishment, its registered and paid-in capital was RMB3.2 million. Based on our records, Huili Caitong obtained a mining permit for the Baicao Mine at the time of Huili Caitong's establishment. Huili Caitong's current business scope is iron ore mining and beneficiation and sales of self-produced products (with a valid operation period until September 2036).

Pursuant to two equity transfer agreements both dated September 25, 2004, Xichang Kangxi and Hejiawan Iron Ore agreed to transfer their respective equity interest in Huili Caitong to Chuan Wei and Neijiang Ruiwei for a consideration of RMB1.6 million each. The consideration was determined on an arm's length basis with reference to the net asset value of Huili Caitong in an appraisal report prepared by a qualified independent appraisal firm in the PRC. The consideration was based on the net asset value of Huili Caitong as the equity interests in Huili Caitong were essentially state-owned assets. Under the relevant PRC law, parties are required to determine the consideration based on the net asset value ascertained by an independent valuer, if such transfer involves a transfer of state-owned assets.

At the time of acquisition by Chuan Wei and Neijiang Ruiwei in November 2004, the major assets held by Huili Caitiong as stated in the valuation report were its materials, which included the plant and machinery at our Baicao Processing Plant. Huili Caitong had already been granted a mining permit valid from April 2003 to April 2006. As set forth in the mining permit, our Baicao Mine had a mining area of approximately 2.8 sq. km. Our Baicao Mine was at the exploitation stage at the time of acquisition. However, although ore had been produced from the mine in the past, no ore was being produced from our Baicao Mine at the time of acquisition by Chuan Wei and Neijiang Ruiwei.

At the time of acquisition, Chuan Wei and Neijiang Ruiwei had to complete the acquisition within a relatively short period of time and also the mining rights to the mine were to expire within one and a half years, thus they did not have sufficient time to engage a technical advisor to conduct a review of the mineral resources. As a result, they relied upon the mineral resources estimate provided in the report made by the No. 106 Geological Team of the Sichuan Geological Mining Exploration and Development Bureau (四川省地質礦產勘查開發局川西北地質隊) based on exploration and analysis conducted between 1981 and 1986. The report by the No. 106 Geological Team covers a larger area than our Baicao Mine and it contains no specific estimate of the mineral resources located in our Baicao Mine.

As of January 1, 2005 Chuan Wei was owned as to 5.3% by Mr. SHI Yinjun, 5.7% by Mr. ZHANG Yuangui, 22.6% by Mr. WANG Jin, 8.1% by Mr. YANG Xianlu, 8.1% by Mr. WU Wendong, 4.0% by Mr. LI Hesheng and 46.2% by Independent Third Parties.

As of November 12, 2004, Neijiang Ruiwei was a subsidiary of Chuan Wei.

As advised by our PRC legal advisors, the transfer of Huili Caitong from Xichang Kangxi and Hejiawan Iron Ore in September 25, 2004 was in full compliance with all the applicable PRC Laws and regulations then prevailing.

Pursuant to a debt-equity swap investment agreement dated December 28, 2004 between Huili Caitong and Chuan Wei, the registered capital of Huili Caitong was increased from RMB3.2 million to RMB50.0 million, in which such increase was made through a debt-equity swap by Chuan Wei. Following the completion of such increase, Chuan Wei and Neijiang Ruiwei held 96.8% and 3.2% equity interest in Huili Caitong, respectively.

As of May 30, 2005, Chuan Wei was owned as to 5.3% by Mr. SHI Yinjun, 5.7% by Mr. ZHANG Yuangui, 22.6% by Mr. WANG Jin, 8.1% by Mr. YANG Xianlu, 8.1% by Mr. WU Wendong, 4.0% by Mr. LI Hesheng and 46.2% by Independent Third Parties.

As of May 30, 2005, Neijiang Ruiwei was a subsidiary of Chuan Wei.

Pursuant to two equity transfer agreements, both dated May 9, 2005, Chuan Wei and Neijiang Ruiwei agreed to transfer their respective equity interest in Huili Caitong to Xichang Vanadium and Sichuan Xingchuancheng for a consideration of RMB48.4 million and RMB1.6 million, respectively, determined on an arm's length basis with reference to the registered capital of Huili Caitong. As the transfer is pursuant to an internal re-organization, it was agreed between Xichang Vanadium and Chuan Wei that the consideration would be determined based on the registered capital of Huili Caitong. Based on the management accounts of Huili Caitong available as of April 30, 2005, the net asset value of Huili Caitong was approximately RMB62.6 million. The substantial increase in the net asset value of Huili Caitong since September 2004 was mainly due to the increase in the registered capital of Huili Caitong from RMB3.2 million to RMB50.0 million pursuant to a debt-equity swap investment agreement dated December 28, 2004 between Huili Caitong and Chuan Wei.

Pursuant to an entrustment agreement dated May 6, 2005, Xichang Vanadium agreed to hold 96.8% equity interest in Huili Caitong on behalf of our Founders.

Our Founders did not hold the 96.8% equity interest in Huili Caitong directly due to local government policy in the Liangshan region, which is where Huili Caitong's iron ore resources are located. At the time of the transfer of the equity interest in Huili Caitong to Xichang Vanadium, in May 2005, the Liangshan local government encouraged local entities to hold interests in local mining companies. As Xichang Vanadium is a local entity in Liangshan, our Founders believed that a more favorable business environment for Huili Caitong would be created if Huili Caitong were held by a local entity on behalf of our Founders pursuant to the entrustment agreements. As advised by our PRC legal advisors, the arrangement that Xichang Vanadium held 96.8% equity interest in Huili Caitong on behalf of our Founders does not violate any compulsory provision of the PRC laws and regulations.

As of May 30, 2005, Sichuan Xingchuancheng was a subsidiary of Chuan Wei.

As of May 9, 2005, Xichang Vanadium was owned as to 81.25% by Weiyuan Steel and 18.75% by Neijiang Ruiwei, both of which were controlled by our Founders. Currently, it is owned as to 81.25% by Neijiang Golden Camel Transportation Co. Ltd. (內江金駱駝運輸有限公司) and 18.75% by Neijiang City Jingxin Machinery Manufacturing Co. Ltd. (內江市精鑫機械製造有限公司), respectively.

Both of these companies are controlled by our Founders. Xichang Vanadium is a connected person to us. Its current business scope includes steel and iron smelting, steel rolling, non-ferrous metal smelting and processing, production and sale of liquid oxygen, steel sales, provision of road transportation service, cement production and sales, and sourcing and sales of iron ore, vanadium and titanium products.

On September 22, 2006, the registered capital and total investment amount of Huili Caitong were increased to RMB178.6 million and RMB200.0 million, respectively. Trisonic International paid US$18.0 million to subscribe for 72.0% equity interest in Huili Caitong. Based on the capital verification report Jianke Yanyizi [2007] zi No.042 (建科驗一字 [2007] 字第 042 號) prepared by Sichuan Jianke CPA Co. Ltd (四川建科會計師事務所有限公司), Trisonic International made a capital contribution of RMB128.6 million to Huili Caitong on May 24, 2007. As such, Huili Caitong was converted from a domestic limited liability company to a Sino-foreign equity joint venture company specializing in iron ore beneficiation and sale of self-produced products. Based on the business certificate issued by the competent government authority on September 22, 2006, the acquisition of Huili Caitong by Trisonic International was fully completed on the same day. As advised by our PRC legal advisors, the capital injection in Huili Caitong by Trisonic International and the transformation of Huili Caitong into a Sino-foreign equity joint venture company were both in full compliance with all applicable PRC laws and were properly approved by all relevant government authorities.

As of September 22, 2006, Sichuan Xingchuancheng was a subsidiary of Chuan Wei.

As of September 22, 2006, Trisonic International was owned as to 24.0% by Mr. SHI Yinjun, of which 12.0% was held in trust for Mr. ZHANG Yuangui pursuant to an entrustment agreement dated July 8, 2006 and a declaration of trust dated June 2, 2008, 51.0% by Mr. WANG Jin and 25.0% by Mr. YANG Xianlu, of which 10.0% was held in trust for Mr. WU Wendong and 5.0% was held in trust for Mr. LI Hesheng pursuant to an entrustment agreement dated July 8, 2006 and two declarations of trust both dated June 2, 2008.

According to our PRC legal advisors, all the required approvals for the capital injection and change in equity holding in Huili Caitong had been obtained.

Pursuant to an equity interest transfer agreement dated March 6, 2008, Simply Rise acquired from Trisonic International its 72.0% equity interest in Huili Caitong at a consideration of US$18.0 million, determined on an arm's length basis with reference to the subscription cost of Huili Caitong paid by Trisonic International.

First China, Xichang Vanadium, Sichuan Xingchuancheng and Green Globe entered into an equity transfer agreement dated May 25, 2008. Pursuant to this agreement, First China acquired from Xichang Vanadium and Sichuan Xingchuancheng their 17.6% and 0.9% equity interest in Huili Caitong, respectively, at a consideration of US$85.6 million and US$4.4 million, respectively, determined on an arm's length basis. After the transfer, Xichang Vanadium held, on behalf of our Founders, 9.5% equity interest in Huili Caitong.

As of the Latest Practicable Date, Simply Rise held 72.0%, First China held 18.5% and Xichang Vanadium held the remaining 9.5% of the equity interest in Huili Caitong. As advised by our PRC advisors, the transfers of Huili Caitong since September 25, 2004 have each been in full compliance with all applicable laws and regulations prevailing at the time of each transfer. Huili Caitong owns and operates our Baicao Mine, Baicao Processing Plant and Iron Pelletizing Plant.

The changes in the equity holding structure of Huili Caitong since its establishment are summarized as below:

Date of registration	Name of equity holder	Approximate registered capital of Huili Caitong (RMB million)	(%)
As of November 12, 2004	Chuan Wei	1.6	50.0
	Neijiang Ruiwei	1.6	50.0
	Total:	3.2	100.0
As of May 30, 2005	Chuan Wei	48.4	96.8
	Neijiang Ruiwei	1.6	3.2
	Total:	50.0	100.0
As of May 30, 2005	Xichang Vanadium	48.4	96.8
	Sichuan Xingchuancheng	1.6	3.20
	Total:	50.0	100.0
As of September 22, 2006	Xichang Vanadium	48.4	27.1
	Sichuan Xingchuancheng	1.6	0.9
	Trisonic International	128.6	72.0
	Total:	178.6	100.0
As of May 7, 2008	Xichang Vanadium	48.4	27.1
	Sichuan Xingchuancheng	1.6	0.9
	Simply Rise	128.6	72.0
		178.6	100.0
As of June 23, 2008	Simply Rise	128.6	72.0
	First China	33.0	18.5
	Xichang Vanadium	17.0	9.5
	Total:	178.6	100.0

Xiushuihe Mining

On March 21, 2000, Xiushuihe Iron, the predecessor of Xiushuihe Mining, was established as a township and village enterprise with a registered capital of RMB4.0 million. At the time of its incorporation, Xiushuihe Iron was owned by Independent Third Parties, namely, as to 62.3% by Enterprise Office of Luchang District, 27.7% by Enterprise Office of Luchang Town and 10.0% by Huili Mining. Based on our records, Xiushuihe Iron obtained a mining permit for the Xiushuihe Mine at the time of Xiushuihe Iron's establishment.

On February 25, 2001, Xiushuihe Iron increased its registered capital to approximately RMB8.0 million, of which RMB5.0 million, RMB2.2 million and RMB0.8 million were contributed by Luchang District Working Committee, Enterprise Office of Luchang Town and Huili Mining, respectively.

Our Directors confirm that both Enterprise Office of Luchang District and Enterprise Office of Luchang Town are PRC governmental authorities and both of them are Independent Third Parties.

Pursuant to an investor transfer agreement dated July 1, 2004, Huili Mining agreed to transfer its 10.0% equity interest in Xiushuihe Iron to Enterprise Office of Luchang Town at a consideration of

RMB0.8 million determined on an arm's length basis with reference to the registered capital of Xiushuihe Iron. The transfer was completed on December 13, 2004.

Pursuant to an investor transfer agreement dated November 14, 2004, the Enterprise Office of Luchang District and Enterprise Office of Luchang Town agreed to transfer all of their respective equity interests in Xiushuihe Iron to Huili Caitong and Xichang Vanadium for a consideration of RMB24.7 million and RMB1.3 million, respectively, determined on an arm's length basis with reference to the net assets value of Xiushuihe Iron in an appraisal report prepared by an independent qualified appraisal firm, Jinda Certified Public Accountants Firm (金達會計師事務所), in the PRC. The appraisal report was prepared during the course of negotiations among us, the Enterprise Office of Luchang District and the Enterprise Office of Luchang Town. The total consideration of RMB26.0 million was negotiated among us, the Enterprise Office of Luchang District and the Enterprise Office of Luchang Town. The net asset value of Xiushuihe Iron in the appraisal report served as a reference for the value of Xiushuihe Iron during these negotiations. Our Directors are of the view that the payment of the total consideration was reasonable from a commercial perspective because of the growth potential of Xiushuihe Iron and because Xiushuihe Iron produced the kind of iron ore required in our operations at the time. The appraisal report is not equivalent to an audited report in the PRC. According to the "Approval with respect to the change of interest holder of Xiushuihe Iron" (《關於變更會理縣秀水河鐵礦出資人的批覆》) dated November 22, 2004 issued by Huili Township Enterprise Bureau, Huili Caitong had acquired 95.0% controlling interest in Xiushuihe Iron as a result of this transfer.

As advised by our PRC legal advisors, Huili Caitong was entitled to exercise its shareholder's rights beginning on November 22, 2004. According to a letter dated November 22, 2004 issued by the Huili Township Enterprise Bureau, the supervising authority of Xiushuihe Iron, Huili Caitong was required to complete its business registration by December 31, 2006. The business registration of the acquisition of the 95.0% interest by Huili Caitong in Xiushuihe Iron was completed on December 22, 2006. It took Huili Caitong two years to complete the business registration because it was required to go through a number of procedures with different authorities in order to change its status from a collectively-owned enterprise to a limited liability company.

At the time of its acquisition by Huili Caitong in November 2004, the major assets held by Xiushuihe Iron were the materials held by our Xiushuihe Processing Plant and inventories. No ore was being produced from the mine at the time of our acquisition. Xiushuihe Iron had already been granted a mining permit valid from April 2003 to April 2006; however, at the time of acquisition, there were only one and a half years remaining on the mining permit. The mining permit was further extended to December 2006 based on permission granted from the competent PRC land and resources authority. As set forth in the mining permit, Xiushuihe Iron had a mining area of approximately 0.5 sq. km.

At the time of acquisition, Huili Caitong had to complete the acquisition within a relatively short period of time and also the mining rights to the mine were to expire within one and a half years, thus it did not have sufficient time to engage a technical advisor to conduct a review of the mineral resources. As a result, it relied upon the mineral resources estimate provided in the report made by the No. 106 Geological Team of the Sichuan Geological Mining Exploration and Development Bureau based on exploration and analyses conducted between 1981 and 1986. The report by the No. 106 Geological Team covers a larger area than our Xiushuihe Mine and it contains no specific estimate of the mineral resources located in our Xiushuihe Mine.

As advised by our PRC legal advisors, the transfer of Xiushuihe Iron to Huili Caitong was legal and valid and in full compliance with all applicable PRC laws and regulations then prevailing.

A summary of the changes in the equity holding structure of Xiushuihe Iron since its incorporation is set forth below:

Date of registration	Name of equity holder	Approximate Registered capital of Xiushuihe Iron	
		(approximate RMB million)	%
As of February 25, 2001	Enterprise Office of Luchang District	5.0	62.30
	Enterprise Office of Luchang Town	2.2	27.70
	Huili Mining	0.8	10.00
	Total:	8.0	100.00
As of December 13, 2004	Enterprise Office of Luchang District	5.0	62.30
	Enterprise Office of Luchang Town	3.0	37.70
	Total:	8.0	100.00
As of December 22, 2006	Huili Caitong	7.6	95.00
	Xichang Vanadium	0.4	5.00
	Total:	8.0	100.00

On June 26, 2007, Xiushuihe Iron was re-incorporated from a township and village enterprise to a limited liability company under the name of Xiushuihe Mining. According to the business license of Xiushuihe Mining dated June 26, 2007, the registered capital of Xiushuihe Mining was RMB4.0 million. The current business scope of Xiushuihe Mining is iron ore mining and iron ore beneficiation (with a valid operation period until December 2027). As advised by King & Wood, our PRC legal advisors, Xiushuihe Mining has obtained all relevant approvals and business licenses from relevant authorities and has completed all necessary procedures and met all requirements regarding its re-incorporation from a township and village enterprise to a limited liability company. The change of the legal status of Xiushuihe Iron is legal and valid pursuant to all applicable PRC laws and regulations.

As of the Latest Practicable Date, Huili Caitong held 95.0% and Xichang Vanadium held the remaining 5.0% of the equity interests in Xiushuihe Mining. Our Xiushuihe Mine is currently owned and operated by Xiushuihe Mining, which holds the registered mining permit. Our Directors confirm that as of the Latest Practicable Date, we have not received any claims or complaints or have been involved in any disputes with regard to the ownership of our Xiushuihe Mine.

Pre-IPO investment

Information on shareholders

Kingston Grand is an investment holding company incorporated in the BVI on February 20, 2007. It was wholly owned by Mr. WANG Jin. On April 20, 2007, Kingston Grand purchased approximately 40.0% of the then outstanding share capital of Trisonic International. Mr. WANG Jin and Sapphire Corporation Limited each contributed funding to enable Kingston Grand to pay the consideration for such capital acquisition. In exchange for its contribution to Kingston Grand, Sapphire Corporation Limited acquired 40.0% of Kingston Grand's share capital.

As of the Latest Practicable Date, Mr. WANG Jin owns 60.0% and Sapphire Corporation Limited owns 40.0% of the share capital in Kingston Grand.

Sapphire Corporation Limited is a company listed on the Singapore Stock Exchange. Our Directors confirm that Sapphire Corporation Limited is an Independent Third Party. The principal business activity of Sapphire Corporation Limited is to pursue investments in mining resources and infrastructure related companies. For the year ended December 31, 2007, Sapphire Corporation Limited recorded net assets and net profit of S$81.6 million and S$19.3 million, respectively.

Our corporate investor

On May 25, 2008, we entered into a series of share sale and purchase and equity transfer agreements with Green Globe, First China, Trisonic International, Huili Caitong, Xichang Vanadium, Sichuan Xingchuancheng and Mr. WANG Jin, (collectively, the "First China Agreement") whereby (i) First China, a wholly owned subsidiary of Green Globe at the time, was to acquire from Xichang Vanadium and Sichuan Xingchuancheng 17.6% and 0.9% equity interests in Huili Caitong, respectively, for a total consideration of US$90.0 million and (ii) upon completion of the foregoing acquisition, Green Globe would transfer the entire share capital of First China to us in exchange for 20.4% of the issued share capital of our Company.

Pursuant to the series of transactions described above, on June 23, 2008, Xichang Vanadium and Sichuan Xingchuancheng transferred to First China their 17.6% and 0.9% equity interests in Huili Caitong. First China, at the time of transfer, was a wholly owned subsidiary of Green Globe. On July 21, 2008, we allotted and issued Shares that represented 20.4% of the issued share capital our Company to Green Globe in exchange for Green Globe's transfer of the entire issued share capital of First China to our Company. On August 1, 2008, the Hong Kong stamp duty arising from the transfer of the entire issued share capital of First China was paid and First China formally became a wholly owned subsidiary of our Company.

Pursuant to the First China Agreement, Green Globe has (i) the right to appoint one Director; (ii) certain preferential sale rights to sell existing Shares it holds through the International Placing; and (iii) the right to require us to repurchase the Shares if we are unsuccessful with the Global Offering by December 31, 2009 or if we breach certain of the ratios specified under the First China Agreement. All special rights not generally available to all Shareholders (including the rights of Green Globe referred to in this paragraph) will cease upon Listing.

We selected Green Globe as our Shareholder to (i) increase our control and economic benefits over our PRC operating subsidiaries; and (ii) dilute the minority shareholding in Huili Caitong and improve our overall corporate structure. In addition, Green Globe's holding company, AL Safat Investment Company K.S.C.C., had prior investment experience in the natural resources industry and was interested in the iron ore industry, in particular, in the PRC. Having Green Globe as a shareholder is beneficial to us due to the investment experience of its holding company, AL Safat Investment Company K.S.C.C.. The consideration paid for Green Globe's investments was negotiated through arm's length negotiations with reference to our historical financial and operating performance, the market price of iron ore during the period of negotiations with Green Globe and our future growth and expansion prospects. Green Globe has paid such consideration in full.

Green Globe's 20.4% ownership of our Company will be diluted to 10.9% upon completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised). Given that Green Globe's investment amount was US$90.0 million, the price per Share with respect to the Shares held by Green Globe immediately before Listing would be HK$2.28 per Share. If the Offer Price of the Shares is HK$3.12 per Share, being the lower end of the Offer Price range, then Green

Globe's price per Share would represent a discount of approximately 26.9% under the Offer Price. If the Offer Price of the Shares is HK$3.86 per Share, being the higher end of the Offer Price range, then Green Globe's price per Share would represent a discount of approximately 40.9% under the Offer Price.

Green Globe is a limited company incorporated on January 28, 2008 in the BVI. It is an investment holding company. It is a wholly owned subsidiary of AL Safat Asia Resources I Limited, a limited liability company incorporated in the BVI that engages in investment holding. AL Safat Asia Resources I Limited is a private company, which is wholly owned by AL Safat Investment Company K.S.C.C., a Kuwaiti shareholding company (closed) listed on the Kuwait Stock Exchange. AL Safat Investment Company K.S.C.C. was incorporated in Kuwait on September 15, 1983. As of the Latest Practicable Date, there is no single shareholder of AL Safat Investment Company K.S.C.C. that can exercise 30.0% of the voting power or control the composition of its board of directors. According to the information provided by Green Globe, AL Safat Investment Company K.S.C.C. carries out investment activities for its own benefit and for the benefit of its clients in financial, real estate, industrial, agricultural and service sectors and contributes to the establishment of companies, acquisitions and restructuring of other companies, asset management, investment funds, portfolio management, lending, mediation and consultations inside and outside the State of Kuwait. Its total income and net profits for 2007 were 32.2 million Kuwait Dinar (equivalent to approximately HK$950.7 million) and 24.6 million Kuwait Dinar (equivalent to approximately HK$728.5 million), respectively. As of December 31, 2007, it had total assets of 185.3 million Kuwait Dinar (equivalent to approximately HK$5.6 billion).

Mr. TEO Cheng Kwee was nominated by Sapphire Corporation Limited to serve as our non-executive Director. Mr. Paul Jason DEVLIN was nominated by Green Globe to serve as our non-executive Director. Both Messrs. TEO Cheng Kwee and Paul Jason DEVLIN will continue to serve as Directors after Listing. The right to nominate Directors by Sapphire Corporation Limited and Green Globe will cease upon Listing.

The retention of Messrs. TEO Cheng Kwee and Paul Jason DEVLIN on the Board after Listing is due to their valuable input on corporate governance and business and financial strategies. Messrs. TEO Cheng Kwee and Paul Jason DEVLIN will be our non-executive Directors and will not be involved in our daily management. Both of them understand that they owe fiduciary duties to us and are required, among other things, to act in the best interest of our Company and Shareholders as a whole. In addition, there are mechanisms in the Articles of Association to deal with a situation where a Director has a conflict of interest. According to the Articles of Association, a Director may not attend any Board meetings at which a contract, arrangement or proposal in which he or any of his associates has a material interest, will be considered. Even if such Director was present at the Board meeting, such Director shall not vote or be counted for quorum purposes in respect of any Board resolutions approving such contract or arrangement or proposal and shall be excluded from all deliberations over such contract, arrangement or proposal.

Pursuant to Rule 8.24 of the Listing Rules, Shares held by a connected person to us will not be counted as part of the public float. Because Green Globe will be holding 10.9% (assuming the Over-allotment Option is not exercised) of the outstanding Shares immediately upon the completion of Listing, Green Globe and its holding companies, AL Safat Resources I Limited and AL Safat Investment Company K.S.C.C. will be deemed to be connected persons pursuant to Rule 14A.11(1) of the Listing Rules. As a result, the Shares held by Green Globe will not be counted toward the public float of our Company.

Corporate value

The valuation of our Company at the time of Green Globe's investment was negotiated on an arm's length basis. The increase in our valuation at the time of investment by Green Globe when compared to 2004 is due to several factors. First, in 2004, both of our mines were not in operation. Second, at that time, the reserves of our mines were uncertain because a reserve report had not been prepared using international standards. As a result, the expected production volume of both of our mines was both smaller and more uncertain than at the time of investment by Green Globe. Third, in 2004, our mining permits were about to expire, while by the time of investment by Green Globe, the mining rights had already been extended for another 20 years. The extension of a mining permit increases the valuation of a mine because governmental and operational risks are reduced. Fourth, at the time of Green Globe's investment, global iron ore prices had risen substantially compared to the iron ore prices in 2004. The commercial value of our mines at the time of investment by Green Globe has also increased. See the "Industry Overview — Overview of the Iron Ore and Titanium Industries — Iron ore and titanium prices" section in this prospectus. Finally, at the time of our inception in 2004, we did not contemplate Listing. However, by the time of investment by Green Globe, we had already started preparing for Listing. The possibility of Listing increases our valuation.

Shareholders' agreement

On May 25, 2008, Trisonic International, Green Globe and our Company entered into a shareholders' agreement (the "Shareholders' Agreement") regarding the management and operation of our Company.

Pursuant to the Shareholders' Agreement, Green Globe has (i) the right to appoint a non-executive Director; (ii) we have the right to reconstitute the Board for the Global Offering purposes; and (iii) Trisonic International has the right to appoint the chairman and managing Director. All these rights will cease upon Listing. In addition, all special rights not generally available to all Shareholders will cease upon Listing.

Lock-up period

Each of Sapphire Corporation Limited and Green Globe has agreed to undertake to our Company and the Joint Lead Managers, respectively, that it will not dispose of any of its respective interest in any Shares during a lock-up period that will end six (6) months after completion of the Global Offering without the prior written consent of our Company and the Joint Lead Managers.

Reorganization

In preparation for the listing of the Shares, we underwent the Reorganization to rationalize our corporate structure. We undertook the following steps:

(a) On January 2, 2008, Simply Rise was incorporated in Hong Kong and one share of HK$1.00 was allotted and issued to Harefield Limited, an Independent Third Party, on the same day. This share was transferred to Powerside on March 5, 2008 at par.

(b) On January 8, 2008, Powerside was incorporated in the BVI and Trisonic International was the sole Shareholder on March 5, 2008.

(c) On April 28, 2008, our Company was incorporated in the Cayman Islands and Trisonic International was the sole Shareholder.

(d) On March 6, 2008, Simply Rise acquired from Trisonic International its 72.0% equity interest in Huili Caitong at a consideration of US$18.0 million, determined on an arm's length basis.

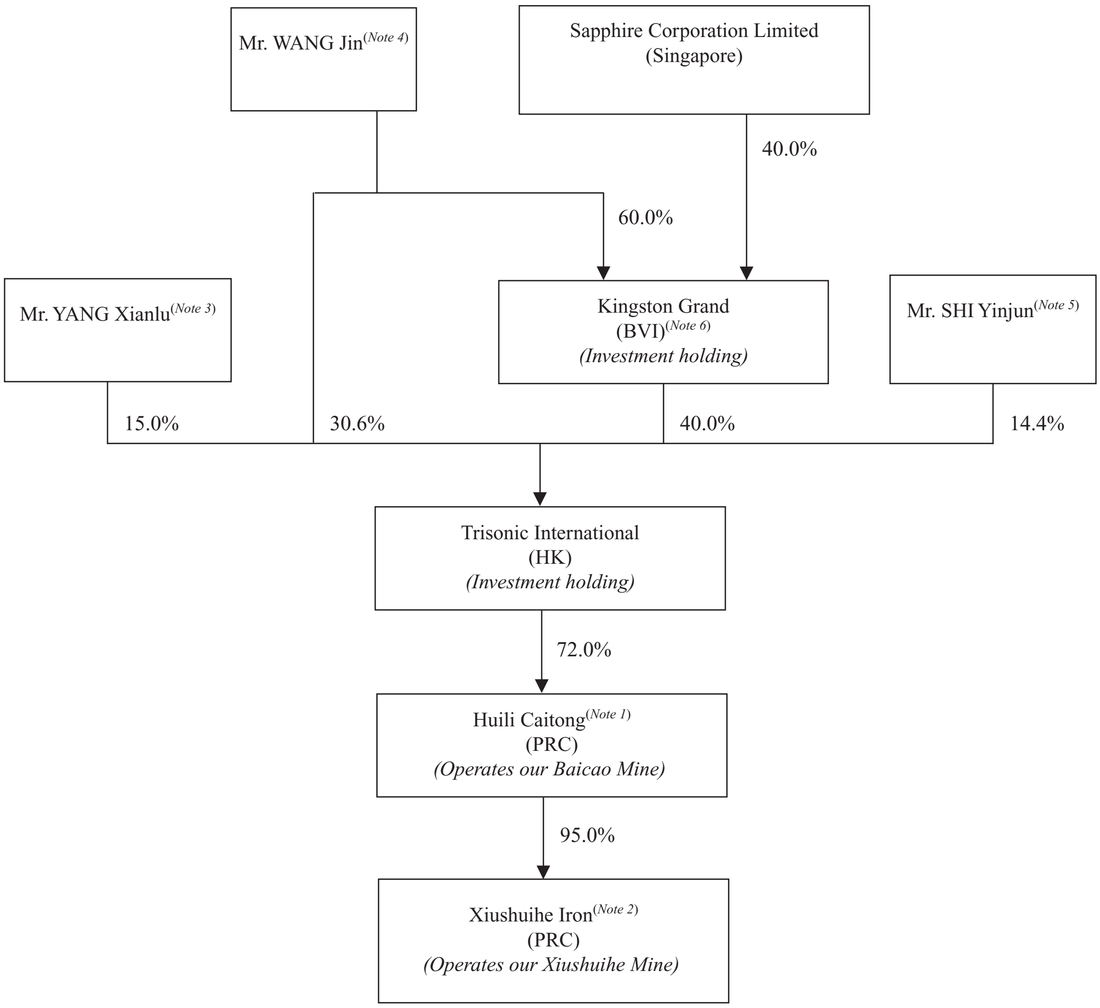
(e) On May 22, 2008, our Company acquired the entire issued share capital of Powerside from Trisonic International by the allotment and issue of additional Shares by our Company to Trisonic International, which was credited as fully paid. After the allotment, Trisonic International remained to be the sole Shareholder.

(f) On July 21, 2008, our Company allotted and issued shares that represented 20.4% of the issued share capital of our Company to Green Globe in exchange for the entire issued share Capital of First China. After this allotment, our Company was owned by Trisonic International as to 79.6% and Green Globe as to 20.4%.

(g) On August 1, 2008, our Company acquired the entire issued share capital of First China from Green Globe.

Group structure

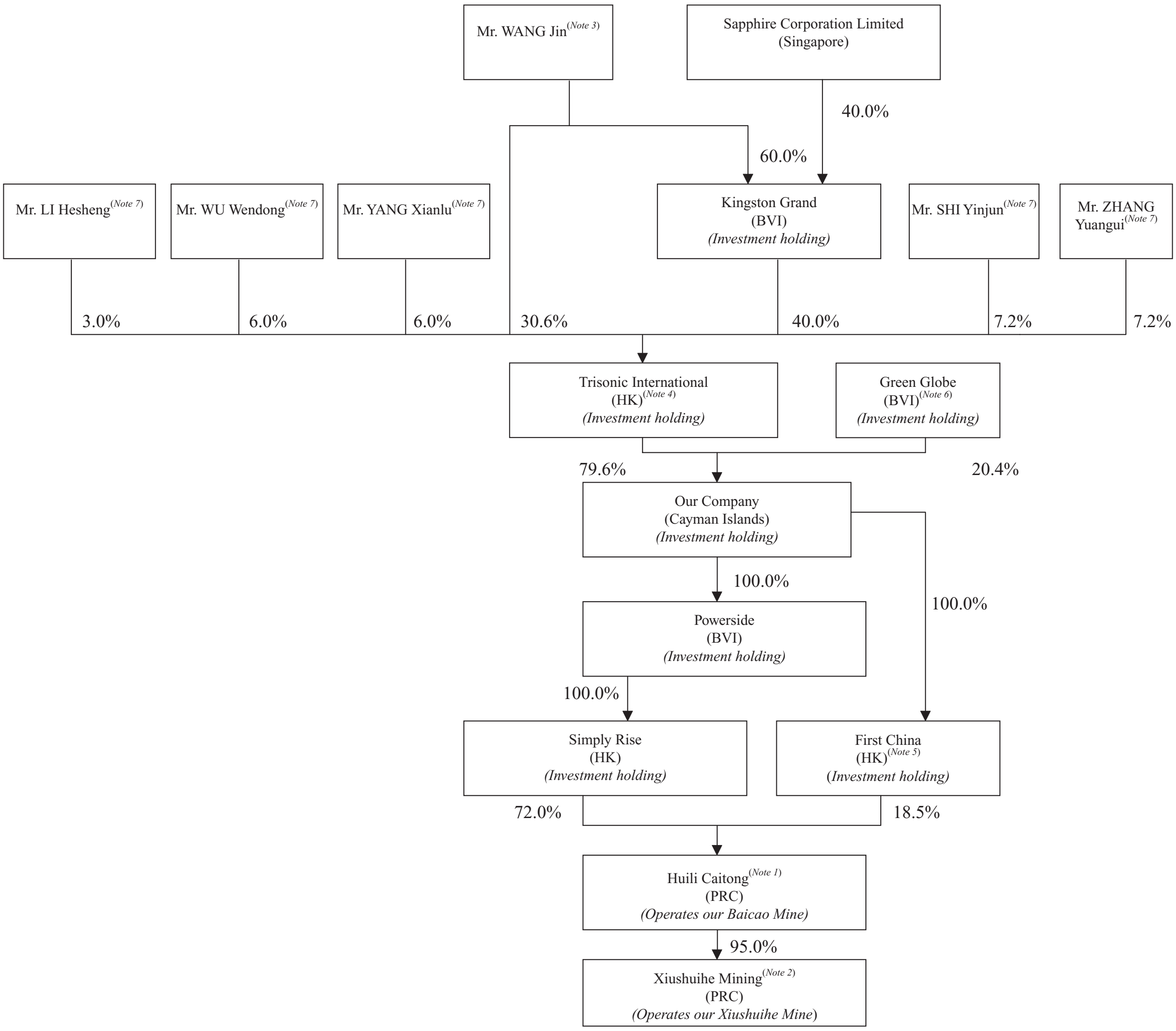
Our Group structure immediately prior to the Reorganization was as follows:



Notes:

1. The remaining 27.1% and 0.9% equity interest were owned by Xichang Vanadium and Sichuan Xingchuancheng, respectively.
2. The remaining 5.0% equity interest in Xiushuihe Iron was owned by Xichang Vanadium.
3. The 15.0% issued share capital in Trisonic International was held by Mr. YANG Xianlu, of which 6.0% is held in trust for Mr. WU Wendong, pursuant to an entrustment agreement dated July 8, 2006 and a declaration of trust dated June 2, 2008, and 3.0% was held in trust for Mr. LI Hesheng, pursuant to an entrustment agreement dated July 8, 2006 and a declaration of trust dated June 2, 2008.
4. The 30.6% issued share capital in Trisonic International was held by Mr. WANG Jin.
5. The 14.4% issued share capital in Trisonic International was held by Mr. SHI Yinjun, of which 7.2% was held in trust for Mr. ZHANG Yuangui, pursuant to an entrustment agreement dated July 8, 2006 and a declaration of trust dated June 2, 2008.
6. The 40.0% issued share capital in Trisonic International was held by Kingston Grand through allotment of shares of Trisonic International to Kingston Grand on December 18, 2007.

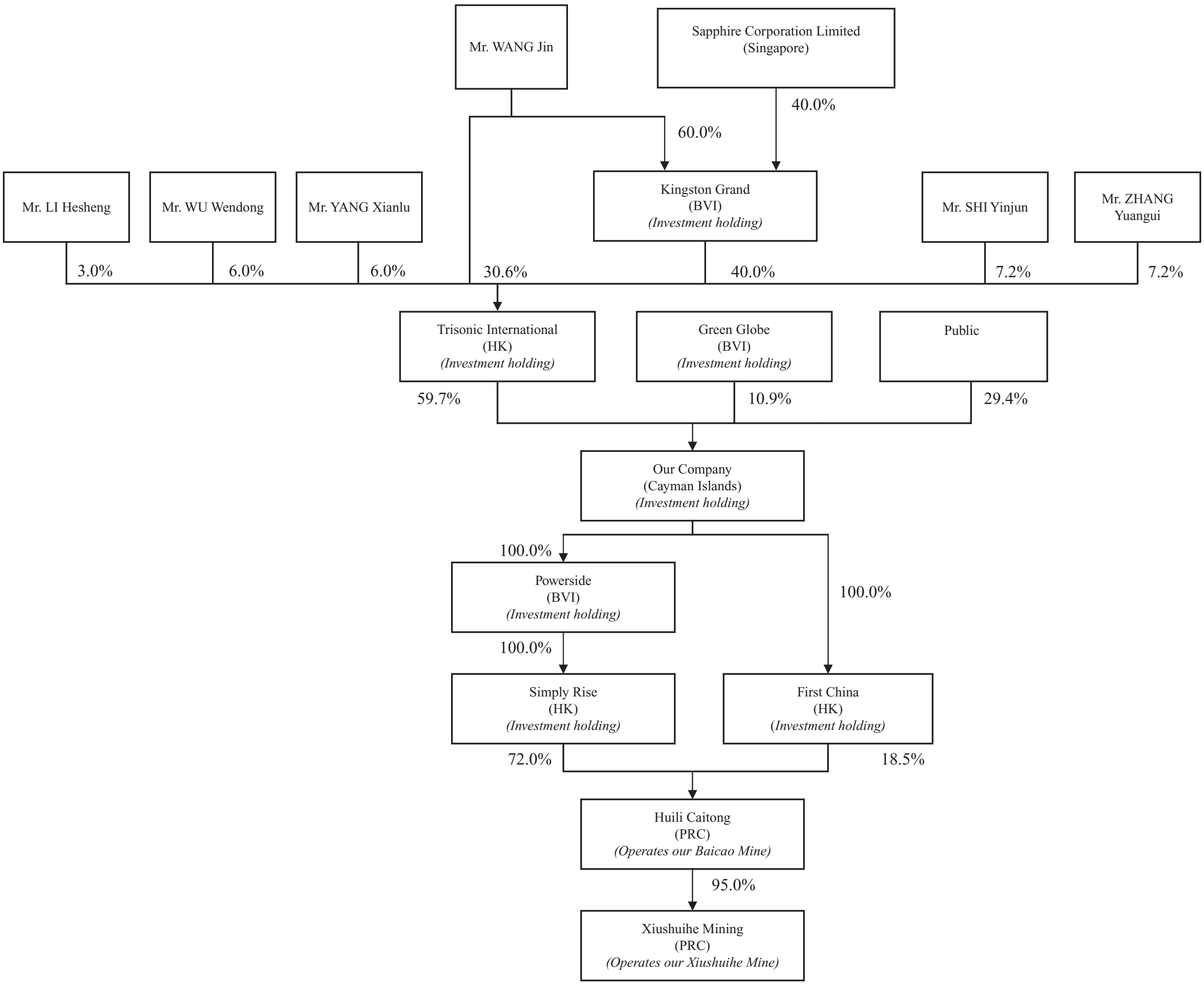
The following chart summarizes our Group structure after the Reorganization but immediately before the Global Offering:



Notes:

1. The remaining 9.5% equity interest in Huili Caitong is owned by Xichang Vanadium.
2. The remaining 5.0% equity interest in Xiushuihe Mining is owned by Xichang Vanadium.
3. The 30.6% issued share capital in Trisonic International is held by Mr. WANG Jin.
4. The 40.0% issued share capital in Trisonic International is held by Kingston Grand through allotment of shares of Trisonic International to Kingston Grand on December 18, 2007.
5. Pursuant to a share sale and purchase agreement dated May 25, 2008, we acquired the entire equity interest in First China for consideration of US$90.0 million by way of an allotment and issue of 2,044 Shares by our Company to Green Globe, which was credited as fully paid. First China acquired from Xichang Vanadium and Sichuan Xingchuancheng their 17.6% and 0.9% equity interests in Huili Caitong, respectively, for consideration of US$85.6 million and US$4.4 million, respectively, determined on an arm's length basis.
6. Green Globe is wholly owned by AL Safat Asia Resources I Limited.
7. On November 11, 2008, Mr. YANG Xianlu transferred the 6.0% and 3.0% of the issued share capital in Trisonic International held in trust for Mr. WU Wendong and Mr. LI Hesheng, respectively, to the respective Beneficial Owners, at par. On the same date, Mr. SHI Yinjun transferred the 7.2% of the issued share capital in Trisonic International held in trust for Mr. ZHANG Yuangui to Mr. ZHANG Yuangui, at par.

The following chart summarizes our Group structure upon completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option) and the Capitalization Issue:



REGULATION ON THE ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

On August 8, 2006, six PRC governmental and regulatory agencies, including the Ministry of Commerce and the CSRC, promulgated the Regulations on the Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "Acquisition Regulation"), which became effective on September 8, 2006. The Acquisition Regulation requires an offshore SPV formed for the purposes of an offshore listing and controlled directly or indirectly by PRC companies or individuals, shall obtain from the CSRC prior approval the listing and trading of the securities of such offshore SPV on an overseas stock exchange, especially in the event that such SPV acquires an equity interest in PRC domestic enterprise(s) in exchange for the shares of the offshore companies.

Our PRC legal advisors have advised us that Trisonic International obtained the approval and the "Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the PRC" from the Sichuan Department of Commerce for its acquisition of Huili Caitong with the consideration of cash before the effective date of the Acquisition Regulation. Although the registration with the relevant government authorities was completed on September 22, 2006, our PRC legal advisors are of the view that this registration is a procedural requirement. As advised by our PRC legal advisors, the Acquisition Regulations do not specifically express whether the provisions in connection with the requirement of CSRC approval under the Acquisition Regulations apply to the present circumstances. Based on the background of legislation and the practice as of the Latest Practicable Date, our PRC legal advisors believe that we are not required to obtain approval from CSRC for the purpose of Listing unless there are new laws and regulations promulgated to the effect that the acquisition of PRC domestic enterprises by offshore SPVs completed before September 8, 2006 are subject to retrospective approval or that CSRC expressly makes a similar requirement. However, the PRC authorities could enact new rules to enforce retroactively the Acquisition Regulation, in which case we may be required to obtain additional government approvals or be subject to other consequences. In addition, there are uncertainties as to how the Acquisition Regulation will be interpreted and implemented.

In accordance with the SAFE Circular No. 75, PRC individuals and PRC corporate entities are required to register with local branches of SAFE if PRC individuals or PRC corporate entities, through their holdings of assets or interests in the PRC enterprises, directly established or indirectly controlled any SPVs incorporated outside the PRC for financing purposes. In addition, PRC individuals are required to amend their registration with the local branch of SAFE within 30 days after any material change in the capital of such SPVs while absent any in-bound investment into the PRC. If any PRC shareholder of a SPV fails to make any required SAFE registration or any required amendment to an existing SAFE registration, the PRC subsidiaries may be prohibited from distributing their profits or proceeds from any reduction in capital, share transfer or liquidation, to the relevant SPV. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability of the relevant PRC shareholder under the PRC laws for evasion of applicable foreign exchange restrictions.

As confirmed by King & Wood, our PRC legal advisors, as of the Latest Practicable Date, each of our Founders had registered with the local SAFE with respect to his interest in our Group in compliance with the requirements of the SAFE Circular No. 75 and its implementing rules.

OVERVIEW

We are the second largest operator and the largest non state-owned operator of iron ore mines in Sichuan based on our actual output volume of iron ore in 2008 and for the six months ended June 30, 2009, according to the records of the Sichuan Metallurgy Economic Association (四川省冶金經濟協會). The ore in our mines is vanadium-bearing titanomagnetite ore, which we use to produce iron ore products and titanium products. Sichuan has approximately 83.2% of the total vanadium-bearing titanomagnetite reserves in the PRC, according to the Hatch Report, and we believe that we are well-positioned to expand our operations due to the size of our operations and our experience in acquiring and operating mines of this type in Sichuan's Panxi Region.

We believe that there is room for our expansion and growth because the PRC has historically experienced a significant shortfall in domestically-produced iron ore. The PRC is the world's largest iron ore importer. In 2008, the total PRC iron ore demand of 753.1 Mt exceeded the domestic PRC iron ore output of 387.3 Mt by approximately 365.8 Mt, according to the Hatch Report. For each year beginning in and since 2005, the annual iron ore supply shortfall in the PRC has exceeded 300.0 Mt. Sichuan is also a net importer of iron ore from overseas and from other provinces in the PRC. We believe that this supply shortfall will continue based on information in the Hatch Report which showed that the total PRC and Sichuan iron ore supply shortfalls during the six months ended June 30, 2009 were 235.5 Mt and 3.6 Mt, respectively.

As of the Listing Date, we will be the first and only Hong Kong listed PRC producer focused primarily on iron ore and iron ore-related products. We are primarily engaged in mining, ore processing and iron pelletizing and we sell our iron concentrates, iron pellets and titanium concentrates to steel producers and downstream users of titanium-related products.

We own and operate two vanadium-bearing titanomagnetite mines, our Baicao Mine and Xiushuihe Mine, both of which are located in Huili County of the Panxi Region, an area with the largest reserves of vanadium-bearing titanomagnetite in the PRC. As of June 30, 2009, the total proved and probable reserves of vanadium-bearing titanomagnetite in our Baicao Mine and Xiushuihe Mine were approximately 60.0 Mt and 18.7 Mt, respectively. As of June 30, 2009, the average iron contents of ore from our Baicao Mine and Xiushuihe Mine were approximately 25.5% and 27.1%, respectively. As of June 30, 2009, the ore from our Baicao Mine and Xiushuihe Mine each had a relatively high titanium content, with an average titanium content of approximately 10.3% and 11.1%, respectively. As of June 30, 2009, the ore from our Baicao Mine and Xiushuihe Mine each had a relatively high vanadium content, with an average vanadium pentoxide content of 0.23% in each mine.

In addition to our mining operations, we operate two processing plants, our Baicao Processing Plant and Xiushuihe Processing Plant, and a pelletizing facility, our Iron Pelletizing Plant. Due to the relatively high titanium content of our ore, we are able to separate iron concentrates and titanium concentrates simultaneously through a single production process in which high-grade ore undergoes low-intensity magnetic separation to yield iron concentrates and titanium concentrates. As a result, we sell two products (i.e., iron concentrates and titanium concentrates) produced from the same production process and thereby benefit from significant cost efficiencies. We produce iron pellets at our Iron Pelletizing Plant through the pelletizing and sintering of iron concentrates, with the majority of such iron concentrates supplied by our Xiushuihe Processing Plant.

We grew rapidly during the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, with revenue increasing from RMB211.1 million in 2006 to RMB791.2 million in 2008, representing a CAGR of 93.6%, and from RMB315.3 million for the six months ended June 30, 2008 to RMB486.0 million for the six months ended June 30, 2009, representing an increase of 54.1%.

During the Track Record Period, we derived the majority of our revenue from the sale of iron concentrates and iron pellets. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue generated from the sale of our iron concentrates and iron pellets in aggregate accounted for approximately 89.6%, 96.9%, 94.5% and 98.7% of our total revenue, respectively. See "— Products" in this section. The following table sets forth our revenue contribution by product and percentage of total revenue by product for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, respectively:

	Year ended December 31,							Six months ended June 30,				
	2006		2007		2008			2008		2009		
	Revenue (RMB'000)	Percentage of total revenue (%)	Revenue (RMB'000)	Percentage of total revenue (%)	Revenue (RMB'000)	Percentage of total revenue (%)	CAGR from 2006 to 2008 (%)	Revenue (RMB'000)	Percentage of total revenue (%)	Revenue (RMB'000)	Percentage of total revenue (%)	Period increase/ (decrease) (%) (Note 3)
Iron concentrates	75,194	35.6	190,171	51.9	495,568	62.6	156.7	168,661	53.5	239,411	49.3	41.9
Iron pellets	113,899	54.0	165,145	45.0	252,319	31.9	48.8	115,120	36.5	240,498	49.4	108.9
Medium-grade titanium concentrates	7,452	3.5	11,271	3.1	43,276	5.5	141.0	31,554	10.0	6,132	1.3	(80.6)
Others (Note 1)	14,558	6.9	83(Note 2)	—	—	—	—	—	—	—	—	—
Total	211,103	100.0	366,670	100.0	791,163	100.0	93.6	315,335	100.0	486,041	100.0	54.1

Notes:

1. Others include revenue generated from the sale of materials that we purchased from third party suppliers for sale to our customers. We have not sold any materials purchased from third party suppliers to these customers since 2007.

2. This amount represents an adjustment to the selling price of other products sold to our customers in 2006 which was due to a higher content of iron and was agreed to by our customers in 2007.

3. This amount represents the percentage increase or decrease in the six month period ended June 30, 2009 over the corresponding amounts for the six month period ended June 30, 2008.

The following table summarizes information about our mines as of June 30, 2009:

Mine name	Total proved reserves of vanadium-bearing titanomagnetite reserves(Note 1)	Total probable reserves of vanadium-bearing titanomagnetite reserves(Note 1)	Mine life(Note 2)	Current mining permit expiration date	Reserves to be mined under current mining right term	Commencement date of commercial production
	(Mt)	(Mt)	(years)	(month/year)	(Mt)	(month/year)
Baicao Mine	25.5	34.5	14.0	12/2027	60.0	01/2005
Xiushuihe Mine	9.5	9.2	5.8	12/2027	18.7	01/2005

Notes:

1. Total proved and probable vanadium-bearing titanomagnetite reserve figures are based on the portion of the measured and indicated mineral resources that are economical to mine and process. See the "Report of Independent Technical Adviser" attached as Appendix V to this prospectus.

2. Mine life is calculated by dividing the ore reserves of vanadium-bearing titanomagnetite as of June 30, 2009 by the long term production rate for the specific mine or project as set out in the "Report of Independent Technical Adviser" attached as Appendix V to this prospectus.

See the "Report of Independent Technical Adviser" attached as Appendix V to this prospectus for the mining quantities covered by our current mining rights.

The following table summarizes information about our mining permits, exploration permit, safety production permits and state-owned land use rights certificates.

Type of permit	Holder	Issuance Date	Term	Content
Mining permit	Huili Caitong	September 8, 2009	18 years and 3 months	Type of Mine: iron ore Operation Scale: 4.6 Mt per annum for open pit mining operation Mining Area: 1.9 sq. km.
	Xiushuihe Mining	May 6, 2008	19 years and 7 months	Type of Mine: iron ore Operation Scale: 2.3 Mt per annum for open pit mining operation Mining Area: 0.5 sq. km.
Exploration permit	Xiushuihe Mining	July 8, 2009	2 years	Type of Mine: iron ore Exploration Area: 1.7 sq. km.(Note 1)
Safety production permit	Huili Caitong	March 27, 2008 June 23, 2008	3 years 3 years	For iron ore mining For operation of tailings storage facility
	Xiushuihe Mining	October 31, 2008 June 24, 2008	3 years 3 years	For iron ore mining For operation of tailings storage facility
State-owned land use rights certificate	Huili Caitong	June 2, 2008	50 years	Use Purpose: industrial Area: 45,372.0 sq.m. Location: Lima River Village, Guanhe Townlet, Huili County, Sichuan
		February 18, 2009	50 years	Use Purpose: industrial Area: 64,469.6 sq.m. Location: Sections No. 3 and No. 4, Kuangshan Village, Xiaoheiqing Townlet, Huili County, Sichuan
		February 18, 2009	50 years	Use Purpose: industrial Area: 3,279.2 sq.m. Location: Section No. 3, Kuangshan Village, Xiaoheiqing Townlet, Huili County, Sichuan
		February 18, 2009	50 years	Use Purpose: industrial Area: 4,977.2 sq.m. Location: Section No. 3, Kuangshan Village, Xiaoheiqing Townlet, Huili County, Sichuan
		February 18, 2009	50 years	Use Purpose: industrial Area: 70,930.5 sq.m. Location: Sections No. 1 and No. 3, Kuangshan Village and Section No. 1, Hongliang Village, Xiaoheiqing Townlet, Huili County, Sichuan
		February 18, 2009	50 years	Use Purpose: industrial Area: 105,601.1 sq.m. Location: Section No. 3, Kuangshan Village, Xiaoheiqing Townlet, Huili County, Sichuan

Type of permit	Holder	Issuance Date	Term	Content
	Xiushuihe Mining	November 13, 2008	50 years	Use Purpose: industrial Area: 37,995.3 sq.m. Location: Section No. 1, Baisha Village, Xiaoheiqing Townlet, Huili County, Sichuan
		November 13, 2008	50 years	Use Purpose: industrial Area: 75,868.2 sq.m. Location: Section No. 1, Laoyingpan Village, Ailang Townlet, Huili County, Sichuan
		November 13, 2008	50 years	Use Purpose: industrial Area: 89,927.3 sq.m. Location: Section No. 3, Chelin Village, Ailang Townlet, Huili County, Sichuan

Note:

1. The exploration permit was granted for the entire Xiushuihe deposit area of 1.7 sq. km. This area consists of approximately 0.5 sq. km. of land for which we presently hold mining rights and approximately 1.2 sq. km of land previously unexplored by us.

For details on each of the above, see "— Properties — Owned properties" and "— Our Mineral Resources and Mining Rights — Mining rights, exploration permit and safety production permits" in this section.

We currently plan to acquire additional mineral reserves and expand our production capacities as well as expand our line of business by developing titanium-related downstream products. See "— Expansion and Construction Plan" in this section and the "Risk Factors — Risks Relating to our Business and Industry — Our major capital expenditure projects require significant capital investments and may not achieve the intended economic benefits" and "Risk Factors — Risks Relating to our Business and Industry — Our plan to acquire additional mineral reserves may not succeed" sections in this prospectus. Our expansion plans may be affected if the global economic slowdown that began in mid-2008 continues to affect iron ore demand. See the "Risk Factors — Risks Relating to our Business and Industry — Our business depends on the economic growth of the PRC iron and steel industries and the growth of the PRC titanium and titanium-related industries" section in this prospectus and "— Customers — Recent global economic trends and impact on our business" in this section.

The PRC governmental authorities have implemented a number of policies in response to the global economic slowdown, including a RMB4.0 trillion economic stimulus plan. We believe that the implementation of the economic stimulus plan will involve the use of steel and stimulate the PRC's demand for iron ore products, particularly the stimulus plan's proposed investments of RMB1.5 trillion into the construction of railroads, airports, and the urban and rural electricity grids; RMB1.0 trillion into the reconstruction of areas in Sichuan affected by the Sichuan earthquake of May 2008; RMB400.0 billion into affordable housing; and RMB370.0 billion into rural infrastructure. Additional reconstruction plans for areas affected by the Sichuan earthquake and related standards for the seismic protection of buildings and policies governing the production of high-strength steel will also promote the use of high-strength steel. See the "— Expansion and Construction Plan — Expansion of mineral reserves — PRC policies supporting growth in the mining and steel industries" in this section and the

"Industry Overview — PRC Policies and Regulations Supporting Growth in the Mining and Steel Industries" section in this prospectus. Due to our proximity to Sichuan steel producers and the price of locally produced iron ore products being generally lower than imported iron ore because of the transportation costs involved, we believe that the increase in steel production in Sichuan as a result of these and other policies will increase the demand for our products.

Both of our mines and almost all of our customers are located in the southwest region of the PRC and have access to the Chengdu-Kunming Railroad. Pursuant to a strategic cooperative understanding we have reached with Tongyu, a subsidiary of Chuan Wei that engages in freight forwarding, Tongyu gives our customers priority to use the railroad transport capacity it secures from the Chengdu Railway Bureau Industry Development Corporation. We believe that the competitiveness of our products is enhanced by this assured transportation capacity and the lower transportation costs that result from our customers' proximity to our facilities.

We have two types of customers: direct customers and distributors. The term "direct customers" refers to customers who use our products directly in their manufacturing operations. During the six months ended June 30, 2009, Weiyuan Steel, our connected party, was one of two direct customers of our iron concentrates while our other direct customers purchased medium-grade titanium concentrates from us. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the total revenue derived from sales to our direct customers was approximately RMB205.5 million, RMB359.6 million, RMB205.2 million and RMB89.7 million, respectively, accounting for approximately 97.4%, 98.1%, 25.9% and 18.5% of our total revenue for these periods, respectively. The remainder of our revenue in each period was derived from sales to distributors.

The term "distributors" refers to customers who purchase our products from us and resell them to end users. We did not sell our iron concentrates or iron pellets to any distributors in 2006 or 2007. In 2008 and the six months ended June 30, 2009, we sold our iron concentrates and iron pellets to five distributors. For the year ended December 31, 2008 and the six months ended June 30, 2009, the total revenue derived from sales of iron concentrates and iron pellets to these distributors was approximately RMB580.8 million and RMB395.7 million, respectively, accounting for approximately 73.4% and 81.4% of our total revenue for these periods. In 2008, we sold our medium-grade titanium concentrates to seven distributors and in the six months ended June 30, 2009, we sold our medium-grade titanium concentrates to three distributors. Each of these distributors are Independent Third Parties. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the total revenue derived from sales of medium-grade titanium concentrates to these customers was approximately RMB5.6 million, RMB7.0 million, RMB5.2 million and RMB0.6 million, respectively, representing approximately 2.6%, 1.9%, 0.7% and 0.1% of our total revenue for these periods, respectively.

The sale of our products to both our direct customers and distributors are made pursuant to sales contracts that specify the quantity, price, payment date and manner of delivery. These contracts stipulate a quantity that our customers are obliged to purchase, though we are not obliged to supply such quantities. These contracts also specify a sales price, subject to adjustment based on market prices. In June 2009, we began entering into supplemental agreements with all our customers of iron ore products that set out the pricing arrangements for iron ore products contracted for 2009 and 2010. According to these supplemental agreements, if the market price of the iron ore product falls below the contracted sales price, the contracted sales price remains unchanged. If the market price of the iron ore product rises above the contracted sales price, the contracted sales price will be adjusted to a higher amount equal to the sum of the contracted sales price and an amount to be agreed that is not more than

50.0% of the increase in the market price above the contracted sales price. The quantity and price arrangements set forth in these contracts and supplemental agreements provide us a basis upon which we believe we can forecast our production needs and minimum revenues for 2009 and 2010. See "— Customers" in this section.

The table below shows the monthly average selling prices per tonne of our iron concentrates and iron pellets, respectively, from June 2008 to June 2009.

	Average selling price per tonne (RMB)												
	Month ended June 30,	Month ended July 31,	Month ended August 31,	Month ended September 30,	Month ended October 31,	Month ended November 30,	Month ended December 31,	Month ended January 31,	Month ended February 28,	Month ended March 31,	Month ended April 30,	Month ended May 31,	Month ended June 30,
	2008							2009					
Iron concentrates	764.5	733.1	758.2	696.7	603.4	457.3	465.2	519.4	468.6	475.2	510.0	514.4	582.3
Iron pellets	935.6	954.5	936.7	904.6	805.1	651.0	679.7	682.8	676.1	675.7	684.7	717.5	826.5

In 2008, the highest monthly average selling price of our iron concentrates was RMB764.5 per tonne in June 2008 and the lowest monthly average selling price of our iron concentrates was RMB457.3 per tonne in November 2008. In 2008, the highest monthly average selling price of our iron pellets was RMB954.5 per tonne in July 2008 and the lowest monthly average selling price of our iron pellets was RMB651.0 per tonne in November 2008. For the six months ended June 30, 2009, the highest monthly average selling price of our iron concentrates was RMB582.3 per tonne in June 2009 and the lowest monthly average selling price of our iron concentrates was RMB468.6 per tonne in February 2009. For the six months ended June 30, 2009, the highest monthly average selling price of our iron pellets was RMB826.5 per tonne in June 2009 and the lowest monthly average selling price of our iron pellets was RMB675.7 per tonne in March 2009. The average selling prices of our iron concentrates and iron pellets have shown signs of stabilization beginning in February 2009.

COMPETITIVE STRENGTHS

Our Directors believe our primary competitive strengths include the following:

As of the Listing Date, we will be the first and only Hong Kong listed PRC producer focused primarily on iron ore and iron ore-related products.

While there are a number of Hong Kong listed companies engaged primarily in steel production, as yet there are no Hong Kong listed companies engaged primarily in the production of iron ore, the key raw material for steel production. Thus, as of the Listing Date, we will be the first and only Hong Kong listed PRC producer focused primarily on iron ore and iron ore-related products. We intend to continue our focus on iron ore and iron ore-related products because we believe that iron ore producers are and will continue to be the ultimate beneficiaries of growth in the PRC steel industry.

We believe that being the first Hong Kong listed PRC iron ore producer will attract the interest of investors building a portfolio of exposures across the steel supply chain (such as investments allocated among iron ore, coking coal, nickel, molybdenum, etc.) or those building a portfolio of upstream raw materials for a number of key commodities across several geographic regions (such as investments in iron ore allocated among the PRC, Australia, Brazil and Russia). In either case, potential investors' analyses of global and regional trends in iron ore prices and in the steel industry will be crucial to their investment decision. Once potential investors decide that an investment in iron ore in the PRC suits their investment strategy, we believe we will benefit from being the only listed company in Hong Kong for such investors. Thus, we believe that our status as the only Hong Kong listed PRC company that is strongly focused on the iron ore industry will draw the interest of external financing sources and provide us with increased access to funding for our expansion plans. We believe that such increased access to financing will give us a competitive advantage and strengthen our leading market position in the PRC.

Because of our first mover advantage in the market and access to financing, we believe that we are well-suited to take advantage of growth opportunities represented by the continuing supply shortfall of iron ore in the PRC. According to the Hatch Report, the demand for iron ore products in the PRC has historically been greater than the domestic supply and PRC steel producers have resorted to iron ore imports to satisfy their demand. See the "Industry Overview — PRC iron ore industry — Iron ore demand" section in this prospectus. We believe that this supply shortfall will continue based on the information in the Hatch Report showing that the total PRC and Sichuan iron ore supply shortfalls during the six months ended June 30, 2009 were 235.5 Mt and 3.6 Mt, respectively. We believe that our increased access to financing resulting from our first mover advantage will permit us to continue and expand our increase in production capacity aimed at capitalizing on the growth opportunities represented by this supply shortfall. See "— Products" and "— Our Production Operations and Facilities — Production facilities" in this section.

We are the second largest operator and the largest non state-owned operator of iron ore mines in Sichuan and a leading processor of iron ore in Sichuan.

Based on our actual output volume of iron ore in 2008 and for the six months ended June 30, 2009, we are the second largest operator and the largest non state-owned operator of iron ore mines in Sichuan, according to the records of the Sichuan Metallurgy Economic Association (四川省冶金經濟協會). As of June 30, 2009, the total proved and probable reserves of vanadium-bearing titanomagnetite in our Baicao Mine and Xiushuihe Mine were approximately 78.7 Mt. The ore output volumes of our Baicao Mine and Xiushuihe Mine increased from 497.2 Kt and 449.0 Kt, respectively, in 2006 to 2,917.2 Kt and 1,854.2 Kt, respectively, in 2008, representing a CAGR of 142.2% and 103.2%, respectively and from 1,882.3 Kt and 748.9 Kt, respectively, for the six months ended June 30, 2008 to 1,959.0 Kt and 1,036.5 Kt, respectively, for the six months ended June 30, 2009, representing an increase of 4.1% and 38.4%. We intend to continue to expand both our reserves and our production capacities. See "— Expansion and Construction Plan" in this section. Based on the confirmation from Huili Land Bureau and after verification by our PRC legal advisors, our PRC legal advisors confirm that the output volume of iron ore in each of our Baicao Mine and Xiushuihe Mine throughout the Track Record Period was within the respective production limit approved by the applicable PRC governmental authority pursuant to the relevant PRC rules and regulations.

Given the size of our operations, our Directors believe that we benefit from economies of scale in our mining and processing operations as well as in sales volume. For example, during the Track Record Period, our gross profit margin increased as our production capacity increased. Our Directors also believe that the production of titanium concentrates requires raw ore with a high titanium content and the capacity for large-scale production in order to be commercially viable. We believe that the high titanium content of our ore and the scale of our mining operations achieves efficient operations and ensures consistent and stable quantities of high quality iron ore and titanium products.

Our iron ore contains vanadium and is capable of being used in the production of high-strength steel and for the production of vanadium byproducts.

The ore in our mines is vanadium-bearing titanomagnetite ore, containing an average of 0.23% vanadium pentoxide. Vanadium-bearing titanomagnetite ore is the major source of vanadium minerals.

The addition of vanadium to steel is necessary to improve the strength, hardness and malleability of steel. The strength of steel containing 0.1% vanadium can be improved by 10% to 20% over the strength of steel not containing vanadium. Technological advances in the steel-making process have allowed an increasing number of PRC steel producers to use vanadium-bearing iron ore directly in the production of high-strength steel. PRC steel producers have also been able to extract vanadium from vanadium-bearing iron ore to produce vanadium byproducts that can be sold or used as additives to steel. According to Bloomberg's Metal Bulletin, the average price of vanadium pentoxide traded in Europe was approximately US$5.94 per pound, or the equivalent of RMB89,416.7 per tonne for the month of July 2009.

Vanadium has recently increased in importance due to PRC policy developments specifically requiring the use of high-strength steel in construction. In response to the Sichuan earthquake in May 2008, the PRC government promulgated standards for the seismic protection of buildings, such as the "Standard for classification of seismic protection in building construction" (《建築抗震設計規範》) that raise standards for the strength of steel used in building construction. On March 30, 2009, the PRC government announced the "Adjustment and Revitalization Plan for the PRC Steel Industry" (《鋼鐵產業調整和振興規劃》) that promotes the use of reinforced steel of 400 MPa or above in construction and set the target of increasing the consumption of high-strength steel products of 400 MPa or above to over 60% of the hot rolled ribbed steel bars consumed in the PRC by 2011. Construction in the PRC itself is expected to increase as a result of the recently promulgated PRC economic stimulus plan and the Sichuan reconstruction policies. See the "Industry Overview — PRC Policies and Regulations Supporting Growth in the Mining and Steel Industries" section in this prospectus.

We believe that the demand for high-strength steel products will stimulate the demand for vanadium and vanadium byproducts. Given the vanadium content of our iron ore products, we believe our products will attract steel producers seeking to increase their production of high-strength steel products to respond to the above PRC policies, and that demand for our vanadium-bearing iron ore products will increase as a result.

Our mines can be mined using low-cost mining methods and yield raw ore with a relatively high iron and titanium content.

We utilize the open-pit mining method at both of our mines because each mine has a relatively thick ore bearing bed located at a relatively shallow depth. Compared to underground mining methods, the open-pit mining method allows relatively easy access to extraction areas and reduces operational risks. Because the open-pit mining method does not require the specialized machinery, equipment or supporting structures necessary in underground mining, our Directors believe the open-pit mining method we employ is relatively low-cost. See the "Report of Independent Technical Adviser" attached as Appendix V to this prospectus.

As of June 30, 2009, we had a total proved and probable reserves of vanadium-bearing titanomagnetite of approximately 60.0 Mt and 18.7 Mt in our Baicao Mine and Xiushuihe Mine, respectively. Our Baicao Mine had an average iron content of approximately 25.5% and an average titanium dioxide content of approximately 10.3% and our Xiushuihe Mine had an average iron content of approximately 27.1% and an average titanium dioxide content of approximately 11.1%. Due to the relatively high titanium content of our ore, we are able to separate iron concentrates and titanium concentrates simultaneously through a single production process, where high-grade ore, after being crushed, screened, classified and ground, undergoes a low-intensity magnetic separation process to yield iron concentrates and titanium concentrates. See "— Our Production Operations and Facilities — Baicao Processing Plant" in this section. As a result, we are able to enjoy the benefit of significant cost efficiencies in the production process and sell both products (i.e., iron concentrates and titanium concentrates) produced from the same production process. For the year ended December 31, 2008, our production volumes of iron concentrates, iron pellets and medium-grade titanium concentrates were approximately 1,163.8 Kt, 325.3 Kt and 167.6 Kt, respectively, and for the six months ended June 30, 2009, approximately 743.5 Kt, 313.7 Kt and 62.7 Kt, respectively. See "— Products" and "— Our Production Operations and Facilities" in this section.

To capture the associated extra value, we also intend to leverage the cost benefits arising from the high titanium content of our ore by expanding downstream into the production of titanium-related products, such as titanium slag. Titanium-related products exhibit strength and erosion resistance and are widely used in many industries, such as the shipping and aircraft industries. According to the Hatch Report, demand for titanium and titanium-related products has been growing very rapidly in the PRC in recent years. To meet the increasing market demand for titanium-related products, we are in the process of upgrading our processing technology and equipment to prepare for the production of high-grade titanium concentrates. We currently expect our production capacity of high-grade titanium concentrates, together with the exclusive production capacity which our Independent Third Party Processing Contractors allocate to us, to reach an annual production capacity of 382.5 Kt by the end of 2011.

We are well-positioned to expand our operations because we are located in a region with the largest vanadium-bearing titanomagnetite reserves in the PRC and expansion plans such as ours are supported by PRC government policies.

We are the second largest operator and the largest non state-owned operator of vanadium-bearing titanomagnetite mines in Sichuan based on our actual output volume of iron ore in 2008 and for the six months ended June 30, 2009, according to the records of the Sichuan Metallurgy Economic Association (四川省冶金經濟協會). We have a proven track record of acquiring and operating mines in the Panxi Region. According to the Hatch Report, the vanadium-bearing titanomagnetite reserve in the Panxi Region ranks first in the PRC, with a reserve of approximately 8.87 billion tonnes in 2008, representing approximately 75.3% of total vanadium-bearing titanomagnetite reserves in the PRC. We believe that there are ample opportunities for us to acquire new vanadium-bearing titanomagnetite reserves in the Panxi Region and because we are a large mining operator with experience in acquiring and operating mines in the Panxi Region, we believe we are well-positioned to expand our operations through such acquisitions. See "— Expansion and Construction Plan — Expansion of Mineral Reserves" in this section.

In addition, our mineral reserve expansion plans will benefit from PRC government policies, particularly the PRC government's encouragement of the acquisition and consolidation of mines by large mining companies, such as ourselves. Current local government policies are also favorable to our business. For example, on April 2, 2008, the Huili County People's Government resolved to support our plan to consolidate with or acquire adjacent mines and our plan to extend the coverage area of our current mining rights at our Xiushuihe Mine to the adjacent areas to the west of our current Xiushuihe mining rights area. See "— Expansion and Construction Plan — Expansion of mineral reserves — PRC policies supporting growth in the mining and steel industries " in this section.

We are located close to our customers and to the railroad transportation network.

Due to their weight and bulk, our products can be difficult to transport in a cost-efficient manner. Our mines and processing plants, and almost all of our customers, are located in the southwest region of the PRC. Our Baicao Mine is approximately 25 km from the Yakou station and our Xiushuihe Mine is approximately 50 km from the Midi station. These two railroad stations are located along the Chengdu-Kunming Railroad, a major transportation corridor, which in turn connects to other major railroads in the region. Most of our customers have access to the same major railroads and, as a result, access to a relatively cost-effective mode of transport for large quantities of our products. In addition, we believe that we have provided an important service to our customers by entering into a strategic cooperative understanding with Tongyu, a subsidiary of Chuan Wei that engages in freight forwarding, pursuant to which Tongyu has agreed to give priority to our customers to use the railroad transport capacity it secures from the Chengdu Railway Bureau Industry Development Corporation. Pursuant to the agreement between the Chengdu Railway Bureau Industry Development Corporation and Tongyu, the Yakou and Midi stations have been designated as strategic loading points along the railroad. Tongyu secured 1.4 Mt of railroad transportation capacity from Chengdu Railway Bureau Industry Development Corporation in 2008. This railroad transportation capacity met the railroad transportation needs of our customers in 2008 because it satisfied almost the entire contracted sales volume of our products purchased by these customers in 2008. Furthermore, since our mines are located closer to a railroad (specifically the Chengdu-Kunming Railroad) compared to the mines of the top five iron ore producers in Sichuan (as listed in the records of Sichuan Metallurgy Economic Association (四川省冶金經濟協會) as of June 30, 2009) in terms of actual distance by road transportation, the transportation costs of our products are therefore competitive with the corresponding transportation costs of these top five iron ore producers in Sichuan.

Our locally produced iron ore products are also competitive in price compared to imported iron ore products. Imported iron ore products are typically transported by rail to Chengdu from the nearest ports, Zhanjiang port (湛江港) in Guangdong or Fangchenggang port (防城港港口) in Guangxi. The price of rail transport in the PRC is regulated by the Ministry of Railways and the NDRC as set forth in the price list issued by the Ministry of Railways and the NDRC, the latest having been in effect since July 1, 2008. Transportation contractors charge additional fees depending on services offered. A review of the rates charged for transportation of iron concentrates by an Independent Third Party transportation company in Zhanjiang since January 2009 shows that the cost of the rail transportation from Zhanjiang port (湛江港) to Zizhong (資中) County, located approximately 189 km southeast of Chengdu, is RMB242.0 per tonne. Such rail transportation costs represented 46.8% of our average selling price of iron concentrates for the six months ended June 30, 2009. A review of the rates charged for transportation of iron concentrates by an Independent Third Party transportation company in Fangchenggang since January 2009 shows that the cost of the rail transportation from Fangchenggang port (防城港港口) in Guangxi to Zizhong is RMB242.5 per tonne. Such rail transportation costs represented 46.9% of our average selling price of iron concentrates for the six months ended June 30, 2009. Because domestic transportation expenses are high, it is relatively more economical to purchase iron ore products from local producers rather than pay the even higher transportation costs associated with imported iron ore. Given the regulation of the PRC rail transportation industry, our Directors do not anticipate that railway transportation prices will be reduced to the extent that imported iron ore products will become price competitive compared to locally-produced iron ore products in the near to medium term.

STRATEGIES

We intend to pursue the following strategies:

Increase our iron ore reserves.

Our core strategy is to expand our mineral reserves through the acquisition of other mines and the extension to areas adjacent to the boundary limits of our existing mines set forth in our current mining rights. Our access to abundant vanadium-bearing titanomagnetite and other iron ore reserves in the Panxi Region presents opportunities for our expansion and long-term sustainable growth through increasing our control over these mineral resources. In addition, we believe our expansion plan will benefit from current PRC government policies encouraging the consolidation of mines in the Panxi Region. For details concerning such policies, see "— Expansion and Construction Plan — Expansion of mineral reserves" in this section.

In relation to our strategy to extend our current mining rights to adjacent mining areas, we obtained a two-year exploration permit on July 8, 2009 to conduct exploration activities in the adjacent areas to the west of our current Xiushuihe mining rights area. The exploration permit covers the entire 1.7 sq.km of the Xiushuihe deposit and includes an area of 1.2 sq. km previously unexplored by us. Upon completion of the exploration activities at these adjacent areas and if we consider it beneficial to do so, we will apply to the PRC governmental authorities for the relevant mining permits. We believe the mining permits will be obtained in July 2011 after the completion of exploration activities. Pursuant to the relevant PRC laws and regulations and as advised by our PRC legal advisors, we have a right of priority in the grant of the relevant mining permits for the Xiushuihe mining areas covered by the exploration permit. See "— Expansion and Construction Plan — Expansion of mineral reserves — Expansion of the mining boundaries of our Xiushuihe Mine" in this section.

We intend to use a total of approximately HK$131.4 million of the net proceeds from the Global Offering to finance the expansion of the mining boundaries of our existing mines set forth in our current mining rights. Details of our planned use of the net proceeds are set out in the "Future Plans and Use of Proceeds" section in this prospectus.

In relation to our strategy to acquire other mines, we have entered into five option agreements since April 2009 with the respective owners of five mines that allow us, within a specified time period and at our sole discretion, to purchase the mining rights and related assets of these mines on terms to be negotiated. Together, these five mines are estimated to have total iron ore resources of approximately 126.2 Mt. We have not made any payments in respect of these option agreements and currently do not have plans to exercise our options with respect to any of the five mines. See "— Expansion and Construction Plan — Expansion of mineral reserves — Option agreements in respect of five iron ore mines in Sichuan and Yunnan" in this section and the "Relationship With Controlling Shareholders — Excluded Mines" section in this prospectus.

Expand our production capacity.

According to the Hatch Report, demand for iron ore products in the PRC outstripped supply between 2001 to 2008, with the supply shortfall reaching 365.8 Mt in 2008. We believe that this supply shortfall will continue based on information in the Hatch Report which showed that total PRC iron ore supply shortfall during the six months ended June 30, 2009 was 235.5 Mt. In addition, demand for titanium in the PRC is also increasing, according to the Hatch Report. See the "Industry Overview" section in this prospectus. As a result, we believe there is ample room in the market to absorb the increased output resulting from our planned production capacity construction and expansion strategy.

We intend to expand our iron concentrates, iron pellets, titanium concentrates and titanium-related products production capacity by (i) improving our existing production lines; (ii) constructing new production lines; (iii) acquiring the production lines of other enterprises; and (iv) increasing the quantity of our products we produce utilizing Independent Third Party processing and pelletizing contractors.

With respect to our iron ore products, as of June 30, 2009, we have already increased our iron concentrates production capacity to 1,700.0 Kt (including the 700.0 Kt production capacity allocated to us by our Independent Third Party Processing Contractors in 2009) and our iron pellets production capacity to 760.0 Kt (including the 400.0 Kt of iron pellets production capacity allocated to us by our Independent Third Party Pelletizing Contractors in 2009). In addition, in May 2009, we completed the construction of phase II of the new 500.0 Kt iron concentrates production line at our Baicao Processing Plant, providing us with a further 200.0 Kt of annual production capacity of iron concentrates. The phase II iron concentrates production line of 200.0 Kt commenced production in August 2009. See "— Production Facilities — Baicao Processing Plant" in this section. We intend to commence construction of a new 300.0 Kt production line at our Xiushuihe Processing Plant in October 2009 and expect to complete construction by July 2010.

For our titanium products, we are in the process of upgrading our medium-grade titanium concentrates production lines to produce high-grade titanium concentrates and of constructing new high-grade titanium concentrates production lines. By the end of 2010, we expect to discontinue production of medium-grade titanium concentrates and have a total planned annual production capacity of 140.0 Kt of high-grade titanium concentrates at our Baicao Processing Plant and a total planned annual production capacity of 160.0 Kt of high-grade titanium concentrates at our Xiushuihe Processing Plant.

Capitalize on the high titanium content of our iron ore.

According to the Hatch Report, demand for titanium concentrates and titanium-related products has grown rapidly in the PRC in recent years. Due to the relatively high titanium content of our ore, we are able to separate iron concentrates and titanium concentrates simultaneously through a single production process, where high-grade ore, after being crushed, screened, classified and ground, undergoes a low-intensity magnetic separation process to yield iron concentrates and titanium concentrates. See "— Our Production Operations and Facilities — Baicao Processing Plant" in this section. As a result, we are able to enjoy the benefit of significant cost efficiencies in the production process and sell both products (i.e., iron concentrates and titanium concentrates) produced from the same production process. To increase sales and improve the gross margin of our titanium concentrates, we have started to upgrade our existing medium-grade titanium concentrates production lines and to construct new titanium concentrates production lines to produce high-grade titanium concentrates.

In addition to titanium concentrates, we also intend to leverage the cost benefits associated with the relatively high titanium content of our ore by adopting a vertical integration strategy to expand our business into the production of titanium downstream products, such as titanium slag. Titanium slag is used as a raw material in the production of titanium powder, sponge titanium, synthetic rutile, and titanium metals, among others. We intend to use HK$131.4 million of the net proceeds from the Global Offering to finance the construction of two new titanium slag production lines with a planned annual aggregate production capacity of 120.0 Kt at the Vanadium Titanomagnetite Industrial Park with a total estimated capital expenditure of HK$315.4 million. We intend to finance the remaining balance of approximately HK$184.0 million required for the planned construction through credit facilities of HK$184.0 million to be obtained pursuant to a letter of intent from the China Construction Bank (Sichuan branch), dated February 25, 2009. For details concerning our upgrades and new production lines, see "— Expansion and Construction Plan — Expansion and construction of production facilities" and "— Co-operation Agreement" in this section and the "Future Plans and Use of Proceeds" section in this prospectus.

EXPANSION AND CONSTRUCTION PLAN

Expansion of mineral reserves

Part of our business strategy is to expand and achieve long-term sustainable growth through the acquisition and consolidation of vanadium-bearing titanomagnetite and/or other iron ore mines. We intend to buy mining rights directly and do not intend to use the strategy of acquiring the equity interest of other companies. Potential consolidation or acquisition targets will only include vanadium-bearing titanomagnetite and/or other iron ore mines that satisfy our assessment criteria. Our assessment criteria with respect to potential targets include, but are not limited to, the following attributes:

- compliance with applicable PRC laws and regulations, including valid mining permits and safety production permits;
- implementation of safe operating conditions and systems;
- adoption of high environmental standards;
- location;
- mining life;
- total proved and probable reserves;
- average grade and content of the reserves;
- estimated return on investment; and
- our ability to finance such acquisition.

Expansion of the existing mining boundaries of our Xiushuihe Mine

On April 2, 2008, the Huili County People's Government resolved to support our plan to extend the coverage area of our current mining rights at our Xiushuihe Mine. On July 8, 2009, we obtained a two-year exploration permit to conduct exploration activities in the adjacent areas to the west of our current Xiushuihe mining rights area. The exploration permit covers the entire 1.7 sq. km of the Xiushuihe deposit and includes an area of approximately 1.2 sq. km previously unexplored by us. According to the Report of Independent Technical Adviser, excluding the resources covered by our current Xiushuihe mining rights, the approximately 1.2 sq. km area previously unexplored by us is estimated to contain total iron ore resources of approximately 78.2 Mt, including 51.8 Mt of higher-grade resource and 26.4 Mt of lower-grade resource. See the "Report of Independent Technical Adviser" attached as Appendix V to this prospectus.

Upon the completion of exploration activities in these adjacent areas and if we consider it beneficial to do so, we will apply to the PRC governmental authorities for the relevant mining permits for these areas and believe we can obtain such mining permits by July 2011. Pursuant to relevant

PRC laws and regulations and as advised by our PRC legal advisors, we have a right of priority in the grant of the relevant mining permits for the Xiushuihe mining areas covered by the exploration permit. The total estimated costs of obtaining the exploration permit and mining rights are expected to be approximately RMB120.0 million. The opportunity to extend the coverage area of our current Xiushuihe mining rights is beneficial because the large potential mineral resources located in these adjacent areas will significantly extend the mine life of Xiushuihe Mine. The proximity to our present operations should also allow us to expand our mining operations easily to these adjacent areas.

Option agreements in respect of five iron ore mines in Sichuan and Yunnan

We have entered into option agreements with the respective owners of five iron ore mines that allow us, within a specified time period and at our sole discretion, to purchase the mining rights and related assets of the mines on terms to be negotiated. Together, these five mines are estimated to have total iron ore resources of approximately 126.2 Mt.

In each case, the option agreements provide that we have the option, at our sole discretion, to purchase the rights and assets with regard to the relevant mining permit within the time period stipulated in the agreement or within such extended period as both parties may mutually agree (in each case, an "Option Period") on terms to be negotiated. As advised by our PRC legal advisors, the terms of each of these option agreements are legal and valid in accordance with the relevant PRC laws and regulations. Each of the mine owners has made certain representations or warranties including but not limited to: (i) the mining permit in respect of the relevant mine is currently valid and effective; and (ii) within the respective Option Periods, each mine owner will not enter into an agreement to transfer its mining rights and related assets of the mine to any third party or grant a third party any right in respect of the same, unless we otherwise agree.

We have not made any payments in respect of any of these option agreements and currently do not have plans to exercise our options with respect to any of the five mines. If we do decide to exercise any of these options, the terms of purchase would be subject to further negotiations with the relevant mine owner and any such purchase would comply with the applicable requirements of the Listing Rules.

The following table sets forth details of the five mines and the related option agreements.

	Name of mine	Present owner	Mining Right area	Term of mining or exploration permit	Estimated resource	Estimated iron content	Option period	Acquisition price(Note 3)
1.	Xiaoheiqing Jingzhi mine (小黑箐經質鐵礦)	Panzhihua Jingzhi(Note 1) (攀枝花市經質礦產有限責任公司)	1.02 sq. km	January 2004 - January 2014	100.0 Mt	20.0%	12 months from June 18, 2009	RMB7.0 to RMB20.0 per tonne of iron ore reserve of a minimum grade(Note 4)
2.	Huili County Lüwan mine (會理縣綠灣鐵礦)	Sichuan Dayi Mining Co., Ltd (四川大益礦業有限公司)	1.26 sq. km	September 2008 - September 2018	7.9 Mt	14.0%	12 months from April 22, 2009	RMB5.0 to RMB25.0 per tonne of iron ore reserve of a minimum grade(Note 4)
3.	Lagaluo mine(Note 2) (拉嘎洛鐵礦)	Weixi Guangfa Iron Ore Development Co., Ltd (維西廣發鐵礦開發有限公司)	12.0 sq. km	(Exploration permit) October 2008 - October 2009(Note 7)	8.1 Mt	N/A	24 months from July 28, 2009	RMB15.0 per tonne plus or minus RMB7.5 per tonne of iron ore reserve of a minimum grade(Note 5, 6)
4.	Maoling mine(Note 2) (毛嶺鐵礦)	Aba Mining Co., Ltd (阿壩礦業有限公司)	1.9 sq. km	October 2004 - October 2034	10.0 Mt	N/A	24 months from June 17, 2009	RMB15.0 per tonne plus or minus RMB7.5 per tonne of iron ore reserve of a minimum grade(Note 6)
5.	Huangcaoping mine(Note 2) (黃草坪鐵礦)	Yanyuan County Xiwei Mining Co., Ltd (鹽源縣西威礦業有限公司)	0.4 sq. km	June 2008 - January 2015	269.3 Kt	N/A	24 months from June 17, 2009	RMB15.0 per tonne plus or minus RMB7.5 per tonne of iron ore reserve of a minimum grade(Note 6)

Notes:

(1) Panzhihua Jingzhi is the fourth largest iron ore producer in Sichuan, with an iron ore output of 2.4 Mt for the six months ended June 30, 2009, based on the official records of the Sichuan Metallurgy Economic Association (四川省冶金經濟協會) dated July 27, 2009.

(2) Lagaluo mine, Maoling mine and Huangcaoping mine are Excluded Mines. See the "Relationship With Controlling Shareholders — Excluded Mines" and "Relationship With Controlling Shareholders — Options to Acquire Excluded Mines" sections in this prospectus.

(3) The acquisition price for each mine as stated in the relevant option agreement generally consists of the acquisition price for the mining rights (or in the case of the Lagaluo Mine, the exploration or mining rights) and related assets of each mine. The acquisition price for each mine stated in the table above consists of the acquisition price of the mining rights (or in the case of the Lagaluo Mine, the exploration or mining rights) of each mine. In relation to the acquisition price for the related assets of each mine, the actual acquisition price for the related assets of the relevant mine will be determined at the time of signing of the relevant purchase agreement, taking into account their values as assessed by an independent valuer.

(4) The acquisition price stated in the table above will be agreed upon by the parties at the time of signing the relevant purchase agreement, taking into account the iron ore reserve of the mine to be determined by an independent valuer.

(5) This acquisition price applies if the present mine owner has (i) a current exploration permit and has begun exploration activities or (ii) obtained a mining permit.

(6) The acquisition price stated in the table above will be agreed upon by the parties at the time of signing of the relevant purchase agreement, taking into account (i) the iron ore reserve of the mine as determined by an independent valuer and (ii) the market price of the iron ore at such time.

(7) Weixi Guangfa Iron Ore Development Co., Ltd is in the process of applying for an extension of the exploration permit for the Lagaluo mine for one year, and expects to obtain approval for the extension on or before the expiry date of the current exploration permit.

PRC policies supporting growth in the mining and steel industries

Of particular importance to our future growth are various PRC government policies such as the recent economic stimulus plan; reconstruction plans for areas affected by the Sichuan earthquake in 2008; policies to encourage the consolidation of the PRC mining industry; and policies encouraging the development and use of mining resources in Sichuan. In November 2008, the PRC government announced a RMB4.0 trillion economic stimulus plan and further revised this plan in March 2009. This stimulus plan stipulates that, among other projects, approximately RMB1.5 trillion will be invested in the construction of railroads, highways, airports and urban and rural electricity grids; RMB1.0 trillion will be invested in the reconstruction of areas that have been affected by the Sichuan earthquake; RMB400.0 billion will be invested in affordable housing projects; and RMB370.0 billion will be invested in infrastructure for rural areas. Each of the above projects will involve the use of steel and thus create demand for iron ore products. Furthermore, following the Sichuan earthquake in May 2008, the PRC government announced reconstruction plans for areas affected by the Sichuan earthquake. See the "Industry Overview — PRC Policies and Regulations Supporting Growth in the Mining and Steel Industries — Sichuan reconstruction plans" section in this prospectus.

We believe that these economic stimulus and Sichuan reconstruction plans will create an increase in the demand for steel in Sichuan. According to the Sichuan Development and Reform Commission, the demand for steel products in Sichuan in 2009 and 2010 is projected to be 36.7 Mt and 32.6 Mt, respectively. When compared to total annual steel demand in Sichuan in 2007 of approximately 20.0 Mt, these projections indicate that the PRC government expects the increase in demand for steel products by 16.7 Mt and 12.6 Mt in 2009 and 2010, respectively, to be primarily due to the reconstruction of Sichuan. Because of the geographical proximity of Sichuan steel producers to areas targeted by the Sichuan reconstruction plans, we believe that Sichuan steel producers will be the major suppliers of steel for these reconstruction projects. We thus believe that the reconstruction plans and projects announced by the PRC government will stimulate steel production in Sichuan. Because we are located close to Sichuan steel producers and because the price of local iron ore is generally lower than imported iron ore due to higher transportation costs, we believe that the increase in steel production in Sichuan will increase demand for our products.

Certain steel producers in Sichuan and neighboring Yunnan Province have already begun the construction of new steel production lines. Panzhihua Iron and Steel Group has begun the construction of production lines in October 2008 with a planned annual production capacity of 4.0 Mt of pig iron and 3.6 Mt of crude steel. Sichuan Desheng Iron and Steel Corporation has begun the construction of production lines in March 2009 with a planned annual production capacity of 1.0 Mt of pig iron, 1.0 Mt of steel and 58.0 Kt of vanadium slag. Yunnan Yuxi Yukun Steel Corporation (雲南玉溪玉昆鋼鐵集團有限公司) completed the construction of a production line in March 2009 with an annual production capacity of 1.0 Mt of steel. Together, the construction of these production lines will increase annual iron and steel production capacity by up to approximately 5.6 Mt. Utilization of this increased production capacity will increase demand for iron ore products in general. Given the fact that steel producers in our region are already constructing new production lines, we believe that the construction will lead to an increase in the demand for our iron ore products.

In addition to the economic stimulus and Sichuan reconstruction plans, the PRC government has recently announced various policies to promote the production of high-strength steel and requiring the use of high-strength steel in construction, including, as a response to the events of the Sichuan earthquake in May 2008, new standards for the seismic protection of buildings that raise the strength requirements for steel used in construction. See the "Industry Overview — PRC Policies and Regulations Supporting Growth in the Mining and Steel Industries — Policies on the use of high-strength steel in construction" section in this prospectus.

The PRC government has also issued policies with regard to the mining industry that we believe to be beneficial to our expansion plans. In the Comments Regarding the Consolidation of the

Exploitation of Mineral Resources (the "Comments"), the PRC government reaffirmed its support for the consolidation of mines. The Comments encourage larger mining companies with better management, technology and equipment to consolidate with or acquire other mines. Pursuant to the Comments, provincial, city and district governments are required to formulate overall consolidation plans by the end of March 2007 and complete the final versions of such consolidation plans by the end of 2008. In addition, in 2003 the Sichuan People's Government issued an Overall Plan with Respect to Mining Resources in Sichuan (四川省礦產資源總體規劃) (the "Plan"), outlining general policies encouraging the active development of vanadium-bearing titanomagnetite mines, particularly in Panzhihua and Liangshan. The Plan also sets forth a number of preferential policies for encouraged projects such as the reduction of mining rights fees, the simplification of the administrative approval process, beneficial accounting treatment for exploration costs and tax refunds. Furthermore, in 2008, the Liangshan Communist Party Commission and Liangshan People's Government jointly issued the Opinion Regarding the Promotion of Integrated Development and Use of Vanadium and Titanium Resources in Liangshan (關於加快推進涼山州釩鈦資源綜合開發利用的意見) (the "Opinion"), which sets forth policies concerning the encouragement of mining activities in our region. Our Directors believe that we will benefit from these mining consolidation policies and are not aware of any adverse consequences that these policies will have on us.

Expansion and construction of production facilities

Iron concentrates, iron pellets and titanium concentrates

According to the Hatch Report, demand for iron ore products in the PRC outstripped supply between 2001 to 2008, with the supply shortfall reaching 365.8 Mt in 2008. We believe that this supply shortfall will continue based on information in the Hatch Report which showed that total PRC iron ore supply shortfall during the six months ended June 30, 2009 was 235.5 Mt. In addition, demand for titanium in the PRC is also increasing, according to the Hatch Report. See the "Industry Overview" section in this prospectus. As a result, we believe there is ample room in the market to absorb increases in the supply of iron concentrates and iron pellets. In addition, according to the Hatch Report, demand for titanium and titanium-related products has grown rapidly in the PRC in recent years. Due to the relatively high titanium content of our ore, we are able to separate iron concentrates and titanium concentrates simultaneously through a single production process. As a result, we are able to enjoy the benefit of significant cost efficiencies in the production process and sell both products (i.e., iron concentrates and titanium concentrates) produced from the same production process. Thus, despite the fact that titanium concentrates accounted for only 5.5% of our total revenue in 2008 and 1.3% of our total revenue for the six months ended June 30, 2009, we are expanding and upgrading our titanium concentrates production facilities in addition to our iron concentrates and iron pellets production facilities.

We intend to expand our iron ore products and titanium concentrates and titanium-related products production capacity by (i) improving our existing production lines; (ii) constructing new production lines; (iii) acquiring the production lines of other enterprises; and (iv) increasing the quantity of our products we produce utilizing Independent Third Party processing and pelletizing contractors.

For our iron ore products, as of June 30, 2009, we have increased our iron concentrates production capacity to 1,700.0 Kt (including the 700.0 Kt production capacity allocated to us by our Independent Third Party Processing Contractors in 2009) and our iron pellets production capacity to 760.0 Kt at our Iron Pelletizing Plant (including the 400.0 Kt production capacity allocated to us by our Independent Third Party Pelletizing Contractors in 2009).

We are continuing to increase our iron concentrates production capacity. We intend to implement the following project at our Xiushuihe Processing Plant:

- Xiushuihe Processing Plant: We will commence construction, in October 2009, of a new iron concentrates production line with a planned annual production capacity of 300.0 Kt and expect to complete construction by July 2010. We intend to use a total of HK$164.3 million of the net proceeds from the Global Offering to finance the construction of this iron concentrates production line and our new 60.0 Kt high-grade titanium concentrates production line described below.

For our titanium products, we are in the process of constructing new high-grade titanium concentrates production lines and upgrading our present medium-grade titanium concentrates production facilities to produce high-grade titanium concentrates. Medium-grade titanium concentrates have at least a 20.0%, but no more than a 46.0%, titanium dioxide content, whereas high-grade titanium concentrates have 46.0% titanium dioxide content or more. We have begun implementing or intend to implement the following projects to increase our high-grade titanium concentrates production capacity at our Baicao Processing Plant and Xiushuihe Processing Plant, respectively:

- Baicao Processing Plant:
  - In August 2008, we commenced construction of a new high-grade titanium concentrates production line with a planned annual production capacity of 60.0 Kt which is expected to be completed in September 2009. The total estimated capital expenditure for the construction is approximately HK$29.5 million. As of June 30, 2009, we had spent HK$19.0 million on the construction.
  - In June 2009, we commenced preparation work for the construction of a new high-grade titanium concentrates production line with a planned annual production capacity of 40.0 Kt which is expected to be completed by September 2009. The total estimated capital expenditure for the construction is approximately HK$18.1 million. We intend to finance the construction through a combination of funds generated by our operations and bank borrowings. As of June 30, 2009, we had spent HK$11.6 million on the construction.
  - In January 2010, we intend to commence upgrading an existing medium-grade titanium concentrates production line to a high-grade titanium concentrates production line with a planned annual production capacity of 40.0 Kt and expect to complete the upgrade by December 2010. The total estimated capital expenditure for the upgrade is HK$32.9 million. We intend to use HK$32.9 million of the net proceeds from the Global Offering to finance the upgrade. In the event that there is a shortfall between the actual expenditure relating to the upgrade and the net proceeds allocated to the upgrade, we will finance such shortfall through bank borrowings.
- Xiushuihe Processing Plant:
  - In October 2009, we intend to commence construction of a new high-grade titanium concentrates production line with a planned annual production capacity of 60.0 Kt, which we expect to complete by July 2010. We intend to use a total of HK$164.3 million of the net proceeds from the Global Offering to finance the construction of this new high-grade titanium concentrates production line and our new 300.0 Kt iron concentrates production line described above.

- In October 2008, as part of the Nanjiang Project, we commenced the construction of a new high-grade titanium concentrates production line with a planned annual production capacity of 30.0 Kt and are in the process of expanding the capacity of this production line to an annual production capacity of 50.0 Kt. We expect to complete the upgrade by December 2009. The total estimated capital expenditure for the construction and the upgrade is approximately HK$26.1 million. As of June 30, 2009, we had spent HK$2.7 million.
- We intend to upgrade the existing medium-grade titanium concentrates production line to a high-grade titanium concentrates production line with a planned annual production capacity of 50.0 Kt by January 2010. We intend to use HK$32.9 million of the net proceeds from the Global Offering to finance the upgrade.

We expect to discontinue production of medium-grade titanium concentrates at our Baicao Processing Plant and Xiushuihe Processing Plant entirely by the end of December 2010.

In support of our capacity expansion plans, we entered into a co-operation agreement with Nanjiang for a term commencing on March 18, 2009 and terminating on November 10, 2023 (the "New Agreement") that amended and restated the terms of an old agreement that had been entered into among Xiushuihe Mining, Nanjiang and Chuan Wei (the "Old Agreement"). The projects undertaken pursuant to the Old Agreement and the New Agreement are all constructed or to be constructed at our Xiushuihe Processing Plant and are referred to as the "Nanjiang Project". See "— Co-operation Agreement" in this section. Projects already completed pursuant to the Nanjiang Project during the Track Record Period are (i) the upgrade of an existing 150.0 Kt iron concentrates production line to 200.0 Kt completed in June 2008; and (ii) the construction of a new 300.0 Kt iron concentrates production line completed in June 2008. As noted above, we commenced the construction of a new high-grade titanium concentrates production line with a planned annual production capacity of 30.0 Kt in October 2008 and we are currently in the process of expanding the capacity of this production line to an annual production capacity of 50.0 Kt.

From January 1, 2008 to June 30, 2009, we have spent a total of approximately RMB362.2 million on our expansion and construction plans at all our facilities combined in the following manner:

	Expenditure
	(in RMB million)
Buildings(*Note*)	126.6
Plant and machinery	88.1
Office equipment	0.6
Motor vehicles	0.8
Mining infrastructure	9.5
Construction in progress	136.6

Note: The breakdown of the capital expenditure of RMB126.6 relating to buildings is as follows:

1. Construction of 300.0 Kt iron concentrates production line at Baicao Processing Plant amounting to approximately RMB82.2 million;
2. Costs related to the Nanjiang Project amounting to approximately RMB37.7 million; and
3. Others amounting to approximately RMB6.7 million.

The following table summarizes the improvements we are implementing or intend to implement to our iron concentrates and titanium concentrates production lines, respectively, using the net proceeds from the Global Offering, our internal funds and/or bank borrowings:

No.	Location	Expansion Timetable(Note 1)	Status	Expected Results	Financial Arrangement	Estimated Total Capital Expenditure (in HK$ million)
1	Baicao Processing Plant	August 2008 — September 2009	Under construction	a new high-grade titanium concentrates production line with annual production capacity of 60.0 Kt	operational cash flow and bank borrowings	29.5
2	Baicao Processing Plant	June 2009 — September 2009	Under construction	a new high-grade titanium concentrates production line with annual production capacity of 40.0 Kt	operational cash flow and bank borrowings	18.1
3	Baicao Processing Plant	January 2010 — December 2010	In preparation	upgrade of existing medium-grade titanium concentrates production line to high-grade titanium concentrates with annual production capacity of 40.0 Kt, with a titanium dioxide content ≥ 46.0%	net proceeds from the Global Offering/bank borrowings	32.9
4	Xiushuihe Processing Plant	October 2008 — December 2009	Under construction(Note 2)	a new high-grade titanium concentrates production line with annual production capacity of 50.0 Kt as part of the Nanjiang Project	operational cash flow and bank borrowings	26.1
5	Xiushuihe Processing Plant	January 2010 — December 2010	In preparation	upgrade of existing medium-grade titanium concentrates production line to a high-grade titanium concentrates production line with a planned annual production capacity of 50.0 Kt, with a titanium dioxide content of ≥ 46.0%	net proceeds from the Global Offering	32.9
6	Xiushuihe Processing Plant	October 2009 — July 2010	In preparation	a new iron concentrates production line with a planned annual production capacity of 300.0 Kt, with an iron grade content of ≥ 54.0% and a new high-grade titanium concentrates production line with a planned annual production capacity of 60.0 Kt, with a titanium dioxide content ≥ 46.0%	net proceeds from the Global Offering	164.3

Notes:

1. As advised by our PRC legal advisors, we have obtained the necessary government approvals for Program Nos. 1, 2 and 4.
2. Construction of the outer building of the new titanium concentrates production line has been completed. We are in the process of purchasing the relevant equipment for the production line.

If we are unable to use the net proceeds from the Global Offering for these programs, we intend to finance them through a combination of funds generated by our operations and bank borrowings.

Titanium slag

We also intend to capitalize on the cost benefits associated with the high titanium content of our ore by expanding our business into the production of downstream products such as titanium slag. Titanium slag is used as raw material in the production of titanium powder, sponge titanium, synthetic rutile, and titanium metals. We expect to sell titanium slag to sponge titanium producers in the PRC. We currently plan to use HK$131.4 million of the net proceeds from the Global Offering to finance the construction of two new titanium slag production lines with a planned annual aggregate production capacity of 120.0 Kt. These projects are only tentative. See the "Future Plans and Use of Proceeds" section in this prospectus.

Our Directors believe that the market for titanium slag has potential because of the high demand for it in the PRC. Expansion into this market segment is thus beneficial, notwithstanding the fact that sales of titanium concentrates currently account for only a small portion of our revenue.

The following table provides details on the two proposed production lines for titanium slag:

Location	Expansion Timetable	Status	Expected Results	Financial Arrangement	Estimated Total Capital Expenditure (in HK$ million)
Luchang Vanadium Titano-Magnetite Industrial Park	January 2010 — March 2012	In preparation	Two new titanium slag production lines to produce titanium slag at an annual aggregate production capacity of 120.0 Kt and pig iron with an annual production capacity of 53.8 Kt(*Note 1*)	net proceeds from the Global Offering and bank borrowings(*Note 2*)	315.4

Notes:

1. Pig iron is a byproduct of titanium slag production.
2. We have obtained a letter of intent from the China Construction Bank (Sichuan branch) dated February 25, 2009 to provide credit facilities of up to RMB162.2 million (equivalent to approximately HK$184.0 million), which will be used to finance the project. We expect to enter into an agreement with China Construction Bank (Sichuan branch) in respect of the credit facilities in December 2009.

No capital commitment has yet been made for the titanium slag project. We can fund this project with a combination of funds generated by our operations and bank borrowings. If we cannot use the net proceeds from the Global Offering for this project or the Global Offering does not generate sufficient funds for this project, we will not construct the titanium slag production lines.

We intend to construct the titanium slag production lines in Luchang Vanadium Titanomagnetite Industrial Park (the "Park") because the local government has designated the Park to be a venue for industrial activities. Local planning requirements allow the production of the titanium slag in the Park. As we only intend to carry out the plan to construct the two new titanium slag production lines in the Park in January 2010, we have not yet entered into any agreements with any parties in relation to the construction or operation of the production lines in the Park or to the purchase of any land in the Park and have not entered into any fee arrangements in relation to the production lines. We have entered into discussions with the relevant government authorities to obtain the respective approvals for the construction of the production lines in the Park.

PRODUCTS

Our principal products are iron concentrates, iron pellets and medium-grade titanium concentrates. Titanium concentrates currently comprise only a small portion of our total revenue, accounting for 5.5% of total revenue in 2008 and 1.3% of total revenue for the six months ended June 30, 2009.

The total production volume of each of our iron concentrates, iron pellets and medium-grade titanium concentrates increased substantially during the Track Record Period. Our total production volume of iron concentrates (which includes the production volume produced for us by our first Independent Third Party Processing Contractor) increased from approximately 287.0 Kt in 2006 to 1,163.8 Kt in 2008, representing a CAGR of 101.4%, and from approximately 447.3 Kt for the six months ended June 30, 2008 to 743.5 Kt for the six months ended June 30, 2009, representing an increase of 66.2%. Our total production volume of iron pellets (which includes the production volume produced by our Independent Third Party Pelletizing Contractors) increased from approximately 181.2 Kt in 2006 to 325.3 Kt in 2008, representing a CAGR of 34.0%, and from approximately 148.4 Kt for the six months ended June 30, 2008 to 313.7 Kt for the six months ended June 30, 2009, representing an increase of 111.4%. Our total production volume of medium-grade titanium concentrates (which includes the production volume produced by our Independent Third Party Processing Contractors) increased from approximately 24.6 Kt in 2006 to 167.6 Kt in 2008, representing a CAGR of 160.9%, but decreased from approximately 96.6 Kt for the six months ended June 30, 2008 to 62.7 Kt for the six months ended June 30, 2009, representing a decrease of 35.1%.

The total sales volume of each of our products also increased substantially during the Track Record Period. Our sales volume of iron concentrates increased from approximately 166.8 Kt in 2006 to 796.9 Kt in 2008, representing a CAGR of 118.6%, and from 261.7 Kt for the six months ended June 30, 2008 to 463.3 Kt for the six months ended June 30, 2009, representing an increase of 77.0%. Our sales volume of iron pellets increased from 169.9 Kt in 2006 to 305.4 Kt in 2008, representing a CAGR of 34.1% and from approximately 135.8 Kt for the six months ended June 30, 2008 to 332.5 Kt for the six months ended June 30, 2009, representing an increase 144.9%. Our sales volume of medium-grade titanium concentrates increased from 25.2 Kt in 2006 to 216.7 Kt in 2008, representing a CAGR of 193.3%, but decreased from 137.6 Kt for the six months ended June 30, 2008 to 64.9 Kt for the six months ended June 30, 2009, representing a decrease of 52.8%.

The decrease in both the production volume and sales volume of our medium-grade titanium concentrates is in line with our plan to decrease our production and sale of medium-grade titanium concentrates and increase our production of high-grade titanium concentrates. We intend to discontinue the production and sale of medium-grade titanium concentrates entirely by the end of December 2010.

See "— Expansion and Construction Plan — Expansion and construction of production facilities" in this section.

The following table summarizes for the periods indicated the production volume of our products by plant, the total production volume of our products and the total sales volume of our products:

Products	Year ended December 31,			Six months ended June 30,
	2006	2007	2008	2009
	(Kt)			
Iron concentrates				
Baicao Processing Plant	149.0	185.8	342.7	218.7
Xiushuihe Processing Plant	138.0	126.6	360.3	254.3
First Independent Third Party Processing Contractor's plant	—	206.6	460.8	266.8
Second Independent Third Party Processing Contractor's plant	—	—	—	3.7
Total production volume(Note 1)	287.0	519.0	1,163.8	743.5
Total sales volume	166.8	398.0	796.9	463.3
Iron pellets				
Iron Pelletizing Plant	181.2	249.0	312.5	152.1
First Independent Third Party Pelletizing Contractor's plant	—	—	12.8	93.9
Second Independent Third Party Pelletizing Contractor's plant	—	—	—	67.8
Total production volume	181.2	249.0	325.3	313.7
Total sales volume	169.9	255.6	305.4	332.5
Medium-grade titanium concentrates				
Baicao Processing Plant	7.2	66.0	70.0	23.5
Xiushuihe Processing Plant	17.4	21.6	16.8	1.5
First Independent Third Party Processing Contractor's plant	—	46.5	80.8	37.7
Total production volume	24.6	134.1	167.6	62.7
Total sales volume	25.2	63.9	216.7	64.9

Note:

1 Our Xiushuihe Processing Plant supplies the majority of the iron concentrates used as raw material in the production of iron pellets at our Iron Pelletizing Plant while the remainder is supplied by our Independent Third Party Processing Contractors. Our Xiushuihe Processing Plant supplied approximately 137.0 Kt, 122.6 Kt, 285.9 Kt and 143.4 Kt of iron concentrates to our Iron Pelletizing Plant in 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively, representing 47.7%, 23.6%, 24.6% and 19.3% of the total production volume of iron concentrates in 2006, 2007, and 2008 and the six months ended June 30, 2009, respectively. Our first Independent Third Party Processing Contractor supplied approximately 23.1 Kt and 36.6 Kt of iron concentrates to our Iron Pelletizing Plant in 2007 and 2008, respectively. Our first Independent Third Party Processing Contractor did not supply any iron concentrates to our Iron Pelletizing Plant for the six months ended June 30, 2009. Our first Independent Third Party Processing Contractor supplied approximately 13.2 Kt and 96.3 Kt of iron concentrates to our first Independent Third Party Pelletizing Contractor in 2008 and the six months ended June 30, 2009, respectively. Our first Independent Third Party Processing Contractor supplied approximately 65.2 Kt of iron concentrates to our second Independent Third Party Pelletizing Contractor for the six months ended June 30, 2009.

See the "Financial Information" section in this prospectus for our analysis of the costs involved in production.

Iron concentrates

As of December 31, 2008, we had a total annual production capacity of 1,550.0 Kt (including the 550.0 Kt of iron concentrates produced for us by our Independent Third Party Processing Contractor in 2008). As of June 30, 2009, we had a production capacity of 1,700.0 Kt (including the 700.0 Kt allocated to us by our Independent Third Party Processing Contractor). See "— Our Production Operations and Facilities" in this section. We supply a portion of our iron concentrates produced at our Xiushuihe

Processing Plant to our Iron Pelletizing Plant as raw materials for the production of iron pellets. See "— Products — Iron pellets" and "— Our Production Operations and Facilities — Iron Pelletizing Plant" in this section.

The following table summarizes the volume of iron concentrates sold to our customers, used as raw materials at our Iron Pelletizing Plant and supplied to our first Independent Third Party Pelletizing Contractor and our second Independent Third Party Pelletizing Contractor, respectively, during the Track Record Period:

Iron concentrates	Year ended December 31, 2006	2007	2008	Six month period ended June 30, 2009
		(Kt)		
Customers	166.8	398.0	796.9	463.3
Iron Pelletizing Plant	137.0	145.7	322.5	143.4
First Independent Third Party Pelletizing Contractor(Note1)	—	—	13.2	98.2
Second Independent Third Party Pelletizing Contractor(Note 2)	—	—	—	75.8

Notes:

1. Our first Independent Third Party Pelletizing Contractor entered into a pelletizing contract with us on December 12, 2008 and commenced production of iron pellets from our iron concentrates after that date. Thus, it did not produce iron pellets for us in 2006 and 2007.

2. Our second Independent Party Pelletizing Contractor entered into a pelletizing contract with us on February 6, 2009 and commenced production of iron pellets from our iron concentrates after that date. Thus, it did not produce iron pellets for us in 2006, 2007 and 2008.

Iron concentrates are generally produced directly from processing the ore extracted from our mines. For the six months ended June 30, 2009, the iron concentrates produced by our Baicao Processing Plant and Xiushuihe Processing Plant had an average iron content of 55.0% and 54.4% and an average vanadium pentoxide content of 0.6% and 0.7%, respectively. During the Track Record Period, the production volume, sales volume and price of our iron concentrates have all increased. Together with our Independent Third Party Processing Contractors, we produced approximately 287.0 Kt, 519.0 Kt, 1,163.8 Kt and 743.5 Kt of iron concentrates for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. We sold approximately 166.8 Kt, 398.0 Kt, 796.9 Kt and 463.3 Kt of iron concentrates for the year ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively, representing approximately 35.6%, 51.9%, 62.6% and 49.3% of our total revenue for these periods, respectively.

Iron pellets

Iron pellets are generally made from iron concentrates mixed with bentonite clay and are used in the production of steel. The average strength of our iron pellets is between approximately 1,200N to 1,400N, which is within the market range of 800N to 1,800N. As of December 31, 2008, we had a total annual production capacity of 380.0 Kt (including the 20.0 Kt production capacity allocated to us by our first Independent Third Party Pelletizing Contractor). As of June 30, 2009, we had a production capacity of 760.0 Kt (including the 400.0 Kt production capacity allocated to us by our Independent Third Party Pelletizing Contractors in 2009). For the six months ended June 30, 2009, the iron pellets we produced had an average iron content of 53.1%. Including the iron pellets produced by our Independent Third Party Pelletizing Contractors, we produced approximately 181.2 Kt, 249.0 Kt, 325.3 Kt and 313.7 Kt of iron pellets for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. We sold approximately 169.9 Kt, 255.6 Kt, 305.4 Kt and 332.5 Kt of iron pellets for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively, representing approximately 54.0%, 45.0%, 31.9% and 49.4% of our revenue for these periods, respectively.

The total sales volume for our iron pellets for 2006 was lower than the total production volume for our iron pellets of the same year. In contrast, the total sales volume for our iron pellets was higher than our total production volume in 2007 due to a significant increase in demand in that year. We were able to meet the demand in 2007 despite such demand being higher than our total production for the year by using the surplus of iron pellets that had been held as inventory at our Iron Pelletizing Plant since the commencement of operations in June 2005.

In 2008, our total production volume for iron pellets was slightly higher than our total sales volume by 6.5%. One of the factors contributing to the increase in the production volume of iron pellets was the production of 12.8 Kt of iron pellets by our first Independent Third Party Pelletizing Contractor whom we engaged in December 2008. For the six months ended June 30, 2009, our production volume for iron pellets was slightly lower than our total sales volume. See "— Our Production Operations and Facilities — Pelletizing contracting" in this section.

Due to the proximity of our Xiushuihe Processing Plant to our Iron Pelletizing Plant, our Xiushuihe Processing Plant supplies most of the iron concentrates required for the production of iron pellets at our Iron Pelletizing Plant. During the years ended December 31, 2006 and 2007, a portion of our iron pellets was made using iron concentrates purchased from third party suppliers due to the insufficient supply of iron concentrates from our Xiushuihe Processing Plant. As of December 31, 2008, the iron concentrates production capacity of our Xiushuihe Processing Plant increased to 500.0 Kt. With this increase in the production capacity of our iron concentrates at our Xiushuihe Processing Plant and the volume of iron concentrates which our two Independent Third Party Processing Contractors will produce for us in 2009, we do not expect to purchase iron concentrates from third parties in the future. We spent RMB11.1 million, RMB40.9 million and RMB3.9 million to purchase iron concentrates from third party suppliers in 2006, 2007 and 2008, respectively, while for the six months ended June 30, 2009, we did not purchase such iron concentrates from any third party supplier.

Titanium concentrates

Due to the relatively high titanium content of our ore, we are able to separate iron concentrates and titanium concentrates simultaneously through a single production process, where high-grade ore, after being crushed, screened, classified and ground, undergoes a low-intensity magnetic separation process to yield iron concentrates and titanium concentrates. See "— Our Production Operations and Facilities — Baicao Processing Plant" in this section. High-grade titanium concentrates can be processed to produce titanium-related downstream products such as titanium slag. Titanium slag can be further processed into titanium. Titanium exhibits strength and erosion resistance, is nonmagnetic in nature and is widely used in industries such as the shipping and aircraft industries. We sell our medium-grade titanium concentrates to downstream producers such as titanium powder processing plants and high-grade titanium concentrates production plants. Medium-grade titanium concentrates comprise a relatively small portion of our total revenue, accounting for 5.5% of total revenue in 2008 and 1.3% of total revenue for the six months ended June 30, 2009.

The production volume of our medium-grade titanium concentrates has increased from 2006 to 2008 but decreased substantially in the six months ended June 30, 2009. Our first Independent Third Party Processing Contractor has also produced titanium concentrates from our ore since 2007. We produced a total of approximately 24.6 Kt, 134.1 Kt, 167.6 Kt and 62.7 Kt of medium-grade titanium concentrates for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively, together with our first Independent Third Party Processing Contractor. We sold approximately 25.2 Kt, 63.9 Kt, 216.7 Kt and 64.9 Kt of medium-grade titanium concentrates for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively, representing approximately 3.5%, 3.1%, 5.5% and 1.3% of our total revenue for these periods, respectively. The increase in the sales volume of our medium-grade titanium concentrates from 2006 to 2008 was due to an increase in our production volume as well as the sale of approximately 46.5 Kt out of our inventory to a single customer in completion of a contract, which was negotiated in 2007 and concluded in 2008. The substantial decrease in the sales volume of medium-grade titanium concentrates in the six months ended June 30, 2009 was due to our discontinuing production of medium-grade titanium concentrates at Xiushuihe Processing Plant during the greater part of the six months ended June 30, 2009 due to our planned upgrade of the titanium concentrates production line.

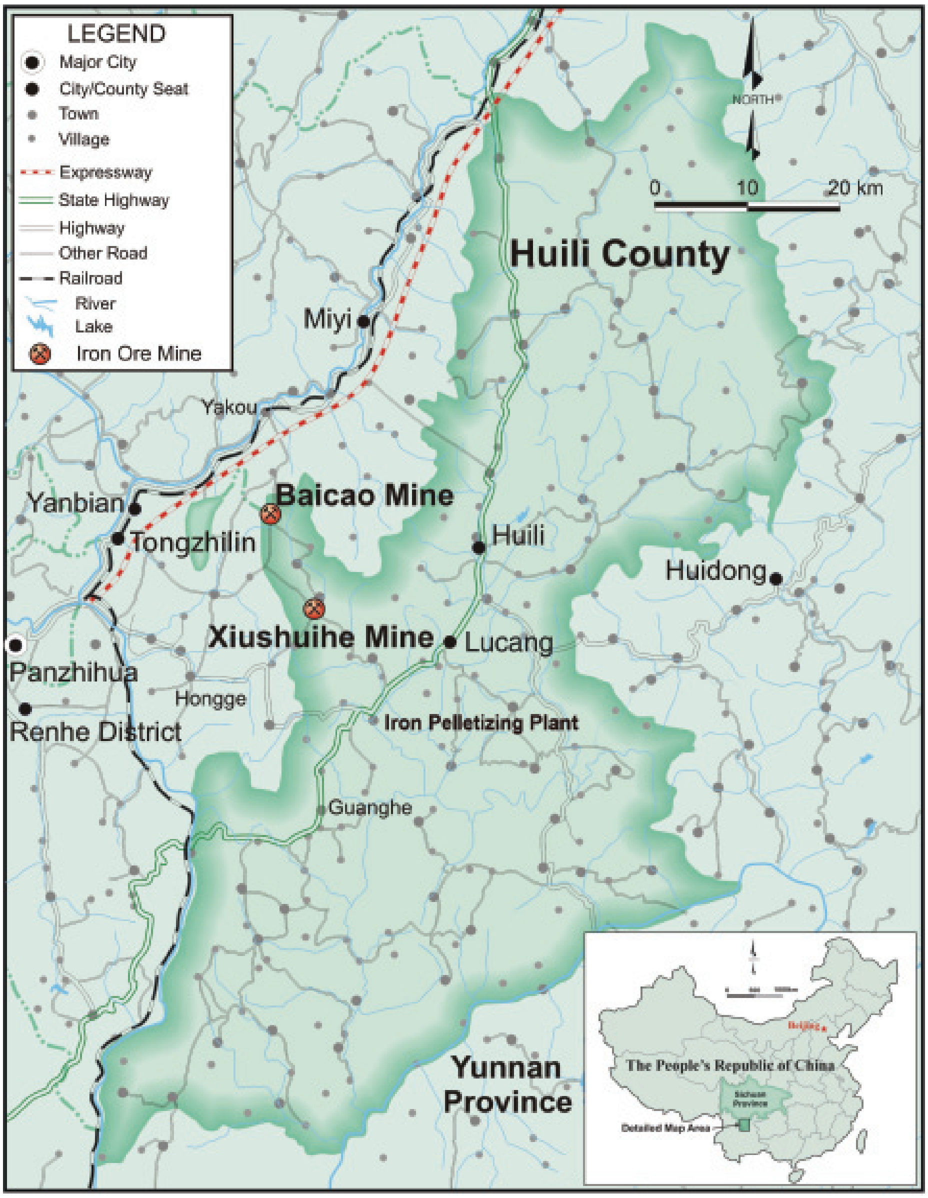
Although we currently produce only medium-grade titanium concentrates, part of our expansion and construction plan is to produce high-grade titanium concentrates and to produce downstream titanium concentrates-related products such as titanium slag. We intend to discontinue our production of medium-grade titanium concentrates entirely by the end of December 2010. The high-grade titanium concentrates we intend to produce will have an expected average titanium dioxide content of at least 46.0%. See "— Expansion and Construction Plan" in this section and the "Future Plans and Use of Proceeds" section in this prospectus.

OUR MINERAL RESOURCES AND MINING RIGHTS

Overview

We currently own and operate two vanadium-bearing titanomagnetite open-pit mines, the Baicao Mine and Xiushuihe Mine, located in Huili County of the Panxi Region of Sichuan Province. According to the Hatch Report, the estimated vanadium-bearing titanomagnetite reserves in the Panxi Region rank first in the PRC, with a reserve of approximately 8.87 billion tonnes, representing approximately 75.3% of total vanadium-bearing titanomagnetite reserves in the PRC. The total proved and probable reserves of vanadium-bearing titanomagnetite in our Baicao Mine and Xiushuihe Mine were approximately 78.7 Mt as of June 30, 2009.

The map below shows the approximate geographical locations of our mines, our processing facilities and major nearby railroad stations:



Source: Company

For technical details of the geology of our mines, see the "Report of Independent Technical Adviser" attached as Appendix V to this prospectus.

Sichuan Earthquake of 2008

Sichuan Province suffered a major earthquake on May 12, 2008. This earthquake did not have an adverse effect on our mines, the infrastructure in our locale or transportation access to our mines because our mines are located in Huili County, at least 500 km away from the epicenter of the earthquake. We engaged the Northwest Sichuan Team of the Sichuan Geological Mining Exploration and Development Bureau (四川省地質礦產勘查開發局川西北地質隊) (the "Northwest Sichuan Team") to assess the effect of the Sichuan earthquake on our mines. On May 15, 2008, the Northwest Sichuan Team visited our Baicao Mine and Xiushuihe Mine and issued a report to our subsidiary Huili Caitong on the same date confirming that the Sichuan earthquake had no adverse impact on our Baicao Mine and Xiushuihe Mine.

The Northwest Sichuan Team is a public institution (事業單位) supervised by the Sichuan Geological Mining Exploration and Development Bureau (四川省地質礦產勘查開發局). As advised by our PRC legal advisors, a public institution in the PRC is a social service organization established by PRC governmental authorities or other organizations using state-owned assets for the purpose of the public welfare. Sichuan Geological Mining Exploration and Development Bureau is a governmental entity primarily responsible for, among other things, the administration and supervision of geological exploration teams registered in Sichuan and implementing the regulations and policies of national and provincial geological exploration. The Northwest Sichuan Team has a valid geological exploration certificate. Pursuant to the certificate, the Northwest Sichuan Team is specialized in conducting solid mineral geological surveys and regional geological surveys at the Grade A level, geophysical surveys at the Grade B level and hydrogeology, engineering geology and environmental geology surveys at the Grade C level.

The earthquake also had no negative impact on our assets, operations or businesses. After the earthquake, our production volume of iron concentrates and iron pellets increased from 78.8 Kt in April 2008 to 160.2 Kt in December 2008.

Our Directors confirm that the earthquake in Sichuan also had no negative impact on our major customers. Sales increased from RMB52.2 million in April 2008 to RMB72.8 million in December 2008. The earthquake in Sichuan also had no impact on our major suppliers, which are located in Liangshan, where our Baicao Mine and Xiushuihe Mine are also located. See "— Customers — Recent global economic trends and impact on our business — Sichuan reconstruction plans" in this section.

Our existing mineral reserves

The following table summarizes certain information for our Baicao Mine and Xiushuihe Mine:

	Baicao Mine	Xiushuihe Mine
Background data:		
Year mining commenced	1998	1999
Year of acquisition	2005	2005
Mining rights area (sq. km)	1.9	0.5
Exploration rights area (sq. km)	—	1.7*(Note 1)*
Reserve data:		
Current reserves (*Mt as of June 30, 2009*)	60.0	18.7
Mine estimated life as of June 30, 2009 *(years)*	14.0	5.8
Output data:		
Mining method	Open pit	Open pit
Ore output *(Kt)*		
2006	497.2	449.0
2007	1,146.6	604.8
2008	2,917.2	1,854.2
Six months ended June 30, 2009	1,959.0	1,036.5

Note:

1. The exploration permit was granted for the entire Xiushuihe deposit area of 1.7 sq. km. This area consists of approximately 0.5 sq. km. of land for which we presently hold mining rights and approximately 1.2 sq. km of land previously unexplored by us.

The following table shows the estimated ore reserves summary of our Baicao Mine and Xiushuihe Mine as of June 30, 2009.

	Baicao Mine		Xiushuihe Mine	
	Contained metals (Kt)	Average grade (%)	Contained metals (Kt)	Average grade (%)
Iron	15,290.0	25.5	5,070	27.1
Titanium dioxide	6,190.0	10.3	2,070	11.1
Vanadium pentoxide	134.1	0.23	43.8	0.23

Baicao Mine

Our Baicao Mine is located in Xiaoheiqing Townlet, Huili County and is approximately 57 km southwest of Panzhihua. Baicao Mine is linked by road to the newly constructed Panzhihua-Miyi Highway and the Chengdu-Kunming Railroad in the west. Our Baicao Mine has a mining rights area of approximately 1.9 sq. km and an elevation range of 2,100 to 2,525 meters.

Mining at our Baicao Mine commenced in 1998. Chuan Wei acquired the mine in November 2004. Our Founders became the majority shareholders of Chuan Wei on January 1, 2005 and the Baicao Mine became our mine on the same date. Our mining permit was renewed in December 2007 for a term of 20 years beginning December 2007 and expiring December 2027. The scale of our mining operations increased from 1.6 Mt in December 2007 to 3.1 Mt in May 2008. To further expand the scale of operation of our Baicao Mine, we made an application to the relevant government authority in June 2009 to increase the scale of the mining operation of our Baicao Mine from 3.1 Mt to 4.6 Mt . We obtained a renewed mining permit on September 8, 2009 to increase the scale of the mining operation of our Baicao Mine to 4.6 Mt. The estimated mine life of our Baicao Mine is 14.0 years. We have engaged our Independent Third Party Mining Contractor to carry out 100% of the mining and stripping operations at our Baicao Mine since the acquisition. As of June 30, 2009, there were approximately

232 workers working for the Independent Third Party Mining Contractor at our Baicao Mine. Ore from our Baicao Mine is processed at our Baicao Processing Plant located near the mine, or by our first Independent Third Party Processing Contractor at its processing plant located approximately 12 km from our Baicao Mine.

Xiushuihe Mine

Our Xiushuihe Mine is located in Ailang Townlet, Huili County and is approximately 58 km west of Panzhihua. Xiushuihe Mine is linked by road to the provincial 310 Highway in the south. Xiushuihe Mine has a mining rights area of approximately 0.5 sq. km and an elevation range of 2,230 to 2,580 meters.

Mining at Xiushuihe Mine commenced in 1999. Huili Caitong acquired the mine in November 2004. Our Founders became the majority shareholders of Chuan Wei, the holding company of Huili Caitong, on January 1, 2005, and the Xiushuihe Mine became our mine on the same date. Our mining permit was renewed in December 2007 for a term of 20 years, expiring in December 2027. The estimated mine life of Xiushuihe Mine is 5.8 years. Since May 2008, the scale of the mining operations of our Xiushuihe Mine has substantially increased from 800.0 Kt to 2.3 Mt. We have engaged our Independent Third Party Mining Contractor to carry out 100% of the mining and stripping operations at our Xiushuihe Mine since the acquisition. As of June 30, 2009, there were approximately 98 workers working for the Independent Third Party Mining Contractor at our Xiushuihe Mine. Ore from our Xiushuihe Mine is processed at our Xiushuihe Processing Plant located near the mine or by our second Independent Third Party Processing Contractor at its processing plant located approximately 8.0 km from our Xiushuihe Mine.

Our current mining rights at Xiushuihe Mine only cover the eastern portion of the reserves in the area. On April 2, 2008, the Huili County Government resolved to support our plan to extend the coverage area of our current mining rights at our Xiushuihe Mine. We obtained a two-year exploration permit on July 8, 2009 to conduct exploration activities in the adjacent areas to the west of our current Xiushuihe mining rights area. The exploration permit covers the entire 1.7 sq.km of the Xiushuihe deposit and includes an area of 1.2 sq. km previously unexplored by us. Upon completion of exploration activities in these adjacent areas and if we consider it beneficial to do so, we intend to apply to the PRC governmental authorities for the relevant mining permits and believe we can obtain such mining permits by July 2011. See "— Our Mineral Resources and Mining Rights — Mining rights, exploration permit and safety production permits — Exploration permit" in this section.

Mining contracting

Because the ore at our Baicao Mine and Xiushuihe Mine is located at relatively shallow depths, both mines use the open-pit mining method. Surface drilling, sampling and analysis are used to determine the location and characteristics of the underlying ore. Widely used methods such as wet chemical analysis, colorimeter analysis and atomic absorption spectrometer are used to determine ore grade. After these preliminary assessments, we then outline a mining plan. The ore is uncovered by stripping, blasting and excavation. The blasted ore is separated from waste and the sorted ore is transported to our processing facilities by a combination of conventional truck and shovel mining techniques.

At both of our mines, we are responsible for planning and overseeing the technical aspects of the mining operations, such as the planning and design of the pits, designing mining plans and operational safety, and directing and supervising the mining and stripping operations. We also undertake quality control and assurance programs to determine the grade of our ore and to guide the operations of our Independent Third Party Mining Contractor. However, for other operational components that are more labor intensive and require certain technical skills, such as stripping, blasting, extraction, maintenance of mining equipments and facilities, and transportation, we engage an Independent Third Party Mining Contractor. See "— Independent Third Party Contractors — Mining contractor" in this section.

Mining rights, exploration permit and safety production permits

The PRC laws and regulations governing vanadium-bearing titanomagnetite mining activities including the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法》), Implementing Rules on the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法實施細則》), Regulations on Work Safety License (《安全生產許可證條例》) and Implementing Rules on the Work Safety License of Non-coal Mines (《非煤礦礦山企業安全生產許可證實施辦法》) require the mining enterprises to obtain, among other things, a mining permit and a safety production permit for each mine. The safety production permit can only be obtained after the mining permit is granted. See the "PRC Laws and Regulations" section in this prospectus.

Mining rights and renewal of mining rights

We must pay mining right fees, mining right utilization fees and relevant taxes. At the time we acquired Huili Caitong and Xiushuihe Iron (Xiushuihe Mining's predecessor) these companies already held the mining permits required for the Baicao Mine and Xiushuihe Mine. Through the acquisitions of Huili Caitong and Xiushuihe Iron (Xiushuihe Mining's predecessor) the legal titles of these mining permits have been legally and effectively vested in us. In addition, our mining permits are subject to verification by the relevant authorities on an annual basis, a process which requires the submission of our production report and annual financial report.

Under PRC law, if residual reserves remain after a mining permit expires, the mining permit holder may apply for renewal for an additional term. If any of our mines have a residual proved and probable reserve upon expiration of our mining permits, we will submit a renewal application. In 2006, we successfully renewed the permits for both of our mines for a one-year term. In December 2007, we successfully renewed the permits for both of our mines for a 20-year term. Based on our past experience in successfully renewing our mining permits, our Directors believe it is unlikely that we will encounter any obstacles in renewing our mining permits in the future.

Exploration permit

On July 8, 2009, we obtained a two-year exploration permit to conduct exploration activities in the adjacent areas to the west of our current Xiushuihe mining rights area. The exploration permit covers the entire 1.7 sq. km. of the Xiushuihe deposit and includes an area of 1.2 sq. km. previously unexplored by us. According to the Report of Independent Technical Adviser, excluding the resources covered by our current Xiushuihe mining rights, the approximately 1.2 sq. km. area previously unexplored by us is estimated to contain total estimated iron ore resources of approximately 78.2 Mt, including 51.8 Mt of higher-grade resource and 26.4 Mt of lower-grade resource. See the "Report of Independent Technical Adviser" attached as Appendix V to this prospectus.

Upon completion of exploration activities in these adjacent areas and if we consider it beneficial to do so, we will apply to the PRC governmental authorities for the relevant mining permits and believe we can obtain such mining permits by July 2011. Pursuant to relevant PRC laws and regulations and as advised by our PRC legal advisors, we have a right of priority in the grant of the relevant mining permits for the areas covered by the exploration permit. The total estimated costs of obtaining the exploration permit and associated mining rights are expected to be approximately RMB120.0 million. The opportunity to extend the coverage area of our current Xiushuihe mining rights is beneficial because the large potential mineral resources located in these areas will significantly extend the mine life of Xiushuihe Mine. The close proximity to our current operations will allow us to expand our mining operations easily from our current Xiushuihe mining area to the adjacent expansion areas.

Safety production permits

As advised by our PRC legal advisors, Huili Caitong and Xiushuihe Mining have obtained the safety production permits under the relevant laws and regulations required to carry out their mining operations. Huili Caitong obtained its safety production permits for iron ore mining and the operation of a tailings storage facility on March 27, 2008 and June 23, 2008, respectively, each for a term of three years. Xiushuihe Mining renewed its safety production permit for iron ore mining, for a term of three years from October 31, 2008. Xiushuihe Mining obtained a safety production permit for the operation of a tailings storage facility on June 24, 2008 for a term of three years. Based on our past experience of successfully renewing our safety production permits, our Directors believe it is unlikely that we will encounter any obstacles in the renewal of our safety production permit in the future.

According to a confirmation dated July 31, 2009 issued by the Huili County Administration of Work Safety (會理縣安全生產監督管理局) and duly verified by our PRC legal advisors, our Independent Third Party Mining Contractor and its safety and special operations personnel have also obtained the safety production and operation qualification certificates required for its current mining operations in accordance with the relevant laws and regulations.

The following table summarizes information about our mining permits, exploration permit and safety production permits:

Type of permit	Holder	Issuance Date	Term	Content
Mining permit	Huili Caitong	September 8, 2009	18 years and 3 months	Type of Mine: iron ore Operation Scale: 4.6 Mt per annum for open pit mining operation Mining Area: 1.9 sq. km.
	Xiushuihe Mining	May 6, 2008	19 years and 7 months	Type of Mine: iron ore Operation Scale: 2.3 Mt per annum for open pit mining operation Mining Area: 0.5 sq. km.
Exploration permit	Xiushuihe Mining	July 8, 2009	2 years	Type of Mine: iron ore Exploration Area: 1.7 sq. km.(Note 1)
Safety production permit . . .	Huili Caitong	March 27, 2008	3 years	For iron ore mining
		June 23, 2008	3 years	For operation of tailings storage facility
	Xiushuihe Mining	October 31, 2008	3 years	For iron ore mining
		June 24, 2008	3 years	For operation of tailings storage facility

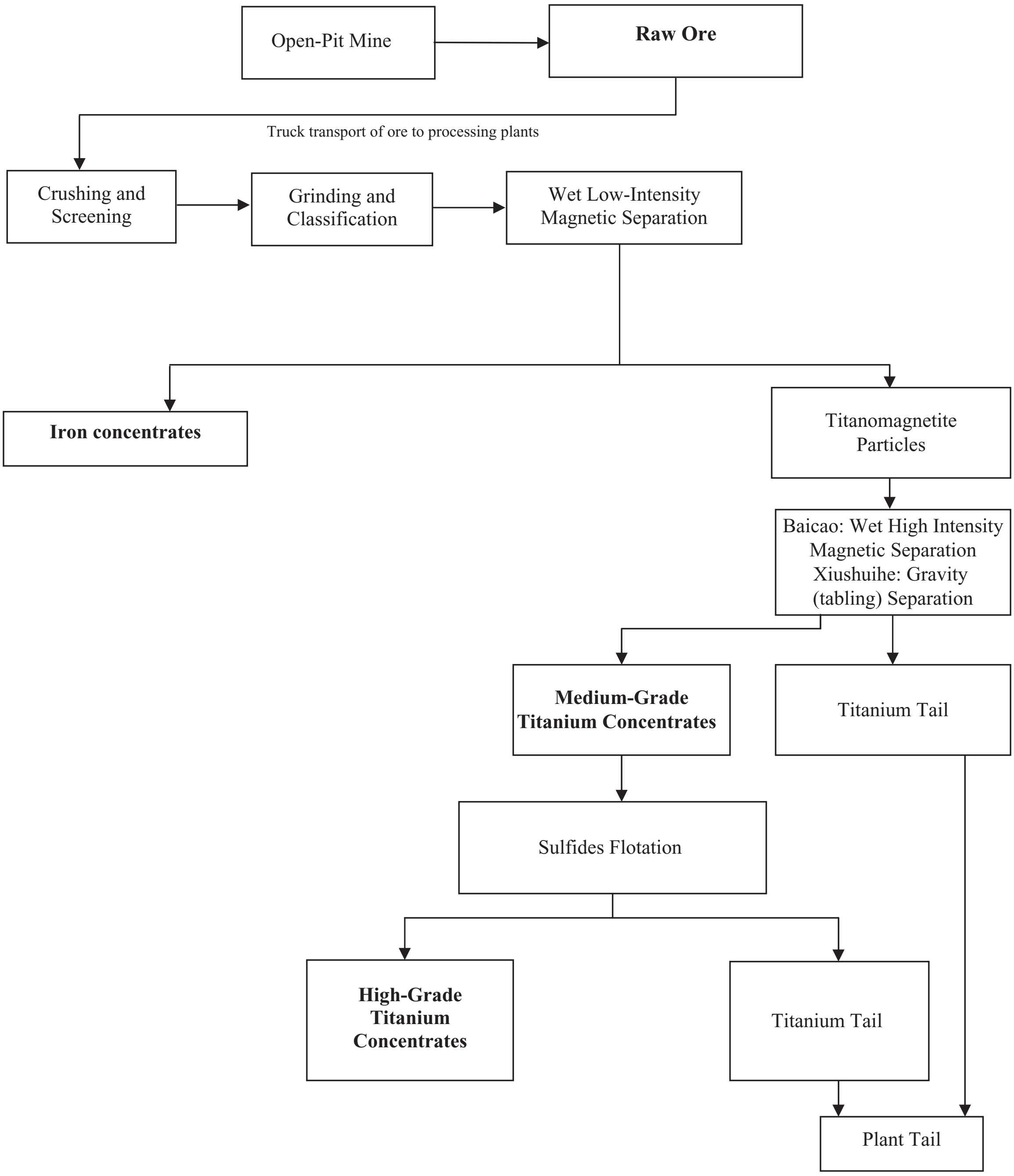
Note:

1. The exploration permit was granted for the entire Xiushuihe deposit area of 1.7 sq. km. This area consists of approximately 0.5 sq. km. of land for which we presently hold mining rights and approximately 1.2 sq. km of land previously unexplored by us.

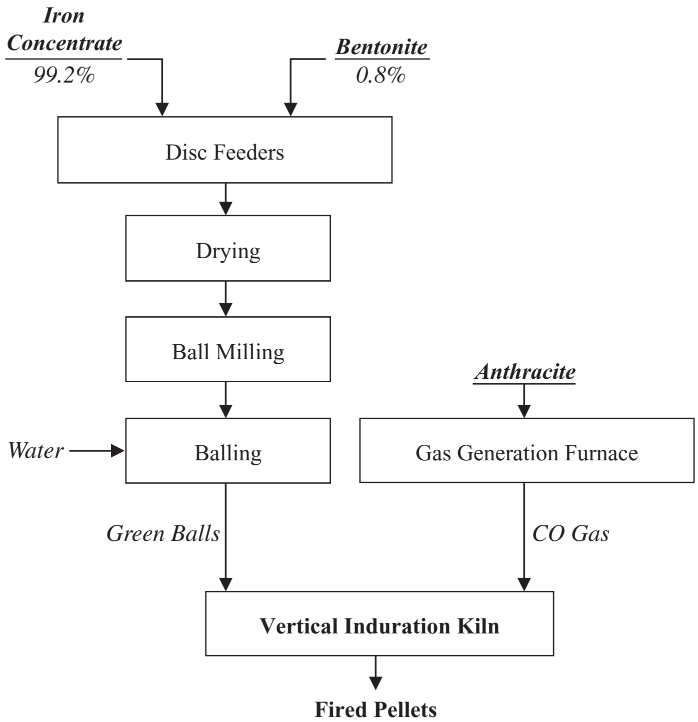
OUR PRODUCTION OPERATIONS AND FACILITIES

Overview

The chart below summarizes the production processes of our iron concentrates and medium-grade titanium concentrates. Because we intend to produce high-grade titanium concentrates in 2009, we have also included the production process of high-grade titanium concentrates in the following chart. For details concerning our expansion and construction plan, see "— Expansion and Construction Plan" in this section. For a map showing the location of our processing facilities, see "— Our Mineral Resources and Mining Rights" in this section.



The chart below summarizes the pelletizing process at our pelletizing plant.



Production facilities

The following table summarizes the production capacity and utilization rates of our Baicao Processing Plant, Xiushuihe Processing Plant and Iron Pelletizing Plant for the periods indicated.

		Year ended December 31,					
		2006		2007		2008	
	Year of commencement	Production Capacity (Kt)(Note 1)	Utilization Rate (%)(Note 1)	Production Capacity (Kt)(Note 1)	Utilization Rate (%)(Note 1)	Production Capacity (Kt)(Note 1)	Utilization Rate (%)(Note 1)
Baicao Processing Plant							
Iron concentrates	1998	160.0	93.1	200.0	92.9	500.0(Note 2)	97.9
Medium-grade titanium concentrates		10.0	72.0	80.0	82.6	80.0	87.5
Xiushuihe Processing Plant							
Iron concentrates	1999	150.0	92.0	200.0	63.3	500.0	72.1
Medium-grade titanium concentrates		18.0	96.8	24.0	90.0	50.0	33.6(Note 3)
Iron Pelletizing Plant	2005	333.0	54.4	333.0	74.8	360.0	86.8
First Independent Third Party Processing Contractor's processing plant (Note 4)							
Iron concentrates		—	—	250.0(Note 5)	82.6	550.0(Note 5)	83.8
Medium-grade titanium concentrates		—	—	67.1(Note 4, 5 and 6)	69.3(Note 6)	88.0(Note 4, 5 and 6)	91.8(Note 6)
First Independent Third Party Pelletizing Contractor's pelletizing plant (Note 7)							
Iron pellets		—	—	—	—	20.0(Note 8)	63.9

Notes:

1. The utilization rate is calculated based on the total actual production for a given year over the total annual production capacity of the relevant iron ore product for such year. Production capacity figures are estimates based on a number of factors including working hours, the number of workers and the grade of the ore used.

2. The production capacity of 500.0 Kt represents the production capacity of our iron concentrates as of December 31, 2008. As a result of the commencement of the operation of the 300.0 Kt iron concentrates production line in the second half of 2008, the utilization rate of 97.9% is calculated based on the actual average production capacity of 350.0 Kt in 2008.

3. The utilization rate of 33.6% was due to the fact that we discontinued production of medium-grade titanium concentrates at our Xiushuihe Processing Plant for part of the year due to a planned upgrade of the titanium concentrates production line.

4. Our first Independent Third Party Processing Contractor entered into a processing contract with us in August 2006 and commenced production of iron concentrates and medium-grade titanium concentrates from our ore in January 2007.

5. These figures represent the production capacity of iron concentrates or medium-grade titanium concentrates which our first Independent Third Party Processing Contractor allocated to us in 2007 and 2008.

6. The utilization rate is derived on the basis that the production line would be operated for 330 days in 2007 and 2008.

7. Our first Independent Third Party Pelletizing Contractor entered into a pelletizing contract with us on December 12, 2008 and commenced production of iron pellets since that date.

8. This figure represents the production capacity of iron pellets which our first Independent Third Party Pelletizing Contractor allocated to us in 2008.

As can be seen from the table above, the annual production capacity of each of our iron concentrates and iron pellets and medium-grade titanium concentrates has increased during the Track Record Period. As of June 30, 2009, we have increased our iron concentrates production capacity to 1,700 Kt (including the 700.0 Kt production capacity allocated to us by our Independent Third Party Processing Contractors in 2009) and our iron pellets production capacity to 760.0 Kt (including the 400.0 Kt production capacity allocated to us by our Independent Third Party Pelletizing Contractors in 2009). As of June 30, 2009, we have increased our medium-grade titanium concentrates production capacity to 240.0 Kt (including the 110.0 Kt production capacity allocated to us by our Independent Third Party Processing Contractors in 2009).

Baicao Processing Plant

Our Baicao Processing Plant produces both iron concentrates and medium-grade titanium concentrates and is located near our Baicao Mine. In 2007, the production capacity of our Baicao Processing Plant was not fully utilized. In 2008, we completed the construction of phase I of the new 500.0 Kt iron concentrates production line at our Baicao Processing Plant, providing us with a further 300.0 Kt of iron concentrates annual production capacity. As of December 31, 2008, our Baicao Processing Plant had a total annual production capacity of 500.0 Kt of iron concentrates and 80.0 Kt of medium-grade titanium concentrates. In addition, we completed the construction of phase II of the new 500.0 Kt iron concentrates production line at our Baicao Processing Plant in May 2009, providing us with a further 200.0 Kt of annual production capacity of iron concentrates. The phase II iron concentrates production line of 200.0 Kt commenced production in August 2009. As of June 30, 2009, the total production capacity of iron concentrates and medium-grade titanium concentrates was 500.0 Kt and 80.0 Kt, respectively. For details of our expansion and construction plan to upgrade our equipment and expand our production capacity as well as our product lines, see "— Expansion and Construction Plan" in this section. The iron concentrates produced by our Baicao Processing Plant are sold to direct customers or distributors.

We use low-cost and environmentally-friendly magnetic separation methods to process raw ore in the production of both iron concentrates and titanium concentrates. Our methods are more environmentally-friendly because they do not require chemical additives and result in limited quantities of waste water that can be recycled. High-grade ore is first crushed, screened, ground and classified. The processed ore then undergoes a wet low-intensity magnetic separation process to separate iron concentrates and titanium concentrates. To maximize the extraction of iron concentrates, the iron concentrates undergo the wet low-intensity separation process several times.

To produce medium-grade titanium concentrates, the titanium concentrates mixture undergoes a wet high-intensity magnetic separation process. This process produces titanium concentrates with a lower titanium content but yields higher production volumes and reduces the titanium content in our waste materials when compared to the gravitation purification process method used at our Xiushuihe Processing Plant. We plan to use a flotation circuit to remove more impurities to reach a titanium dioxide content of at least 46.0% in our high-grade titanium concentrates production line, which will begin operation in October 2009. Waste materials are disposed in a tailings pond.

Our Baicao Processing Plant uses simple and durable equipment such as jaw crushers, cone crushers, grinding ball mills, classification spirals, magnetic separators and, once our high-grade titanium concentrates production begins, sulfide flotation cells. All equipment is made in the PRC and can be easily fixed or replaced because it does not employ advanced technology. As of June 30, 2009, our Baicao Processing Plant production facilities required approximately 336 workers working three shifts per day. Our high-grade titanium concentrates process will not materially increase the numbers of workers required. Our Baicao Processing Plant had a quality control team of 23 persons as of June 30, 2009. See "— Quality control" in this section.

Xiushuihe Processing Plant

Our Xiushuihe Processing Plant produces both iron concentrates and medium-grade titanium concentrates and is located near our Xiushuihe Mine. At our Xiushuihe Processing Plant, we entered into a new co-operation agreement with Nanjiang from March 18, 2009 to November 10, 2023 (the "New Agreement"), which amended and restated the terms of an old agreement entered into among Xiushuihe Mining, Nanjiang and Chuan Wei on August 8, 2007 (the "Old Agreement"). Prior to entering into the Old Agreement, there had only been a 150.0 Kt iron concentrates production line constructed at our Xiushuihe Processing Plant. The purpose of the co-operation agreements is to construct new iron and titanium concentrates production lines and to upgrade the existing 150.0 Kt iron concentrates production line. Under the Old Agreement, Nanjiang agreed to construct new iron and titanium concentrates production lines with annual production capacities of 300.0 Kt and 30.0 Kt, respectively, and to upgrade the existing 150.0 Kt iron concentrates production line to 200.0 Kt at our Xiushuihe Processing Plant. Under the New Agreement, the production lines to be constructed and/or upgraded are the same as the Old Agreement, save that the construction of the 30.0 Kt titanium concentrates production is now upgraded to 50.0 Kt titanium concentrates. The projects undertaken pursuant to the Old Agreement and the New Agreement are all constructed or to be constructed at our Xiushuihe Processing Plant and are referred to as the "Nanjiang Project". The upgrading of the iron concentrates production line from 150.0 Kt to 200.0 Kt and the construction of the 300.0 Kt iron concentrates production line were both completed in June 2008. Nanjiang commenced the construction of the 30.0 Kt titanium concentrates production line in October 2008 and will proceed to upgrade this production line to 50.0 Kt pursuant to the New Agreement. The upgrading of the titanium concentrates production line is expected to be completed in December 2009 and production to commence in January 2010. See "— Co-operation Agreement" in this section. As of December 31, 2008, our Xiushuihe Processing Plant had a total annual production capacity of 500.0 Kt of iron concentrates and 50.0 Kt of medium-grade titanium concentrates. For details of our expansion and construction plan to upgrade our equipment and expand our production capacity as well as our product line, see "— Expansion and Construction Plan" in this section. Most of the iron concentrates produced by our Xiushuihe Processing Plant are used by our Iron Pelletizing Plant. The majority of our titanium concentrates is sold to distributors for resale to end-users.

The production of iron concentrates and medium-grade titanium concentrates at our Xiushuihe Processing Plant largely uses the same processes and equipment as those of our Baicao Processing Plant, except our medium-grade titanium concentrates production line uses a gravitation purification method instead of a high-intensity magnetic separation process. This method produces titanium concentrates with a higher average titanium dioxide content but yields lower production volumes when compared to the high-intensity magnetic separation process used at our Baicao Processing Plant. As of June 30, 2009, our Xiushuihe Processing Plant production facilities required approximately 254 workers working three shifts per day and our quality control team consisted of ten persons who inspect the production lines and products. See "— Quality Control" in this section.

Iron Pelletizing Plant

Our Iron Pelletizing Plant is located 36 km from our Xiushuihe Mine near the 108 State Highway. As of June 30, 2009, our Iron Pelletizing Plant had a total annual production capacity of 360.0 Kt of iron pellets.

Iron concentrates are the major raw material for iron pellets. During the Track Record Period, we supplied the iron concentrates required by our Iron Pelletizing Plant from our Xiushuihe Processing Plant or from our first Independent Third Party Processing Contractor. Because the demand for our iron pellets was greater than the iron concentrates production capacity of our Xiushuihe Processing Plant, we bought iron concentrates from third parties in order to produce sufficient quantity of iron pellets to meet customer demand in 2006, 2007 and 2008. We did not purchase iron concentrates from third party suppliers for the six months ended June 30, 2009. With the increase in the production capacity of our iron concentrates at our Xiushuihe Processing Plant and the volume of iron concentrates which we expect our two Independent Third Party Processing Contractors to produce for us, we do not expect to purchase iron concentrates from third parties in the future.

To produce iron pellets, iron concentrates are first mixed with bentonite clay for its adhesive properties, then dried to reduce moisture levels. The combined materials are then pelletized into a ball shape through a ball milling process. The pelletized materials are then sintered using a shaft furnace to harden them into iron pellets. The strength of our iron pellets is approximately between 1,200N to 1,400N which is within the market range of 800N to 1,800N.

Our Iron Pelletizing Plant uses simple and durable equipment such as mixers, pelletizers and shaft furnaces. This equipment is available in the PRC. We have upgraded our furnace in order to improve the hardness of our iron pellets and our production efficiency. As of June 30, 2009, our pelletizing production process required 281 workers working three shifts per day and our quality control team consisted of approximately 21 persons who inspect our pelletizing production lines.

The following table illustrates the volumes and sources of the iron concentrates supplied to our Iron Pelletizing Plant for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2006	2007	2008	2009
	(Kt)			
Iron concentrates Feed				
Xiushuihe Mining	137.0	122.6	285.9	143.4
First Independent Third Party Processing Contractor	—	23.1	36.6	—
External suppliers	32.9	119.5	8.2	—
Total	169.9	265.2	330.7	143.4

Note: The volume of the concentrates feed in the above table is in dry basis numbers.

Processing contracting

We currently engage two Independent Third Party Processing Contractors. We entered into a contract with our first Independent Third Party Processing Contractor located close to our Baicao Mine in August 2006 to increase our iron concentrates and medium-grade titanium concentrates production capacity. This contract has a term of five years with an option to renew for another two five-year terms. Our first Independent Third Party Processing Contractor commenced production of iron concentrates and medium-grade titanium concentrates from the ore extracted from our Baicao Mine in January 2007. Our first Independent Third Party Processing Contractor produced 460.8 Kt of iron concentrates and 80.8 Kt of medium-grade titanium concentrates in 2008, representing 39.6% and 48.2% of the total production volume of iron concentrates and medium-grade titanium concentrates in 2008, respectively. It has agreed to allocate production capacity of at least 550.0 Kt of iron concentrates and 110.0 Kt of medium-grade titanium concentrates to us in 2009. For the six months ended June 30, 2009, our first Independent Third Party Processing Contractor produced 266.8 Kt of iron concentrates and 37.7 Kt of medium-grade titanium concentrates, representing 35.9% and 60.1% of the total production volume of iron concentrates and medium-grade titanium concentrates for the six months ended June 30, 2009.

We entered into a contract with our second Independent Third Party Processing Contractor in April 2009 for a eight-month term, pursuant to which our second Independent Third Party Processing

Contractor agreed to allocate production capacity of at least 150.0 Kt of iron concentrates to us in 2009. For the six months ended June 30, 2009, our second Independent Third Party Processing Contractor produced 3.6 Kt of iron concentrates, representing 0.5% of the total production volume of iron concentrates in that period. Because our Independent Third Party Processing Contractors are Independent Third Parties, we do not control their management. However, during the term of each of their contracts, we are responsible for overseeing and supervising processing operations and we control the quality and quantity of both the raw materials provided to our Independent Third Party Processing Contractors and the final products. We undertake random inspections of our Independent Third Party Processing Contractors' facilities several times a month to monitor their processing progress. See "— Independent Third Party Contractors — Processing contractors" in this section.

Pelletizing contracting

We currently engage two Independent Third Party Pelletizing Contractors to increase our iron pellets production capacity. We entered into contracts with our two Independent Third Party Pelletizing Contractors for a term of one year from December 12, 2008 and February 6, 2009, respectively. Our Independent Third Party Pelletizing Contractors produce iron pellets using the iron concentrates processed by our Xiushuihe Processing Plant and our Independent Third Party Processing Contractors. Our first Independent Third Party Pelletizing Contractor produced 12.8 Kt of iron pellets for us in 2008, representing 3.9% of the total production volume of iron pellets in 2008. Pursuant to a written confirmation from our first Independent Third Party Pelletizing Contractor dated February 14, 2009, our contractor has agreed to allocate production capacity of 250.0 Kt of iron pellets to us in 2009. For the six months ended June 30, 2009, our first Independent Third Party Pelletizing Contractor produced 93.9 Kt of iron pellets for us, representing 29.9% of the total production volume of iron pellets for the six months ended June 30, 2009. Pursuant to a written confirmation from our second Independent Third Party Pelletizing Contractor dated February 26, 2009, our contractor has agreed to allocate production capacity of 150.0 Kt of iron pellets to us in 2009. For the six months ended June 30, 2009, our second Independent Third Party Pelletizing Contractor produced 67.8 Kt of iron pellets for us, representing 21.6% of the total production volume of iron pellets for the six months ended June 30, 2009. Because our Independent Third Party Pelletizing Contractors are Independent Third Parties, we do not control their management. However, during the contract term, we are responsible for overseeing and supervising the pelletizing operations and control the quality and quantity of the iron pellets and other raw materials provided to our Independent Third Party Pelletizing Contractors and the final products. We also undertake random inspections of our Independent Third Party Pelletizing Contractors' facilities several times a month to monitor the hardness of iron pellets produced and the efficiency of our Independent Third Party Pelletizing Contractors' pelletizing process. See "— Independent Third Party Contractors — Pelletizing contractors" in this section.

INDEPENDENT THIRD PARTY CONTRACTORS

We engage Independent Third Party contractors for waste stripping, mining, processing, pelletizing and transportation to avoid incurring substantial capital expenditure while still increasing both our raw ore output volume and product production volume.

The following table summarizes the role of each of our Independent Third Party contractors:

Type of Independent Third Party Contractor	Role of Independent Third Party Contractor
Independent Third Party Mining Contractor	To extract ore at our Baicao Mine and Xiushuihe Mine
Independent Third Party Processing Contractor(s)	To produce iron concentrates and medium-grade titanium concentrates from the ore extracted from our Baicao Mine and Xiushuihe Mine
Independent Third Party Pelletizing Contractor(s)	To produce iron pellets using the iron concentrates supplied by our Xiushuihe Processing Plant and our Independent Third Party Processing Contractors
Independent Third Party Transportation Contractor(s)	To transport our iron ore products from our processing plants to our Iron Pelletizing Plant and from our production facilities to the designated railroad stations

The following table sets out the production volumes provided to us by our Independent Third Party Mining Contractor, Independent Third Party Processing Contractors and Independent Third Party Pelletizing Contractors in absolute terms and as a percentage of our total production volume of our raw ore, iron concentrates and iron pellets, respectively, during the Track Record Period.

	2006		2007		2008		Six months ended June 30, 2009	
	Production volume (Kt)	% of total production volume	Production volume (Kt)	% of total production volume	Production volume (Kt)	% of total production volume	Production volume (Kt)	% of total production volume
Independent Third Party Mining Contractor*(Note 1)*	946.2	100.0	1,751.4	100.0	4,771.4	100.0	2,995.5	100.0
Independent Third Party Processing Contractor(s)*(Note 2)*	N/A	N/A	206.6	39.8	460.8	39.6	270.5	36.4
Independent Third Party Pelletizing Contractor(s)*(Note 3)*	N/A	N/A	N/A	N/A	12.8	3.9	161.7	51.5

Notes:

1. The production volume for 2006, 2007 and 2008 and the six months ended June 30, 2009 refers to the production volume of raw ore.

2. The production volume for 2006, 2007 and 2008 and the six months ended June 30, 2009 refers to the production volume of iron concentrates. We engaged our first Independent Third Party Processing Contractor in August 2006 for a five-year term with an option to renew for another two-five-year terms. This contractor commenced production of the iron concentrates and medium-grade titanium concentrates for us in January 2007.

3. The production volume for 2006, 2007 and 2008 and the six months ended June 30, 2009 refers to the production volume of iron pellets. We engaged our first Independent Third Party Pelletizing Contractor in December 2008 for a one-year term. We engaged our second Independent Third Party Pelletizing Contractor in February 2009 for a one-year term.

The following table sets out the transportation volume of our Independent Third Party Transportation Contractor as compared to the total sales volume of our iron ore products, during the Track Record Period.

	2006		2007		2008		Six months ended June 30, 2009	
	Transportation volume (Kt)	% of total sales volume	Transportation volume (Kt)	% of total sales volume	Transportation volume (Kt)	% of total sales volume	Transportation volume (Kt)	% of total sales volume
Independent Third Party Transportation Contractors(Note 1) . . .	336.8	93.0	653.7	91.1	411.7	31.2	283.9	33.0

Note:

1. The transportation volume for 2006, 2007 and 2008 and the six months ended June 30, 2009 and the percentage of total sales volume refer to the transportation volume and sales volume of iron ore products that we have delivered to Weiyuan Steel and some of our other customers pursuant to the separate transportation arrangements we have entered into with them. See the "Financial Information — Factors Affecting Results of Operations and Financial Condition — Transportation Expenses" section in this prospectus.

We obtain quotes from third parties and make a selection of our Independent Third Party Contractors based on price, skill and experience. Our Independent Third Party Mining Contractor, Independent Third Party Processing Contractors and Independent Third Party Pelletizing Contractors are supervised by our production department, while our Independent Third Party Transportation Contractors are supervised by our logistics department. We pay our Independent Third Party contractors monthly based on work progress, with adjustments, if any, made at the end of the year. Pursuant to the contracts with our Independent Third Party contractors, our contractors are contractually responsible for accidents caused by their negligence. See "— Operational Health and Safety" in this section.

The following table sets out information about our Independent Third Party contractors:

No.	Independent Third Party Contractor	Date of Establishment	Type of Corporation	Date of commencement of contracting relationship with our Group
1.	Huili County Yangquejing Iron Mine (會理縣陽雀箐鐵礦) (Mining contractor)	June 4, 2001	Sole proprietorship (Unlimited liability) (Non state-owned)	January 2005(*Note 1*)
2.	Yanbian County Hongyuan Mining Co., Ltd. (鹽邊縣宏緣礦業有限責任公司) (Processing contractor)	April 25, 2001	Limited liability company (Non state-owned)	August 2006(*Note 2*)
3.	Panzhihua City Aolei Gongmao Co., Ltd. (攀枝花市奧磊工貿有限責任公司) (Processing contractor)	March 12, 2004	Limited liability company (Non state-owned)	April 2009(*Note 3*)
4.	Sichuan Zizhong County Tiema Motor Transport Co., Ltd. (四川省資中縣鐵馬運輸有限公司) (Transportation contractor)	March 3, 2003	Limited liability company (Non state-owned)	October 2006
5.	Huili County Xinxingda Motor Transport Co., Ltd. (會理縣鑫興達汽車運輸有限公司) (Transportation contractor)	July 15, 2005	Limited liability company (Non state-owned)	January 2007
6.	Huili County Liyuan Industry Co., Ltd. (會理縣力源實業有限責任公司) (Transportation contractor)	July 10, 2008	Limited liability company (Non state-owned)	July 2008
7.	Panzhihua Henghong Iron Pellets Co., Ltd. (攀技花恒弘球團有限公司) (Pelletizing contractor)	July 20, 2005	Limited liability company (Non state-owned)	December 2008(*Note 4*)
8.	Panzhihua City Guangchuan Metallurgy Co., Ltd. (攀技花市廣川冶金有限公司) (Pelletizing contractor)	October 27, 2004	Limited liability company (Non state-owned)	February 2009(*Note 5*)

Notes:

1. Huili County Yangquejing Iron Mine is the main mining contractor for both our Xiushuihe and Baicao Mines.
2. Yanbian County Hongyuan Mining Co., Ltd commenced production of our iron concentrates and medium-grade titanium concentrates from the ore extracted from our Baicao Mine in January 2007. With respect to the production of iron concentrates, Yanbian County Hongyuan Mining Co., Ltd produced 206.6 Kt and 460.8 Kt of iron concentrates for us in 2007 and 2008, respectively, and it has agreed to allocate production capacity of 550.0 Kt of iron concentrates to us in 2009. For the six months ended June 30, 2009, it produced 266.8 Kt of iron concentrates. It produced 46.5 Kt and 80.8 Kt of medium-grade titanium concentrates for us in 2007 and 2008, respectively, and it has agreed to allocate production capacity of 110.0 Kt medium-grade titanium concentrates to us in 2009. For the six months ended June 30, 2009, it produced 37.7 Kt of medium-grade titanium concentrates for us.
3. With respect to the production of iron concentrates, Panzhihua City Aolei Gongmao Co., Ltd. has agreed to allocate production capacity of at least 150.0 Kt of iron concentrates to us in 2009. For the six months ended June 30, 2009, it produced 3.6 Kt of iron concentrates for us.
4. With respect to the production of iron pellets, Panzhihua Henghong Iron Pellets Co., Ltd. has produced 12.8 Kt of iron pellets for us in 2008 and has agreed to allocate production capacity of 250.0 Kt of iron pellets to us in 2009. For the six months ended June 30, 2009, it produced 93.9 Kt of iron pellets for us.
5. With respect to the production of iron pellets, Panzhihua City Guangchuan Metallurgy Co., Ltd. has agreed to allocate production capacity of 150.0 Kt of iron pellets to us in 2009. For the six months ended June 30, 2009, it produced 67.8 Kt of iron pellets for us.

Because most of our operations rely on the services of our Independent Third Party contractors, a stable relationship with them and their satisfactory performance are crucial to our business. We believe the performance of our contractors has been satisfactory and we did not have any disputes with them during the Track Record Period that would have resulted in a material adverse effect on our business, financial condition or results of operations. In addition, our Directors confirm that historically our operations have not been suspended or delayed by any improper act of our contractors during the Track Record Period. Nonetheless, we cannot assure you that our contractors will comply with our quality, safety, environmental and other operating standards and those standards required by the relevant PRC laws and regulations, and we may be liable to third parties for losses or damages caused by our contractors. See the "Risk Factors — Risks Relating to Our Business and Industry — We rely on Independent Third Party contractors for the majority of our operations" section in this prospectus, and "— Independent Third Party contractors" in this section.

There are other mining, processing and transportation contractors readily available in the region that can provide similar services. According to a confirmation issued by the Huili County Economy Administration (會理縣經濟局), as of January 15, 2009, there were eight mining contractors, 26 processing contractors and nine transportation contractors in Huili County (the county where Baicao Mine and Xiushuihe Mine are located). We nevertheless may not be able to retain these contractors or obtain replacements for our current contractors on terms that are equal or favorable. See the "Risk Factors — Risks Relating to Our Business and Industry — We rely on Independent Third Party contractors for the majority of our operations" section in this prospectus.

Mining contractor

Our Independent Third Party Mining Contractor became our contractor at both our Baicao Mine and Xiushuihe Mine when Huili Caitong became a member of our Group in January 2005. In July 2005, we entered into two contracts with our Independent Third Party Mining Contractor to conduct mining and stripping operations, respectively, at our Baicao Mine and Xiushuihe Mine, each for a term of five years. In August 2006, we entered into a new contract with the Independent Third Party Mining Contractor to conduct mining and stripping operations at our Baicao Mine for a term of five years, with an option to renew for two five-year terms, to replace the contract we had entered into in July 2005 with the same party and for the same purposes. In these contracts, the mining fee is calculated based on the volume of the ore extracted multiplied by a fixed rate per tonne and the stripping fee is calculated based on the volume of waste material extracted multiplied by a fixed rate per cubic meter. Such fees are determined through an arm's length negotiation taking into account the following factors:

(i) the operating costs of our Independent Third Party Mining Contractor;

(ii) the grade of the ore;

(iii) the geological structure of the ore; and

(iv) the distance separating the mining site and the designated processing plant.

Our Independent Third Party Mining Contractor is responsible for 100% of the ore extraction operations at our Baicao Mine and Xiushuihe Mine. Our Independent Third Party Mining Contractor is one of the largest mining contractors in our area and is capable of increasing ore extraction capacity at our mines to meet our needs. For example, raw ore output at our Baicao Mine increased from 497.2 Kt in 2006 to 2,917.2 Kt in 2008, representing a CAGR of 142.2%, and from 1,882.3 Kt for the six months ended June 30, 2008 to 1,959.0 Kt for the six months ended June 30, 2009, representing an increase of 4.1%. Our raw ore output at our Xiushuihe Mine increased from 449.0 Kt in 2006 to 1,854.2 Kt in 2008, representing a CAGR of 103.2% and from 748.9 Kt for the six months ended June 30, 2008 to 1,036.5 Kt for the six months ended June 30, 2009, representing an increase of 38.4%.

The increase in raw ore output during the Track Record Period was in response to our need for more iron concentrates as base material for our Iron Pelletizing Plant due to increased iron pellet demand. The table below summarizes the raw ore output of our mines for the periods indicated:

	Year ended December 31,			CAGR	Six months ended June 30,		Period growth
	2006 (Kt)	2007 (Kt)	2008 (Kt)	2006-2008 %	2008	2009	%
Baicao Mine	497.2	1,146.6	2,917.2	142.2	1,882.3	1,959.0	4.1
Xiushuihe Mine	449.0	604.8	1,854.2	103.2	748.9	1,036.5	38.4
Subtotal	946.2	1,751.4	4,771.4	124.6	2,631.2	2,995.5	13.8

Our Independent Third Party Mining Contractor carries out labor intensive work and work requiring certain technical skills such as waste blasting, stripping, ore drawing work and the transportation of the ore from our mines to the designated processing plant. In addition, under its contracts with us, it is liable to us for any accidents arising from its lack of safety management in the mining operations. At both our mines, we are responsible for planning and overseeing the technical aspects of the mining operations, such as the planning and designing of the pits, designing mining plans and operational safety. We also retain operational control over the work carried out by our Independent Third Party Mining Contractor and undertake quality control and assurance programs to determine the grade of our ore. Our employees supervise and direct the mining and stripping operations undertaken by our Independent Third Party Mining Contractor. Our Independent Third Party Mining Contractor is also required to operate and produce iron ore in accordance with our mining plans and we review the iron ore production volume on a monthly basis. In the event that the iron ore production volume of our Independent Third Party Mining Contractor does not meet our stipulated targets, we direct our Independent Third Party Mining Contractor to allocate more resources for its operations. We also conduct annual assessment of the performance of our Independent Third Party Mining Contractor.

Our Independent Third Party Mining Contractor must follow our monthly production plan, which outlines the specific grade and tonnage of the ore to be delivered. The separation process during which blasted ore is separated from waste material is supervised by our quality control technicians. The resulting separated ore is sorted by grade and then transported to our processing plants for processing. Meanwhile, waste material is stored at a waste disposal facility located at each mine. Our Independent Third Party Mining Contractor is responsible for the maintenance of the mining equipment and facilities at both our mines and we therefore do not need our own mine maintenance facilities. An office for our mining staff, which is composed of supervisors and geological ore control technicians, is provided at each mine and our staff is present at the mine during mining operations. For further details of the mining operations of our two mines, please refer to the "Report of Independent Technical Adviser" attached as Appendix V to this prospectus. All mining equipment at our mines is owned by our Independent Third Party Mining Contractor. Since our mines are open-pit, no permanent mining structures are in place at either mine.

At the time of the appointment of the Independent Third Party Mining Contractor, we reviewed its business license and other permits. As advised by our PRC legal advisors, our Independent Third Party Mining Contractor is required to have a business license and blasting operation entity permit to carry out mining contracting work and each of the employees of our Independent Third Party Mining Contractor who handles explosives is required to have a safety qualification certificate. We have received copies of the current business license of our Independent Third Party Mining Contractor and of the safety qualification certificates of three of its employees. On September 2, 2008, we obtained a confirmation from the Administration Team of Huili County Public Security Bureau

(會理縣公安局治安管理大隊) confirming that our Independent Third Party Mining Contractor has a blasting operations entity permit and its employees who handle explosives have the required safety qualification certificates. Based on these documents, we are satisfied that our Independent Third Party Mining Contractor has all the licenses, permits and certificates required to carry out mining contracting work under the mining contract.

Processing contractors

In addition to the iron concentrates and medium grade titanium concentrates we process ourselves at our own processing plants, we currently engage two Independent Third Party Processing Contractors to increase our production capacity of iron concentrates and medium-grade titanium concentrates. We entered into a contract with our first Independent Third Party Processing Contractor in August 2006 for a term of five years with an option to renew for another two five-year terms and our first Independent Third Party Processing Contractor commenced production of iron concentrates and medium-grade titanium concentrates from the ore extracted from our Baicao Mine in January 2007. Our first Independent Third Party Processing Contractor produced 460.8 Kt of iron concentrates and 80.8 Kt of medium-grade titanium concentrates in 2008, representing 39.6% and 48.2% of the total production volume of iron concentrates and medium-grade titanium concentrates in 2008, respectively. Our first Independent Third Party Processing Contractor has agreed to allocate production capacity of at least 550.0 Kt of iron concentrates and 110.0 Kt of medium-grade titanium concentrates to us in 2009. For the six months ended June 30, 2009, this Independent Third Party Processing Contractor produced 266.8 Kt of iron concentrates and 37.7 kt of medium-grade titanium concentrates, representing 35.9% and 60.1% of our total production volume of iron concentrates and medium-grade titanium concentrates, respectively, in that period.

We entered into a contract with our second Independent Third Party Processing Contractor for a term commencing April 1, 2009 and terminating on December 31, 2009. Our second Independent Third Party Processing Contractor agreed to allocate production capacity of at least 150.0 Kt of iron concentrates to us for the year ending December 31, 2009. For the six months ended June 30, 2009, our second Independent Third Party Processing Contractor produced 3.6 Kt of our iron concentrates, representing 0.5% of our total production volume of iron concentrates for the six months ended June 30, 2009.

Because our Independent Third Party Processing Contractors are Independent Third Parties, we do not control their management. However, during the term of each of their contracts, we are responsible for overseeing and supervising processing operations and we control the quality and quantity of both the raw materials provided to our Independent Third Party Processing Contractors and the final products. We undertake random inspections of our Independent Third Party Processing Contractors' facilities several times a month to monitor their operations. In these inspections, we send two persons to test the products for their iron and titanium content. We also test the iron content of the waste materials to ensure that the iron content of the waste materials does not exceed 18.0% as a method to monitor operational efficiency. Under our contracts with them, our Independent Third Party Processing Contractors are liable to us for any accidents arising from their lack of safety management in their processing operations.

The processing fee for each of the products in each contract is calculated based on a fixed rate for each product on a dry basis, subject to adjustment as a result of the quantity and quality of the products produced. The fee is determined based on an arm's length negotiation taking into account the operating costs of each Independent Third Party Processing Contractor. In addition to the production of iron concentrates, our first Independent Third Party Processing Contractor plans to upgrade its titanium concentrates production equipment and will allocate to us a total annual high-grade titanium concentrates production capacity of 82.5 Kt in 2010.

Each of our Independent Third Party Processing Contractors is principally engaged in the business of beneficiation processing and sales of mining products. As advised by our PRC legal advisors, our Independent Third Party Processing Contractors are required to have a business license to carry out processing contracting work pursuant to their processing contractor contracts with us. As of the Latest Practicable Date, each of our Independent Third Party Processing Contractors has a business license with beneficiation processing as part of its scope of business. Other than holding a valid business license with beneficiation processing as part of its scope of business, our PRC legal advisors have advised us that no separate beneficiation license is required for a processing contractor in Sichuan to carry out such business. Our Independent Third Party Processing Contractors have more than three years of experience in conducting beneficiation processing operations.

Pelletizing contractors

In addition to the iron pellets we produce at our own Iron Pelletizing Plant, we currently engage two Independent Third Party Pelletizing Contractors to increase our iron pellets production capacity. We entered into contracts with our two Independent Third Party Pelletizing Contractors for a term of one year commencing December 12, 2008 and February 6, 2009, respectively. Our Independent Third Party Pelletizing Contractors produce iron pellets using the iron concentrates supplied by our Xiushuihe Processing Plant and our Independent Third Party Processing Contractors. In 2008, our first Independent Third Party Pelletizing Contractor produced 12.8 Kt of iron pellets for us, representing 3.9% of our total production volume of iron pellets in 2008. Pursuant to a written confirmation from our first Independent Third Party Pelletizing Contractor dated February 14, 2009, our contractor agreed to allocate production capacity of a total of 250.0 Kt of iron pellets to us in 2009. For the six months ended June 30, 2009, our first Independent Third Party Pelletizing Contractor produced 93.9 Kt of iron pellets for us representing 29.9% our total production volume of iron pellets for the six months ended June 30, 2009. Pursuant to a written confirmation from our second Independent Third Party Pelletizing Contractor dated February 26, 2009, our contractor agreed to allocate production capacity of a total of 150.0 Kt of iron pellets to us in 2009. For the six months ended June 30, 2009, our second Independent Third Party Pelletizing Contractor produced 67.8 Kt of iron pellets for us, representing 21.6% of our total production volume of iron pellets for the six months ended June 30, 2009.

Because our Independent Third Party Pelletizing Contractors are Independent Third Parties, we do not control their management. However, for the duration of the contract, we will oversee and supervise the pelletizing operations and control the quality and quantity of the iron concentrates and other raw materials provided to our Independent Third Party Pelletizing Contractors as well as test the quality of the final products. We undertake random inspections of our Independent Third Party Pelletizing Contractors' facilities several times a month to monitor the hardness of iron pellets produced and the contractors' operational efficiency. Under our contracts with them, our Independent Third Party Pelletizing Contractors are liable to us for any accidents arising from their lack of safety management in their operations.

The pelletizing fee in each contract is calculated based on a fixed rate of RMB137.0 per tonne on a dry basis, subject to adjustment depending on the quality of the iron pellets produced. The fee is determined based on an arm's length negotiation taking into account both the operating costs of our Independent Third Party Pelletizing Contractor and in comparison with our own pelletizing operating costs incurred by us at our own Iron Pelletizing Plant.

Our first Independent Third Party Pelletizing Contractor is principally engaged in the business of pelletizing operations, the production and sales of mining products and sales of steel products. Our second Independent Third Party Pelletizing Contractor is principally engaged in the business of pelletizing operations, the production and sales of iron concentrates and titanium slag and sales of metal and construction materials. As advised by our PRC legal advisors, our Independent Third Party Pelletizing Contractors are required to have business licenses to carry out pelletizing contracting work pursuant to their contract with us. As of the Latest Practicable Date, both our Independent Third Party Pelletizing Contractors have business licenses with pelletizing operations as part of their scope of business. Other than holding a valid business license with pelletizing operations as part of its scope of business, our PRC legal advisors have advised us that no separate pelletizing license is required for a pelletizing contractor in Sichuan to carry out such business. Both of our Independent Third Party Pelletizing Contractors have more than three years of experience in conducting pelletizing operations.

Transportation contractors

Prior to January 1, 2008, during the years ended December 31, 2006 and 2007, we engaged Tongyu, a connected person to our Group, to deliver our products to Weiyuan Steel. We sold over 90% of our products to Weiyuan Steel during the years ended December 31, 2006 and 2007 and fees payable to Tongyu were a major component of our selling and distribution expenses.

We currently engage three Independent Third Party Transportation Contractors and rely on them to transport our iron ore products from our processing plants to our Iron Pelletizing Plant and from our production facilities to the designated railroad stations for those customers that we have entered into separate transportation arrangements with in respect of the delivery of our iron ore products. See "— Sales — Settlement and Delivery of Products" in this section and "Financial Information — Factors Affecting the Results of Operations and Financial Condition — Transportation Expenses" section in this prospectus.

We entered into contracts with two of the Independent Third Party Transportation Contractors, each for a term of one year commencing January 1, 2008. On November 26, 2008, we renewed the contract with the first Independent Third Party Transportation Contractor for a term of approximately three years commencing November 1, 2008 and terminating on December 31, 2011. We also entered into a separate transportation contract with the first Independent Third Party Transportation Contractor on December 15, 2008 to deliver products to a new location for a term of approximately one year commencing December 1, 2008 and terminating on December 31, 2009. On July 21, 2008, we renewed the contract with the second Independent Third Party Transportation Contractor for a term of approximately three years commencing November 1, 2008 and terminating on December 31, 2011. We entered into a contract with the third Independent Third Party Transportation Contractor commencing July 21, 2008 and terminating on October 30, 2011. We usually settle the fees of our Independent Third Party Transportation Contractors within three months. We recoup the costs associated with the transport of products for Weiyuan Steel and other customers by adding these costs to our contracted sales price. See "— Sales — Settlement and delivery of products" in this section and the "Financial Information — Factors Affecting Results of Operations and Financial Condition — Transportation expenses" section in this prospectus.

CO-OPERATION AGREEMENT

We entered into a new co-operation agreement with Nanjiang for a term commencing on March 18, 2009 until November 10, 2023 (the "New Agreement"), which amended and restated the terms of an old co-operation agreement that had been entered into among Xiushuihe Mining, Nanjiang and Chuan Wei on August 8, 2007 (the "Old Agreement"). Prior to entering into the Old Agreement, there had only been a 150.0 Kt iron concentrates production line constructed at our Xiushuihe Processing Plant. The purpose of these co-operation agreements is to construct new iron and titanium concentrates production lines and to upgrade the existing 150.0 Kt iron concentrates production line at our Xiushuihe Processing Plant. Because Nanjiang has the relevant experience and expertise in the construction, operation, and management of mines, our Directors believe it to be commercially beneficial to enter into these agreements with Nanjiang. Under the New Agreement, Nanjiang will be involved in overseeing the operation of the production lines after they are constructed and upgraded, ensuring the safety of the production processes used at Xiushuihe Processing Plant, assessing quality control of the final products and providing technical guidance to the employees. Chuan Wei was a party to the Old Agreement as it acted as a guarantor of Xiushuihe Mining's performance of its obligations therein. Pursuant to a termination agreement between Chuan Wei, Nanjiang and Xiushuihe Mining dated March 18, 2009, the Old Agreement has been terminated, and the obligations of all parties contained therein have been released. Accordingly, Chuan Wei no longer has any obligations as a guarantor under the Old Agreement. There is no guarantor for the New Agreement.

Under the Old Agreement, Nanjiang agreed to construct new iron and titanium concentrates production lines with annual production capacities of 300.0 Kt and 30.0 Kt, respectively, and to upgrade the existing 150.0 Kt iron concentrates production line to 200.0 Kt at our Xiushuihe Processing Plant. Under the New Agreement, the production lines to be constructed and/or upgraded are the same as in the Old Agreement, except that the construction of the 30.0 Kt titanium concentrates production line has now been upgraded to a 50.0 Kt titanium concentrates production line. The projects undertaken pursuant to the Old Agreement and the New Agreement are all constructed or to be constructed at our Xiushuihe Processing Plant and are referred to as the "Nanjiang Project". The upgrading of the iron concentrates production line from 150.0 Kt to 200.0 Kt and the construction of the 300.0 Kt iron concentrates production line were both completed in June 2008. Nanjiang commenced the construction of the 30.0 Kt titanium concentrates production line in October 2008 and will proceed to upgrade this production line to 50.0 Kt pursuant to the New Agreement. The upgrading of the titanium concentrates production line is expected to be completed in December 2009 and production to commence in January 2010.

Under the New Agreement, the consideration for the Nanjiang Project (the "Nanjiang Project Consideration") is based on the construction cost amount to be incurred by Nanjiang according to the final completion report we will prepare in accordance with the Infrastructure Financial Management Rules (基本建設財務管理規定) promulgated by the PRC Ministry of Finance. Nanjiang will review the final completion report and come to an agreement with us on the contents of the report. As of June 30, 2009, the confirmed amount of construction cost for the 300.0 Kt and 200.0 Kt iron concentrates production lines is approximately RMB67.3 million.

The Nanjiang Project Consideration is repayable starting from the completion date of the Nanjiang Project until November 2023. The amount of principal repayment pursuant to the Nanjiang Project Consideration is derived from 85% of the total amount Nanjiang is expected to receive under the New Agreement for each financial year (such total amount is defined as the "Sum of Profits"). The remaining 15% of the Sum of Profits for each financial year will be paid to Nanjiang as a technical service fee for its provision of technical support services to us. Upon full settlement of the Nanjiang Project Consideration, the entire Sum of Profits for each financial year will be paid to Nanjiang as a technical service fee until the expiry of the New Agreement in November 2023. The amount of the Sum of Profits will first be determined by us and reviewed by Nanjiang, and then mutually agreed upon by Nanjiang and us. See Note 34 of Section II of the Accountants' Report attached as Appendix I to this prospectus for the specific formula used to calculate the Sum of Profits.

There is no term in the New Agreement specifying the timing of each principal repayment. But because the amount of principal repayment is to be based on the Sum of Profits, the principal repayment will not be paid until the Sum of Profits is determined, which is expected to occur by the end of the first quarter of each financial year. As a result, we expect that each principal repayment will be paid in the second quarter of each financial year for the duration of the New Agreement, except for the first principal payment of RMB67.3 million which is expected to be paid to Nanjiang in November 2009. Further, the number of times the principal repayment will be made depends on (a) the amount of the Nanjiang Project Consideration (which in turn depends on the actual construction cost to be incurred by Nanjiang); and (b) the amount of the Sum of Profits (which in turn depends on the profits generated by the 300.0 Kt iron concentrates production line, the 200.0 Kt iron concentrates production line and the 50.0 Kt titanium concentrates production line at the Xinshuihe Processing Plant). We estimate that we will pay four principal repayments in each of the four years 2009, 2010, 2011 and 2012.

The technical service fee is paid on or around the same time as the principal repayment. We expect that the technical service fee to be paid to Nanjiang in each of the three years 2009, 2010 and 2011 will be determined based on 15% of the Sum of Profits, and the technical service fee to be paid thereafter will be determined based on the entire Sum of Profits until the expiry of the New Agreement.

The production volume, revenue and profit contributions of the relevant production lines under the New Agreement during the Track Record Period are as follows:

	Year ended December 31, 2008(Note)	Six months ended June 30, 2009
Revenue (RMB'000)	130,287.6	112,964.6
Production volume of iron concentrates (Kt)	239.5	254.3
Net profit (RMB'000)	53,003.0	36,434.9

Note: The relevant production lines under the co-operation arrangement between Nanjiang and us began to operate in July 2008.

UTILITIES AND RAW MATERIALS

Bentonite clay

The most important raw material used in our iron pellet production process is bentonite clay. We currently purchase bentonite clay from one Independent Third Party supplier located in Meishan city. We enter into supply agreements with our bentonite clay supplier on an annual basis. Our annual consumption of bentonite clay for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 was approximately 2.6 Kt, 3.7 Kt, 3.0 Kt and 1.0 Kt, respectively. Bentonite clay is primarily delivered to our production facilities via road or railroad and we maintain a one month supply of bentonite clay at our Iron Pelletizing Plant. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, costs related to bentonite clay amounted to approximately RMB1.4 million, RMB2.0 million, RMB1.8 million and RMB0.8 million, respectively, representing approximately 1.4%, 1.1%, 0.5% and 0.3% of our total cost of sales for the these periods. During the Track Record Period, we did not experience any shortages or interruptions in our bentonite clay supply.

Coal

We use coal during the iron pellet production process. We currently purchase coal from three Independent Third Party suppliers located in the Panzhihua region and Weiyuan. We have supply agreements with these coal suppliers on an annual basis. Our consumption of coal in for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 was approximately 33.5 Kt, 39.7 Kt 47.5 Kt and 21.2 Kt, respectively. Coal is primarily delivered to our production facilities via road and on average we maintain a one month supply at each of our production facilities. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our coal costs amounted to approximately RMB8.5 million, RMB11.5 million, RMB18.0 million and RMB9.3 million, respectively, representing approximately 8.5%, 6.1%, 4.9% and 3.4%, respectively, of our total cost of sales for these periods. During the Track Record Period, we did not experience shortages or delays in our supply of coal.

Electricity and water

We utilize electricity and water in all of our operations. We have entered into electricity supply contracts with Huili County Power Supply Co, Ltd. (四川會理供電有限公司) at market rates for our Xiushuihe Processing Plant and our Iron Pelletizing Plant, and with Miyi County Power Supply Co., Ltd. (四川米易供電有限公司) at market rates for our Baicao Processing Plant. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our average electricity consumption was approximately 43.6 kwh, 37.2 kwh, 36.1 kwh and 42.7 kwh per tonne, respectively, for the production of our iron concentrates and medium-grade titanium concentrates and approximately 18.3 kwh, 18.7 kwh, 25.8 kwh and 30.2 kwh per tonne, respectively, for the production of our iron pellets. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our electricity expenditure was approximately RMB9.3 million, RMB11.1 million, RMB26.6 million and RMB20.6 million, representing approximately 9.3%, 5.9%, 7.3% and 7.5% of our total cost of sales, respectively, for these periods. During the Track Record Period, we did not experience any interruptions arising from sudden shortages or suspensions of electricity supplies that had a material adverse effect on our business, financial condition or results of operations.

We utilize a substantial amount of water at our processing plants. Water supply to our Baicao Processing Plant is from local ground water. Water supply to our Xiushuihe Processing Plant is from the nearby Ailang river. We also recycle water from the tailings ponds in our mines. During the last one or two months of the dry season in April and early May, our Baicao Processing Plant and Xiushuihe Processing Plant may experience shortages in the water supply, leading to production delays. This water shortage does not occur on an annual basis. To overcome the risk of a water shortage at the end of dry seasons, we have entered into an investment co-operation agreement with the local government on September 18, 2008 where the local government will construct a reservoir with a capacity of approximately 1.0 million cubic meters at Xiaoheiqing mining village (小黑箐鄉礦山村) near our Baicao Processing Plant. The construction cost for the reservoir is RMB36.0 million. The construction of the reservoir was completed in July 2009 and the reservoir will begin operations by

October 2009. The major terms and conditions of the investment co-operation agreement are as follows:

(a) We are responsible for the full construction cost of the reservoir, which amounts to RMB36.0 million. There was no construction cost incurred in 2008. As of June 30, 2009, we have incurred a construction cost of approximately RMB29.7 million. We are also responsible for the ongoing maintenance of the reservoir. In return, we are entitled to free use of the water in the reservoir.

(b) We will be entitled to free usage of the water in the reservoir until January 1, 2028 and are expected to maintain the reservoir until such date. The term of use may be extended by the local government upon the successful renewal of the mining permit for the Baicao Mine, which will expire approximately on or about December 27, 2027.

(c) The local government or its designated assignee will hold the ownership rights to the reservoir.

(d) The local government is responsible for arranging the relevant approvals and permits to be obtained in relation to the construction of the reservoir.

(e) The local villagers will be entitled to use the water in the reservoir for their living and agricultural activities.

See the "Risk Factors — Risks Relating to Our Business and Industry — We use water in our operations and we may face shortages in our water supplies" section in this prospectus.

MAJOR SUPPLIERS

Our suppliers include suppliers of services such as our Independent Third Party Mining Contractor, Independent Third Party Processing Contractors, Independent Third Party Pelletizing Contractors and Independent Third Party Transportation Contractors, as well as suppliers of materials such as coal and bentonite clay, and other production-related materials. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our five largest suppliers together accounted for approximately 60.6%, 67.2%, 88.2% and 75.8% of our total purchases, respectively. Our purchases from the single largest supplier accounted for approximately 28.5%, 23.6%, 48.9% and 54.1% of our total purchases for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. Our suppliers are mainly based in Sichuan. Our supply contracts are denominated in Renminbi and we generally pay via telegraphic transfer. We have maintained business relationships with our largest suppliers for approximately three years.

None of our Directors, their respective associates or any Shareholders owning more than 5.0% of the issued Shares had any interest in any of our five major suppliers during the Track Record Period.

QUALITY CONTROL

We believe maintaining high product quality is key to our success. Most of our products are required to meet stringent product specifications and environmental protection standards. We have compiled a detailed quality control manual and implemented a comprehensive quality control system. As of June 30, 2009, we also had a quality control department with a total staff of 54 persons who are responsible for ensuring all raw materials, semi-finished products and finished products meet our quality control standards. Our quality control department performs on-site inspections of our mines and processing plants and spot checks on our products at our Independent Third Party Processing Contractors' plants.

We monitor our various production processes closely by taking samples at different stages in the production process for examination at our laboratories. We maintain production records to facilitate the improvement of our quality control system and have regular meetings with our Independent Third Party Mining Contractor, Independent Third Party Processing Contractors and Independent Third Party Pelletizing Contractors to resolve technical problems.

We have implemented stringent quality controls in accordance with PRC standards (GB/T 10322.1~7-2000) and international standards, as evidenced by the accreditations and certifications we have received, including the following:

- On June 28, 2007, we obtained an ISO 9001: 2000 certificate from CCIC Conformity Assessment Services Co., Ltd. This international standard applies to an enterprise's quality management system and encompasses various aspects of a company's operations, including product design and development, production, testing, inspection and customer service. The certificate is valid for three years.
- On July 31, 2009, we received a confirmation from Huili County Environmental Protection Bureau (會理縣環境保護局) certifying that the production process adopted by Huili Caitong and Xiushuihe Mining, respectively, has been in compliance with the relevant environmental laws and regulations.

Since our inception, we have not received any complaints regarding the quality of our products that had a material adverse effect on our business, financial condition or results of operations.

INVENTORY

Our inventory is comprised primarily of ore extracted from our mines, iron concentrates, coal, bentonite clay and spare parts. We believe we maintain strict control over our inventory. All of our ore products are measured and inspected by our quality control department. We keep daily inventory records and carry out an annual and monthly full inventory assessment. We also manage the level of inventory according to the inflow and outflow of various materials. We generally conduct monthly inspections of the condition of our inventory and make provisions for inventory that appears to be obsolete or damaged. In addition, we operate a monthly materials sourcing system. Our Directors confirm that we have not made any provisions for obsolete or damaged inventories during the Track Record Period. See the "Financial Information — Analysis of Various Statement of Financial Position Items — Inventory" section in this prospectus.

SALES

Currently, our products are sold in the PRC domestic market and primarily to customers located in the southwest region of the PRC. As of June 30, 2009, we had four employees in our marketing team responsible for processing our customers' orders for our products collecting marketing information and developing and maintaining client relationships.

Sales to Weiyuan Steel

During the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our iron concentrates and iron pellets sales to Weiyuan Steel, our connected person, accounted for approximately 96.5%, 94.1%, 21.1% and 17.3% of our total revenue, respectively. We do not sell titanium products to Weiyuan Steel.

Weiyuan Steel is a company established in the PRC in which our Controlling Shareholders hold 68.0% equity interest. Accordingly, Weiyuan Steel is a connected person for the purposes of the Listing Rules. Weiyuan Steel's principal business is steel production. As of June 30, 2009, Weiyuan Steel has an annual production capacity of 3.0 Mt of crude steel and is the second largest steel production company in Sichuan by annual production volume. Weiyuan Steel purchases iron ore from suppliers in Sichuan and other provinces in the PRC and from overseas suppliers. During the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, Weiyuan Steel purchased a total of approximately 3.0 Mt, 3.4 Mt, 3.3 Mt and 1.7 Mt, respectively, of iron ore products from all of its suppliers, of which approximately 336.8 Kt, 626.7 Kt, 274.3 Kt and 159.7 Kt, respectively, were purchased from us. In terms of percentage of purchases, the purchase of iron ore from us represents approximately 11.2%, 18.4%, 8.3% and 9.5% of Weiyuan Steel's total purchases of iron ore. Our sales volume to Weiyuan Steel increased in 2006 and 2007 in line with the increase in our production volumes of iron ore products.

We sold the majority of our iron concentrates and iron pellets to Weiyuan Steel during the years ended December 31, 2006 and 2007 because (i) it was willing to purchase in large quantities; (ii) it offered market prices for our products; and (iii) the resulting revenue stream was stable and predictable. Weiyuan Steel was willing to purchase large quantities from us because purchasing iron ore products from suppliers abroad or from other regions of the PRC is more costly than purchasing from suppliers in Sichuan due to significant transportation costs, as well as the higher prices of imported iron ore products. In addition, iron ore lots from different areas have different mineral contents and steel producers must spend time and cost to formulate the appropriate mix to produce steel of the same quality and specifications from such different ore lots. As a result, Weiyuan Steel has commercial incentives to purchase all the iron ore we can supply to reduce its costs and secure a stable source of supply close to its production facilities. Because Weiyuan Steel is our related party and was willing to offer market prices for our products, we decided to give priority to Weiyuan Steel in the sale of our iron ore products since we began our first sales to Weiyuan Steel in 2005. Since January 1, 2008, we have begun to reduce our sales to Weiyuan Steel and increase our sales to Independent Third Party customers. See "—Expansion of customer base" in this section.

Our Directors confirm that, as determined by reference to the market prices of the same products of the same grade in the Panxi Region and by reviewing Weiyuan Steel's purchase prices of the same products from other Independent Third Party suppliers, the prices of products sold to Weiyuan Steel during the years ended December 31, 2006 and 2007 were based on market prices. Our Directors confirm that there are no PRC governmental authority that publish official market prices for our products.

As of December 31, 2008 and June 30, 2009, we had reduced our sales to Weiyuan Steel to approximately 21.1% and 17.3% of our total revenue, respectively. See "— Customers" in this section for details of the sales volume for each of our customers in 2008 and the contracted sales volume for each of our customers in 2009 and 2010.

Excluding titanium products because we do not sell them to Weiyuan Steel, for the year ended December 31, 2008 and the six months ended June 30, 2009, actual sales to Weiyuan Steel accounted for 24.9% and 20.1% of our sales volume, or approximately 255.5 Kt and 159.7 Kt of our iron concentrates and approximately 18.8 Kt of our iron pellets, representing 22.3% and 17.5% of our revenue (excluding titanium products). For the same period, the actual sales to our Independent Third Party customers accounted for 75.1% and 79.9% of our total sales volume (excluding titanium products), or approximately 541.4 Kt and 303.6 Kt of our iron concentrates and approximately 286.6 Kt and 332.5 Kt of our iron pellets, representing 77.7% and 82.5% of our total revenue (excluding titanium products). Our largest Independent Third Party customer for the year ended December 31, 2008 was Chengdu Yingchi, which accounted for 16.8% of our total sales volume (excluding titanium products), or approximately 24.3 Kt of our iron concentrates and approximately 161.1 Kt of our iron pellets, representing 21.1% of our total revenue (excluding titanium products) for the year ended December 31, 2008. Our largest Independent Third Party customer for the six months ended June 30, 2009 was also Chengdu Yingchi, which accounted for 19.1%, of our total sales volume (excluding titanium products), or approximately 43.6 Kt of our iron concentrates and approximately 108.4 Kt of our iron pellets, representing 20.3% of our total revenue (excluding titanium products) for the six months ended June 30, 2009. See "— Customers" in this section.

The table below sets forth the average selling price per tonne of our iron concentrates and iron pellets to Weiyuan Steel and Independent Third Party customers during the Track Record Period:

	Year ended December 31,						For the six months ended	
	2006		2007		2008		2009	
	Average selling price (RMB/tonne)	Market Price (RMB/tonne)	Average selling price (RMB/tonne)	Market Price (RMB/tonne)	Average selling price (RMB/ tonne)	Market Price (RMB/tonne)	Average selling price (RMB/ tonne)	Market Price (RMB/tonne)
Weiyuan Steel								
Iron concentrates	450.8	420 – 438	477.8	420 – 566	597.8	400 – 750	527.2	400 – 610
Iron pellets	670.2	646 – 664	646.0	619 – 763	765.5	640 – 980	—	—
Independent Third Party customers(*Note 1*)								
Iron concentrates	—	—	—	—	633.3	400 – 750	511.2	400 – 610
Iron pellets	—	—	—	—	830.1	640 – 980	723.3	620 – 830

Note:

1. We did not sell our iron concentrates or iron pellets to Independent Third Party customers in 2006 and 2007.

The average selling prices per tonne of our iron concentrates and iron pellets to Weiyuan Steel in 2006 were RMB450.8 and RMB670.2, respectively. The average selling prices were slightly higher than the market price primarily due to the difference in the grade of iron concentrates and iron pellets sold to Weiyuan Steel compared to the grade of iron concentrates and iron pellets used in the calculation of the market prices. The iron content of iron concentrates and iron pellets used in the calculation of the market price range was approximately 54.0%, whereas the iron content of iron concentrates and iron pellets sold to Weiyuan Steel was approximately 54.3% and 54.5%, respectively.

The average selling price per tonne of our iron concentrates to Weiyuan Steel in 2007 was RMB477.8 and was within the market price range of iron concentrates for 2007. The average selling price per tonne of our iron pellets to Weiyuan Steel in 2007 was RMB646.0 and was within the market price range of iron pellets for 2007.

The average selling price per tonne of our iron concentrates to Weiyuan Steel in 2008 was RMB597.8 and was within the market price range of iron concentrates for 2008. The average selling price per tonne of our iron pellets to Weiyuan Steel in 2008 was RMB765.5 and was within the market price range of iron pellets for 2008.

The average selling price of our iron ore products to Weiyuan Steel was lower than the average selling price of iron ore products to Independent Third Party customers for 2008 because the selling price of our products is typically based on the market price on or about the time of delivery and at the time of delivery of our products to Weiyuan Steel, the market price of these products was lower. In 2008, the delivery of our iron concentrates and iron pellets to Weiyuan Steel was made in January and from August to December 2008. The market prices of iron ore products in the majority of these months were lower than the average selling price of iron ore products in 2008 as a whole. However, the average selling prices of iron ore products to Weiyuan Steel and Independent Third Party customers from August to December 2008 were comparable.

The average selling price per tonne of our iron concentrates to Weiyuan Steel for the six months ended June 30, 2009 was RMB527.2 and was within the market price range of iron concentrates for the same period. We did not sell iron pellets to Weiyuan Steel for the six months ended June 30, 2009. Beginning June 1, 2009, we have entered into a supplemental agreement with Weiyuan Steel that specifies the pricing arrangement with Weiyuan Steel for iron concentrates contracted for 2009 and 2010. According to the supplemental agreement, the selling price of iron concentrates for 2009 and 2010 is RMB605.1 and RMB632.5 per tonne, respectively, subject to adjustment based on the market price of iron concentrates. If the market price of iron concentrates falls below the contracted sales price, the contracted sales price will remain the same. If the market price of iron concentrates rises above the contracted sales price, the contracted sales price will be adjusted to a higher amount equal to the sum of the contracted sales price and an amount to be agreed that is not more than 50.0% of the increase in the market price above the contracted sales price. See "— Customers" in this section.

We believe that we will be able to maintain the reduction of sales to Weiyuan Steel at or below 30% of our total revenue (excluding titanium products) in 2009 because of the iron ore supply shortage in Sichuan and in the PRC generally. See the "Industry Overview — PRC Iron Ore Industry — Iron ore demand", "Industry Overview — Sichuan Iron Ore Industry — Iron ore demand" and "Industry Overview — PRC Policies and Regulations Supporting Growth in the Mining and Steel Industries" sections in this prospectus. However, we cannot assure you that our strategy of reducing our sales to Weiyuan Steel will continue to be successful or that our sales volume and revenue will be comparable to our sales volume and revenue during the years ended December 2006 and 2007. If the majority of our sales and revenue are derived from a single customer, any disruption in that customer's business or in our relationship with that customer may have a material adverse effect on our business, financial condition and results of operations. See the "Risk Factors — Risks Relating to Our Business and Industry — We sold the majority of our products to a connected person during the years ended December 31, 2006 and 2007" section in this prospectus.

Because the percentage of total revenue (excluding titanium products) sold to Weiyuan Steel may still exceed 25.0% after Listing and it constitutes a "continuing connected transaction" for the purpose of the Listing Rules, we have applied for a waiver from the Stock Exchange for a waiver under rule 14A.42(3) of the Listing Rules from compliance with the independent Shareholders' approval and announcement requirements with respect to such continuing connected transaction, and the Stock Exchange has granted such waiver. See the "Connected Transactions — Waiver from the Stock Exchange" section in this prospectus.

Notwithstanding the fact that we sold the majority of our iron concentrates and iron pellets to Weiyuan Steel for the years ended December 31, 2006 and 2007, we believe that we no longer rely on one particular customer because we have been able to find new customers within a short period of time. In 2008 and the six months ended June 30, 2009, approximately 77.7% and 82.5% of our revenue from iron ore products was derived from Independent Third Party customers, respectively. We believe that there will continue to be sufficient potential customers in Sichuan for our iron ore products because of the shortage of supply of iron ore in Sichuan and the PRC. See "— Customers — Expansion of customer base" in this section and the "Industry Overview — PRC Iron Ore Industry" and "Industry Overview — Sichuan Iron Ore Industry" sections in this prospectus.

Contracts and pricing

The sales of our products to our customers, whether they are distributors or direct customers, are made pursuant to sales contracts that specify the quantity, price, payment date and manner of delivery. These contracts stipulate a quantity that our customers are obliged to purchase, though we are not obliged to supply such quantities. These contracts also specified a sales price, subject to adjustment based on market prices. Beginning June 1, 2009, we have entered into supplemental agreements with all our customers of iron ore products which set out the pricing arrangements for iron concentrates contracted for 2009 and 2010. These quantity and price arrangements set forth in these contracts and supplemental agreements provide us a basis upon which we believe we can forecast our production needs and minimum revenues for 2009 and 2010. See "— Customers" in this section.

During the years ended December 31, 2006 and 2007, Weiyuan Steel and other connected persons were not required to pay within a fixed period of time. Independent Third Party customers were generally required to make full payment prior to delivery, although a credit period was granted to a few Independent Third Party customers with good credit history. During the same period, we sold our titanium concentrates to Independent Third Party customers only. Our Directors confirm that the terms of the sales contracts for titanium concentrates were substantially the same, except for the credit terms. Such terms are discussed in "— Sales — Settlement and delivery of products" in this section.

The grant of different credit terms to Weiyuan Steel and other Independent Third Party customers during the years ended December 31, 2006 and 2007 was in line with our policy on credit terms at the time. During those years, we did not stipulate credit terms in our sales contracts but decided whether to grant credit to customers based on factors such as purchase volume, the financial condition of the customers and their credit history.

We did not specify a credit term for Weiyuan Steel during the years ended December 31, 2006 and 2007 because (i) Weiyuan Steel was our largest customer during that period and purchased 100% and 95.9% of our iron concentrates and iron pellets in the years ended December 31, 2006 and 2007; (ii) we were aware of Weiyuan Steel's sound financial condition; and (iii) Weiyuan Steel had a good credit history. Notwithstanding the absence of a credit term, we were able to collect the outstanding balance owed by the related parties (including, without limitation, Weiyuan Steel) to our Group in relation to their purchase of iron ore products for each year ended December 31, 2006 and 2007 by February 26, 2007 and March 31, 2008, respectively. See the "Financial Information — Analysis of various financial ratios — Trade receivables turnover days (related customers)" section in this prospectus for the trade receivables turnover days for related customers (including, without limitation, Weiyuan Steel).

Our Independent Third Party customers during such period mainly purchased small volume of titanium products. As a result, we generally required full payment from these Independent Third Party customers prior to delivery unless we were aware that they had a good credit history.

Based on the above, our Directors (and the Sole Sponsor and Reporting Accountants) are of the view that sales made to Weiyuan Steel during the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, were made with reference to market prices and are on normal commercial terms consistent with our credit policy. The views of the Sole Sponsor and Reporting Accountants are based on the comparison of prices of similar products sold by other producers of similar products in the region.

Settlement and delivery of products

Most of our sales were historically made to connected persons in 2006 and 2007. Independent Third Party customers were generally required to make full payment prior to delivery, although a credit period was granted to a few Independent Third Party customers with good credit histories. Connected persons were not required to pay within a fixed period of time. Since January 1, 2008, we have standardized the credit terms granted to all customers of our iron ore products, including our connected persons, to a maximum of 30 days. In relation to sales of medium-grade titanium concentrates products, we generally require full payment from these customers prior to delivery because the volume of sales of our medium-grade titanium concentrates products to these Independent Third Party customers is relatively small and unless we are aware that they have a good credit history.

Although we did not have a standardized credit period for our related party customers, we did not experience any difficulties in collecting payments from our related party customers during the years ended December 31, 2006 and 2007.

The transportation of our products is reliant on the railroad network. Our Iron Pelletizing Plant is about 36.0 km away from our Xiushuihe Mine and about 62.0 km away from the Midi station in Panzhihua. Our Baicao Mine is about 25.0 km from the Yakou station and our Xiushuihe Mine is about 50.0 km and 70.0 km from the Midi and Tongzilin stations, respectively. The Yakou, Midi and Tongzhilui stations are along the Chengdu-Kunming Railroad. The Chengdu-Kunming Railroad is a major railroad line and is currently in the process of further expanding its carrying capacity. We believe we serve our customers' needs by entering into a strategic cooperative understanding with Tongyu, a subsidiary of Chuan Wei that engages in freight forwarding, which gives our customers priority in the use of the railroad transport capacity that it secures from the Chengdu Railway Bureau Industry Development Corporation. The Chengdu Railway Bureau Industry Development Corporation has agreed with Tongyu to designate the Yakou and Midi stations as strategic loading points for Tongyu's use.

In 2008, most of our customers collected our products directly from our processing plants or the plant of our first Independent Third Party Processing Contractor with the exception of Weiyuan Steel, Chengdu Yingchi and Independent Third Party Customer G. We delivered products to Weiyuan Steel and these two Independent Third Party customers to train stations near our processing plants. We recouped the costs associated with the transport of products for Weiyuan Steel and the two Independent Third Party customers by adding these costs to the contracted sales price. As of June 30, 2009, we have entered into a separate transportation arrangement with two other Independent Third Party customers on similar terms to the arrangement we had with Weiyuan Steel in 2008. See the "Financial Information — Factors Affecting Results of Operations and Financial Condition — Transportation expenses" section in this prospectus. Our customers, including Weiyuan Steel, bear all costs and risks of transport after collection of our products.

During the Track Record Period, all sales of our products to direct customers and distributors were made on a non-recourse basis. There were no returns of our products by our customers during the Track Record Period.

CUSTOMERS

We have two types of customers: direct customers and distributors. The term "direct customers" refers to customers who use our products directly in their manufacturing operations. The term "distributors" refers to customers who purchase our products from us and resell them to end users. There is no variation in the revenue recognition policy for the sale of products to direct customers and distributors. See the "Financial Information" section in this prospectus and the Accountants' Report attached as Appendix I to this prospectus.

Revenue from the sales of goods to our customers is recognized when all the following conditions have been satisfied:

(i) we have transferred to the buyer the significant risks and rewards of ownership of the goods, i.e., when goods are delivered and title has passed;

(ii) we maintain neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(iii) the amount of revenue can be measured reliably; and

(iv) it is probable that the economic benefits associated with the transaction will flow to us.

The sales of our products to both our direct customers and distributors are made pursuant to sales contracts that specify the quantity, price, payment date and manner of delivery. These contracts stipulate a quantity that our customers are obliged to purchase, though we are not obliged to supply such quantities. These contracts also specify a sales price, subject to adjustment based on market prices. In June 2009, we began entering into supplemental agreements with all our customers of iron ore products that set out the pricing arrangements for iron ore products contracted for 2009 and 2010. The quantity and price arrangements set forth in these contracts and supplemental agreement provide us a basis upon which we believe we can forecast our production needs and minimum revenues for 2009 and 2010. See "— Expansion of customer base" in this section.

We sell a large percentage of our products to customers in the southwest region of the PRC to take advantage of the associated lower transportation costs and the stable demand for our products. The table below summarizes the annual amount and the percentage of sales attributable to distributors and direct customers during the Track Record Period:

	Year ended December 31,						**Six months ended June 30,**	
	2006		**2007**		**2008**		**2009**	
	Sales (RMB million)	**%**	**Sales (RMB million)**	**%**	**Sales (RMB million)**	**%**	**Sales (RMB million)**	**%**
Distributors	5.6	2.6	7.0	1.9	586.0	74.1	396.3	81.5
Direct customers(Note)	205.5	97.4	359.7	98.1	205.2	25.9	89.7	18.5
Total	211.1	100.0	366.7	100.0	791.2	100.0	486.0	100.0

Note: Our direct customers include Weiyuan Steel.

The table below shows a list of our top five customers, and the revenue derived from these customers, all of which are currently non-state owned companies, for the year ended December 31, 2008 and the six months ended June 30, 2009.

		Year ended December 31, 2008		Six months ended June 30, 2009	
	Type of Customer	Revenue	Percentage of the Group's total revenue	Revenue	Percentage of the Group's total revenue
		(RMB'000)	(%)	(RMB'000)	(%)
Weiyuan Steel	Direct customer	167.1	21.1	84.2	17.3
Chengdu Yingchi(Note 1)	Distributor	158.1	20.0	97.6	20.1
Neijiang Jiarui(Note 2)	Distributor	145.1	18.3	91.0	18.7
Deyang Henggu(Note 3)	Distributor	131.3	16.6	74.2	15.3
Chengdu Yushengtian(Note 4)	Distributor	109.5	13.8	68.0	14.0

Notes:

1. Chengdu Yingchi, located in Chengdu, Sichuan, is principally engaged in the business of sales of metals (excluding precious metals) and ore products with a registered capital of RMB30.0 million.

2. Neijiang Jiarui, located in Zizhong County, Sichuan, is principally engaged in the business of sales of steel and ore products with a registered capital of RMB30.0 million.

3. Deyang Henggu, located in Shifang City, Sichuan, is principally engaged in the business of sales of metals (excluding precious metals) and ore products with a registered capital of RMB5.0 million.

4. Chengdu Yushengtian, located in Chengdu, Sichuan, is principally engaged in the business of sales of steel and ore products with a registered capital of RMB30.0 million.

The table below summarizes the average selling price per tonne of each of our products attributable to distributors and direct customers during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2006 Average selling price (RMB/tonne)	2007 Average selling price (RMB/tonne)	2008 Average selling price (RMB/tonne)	2009 Average selling price (RMB/tonne)
Iron concentrates	450.8	477.8	621.9	516.7
Distributors	—	—	633.3	511.2
Direct customers(Note 1)	450.8	477.8	597.8(Note 2)	527.2
Iron pellets	670.2	646.0	826.1	723.3
Distributors	—	—	830.1	723.3
Direct customers(Note 1)	670.2	646.0	765.5(Note 2)	—
Medium-grade titanium concentrates	295.9	176.3	199.7	94.4
Distributors	298.7	174.6	178.5	46.1
Direct customers	287.8	179.2	203.0	106.3

Notes:

1. Our direct customers include Weiyuan Steel.

2. Our selling prices are based on the market price at the time of delivery. The only direct customer to which we supplied our iron ore products in 2008 was Weiyuan Steel. Our sales to Weiyuan Steel were made in January and from August to December 2008 when market prices in the majority of these months were lower than the average selling price of iron ore products in 2008 as a whole. As a result, the average selling prices for sales to direct customers in 2008 were lower than that for sales to distributors.

Direct customers

In 2006 and 2007, Weiyuan Steel was the single largest direct customer of our iron concentrates and iron pellets. See "— Sales — Sales to Weiyuan Steel" in this section.

In 2008, we had eight direct customers, including Weiyuan Steel, which continued to be a direct customer of our iron concentrates and iron pellets, and seven others that were direct customers of our medium-grade titanium concentrates. During the six months ended June 30, 2009, Weiyuan Steel, our connected party, was one of two direct customers of our iron concentrates while our other direct customers purchased medium-grade titanium concentrates from us. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the total revenue derived from sales to our direct customers was approximately RMB205.5 million, RMB359.7 million, RMB205.2 million and RMB89.7 million, respectively, accounting for approximately 97.4%, 98.1%, 25.9% and 18.5% of our total revenue for these periods, respectively. Most of our direct customers are located in Sichuan.

Distributors

We did not sell our iron concentrates or iron pellets to any distributors in 2006 or 2007. In 2008, we sold our iron concentrates and iron pellets to five distributors. For the six months ended June 30, 2009, we also sold our iron concentrates and iron pellets to five distributors. For the year ended December 31, 2008 and the six months ended June 30, 2009, the total revenue derived from sales of iron concentrates and iron pellets to these distributors was approximately RMB580.8 million and RMB395.7 million, respectively, accounting for approximately 73.4% and 81.4% of our total revenue for these periods, respectively.

In 2008, we sold our medium-grade titanium concentrates to seven distributors. For the six months ended June 30, 2009, we sold our medium-grade titanium concentrates to three distributors. These distributors are Independent Third Parties. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the total revenue derived from sales of medium-grade titanium concentrates to these customers was approximately RMB5.6 million, RMB7.0 million, RMB5.2 million and RMB0.6 million, respectively, representing approximately 2.6%, 1.9%, 0.7% and 0.1% of our total revenue for these periods, respectively.

Expansion of customer base

During the years ended December 31, 2006 and 2007, most of our iron concentrates and iron pellets were sold primarily to Weiyuan Steel, a company in which one of our Controlling Shareholders owns a 68.0% equity interest and which is our connected person. In 2007, we also sold iron concentrates to Xichang Vanadium, which is also our connected person. Since January 1, 2008, we have begun to reduce our sales to Weiyuan Steel and increase our sales to Independent Third Party customers. See "— Sales" in this section. The table below summarizes the amount and the percentage of sales revenue attributable to Weiyuan Steel, Xichang Vanadium and Independent Third Party customers during the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2006		2007		2008		2009	
	Sales (RMB million)	%	Sales (RMB million)	%	Sales (RMB million)	%	Sales (RMB million)	%
Weiyuan Steel	203.7	96.5	344.9	94.1	167.1	21.1	84.2	17.3
Xichang Vanadium	—	—	10.5	2.9	—	—	—	—
Subtotal	203.7	96.5	355.4	97.0	167.1	21.1	84.2	17.3
Independent Third Party Customers	7.4	3.5	11.3	3.0	624.1	78.9	401.8	82.7
Total	211.1	100.0	366.7	100.0	791.2	100.0	486.0	100

In late 2007, we began to solicit orders for iron ore products from a number of potential customers that had approached us previously for the purchase of our products. Steel production companies have commercial incentives to purchase large quantities of iron ore from the same ore lot to reduce costs and secure a stable supply close to their respective production facilities. See "— Sales — Sales to Weiyuan Steel" in this section. Our production volumes of iron ore products prior to 2008 were relatively low compared to that in 2008. Given these relatively low production volumes, we were unable to supply large quantities of iron ore products to many customers prior to 2008. Because we planned a significant increase in our production volume of iron concentrates from approximately 500.0 Kt in 2007 to approximately 1.1 Mt in 2008 and planned to reduce our reliance on Weiyuan Steel by selling more iron ore products to other customers, we were in a position to sell more of our iron ore products to other customers in 2008. For these reasons, we began in late 2007 to solicit orders for iron ore products from other Independent Third Party customers.

To facilitate our growth and development, our Directors believe it is important to secure a stable and continuing relationship with Independent Third Party customers. If the terms and conditions for the supply of iron ore products are the same among potential customers, we will give priority to Independent Third Party customers over related party customers. In the event that we are unable to produce sufficient iron ore products to satisfy all of the contracted sales volumes, we will give priority to Independent Third Party customers in the supply of iron ore products. We will consider factors such as scale of operations, financial condition and credit history when determining the allocation of our iron ore products among our Independent Third Party customers. As a general rule, we will give priority to large Independent Third Party customers with a good financial condition and credit history over other Independent Third Party customers.

Since December 2007, we have entered into sales contracts for 2008, 2009 and 2010 with nine Independent Third Party customers sufficient to account for 100% of our estimated production of iron ore products (excluding titanium products) for 2008, 2009 and 2010. Most of these Independent Third Party customers are located in Sichuan and their registered offices are within 500 km from our processing plants and the plants of our Independent Third Party Processing Contractors. Beginning in June 2009, we have entered into supplemental agreements with these customers that set out the pricing arrangements for iron ore products contracted for 2009 and 2010. These agreements specify a minimum sales price per tonne for 2009 and 2010. The contracted sales price is subject to adjustment based on the market price of the given iron ore product at the time of delivery. If the market price of the iron ore product falls below the contracted sales price, the contracted sales price remains unchanged. If the market price of the iron ore product rises above the contracted sales price, the contracted sales price will be adjusted to a higher amount equal to the sum of the contracted sales price and an amount to be agreed that is not more than 50.0% of the increase in the market price above the contracted sales price. The quantity and price arrangements set forth in these contracts and supplemental agreements provide us a basis upon which we believe we can forecast our production needs and minimum revenues for 2009 and 2010.

As of the Latest Practicable Date, the table below shows the contracted sales volume and contracted sales prices of iron concentrates and iron pellets for the year ended December 31, 2008, and the years ending December 31, 2009 and 2010 for each of our customers, most of which are currently non-state owned companies.

	2008				2009			2010		
Name	Contracted sales volume	Percentage of contracted sales volume	Actual sales volume	Percentage of actual sales volume	Contracted sales volume	Percentage of contracted sales volume	Contracted Sales Price per tonne (RMB)(Note 6)	Contracted sales volume	Percentage of contracted sales volume	Contracted Sales Price per tonne (RMB)(Note 6)
	tonnes	%	tonnes	%	tonnes	%		tonnes	%	
Iron concentrates										
Chengdu Yingchi	40,000	2.8	24,342	2.2	100,000	4.9	562.4	100,000	4.5	589.7
Deyang Henggu	230,000	15.9	209,250	19.0	100,000	4.9	562.4	100,000	4.5	589.7
Neijiang Jiarui	210,000	14.5	208,616	18.9	100,000	4.9	562.4	100,000	4.5	589.7
Weiyuan Steel	360,000	24.9	255,456	23.2	450,000	22.1	605.1(Note 7)	520,000	23.2	632.5(Note 7)
Chengdu Yushengtian	100,000	6.9	25,439	2.3	—	—	—	—	—	—
Independent Third Party customer D(Note 1)	40,000	2.8	—	—	60,000	2.9	562.4	—	—	—
Independent Third Party customer E(Note 2)	50,000	3.5	—	—	100,000	4.9	562.4	150,000	6.7	589.7
Independent Third Party customer F(Note 3)	10,000	0.7	—	—	60,000	2.9	562.4	130,000	5.8	589.7
Independent Third Party customer G(Note 4)	80,000	5.5	73,774	6.7	—	—	—	—	—	—
Independent Third Party customer H(Note 5)	—	—	—	—	360,000	17.6	605.1(Note 7)	360,000	16.0	632.5(Note 7)
Subtotal	1,120,000	77.5	796,877	72.3	1,330,000	65.1		1,460,000	65.2	
Iron pellets										
Chengdu Yingchi	140,000	9.6	161,085	14.6	150,000	7.4	826.5	200,000	8.9	867.5
Weiyuan Steel	18,000	1.2	18,820	1.7	—	—	—	—	—	—
Deyang Henggu	—	—	—	—	150,000	7.4	826.5	150,000	6.7	867.5
Neijiang Jiarui	—	—	—	—	180,000	8.8	826.5	150,000	6.7	867.5
Independent Third Party customer E(Note 2)	—	—	—	—	30,000	1.5	826.5	80,000	3.6	867.5
Chengdu Yushengtian	170,000	11.7	125,528	11.4	200,000	9.8	826.5	200,000	8.9	867.5
Subtotal	328,000	22.5	305,433	27.7	710,000	34.9	—	780,000	34.8	—
Total	**1,448,000**	**100.0**	**1,102,310**	**100.0**	**2,040,000**	**100.0**	—	**2,240,000**	**100.0**	—

Notes:

1. Independent Third Party customer D (non-state owned), located in Chuxiong, Yunan, is principally engaged in the business of iron ore mining, raw materials import for its own production and imported materials processing.

2. Independent Third Party customer E (non-state owned), located in the centralized industrial zone in Wusheng, is principally engaged in the business of ore processing and sales.

3. Independent Third Party customer F (non-state owned), located in Guanghan City, Sichuan, is principally engaged in the business of sales of metal materials and ore products.

4. Independent Third Party customer G (state-owned), located in Chengdu, Sichuan, is engaged in the business of wholesale and retail of mining products.

5. Independent Third Party customer H (state owned), located in Xichang, Sichuan, is principally engaged in the business of transportation, logistics, sales and purchase of iron ore products and metal materials.

6. The Contracted Sales Prices are exclusive of VAT.

7. The Contracted Sales Prices include transportation expenses from our processing plants or our processing contractors' plants to the nearest train stations.

These sales contracts (including those signed with Weiyuan Steel) require customers to purchase specified quantities for each contracted year but do not require us to supply such amounts. In addition, these sales contracts stipulate that the sale prices of our products are subject to adjustments based on the market prices of these products at the time of delivery. It is a general industry practice for producers to sell iron ore products at the market prices at time of delivery. As such, our Directors confirm that these sales contracts with Independent Third Party customers were concluded on an arm's length basis. We also do not engage in any hedging measures as hedging is not a common industry practice in the PRC.

Our customers voluntarily entered into these contracts because suppliers of iron ore products are in a stronger bargaining position as demand for iron ore products outstrips supply in Sichuan and in the PRC generally, and because our customers wish to maintain a long term business relationship with us. In addition, because our iron ore products are mainly used as raw material for steel production and steel producers must secure a stable supply of large quantities of iron ore, our customers tend to purchase large quantities of iron ore products from us. From our customers' perspective, their demand for iron ore is protected by executing sales contracts with us. Notwithstanding that we are not required to supply the contracted sales volume, we have agreed to use reasonable commercial efforts to supply the contracted sales volume to our customers.

These contracts, which are legal and valid under the laws of the PRC, are binding on ourselves and our customers. If any of our customers fails to purchase the contracted sales volume, these contracts entitle us to claim against such customer for breach of contract. In such an event, we would locate a substitute customer to purchase the relevant contracted sales volume. Because iron ore is a commodity, iron ore prices fluctuate based on global market forces of supply and demand. Based on our location and the other factors such as demand listed above, we thus expect that as long as we are prepared to sell our products at the market price, we will have sufficient customers to purchase the increased volume of our products. Further, as long as there is a supply shortage of and increasing demand for iron ore products in Sichuan and the PRC, our Directors believe that there will be no material adverse effect on our business, financial conditions and results of operations in the event that (i) we do not supply all of the contracted sales volumes to our customers in 2008, 2009 and 2010 and (ii) any of our customers fails to purchase its contracted purchase volume.

We entered into contracts and relevant supplemental agreements with these new Independent Third Party customers because these contracts are commercially beneficial to us for the following reasons:

(i) the sales contracts oblige our customers to purchase the contracted sales volume, and these terms are binding on our customers;

(ii) the sales contracts do not oblige us to supply the contracted sales volume and we therefore have the option, if we consider it commercially beneficial to do so, to decide not to supply or sell the contracted amounts to a given customer; and

(iii) the supplemental agreements that set forth minimum sales prices entered into with our Independent Third Party customers (a) set a floor for our sales revenue in 2009 and 2010 because our customers are obliged to pay the minimum sales price per tonne of the iron ore product even if the market price falls below the minimum sales price and (b) in the event that the market price rises above the minimum sales price, these supplemental agreements will contribute positively to our sales revenue because they oblige the customers to pay a higher price in an amount equal to the sum of the minimum sales price and an amount to be agreed that is not more than 50.0% of the increase in the market price above the minimum sales price.

In 2008, our Independent Third Party customers did not purchase the total contracted sales volume of iron ore products from us. As of the Latest Practicable Date, we have not exercised our rights under our sales contracts to require our customers to purchase all of the contracted sales volume under the sales contracts if they fail to purchase all of the contracted sales volume from us.

Our Independent Third Party customers did not purchase their respective total contracted sales volumes of iron ore products from us because when it was time to place their orders with us, they did not require the same amount of iron ore products as had been anticipated. We were willing to waive the outstanding volume not purchased by these customers for the following reasons:

(1) more than half of our major Independent Third Party customers purchased more than 80.0% of their respective contracted sales volume of iron ore products from us in 2008. We regard customers that contract for more than 50.0 Kt of iron ore products to be our major customers. In 2008, four out of six major customers acquired more than 80% of their respective contracted sales volume in 2008;

(2) we entered into a contract with a new Independent Third Party customer (Independent Third Party customer G) in September 2008 and the actual sales volume of iron concentrates sold to this customer partially offset the outstanding volume of iron concentrates not purchased by the other Independent Third Party customers;

(3) we commenced negotiations with a new Independent Third Party customer (Independent Third Party customer H) in late 2008 and entered into a contract with it on January 1, 2009 for a contracted sales volume of 360.0 Kt of iron concentrates for 2009, representing 27.1% of the total contracted sales volume of iron concentrates for 2009. Independent Third Party customer H has also paid us a prepayment of RMB10.0 million. Given the size of this order, we have to maintain a certain level of inventory of iron concentrates to meet Independent Third Party customer H's demand, and were therefore willing to waive the outstanding volume of iron concentrates not purchased by the other customers; and

(4) these customers had agreed in their respective contracts not to sue us if we failed to supply the full contracted sales volume of iron ore products and given also that the amounts not purchased were relatively small, we considered it appropriate to waive the contract purchase requirements in order to maintain a good working relationship with our customers.

In 2008, we did not receive any deposits from these Independent Third Party customers pursuant to our contracts with them. In 2009, except for the prepayment made by Independent Third Party customer H, we have not received any deposits from these Independent Third Party customers pursuant to such contracts.

We did not deliver iron pellets to Chengdu Yushengtian for the six months ended June 30, 2008 because it did not request delivery of our iron pellets during that period. We began delivering our iron pellets to Chengdu Yushengtian in August 2008. As of December 31, 2008, we had delivered to Chengdu Yushengtian approximately 73.8% of the contracted sales volume of iron pellets for 2008.

In summary, our Directors believe that the increase in the supply of our iron ore products to our Independent Third Party customers has been successful. As can be seen from the table below, approximately 67.9% and 65.5% of sales volume of our iron concentrates and 93.8% and 100% of total sales volume of our iron pellets in 2008 and for the six months ended June 30, 2009, respectively, are supplied to Independent Third Party customers. Correspondingly, more than 78.9% and 82.7% of our total revenue is derived from our sales to our Independent Third Party customers in 2008 and for the six months ended June 30, 2009, respectively.

	For the year ended December 31, 2008				Six months ended June 30, 2009			
	Sales volume (Kt)	%	Revenue (RMB million)	%	Sales volume (Kt)	%	Revenue (RMB million)	%
Iron Concentrates								
Weiyuan Steel	255.5	32.1	152.7	30.8	159.7	34.5	84.2	35.2
Independent Third Party customers . . .	541.4	67.9	342.9	69.2	303.6	65.5	155.2	64.8
	796.9	100.0	495.6	100.0	463.3	100.0	239.4	100.0
Iron Pellets								
Weiyuan Steel	18.8	6.2	14.4	5.7	—	—	—	—
Independent Third Party customers . . .	286.6	93.8	237.9	94.3	332.5	100.0	240.5	100.0
	305.4	100.0	252.3	100.0	332.5	100.0	240.5	100.0

Our Directors confirm that (i) our distributors' customers consist mainly of iron pelletizing plants and steel mills; and (ii) Weiyuan Steel did not purchase any iron ore products from our distributors in 2008 and for the six months ended June 30, 2009.

Collection of trade receivables from new customers

Although we have a short history of dealing with our new Independent Third Party customers, we have not encountered difficulties in collecting trade receivables from them. As of June 30, 2009, none of the balance of our trade receivables was overdue.

Except as disclosed herein, to the knowledge of our Directors, none of our Directors, their respective associates or any Shareholders owning more than 5% of the issued Shares had any interest in any of our five largest customers during the Track Record Period.

Recent global economic trends and impact on our business

Due to the recent global economic slowdown and its effect on demand for our products, the average selling price of our iron concentrates and iron pellets decreased by approximately 23.8% and 11.7%, respectively, between June 2008 and June 2009. The table below shows the monthly average selling prices per tonne of our iron concentrates and iron pellets, respectively, from June 2008 to June 2009.

	Average selling price per tonne (RMB)												
	Month ended June 30,	Month ended July 31,	Month ended August 31,	Month ended September 30,	Month ended October 31,	Month ended November 30,	Month ended December 31,	Month ended January 31,	Month ended February 28,	Month ended March 31,	Month ended April 30,	Month ended May 31,	Month ended June 30,
	2008							2009					
Iron concentrates	764.5	733.1	758.2	696.7	603.4	457.3	465.2	519.4	468.6	475.2	510.0	514.4	582.3
Iron pellets	935.6	954.5	936.7	904.6	805.1	651.0	679.7	682.8	676.1	675.7	684.7	717.5	826.5

In 2008, the highest monthly average selling price of our iron concentrates was RMB764.5 per tonne in June 2008 and the lowest monthly average selling price of our iron concentrates was RMB457.3 per tonne in November 2008. In 2008, the highest monthly average selling price of our iron pellets was RMB954.5 per tonne in July 2008 and the lowest monthly average selling price of our iron pellets was RMB651.0 per tonne in November 2008. For the six months ended June 30, 2009, the highest monthly average selling price of our iron concentrates was RMB582.3 per tonne in June 2009 and the lowest monthly average selling price of our iron concentrates was RMB468.6 per tonne in February 2009. For the six months ended June 30, 2009, the highest monthly average selling price of our iron pellets was RMB826.5 per tonne in June 2009 and the lowest monthly average selling price of our iron pellets was RMB675.7 per tonne in March 2009. The average selling prices of our iron concentrates and iron pellets have shown signs of stabilization beginning in February 2009.

Despite a decrease in the monthly average selling prices of our products, our sales volume and revenue of our iron concentrates and iron pellets in 2008 increased when compared to the sales volume and revenue of our iron concentrates and iron pellets in 2007 because the production volume and the average selling price of our iron ore products increased in 2008. Our production volume of iron concentrates and iron pellets increased from 519.0 Kt to 1,163.8 Kt, and from 249.0 Kt to 325.3 Kt, respectively, from 2007 to 2008, due to an increase in the production capacity of our iron ore products from 2007 to 2008. The production capacity of our iron concentrates (including the iron concentrates allocated to us by our first Independent Third Party Processing Contractor in 2007 and 2008, respectively) in 2007 and 2008 was 600.0 Kt. and 1,550.0 Kt, respectively. In 2007, the production capacity of our iron pellets was 333.0 Kt. In 2008, the production capacity of our iron pellets was 380.0 Kt (including the 20.0 Kt of iron pellets allocated to us by our first Independent Third Party Pelletizing Contractor in 2008). See "— Our Production Operations and Facilities — Production facilities" in this section. As a result of the increase in the production volume of our iron ore products and the increase in their average selling prices in 2008 described above, our revenue increased in 2008.

As of June 30, 2009, the total contracted sales volume of iron concentrates and iron pellets for 2009 was currently 1.3 Mt and 710.0 Kt, respectively. For the six months ended June 30, 2009, the actual sales volume of iron concentrates and iron pellets was 463.3 Kt and 332.5 Kt, respectively, representing 34.8% and 46.8% of the contracted iron concentrates and iron pellets for 2009, respectively.

Based on the monthly figures from January to June 2009 (which do not reflect a major difference in the average selling prices of each iron ore product from month to month), our Directors believe that the average selling prices of iron concentrates and iron pellets have stabilized and we expect that the price will gradually increase for the remainder of 2009. Beginning June 1, 2009, we have also entered into supplemental agreements with our customers of iron ore products to specify the pricing arrangements for 2009 and 2010 and these agreements set a floor for our sales revenue because our customers are obliged to pay a minimum sales price per tonne of the iron ore product even if the market price falls below the minimum sales price and, in the event that the market price rises above the minimum sales price, will contribute positively to our sales revenue because they oblige the customers to pay a higher price in an amount equal to the sum of the minimum sales price and an amount to be agreed that is not more than 50.0% of the increase in the market price above the minimum sales price.

Given the current uncertainty in recent global economic trends, it is difficult to forecast trends in iron ore prices in the near to medium future. Our directors believe that the following factors will contribute positively to our sales volume:

- we have entered into sales contracts with Weiyuan Steel and nine Independent Third Party customers and seven Independent Third Party Customers, respectively, for 2009 and 2010, for amounts sufficient to account for 100.0% of our estimated production of iron ore products for 2009 and 2010;

- we are located close to the large majority of our current customers and to the rail networks that serve our customers;
- the possibility of a reduction in demand for iron ore products arising from the global economic slowdown may be partially offset by the increase in demand for steel required for Sichuan reconstruction plans. See "— Customers — Recent global economic trends and impact on our business — Sichuan reconstruction plans" in this section and the "Industry Overview — PRC Policies and Regulations Supporting Growth in the Mining and Steel Industries" section in this prospectus; and
- as iron ore is a commodity, iron ore prices fluctuate based on global market forces of supply and demand. Based on our location and the other factors listed above, we thus expect that as long as we are prepared to sell our products at the market price, we will have sufficient customers to purchase the increased volume of our products.

Sichuan reconstruction plans

Following the Sichuan earthquake in May 2008, the PRC government announced reconstruction plans for the areas affected by the earthquake. See the "Industry Overview — PRC Policies and Regulations Supporting Growth in the Mining and Steel Industries — Sichuan reconstruction plans" section in this prospectus. We believe these reconstruction plans will create an increase in the demand for steel in Sichuan. Because of the geographical proximity of Sichuan steel producers to areas targeted by the Sichuan reconstruction plans, we expect that Sichuan steel producers will be the major suppliers of steel for these reconstruction projects. According to the Sichuan Development and Reform Commission, the demand for steel products in Sichuan in 2009 and 2010, is projected to be 36.7 Mt and 32.6 Mt, respectively. When compared to total annual steel demand in Sichuan in 2007 of approximately 20.0 Mt, these projections indicate that the PRC government expects the increase in demand for steel products by 16.7 Mt and 12.6 Mt in 2009 and 2010, respectively, to be primarily due to the reconstruction of Sichuan.

In addition to these economic stimulus and Sichuan reconstruction plans, the PRC government has recently announced various policies to promote the production of high-strength steel and requiring the use of high-strength steel in construction, including, as a response to the events of the Sichuan earthquake in May 2008, standards for the seismic protection of buildings that raise the strength requirements for steel used in construction. See the "Industry Overview — PRC Policies and Regulations Supporting Growth in the Mining and Steel Industries — Policies on the use of high-strength steel in construction" section in this prospectus.

Steel production companies in Sichuan have commercial incentives to purchase large quantities of iron ore from iron ore producers located in Sichuan due to significant transportation costs and the higher prices of imported iron ore products. As such, our Directors believe that an increase in the demand for iron ore products in the PRC and in Sichuan will alleviate the fall in market prices of iron ore products in Sichuan. Therefore, even though we have not currently entered into nor plans to enter into any specific agreements with any relevant government authority or steel production companies for the supply of iron ore products for Sichuan reconstruction plans, our Directors believe that we will nevertheless benefit from these Sichuan reconstruction plans.

COMPETITION

According to the records of Sichuan Metallurgy Economic Association (四川省冶金經濟協會), we are the second largest operator of iron ore mines in Sichuan based on our actual output volume of iron ore in 2008 and for the six months ended June 30, 2009, ranking after a state-owned enterprise. As of June 30, 2009, our market share of iron ore output in Sichuan was 9.2%.

We regard an iron ore producer in Sichuan as our competitor if (i) its operations are large in scale with an annual production capacity of iron concentrates of not less than 600.0 Kt and (ii) it supplies iron ore products mainly to unrelated third party customers. Based on these criteria, of the 53 iron ore producers (excluding ourselves) on the records of the Sichuan Metallurgy Economic Association (四川省冶金經濟協會) as of June 30, 2009, we would only consider one to be our competitor. According to the records of the Sichuan Metallurgy Economic Association (四川省冶金經濟協會), in terms of the actual output volume of iron ore in 2008 and the six months ended June 30, 2009, our competitor's output volume of iron ore was slightly less than ours. We consider competition to be limited among large iron ore producers in Sichuan because there are few businesses of a scale large enough to compete with us and because there is a shortage in the supply of iron ore products in Sichuan.

Our Directors further believe that although there may be competition among iron ore producers in Sichuan, we have a competitive advantage over our competitors mainly because of (i) our scale of operations and (ii) our close proximity to the railroad transportation network. Our Directors believe that we benefit from economies of scale in our mining and processing operations as well as in our sales operations due to our size. Also, because our mines and processing plants are located close to the railroad transportation network, the transportation costs borne by our customers when transporting our products to their locations are reduced. See "— Competitive Strengths" in this section.

The price of rail transport in the PRC is regulated by the Ministry of Railways and the NDRC as set forth in the price list issued by the Ministry of Railways and the NDRC, the latest having been in effect since July 1, 2008. Transportation contractors charge additional fees depending on services offered. A review of the rates charged for iron concentrates by an Independent Third Party transportation company in Zhanjiang city since January 2009 shows that the cost of the rail transportation from Zhanjiang port (湛江港) in Guangdong to Zizhong (資中), a county located approximately 189 km southeast of Chengdu, is RMB242.0 per tonne. Such rail transportation costs represented 46.8% of our average selling price of iron concentrates for the six months ended June 30, 2009. A review of the rates charged for transportation of iron concentrates by an Independent Third Party transportation company in Fangchenggang city since January 2009 shows that the cost of the rail transportation from Fangchenggang port (防城港港口) in Guangxi to Zizhong is RMB242.5 per tonne. Rail transportation costs represented 46.9% of our average selling price of iron concentrates for the six months ended June 30, 2009. Because domestic transportation expenses are high, it is relatively more economical to purchase iron ore products from local producers rather than pay the even higher transportation costs associated with imported iron ore. Given the regulation of the PRC rail transportation industry, our Directors do not anticipate that railway transportation prices would be reduced to the extent that imported iron ore products will become price competitive with locally-produced iron ore products in the near to medium term.

RESEARCH AND DEVELOPMENT

We emphasize technological research and development and strive to develop and apply new technology and techniques in both our mining and production operations. We have been collaborating with the Institute of Multipurpose Utilization of Mineral Resources at the Chinese Academy of Geological Sciences (中國地質科學院礦產綜合利用研究所) (“IMUMR”), a subsidiary of the China Geological Survey (中國地質調查局), which is a non-profit entity directly under the authority of the MLR. Pursuant to a technological development contract signed by Baicao Mine with IMUMR in August 2007 and pursuant to a similar contract signed by Xiushuihe Mine with IMUMR in January 2008, we have agreed to cooperate in the research of, among other topics, the beneficiation process of iron from our mines. We have also collaborated on a test report titled “An Experimental Test Report on Iron and Titanium Separation for Baicao Vanadium-Bearing Titanomagnetite Ore” which was published in February 2008. The objective of the report was to guide our upgrade and construction plans for our processing equipment. Our Independent Technical Advisor confirms that the results outlined in our report are achievable and that the results will be a dependable guide for our production process upgrade and construction plans.

Our Directors believe that through implementation of the research and development results by adopting the suggested beneficiation procedures and tail subsidence techniques, we can improve our operational efficiency. In addition, our research and development activities are intended to provide guidance on how to carry out our planned expansion and upgrade in the most cost efficient and productive manner to improve the product quality and our market competitiveness.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we are the registered owner of the trademark “”, “” in series of color and black and white and the trademark “中國鐵鈦 CHINA VTM MINING”, “中国铁钛 CHINA VTM MINING” using both traditional and simplified Chinese characters in Hong Kong. In addition, we are in the process of applying for the registration of two trademarks in the PRC. Details of such trademarks and trademark applications and other intellectual property rights are set out in the “Statutory and General Information — Further Information about Our Business — Intellectual property rights” attached as Appendix VII to this prospectus.

We have not been involved in any claims with respect to the infringement of intellectual property rights belonging to third parties and, to the knowledge of our Directors, there are no such claims pending or threatened.

MANAGEMENT STRUCTURE AND EMPLOYEES

For information about our employees, see the “Directors, Senior Managements and Employees” section in this prospectus.

REGULATORY COMPLIANCE ISSUES

Mining activities

The PRC laws and regulations governing vanadium-bearing titanomagnetite mining activities, including the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法》), Implementing Rules on the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法實施細則》), Regulations on Work Safety License (《安全生產許可證條例》) and Implementing Rules on the Work Safety License of Non-coal Mines (《非煤礦礦山企業安全生產許可證實施辦法》), require mining operators such as ourselves to obtain business licenses, mining permits and safety production permits before commencing mining operations. See the "PRC Laws and Regulations" section in this prospectus. As advised by our PRC legal advisors, we have obtained the necessary business licenses, mining permits and safety production permits. See "— Properties" in this section for information relating to our land use rights.

Breach of PRC regulations

We were in breach of PRC regulations on the following occasions:

1. On April 16, 2005, the People's Government of Huili County (會理縣人民政府) found that the discharge of waste water by Huili Caitong failed to meet the relevant standards as a result of inadequate maintenance of the waste water treatment system and ordered Huili Caitong to take remedial actions to improve its waste water treatment system to meet these standards on or before June 30, 2005. The Huili County Construction Environmental Protection Bureau did not impose any penalties or fines on us for this breach. On June 27, 2005, we obtained a confirmation from Huili County Construction Environmental Protection Bureau (會理縣人民政府對縣建設環境保護局) confirming that we had rectified this problem. As confirmed by our Directors, the waste water discharge issue existed at the time we acquired the Baicao Mine and we had dedicated time and efforts to rectify the problem prior to the order from the People's Government of Huili County. Since the receipt of the order in 2005, we have not received any other orders with regard to the waste water discharge. Our Directors confirm that there was no revenue and/or profit derived by Huili Caitong from the above breach from April 16, 2005 to June 27, 2005.
2. On April 19, 2006, the Huili Land and Resources Bureau (會理縣國土資源局) ordered Xiushuihe Mining to cease its mining operations in an area of 29,100 sq.m. that was not covered by its mining permit (the "29,100 sq.m. Area"). We had been utilizing the 29,100 sq.m. Area for our mining operations since late January 2006. On April 19, 2006, Xiushuihe Mining ceased to occupy the 29,100 sq.m. Area in accordance with the order from the Huili Land and Resources Bureau. On March 31, 2008, Huili Land and Resources Bureau confiscated Xiushuihe Mining's income in the amount of RMB100,000 from the mining operations it carried out in the 29,100 sq.m. Area from late January 2006 to April 19, 2006 and imposed a fine of RMB100,000. We paid these penalties to Huili Land and Resources Bureau. On March 31, 2008, Huili Land Bureau confirmed that we no longer occupy the 29,100 sq.m. Area. Our Directors confirm that the revenue derived by Xiushuihe Mining in respect of the above breach from late January 2006 to April 19, 2006 was RMB98,000. The profit derived by Xiushuihe Mining during the same period was RMB19,000.
3. On March 7, 2007, the Huili County Forestry Administrative Bureau (會理縣林業局) ordered Huili Caitong to cease its mining operations in a forestry area of 24,713 sq.m. (the "Forestry Area") that had been undertaken without obtaining the bureau's prior approval. On April 19, 2007, the Huili County Forestry Administrative Bureau imposed a fine of RMB291,750 on Huili Caitong and ordered Huili Caitong to plant 9,620 trees in the area. On July 20, 2008, the Huili County Forestry Administrative Bureau confirmed that we have paid the fine, planted the requisite number of trees and no longer occupy the Forestry Area. Our Directors confirm that the revenue derived by Huili Caitong in respect of the above breach from March 7, 2007 to April 19, 2007 was RMB20,000. The profit derived by Huili Caitong during the same period was RMB9,000.

4. On January 20, 2007, the Huili Land and Resources Bureau imposed a fine of RMB474,000 on Xiushuihe Mining for undertaking mining operations on an area of 79,000 sq.m. that was not covered under the applicable short-term land use rights certificate (the "79,000 sq.m. Area") from early April 2006 to late August 2006. The Huili Land and Resources Bureau also ordered Xiushuihe Mining to pay a short-term land use management fee of RMB112,000 for its occupation of the 79,000 sq.m. Area from early April 2006 to December 2006. On January 20, 2007, we were permitted to apply for a short-term land use rights certificate for the 79,000 sq.m. Area and obtained the short-term land use rights certificate in September 2007. Under the short-term land use rights certificate obtained in September 2007, we were permitted to use the land at Xiushuihe mine for 2007 for our mining purposes. Our Directors confirm that the revenue derived by Xiushuihe Mining in respect of the above breach from early April 2006 to December 2006 was RMB28,000. The profit derived by Xiushuihe Mining during the same period was RMB55,000.

Incidents two and four described above occurred because the mining contractor failed to operate within the permitted mining boundary after we had provided the mining contractor with the plan showing the permitted mining boundary obtained from the Huili Land Bureau. In two routine inspections of Xiushuihe Mine by the officials of Huili Land Bureau, they discovered that we may have been operating beyond the permitted mining boundary. Huili Land Bureau engaged a third party surveyor who used GPS and other relevant technology after each routine inspection to confirm that we had not been operating within our permitted mining boundary. Our Directors confirm that such violations were unintentional.

To help avoid the recurrence of these or any other regulatory non-compliance incidents, we have adopted the following measures:

- Our on-site monitoring staff conducts regular inspections to identify any potential problems and/or violations;
- We require our mining contractor to (i) conduct a thorough inspection of the land areas prior to starting a new mining operation and (ii) to place coordination points along the permitted mining boundary;
- We have prepared an internal handbook on environmental safety management; and
- As of June 30, 2009, we had seven employees conducting regular inspections on our environmental protection facilities to determine whether our environmental protection measures comply with our internal rules. Most of these employees have completed their high school education in the PRC and their experience in environmental protection related work ranges from one year to 15 years.

When we applied for new short-term land use rights from the Huili Land Bureau in late 2007, the Huili Land Bureau engaged an external surveying institution which used GPS and other relevant technology to ascertain the boundary of the land permitted to start a new mining operation pursuant to our application. When the boundary was confirmed by the external surveying institution, we placed markers on coordination points along the permitted mining boundary.

Following the implementation of the measures above, we have not received any non-compliance orders or notifications from government authorities. Except for the non-compliant acts disclosed above, and those described in the "Directors, Senior Management and Employees — Social Insurance and Housing Fund" section in this prospectus, based on the confirmations made by Huili Caitong, Xiushuihe Mining and each of their respective directors, our PRC legal advisors have advised us that (i) our current operating activities comply with the requirements of our current business licenses, safety production permits, mining permits and other relevant permits and licenses, the articles of association of the relevant member of our Group and the relevant requirements of the laws and regulations in all material respects and (ii) we are not in breach of the relevant tax, environmental protection, foreign exchange and labor laws and regulations in any material respect and there is no illegal occupation of any property by us.

Our Directors confirm that the penalties imposed by these PRC authorities in connection with the incident described above have been fully settled. As advised by our PRC legal advisors, these PRC authorities will not impose additional penalties regarding the incidents described above. Our Directors therefore consider it unnecessary to make provisions for potential penalties in connection with the incidents described above. In addition, our Controlling Shareholders have agreed to indemnify us for any losses, costs and expenses in respect of legal non-compliance occurring prior to Listing for which no provisions have been made in the audited accounts set forth in the Accountants' Report attached as Appendix I to this prospectus.

Our Directors have attended a training session provided by our Hong Kong legal advisors regarding the responsibilities, obligations and liabilities of directors of Hong Kong listed companies on June 16, 2008. The training is a typical training session usually provided to all directors of listed companies before the listing application and includes topics such as the general responsibilities of directors under the Listing Rules and the liabilities to be assumed by directors in respect of the listing documents and any other documents, corporate governance, connected transactions and notifiable transactions.

INSURANCE

Our PRC Legal Advisors have confirmed that, according to the confirmations issued by the governmental authorities of Huili County dated July 31, 2009 and August 5, 2009, we are in compliance with applicable PRC laws and regulations with respect to required insurance for our employees, such as pension insurance, medical insurance, labor injury insurance, maternity and unemployment insurance as of the issuance dates of the aforesaid confirmations. As of the Latest Practicable Date, we maintain the required PRC employee social benefits insurance and insurance for our transport vehicles. During the Track Record Period, we did not make any claims under our insurance policies that had a material adverse effect on our business, financial condition or results of operations.

We face comparatively lower levels of operational risk. Our open-pit mining method has a relatively lower level of risk than underground mining. We engage our Independent Third Party Mining Contractor to carry out all of the mining operations at our mines. We also engage our first Independent Third Party Processing Contractor to process the ore extracted at our Baicao Mine and our second Independent Third Party Processing Contractor to process the ore extracted at our Xiushuihe Mine, respectively. Under our mining and processing contractor contracts, our contractors are liable to us for any and all incidents concerning operational and production safety for their respective operations. During the Track Record Period, we did not experience any business interruptions or losses or damages to our facilities that had a material adverse effect on our business, financial condition or results of operations.

In addition, the majority of our buildings, ancillary structures and production facilities are of low commercial value. During the Track Record Period, we did not experience any losses or damages to our buildings, ancillary structures and production facilities as a result of any accidents. After taking into account the costs of insurance and the risks involved, our Directors believe that our insurance coverage was sufficient to protect our interests during the Track Record Period. Therefore, we do not maintain any fire, earthquake, liability or other property insurance with respect to our properties, equipment or inventories, with the exception of insurance coverage for our vehicles. We also do not maintain any business interruption insurance or third party liability insurance against claims for property damage, personal injury and environmental liabilities other than third party liability insurance for our vehicles.

Subject to the relevant disclosure in the "Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may be insufficient to cover our business risk" section in this prospectus, our Directors consider the insurance coverage on our assets to be adequate as of the Latest Practicable Date. We will continue to review and assess our risks and make necessary adjustments to our insurance practice to meet our needs and comply with industry practices in the PRC.

OCCUPATIONAL HEALTH AND SAFETY

With respect to matters relating to occupational health and safety, we are subject to, among other PRC laws and regulations, the PRC Production Safety Law (《中華人民共和國安全生產法》), the PRC Labor Law, the PRC Labor Contract Law and the PRC Law on the Prevention and Treatment of Occupational Diseases (《職業病防治法》).

The PRC Production Safety Law requires us to maintain safe working conditions as provided in the PRC Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. We are also required to provide production safety training to our employees. The design, manufacture, installation, use, inspection and maintenance of our equipment are required to conform with the applicable national or industrial standards.

The PRC Labor Law and the PRC Labor Contract Law require us to establish a system for labor safety and sanitation, to abide by applicable rules and standards and to educate our employees on such rules and standards. We are also required to provide our employees with labor safety and sanitation conditions that meet the standards set forth in relevant regulations and to provide regular health examinations for our employees engaged in hazardous activities.

Pursuant to the PRC Law on the Prevention and Treatment of Occupational Disease (職業病防治法), we are required to (1) establish and perfect the responsibility system of occupational disease prevention and treatment, strengthen the administration and improve the level of occupational disease prevention and treatment, and bear responsibility for the harm of occupational diseases engendered therefrom, (2) purchase social insurance for industrial injury, (3) adopt effective protective facilities against occupational diseases, and provide protective articles to the laborers for personal use against occupational diseases, (4) set up alarm equipment, allocate on-spot emergency treatment articles, washing equipment, emergency safety exits and safety zones for poisonous and harmful work places where acute occupational injuries are likely to take place and (5) inform the employees, according to the facts, of the potential harm of occupational disease as well as the consequences thereof and the protective measures and treatment against occupational diseases when signing a labor contract with employees.

We have an internal handbook on environmental safety management which sets forth, among other things, measures to prevent industrial accidents. As of the Latest Practicable Date, there has been only one reported minor injury to one employee, who suffered a fracture to his left wrist as a result of an accidental fall from the truck he was operating. Our Directors confirm that there is no potential liability to us arising from this injury because that employee has not made any claims against us for the injury and any such potential claim would in any case now be time-barred under PRC law. In view of the fact that this was purely an accident, the minor nature of the accident, and that there has only been one reported accident during the Track Record Period, our Directors are of the view that it is not necessary to take any remedial or rectification action. As of the Latest Practicable Date, we have not been subject to any claims arising from personal injury or environmental liability that have had a material adverse effect on our business, financial condition or results of operations. Our Directors believe that it is not necessary for us to maintain any business interruption insurance or third party liability insurance against personal injury and environmental liabilities.

We regard occupational health and safety as one of our prime responsibilities and have implemented a number of measures to ensure compliance with the stringent regulatory requirements. We have dedicated personnel and facilities to deal with these matters. We actively implement and enforce safety measures, best practice guidelines and reporting systems to prevent and reduce various dangers and risks. We provide occupational training to our new employees and special safety technical training to our technical staff. In addition, we also arrange health checks for our employees and provide social insurance to all of our employees as required under the applicable laws and regulations. As of the Latest Practicable Date, we have adequate insurance coverage for our employees in accordance with the PRC laws and regulations. Apart from the above, we also adopt a comprehensive emergency policy to provide guidance to our employees how to react in case of emergency.

In order to ensure employee safety and to avoid accidents, each of our mines and production plants maintains its own safety reporting system. We conduct regular internal inspections on safety compliance of each of our production sites on a monthly basis. Our Directors confirm that other than one employee injury in March 2006 (see "— Insurance" in this section for details), no accidents involving any personal injury or property damage have been reported to our management during the Track Record Period and that we have not been subject to any claims arising from any accidents involving personal injury or property damage during the Track Record Period that have a material adverse effect on our business, financial condition or results of operation.

ENVIRONMENTAL PROTECTION

We are subject to various PRC environmental laws and regulations, as well as local environmental regulations promulgated by local authorities. These laws and regulations cover a broad range of environmental matters, such as mining control, land reclamation, air emissions, noise control, discharge of wastewater and pollutants, waste disposal and radioactive element disposal control.

The PRC government is moving toward more rigorous enforcement of environmental laws and regulations and the adoption of more stringent environmental standards, which could have a material adverse effect on our financial condition and results of operations. See the "Risk Factors — Risks Relating to Our Business — Our business operations may be affected by current or future safety and environmental regulations" section in this prospectus.

Our PRC legal advisors have confirmed that according to the confirmation issued by the Huili County dated July 31, 2009, we have complied with all relevant environmental laws and regulations as of July 31, 2009. As of the Latest Practicable Date, we are not subject to any environmental claims, lawsuits, penalties or administrative sanctions.

Our operations have the following effects on the environment, such as: (1) our mining operations may cause soil erosion and deforestation and (2) our processing plants and Iron Pelletizing Plant may generate waste water, solid waste and cause noise pollution. In order to minimize our effect on the environment and manage the potential risks relating to environmental protection matters, we have in place an internal handbook on environmental safety management. It sets forth our environmental protection controls and measures. In particular, the handbook explains the methods of handling different types of pollutants and the standards we should achieve in ash emissions, dangerous chemicals and our noise control. As of June 30, 2009, we had seven employees who conduct regular inspections on our mines and production plants.

In addition, we have adopted a number of environmentally responsible practices in our operations to minimize the damage caused by our operations to the environment and manage the potential risks relating to environmental protection matters. We plant trees to compensate for the deforestation caused by our mining operations and near the mining areas after the completion of our mining operations. We have installed waste water collection and recycling systems at our processing plants and gangue warehouses. We have adopted different ash treatment and collection measures at each stage of our production process. We have installed recycling facilities in our processing plants to improve the ash emission of our facilities. We monitor our noise level by adopting various noise control methods such as the use of silencers. We also have internal rules on the management of our tailing storage facilities. We will continue to explore other means to further improve resource optimization and efficiency. Both of our mines have had their Environmental Impact Statements approved by the Huili County Environment Protection Bureau and processing activities at the current production levels. In addition, we have obtained the ISO 9001: 2000 quality management system certificate from CCIC Conformity Assessment Services Co., Ltd. We have also obtained a confirmation from the Huili County Environmental Protection Bureau on July 31, 2009 certifying the production process adopted by Huili Caitong and Xiushuihe Mining is in compliance with the relevant environmental standards. We also have an emergency plan for environmental disasters that may arise at our mines and processing facilities.

We intend to adopt new technology to further reduce the environmental effects of our operations. For example, we have adopted a high-intensity magnetic separation processing method which allows waste water produced from the production process to be recycled and reused. This processing method also reduces the amount of solid waste produced. Each of our processing plants have installed a waste water pool using the closed circuit method to minimize the discharge of waste water.

Our environmental protection expenditures have been mainly devoted to the installation of environmental protection facilities in our processing plants to comply with environmental protection laws and regulations and to upgrade our environmental protection systems. From January 1, 2009 through to June 30, 2009, we have spent a total of approximately RMB6.3 million on environmental protection. We estimate we will spend approximately RMB42.5 million on installing environmental protection facilities in our new processing facilities in 2009.

Prior to the launching of new production or expansion activities, we engage experts to conduct environmental feasibility studies. We assess the environmental impact of our new production, expansion or other projects with a view to minimizing the negative impact on the environment. We also submit any such expert reports or studies to the relevant local environmental protection bureau. The relevant local environmental protection bureau also conducts regular inspection of our production sites.

PROPERTIES

Owned properties

Long-term state-owned land use rights and building ownership

We hold long-term state-owned land use rights for the parcels of land used by our processing and pelletizing facilities.

(i) *Land with state-owned land use rights certificates*

As of the Latest Practicable Date, Huili Caitong and Xiushuihe Mining hold the long-term state-owned land use rights to hold and occupy nine parcels of land with an aggregate area of approximately 498,420.3 sq.m. in Huili County. The table below summarizes the use, date of issue, location, type of land use rights, size area and expiration date of the parcels of land for which Huili Caitong and Xiushuihe Mining occupy respectively:

Use	Date of Issue	Location	Type of land use rights	Current primary use	Area(m^2)	Expiration Date
Industrial	June 2, 2008	Lima River Village, Guanhe Townlet, Huili County, Liangshan Prefecture, Sichuan	Assignment	Iron Pelletizing Plant	45,372.0	May 28, 2058
Industrial	February 18, 2009	Sections No. 3 and No. 4, Kuangshan Village, Xiaoheiqing Townlet, Huili County, Sichuan	Assignment	Baicao Processing Plant	64,469.6	February 17, 2059
Industrial	February 18, 2009	Section No. 3, Kuangshan Village, Xiaoheiqing Townlet, Huili County, Sichuan	Assignment	Baicao Processing Plant	3,279.2	February 17, 2059
Industrial	February 18, 2009	Section No. 3, Kuangshan Village, Xiaoheiqing Townlet, Huili County, Sichuan	Assignment	Baicao Processing Plant	4,977.2	February 17, 2059

Use	Date of Issue	Location	Type of land use rights	Current primary use	Area(m²)	Expiration Date
Industrial	February 18, 2009	Sections No. 1 and No. 3, Kuangshan Village and Section No. 1, Hongliang Village, Xiaoheiqing Townlet, Huili County, Sichuan	Assignment	Baicao Processing Plant	70,930.5	February 17, 2059
Industrial	February 18, 2009	Section No. 3, Kuangshan Village, Xiaoheiqing Townlet, Huili County, Sichuan	Assignment	Baicao Processing Plant	105,601.1	February 17, 2059
Industrial	November 13, 2008	Section No. 1, Baisha Village, Xiaoheiqing Townlet, Huili County, Sichuan	Assignment	Xiushuihe Processing Plant	37,995.3	November 12, 2058
Industrial	November 13, 2008	Section No. 1, Laoyingpan Village, Ailang Townlet, Huili County, Sichuan	Assignment	Xiushuihe Processing Plant	75,868.2	November 12, 2058
Industrial	November 13, 2008	Section No. 3, Chelin Village, Ailang Townlet, Huili County, Sichuan	Assignment	Xiushuihe Processing Plant	89,927.3	November 12, 2058

(ii) *Building ownership certificates*

We have obtained the building ownership certificates for the buildings located on the parcels of land occupied by Huili Caitong and Xiushuihe Mining. As of the Latest Practicable Date, such buildings cover an aggregate floor area of approximately 26,845.4 sq.m.

In addition, our Directors confirm that our properties were not affected by the Sichuan earthquake in May 2008 and have received a confirmation issued by the People's Government of Huili County confirming the quality and safety of the Affected Buildings. See "— Our Mineral Resources and Mining Rights — Overview" in this section.

The following table sets forth the relevant information on the revenue and profits derived by our processing and pelletizing facilities that were operated without the required state-owned land use rights certificates during the Track Record Period:

	Year ended December 31,									Six months ended June 30,		
	2006			2007			2008			2009		
	Revenue (RMB'000)	Gross profit (RMB'000)	Net profit (RMB'000)	Revenue (RMB'000)	Gross profit (RMB'000)	Net profit (RMB'000)	Revenue (RMB'000)	Gross profit (RMB'000)	Net profit (RMB'000)	Revenue (RMB'000)	Gross profit (RMB'000)	Net profit (RMB'000)
Huili Caitong	82,970	50,560	14,620	102,030	60,360	25,320	206,112	113,386	97,734	19,228	8,716	5,684
Xiuishuihe Mining	29,340	5,770	1,290	36,450	11,790	3,030	158,903	103,067	71,953	—	—	—

Short-term land use rights

As is common industry practice, we do not carry out mining operations at our mines over the entire area covered by the applicable mining permit, but rather design our long-term mining plans to include multiple mining operations on smaller parcels of land within the larger area. Because these smaller parcels of land are designated collectively-owned land, we have secured short-term land use rights for our mining operations based on Article 57 of the Land Administration Law. Such short-term land use rights have a maximum two-year term. Despite the fact that these short-term land use rights may be renewed, we believe it to be more time and cost efficient to design our mining operations on these smaller parcels of land to deplete the mineral reserves within two years. By limiting the scope of our mining operations in this way, we can apply for short-term land use rights with a term of less than two-years and avoid the need to renew existing short-term land use rights. We are, nevertheless, prepared to renew our existing short-term land use rights if our long-term planning schedule changes or if we encounter deviations between projected and actual mineral reserves. During the Track Record Period, all of our revenue and profits from our mining operations were derived from open-pit mines operated pursuant to applicable short-term land use rights.

Pursuant to Article 30 of the Implementation Rules for the Mineral Resources Law of the PRC, we, as holders of valid mining permits, have the legal right to obtain, in accordance with the relevant laws and regulations, the land use rights with respect to the parcel(s) of land required to meet our production and construction needs. Pursuant to Article 57 of the Land Administration Law, we may use collectively-owned land on a short-term basis of not more than two years if we (i) have been granted short-term land use rights by the competent government authority and (ii) have entered into land use agreements with the relevant rural collective economic entity or village committee.

(i) *Grant of short-term land use rights from a competent government authority*

As of the Latest Practicable date, Huili Caitong holds the short-term land use rights to hold and occupy five parcels of land with an aggregate area of approximately 443,748.6 sq.m. in Huili County, Sichuan. Xiushuihe Mining holds the short-term land use rights to hold and occupy two parcels of land with an aggregate area of approximately 131,694.0 sq.m. in Huili County, Sichuan.

The table below summarizes our current short-term land use rights:

No.	Holder of short-term land use rights	Date of issue	Term	Location	Area(m²)	Type of Land
1.	Huili Caitong	March 6, 2009	From January 1, 2009 to December 31, 2009	Kuangshan Village, Xiaoheiqing Townlet, Luchang District, Huili County (1st and 2nd mining areas)	77,018.1	Collectively-owned land
2.	Huili Caitong	March 6, 2009	From January 1, 2009 to December 31, 2009	Kuangshan Village, Xiaoheiqing Townlet, Luchang District, Huili County (3rd mining area)	98,148.7	Collectively-owned land
3.	Huili Caitong	March 6, 2009	From January 1, 2009 to December 31, 2009	Kuangshan Village, Xiaoheiqing Townlet, Luchang District, Huili County (4th mining area)	92,127.6	Collectively-owned land
4.	Huili Caitong	March 6, 2009	From January 1, 2009 to December 31, 2009	Kuangshan Village, Xiaoheiqing Townlet, Luchang District, Huili County (1st and 2nd waste rock dumps)	99,220.5	Collectively-owned land
5.	Huili Caitong	March 6, 2009	From January 1, 2009 to December 31, 2009	Kuangshan Village, Xiaoheiqing Townlet, Luchang District, Huili County (2nd and 3rd waste rock dumps)	77,233.7	Collectively-owned land
6.	Xiushuihe Mining	March 6, 2009	From January 1, 2009 to December 31, 2009	Laoyingpan Village, Ailang Townlet, Luchang District, Huili County (1st mining area)	55,160.5	Collectively-owned land
7.	Xiushuihe Mining	March 6, 2009	From January 1, 2009 to December 31, 2009	Baisha Village, Xiaoheiqing Townlet, Luchang District, Huili County (2nd mining area)	76,533.5	Collectively-owned land

During the Track Record Period, we did not encounter difficulties in obtaining or renewing the short-term land use rights for our mining operations. In 2005, we obtained two two-year short-term land use rights certificates. In 2007, we obtained two one-year short-term land use rights certificates that cover part of the land under the 2005 short-term land use rights certificates that was required for our mining operation in 2007. In 2008, we obtained five one-year short-term land use rights certificates required for our 2008 mining operations that cover part of the land under the 2007 short-term land use rights certificates we obtained in 2007. We plan to renew the short-term land use rights of Huili Caitong and Xiushuihe Mining when they expire on December 31, 2009. We will prepare for the renewal process by ascertaining the area of land required for our operations in 2010 in accordance with our mining plan, liaising with the Huili Land Bureau and setting up appointments with the Huili Land Bureau to confirm the delineation of the area to be covered by the new short-term land use rights certificates. We obtained an undertaking from the Huili Land Bureau dated April 9, 2008 in relation to the grant of new short-term land use rights or renewals of existing short-term land use rights during the effective 20-year term of the mining permits for each of our Baicao Mine and Xiushuihe Mine (which is further elaborated upon below), thus we do not foresee that there will be any material obstacles in the renewal of the short-term land use rights of Huili Caitong and Xiushuihe Mining.

In the event we discover further mineral reserves in a land parcel subject to short-term land use rights coming up for renewal and we are unable to renew such short-term land use rights, we may be unable to utilize the full mineral resources in that land parcel. In the event that we are not granted short-term land use rights for a new land parcel, we may be unable to undertake our mining operations in accord once with our long-term plans or encounter inefficiencies due to the revision of such plans. Should any or all of these situations occur, our business, financial condition and results of operations may be materially and adversely affected.

In response to such risks, we have obtained an undertaking from the Huili Land Bureau dated April 9, 2008 to the effect that it will grant short-term land use rights or renewals of existing short-term land use rights during the effective 20-year term of the mining permits for each of our Baicao Mine and Xiushuihe Mine. The Huili Land Bureau further stipulated in the same undertaking that, if so requested by us, it would grant such new short-term land use rights or renewals for any term up to the legal maximum of two years. This undertaking is valid during the 20-year term of the mining permits for our Baicao Mine and Xiushuihe Mine. Our PRC legal advisors have advised us that, because Huili Land Bureau is the competent authority both to grant short-term land use rights and to issue this undertaking pursuant to Article 57 of the Land Administration Law, this undertaking from Huili Land Bureau is legal and valid under PRC law and that this undertaking is legally binding on Huili Land Bureau.

(ii) *Land use agreements with a collective economic entity or village committee*

We have also entered into two kinds of land use agreements with the owners of the collectively-owned land, as represented by the village committees. The framework land-use agreements authorize us to use and occupy for mining purposes the entire area of land covered by the relevant mining permit for the full duration of that mining permit. With regard to each smaller parcel of land governed by short-term land use rights, we additionally enter into detailed land-use agreements that set forth details of the duration, area, method of use and relevant compensation for each such smaller area. These detailed land use agreements additionally stipulate that if we encounter changes to our mining plans and are required to renew the relevant short-term mining permit, then the land owners are obligated to grant us a renewal of the corresponding detailed land use agreement. With respect to all the framework agreements and detailed land use agreements that we have entered into to date, the relevant village committees have agreed not to accept any payments for the use of land, primarily because our mining operations have provided employment opportunities for the local residents.

After review of the resolutions passed by the relevant villages during the village residents' meeting, our PRC legal advisors have advised us that such resolutions comply with Articles 17 and 19 of the Law of Village Committee Organizations of the PRC (中華人民共和國村民委員會組織法) and that based on such resolutions, the relevant village committees have the authority to enter into the respective framework land use agreements and detailed land use agreements with us. Our PRC legal advisors are therefore of the opinion that the framework land use agreements and detailed land use agreements are legal and valid for the purposes of allowing us to conduct our mining activities on these parcels of land.

Because the framework land use agreements and the detailed land use agreements are legally valid, our Directors expect that the owners of the collectively-owned land will honor their commitments to allow us to use the relevant parcels of land at our Baicao Mine and Xiushuihe Mine pursuant to these agreements. However, if problems were to arise and these agreements were breached by the owners of the relevant collectively-owned land, we might be denied access to our mining operations and require substantial time, cost and effort to regain access, any or all of which may have a material adverse effect on our business, financial condition and results of operations. See the "Risk Factors — Risks Relating to Our Business and Industry — Our operations may be interrupted if we are denied access to our mines" section in this prospectus.

In the event of a breach of these agreements, we would request the Huili Land Bureau to intervene on our behalf pursuant to its undertaking to grant or renew the applicable short-term land use rights as discussed in (i) above. Pursuant to Article 30 of the Implementation Rules for the Mineral Resources Law of the PRC, the Huili Land Bureau is the entity responsible for ensuring, in accordance with the relevant laws and regulations, the protection of our legal rights as mine owners including but not limited to obtaining land use rights with respect to the parcel(s) of land required to meet our production and construction needs. As advised by our PRC legal advisor, based on the undertaking from the Huili Land Bureau dated April 9, 2008 and the land use agreements, there is no material legal impediment to us using and occupying for mining purposes the entire area of land covered by the relevant mining permit.

Leased properties

As of the Latest Practicable Date, Huili Caitong leased four storeys for office use in a building in Huili County with an aggregate gross floor area of approximately 531.1 sq.m., and an office in Longwei Mansion with an aggregate gross floor area of approximately 131.0 sq.m. We also leased an office in Hong Kong with an aggregate gross floor area of approximately 1,471.0 square feet.

The table below summarizes the lease term, location, size area and whether there is an option to renew:

	Location	Lease term	Size area	Option to renew
1.	Jianshe Road, Huili County (會理縣建設路)	February 1, 2009 to February 1, 2010	531.1m^2	Yes
2.	7/F, Longwei Mansion 198 Longdu South Road Longquanyi District Chengdu 610100 Sichuan	April 16, 2009 to August 14, 2011	131.0m^2	No
3.	Room 2201, 22/F, Wheelock House, 20 Pedder Street, Central, Hong Kong	September 10, 2009 to September 9, 2012	1,471.0 square feet	No

PROPERTY VALUATION

Jones Lang LaSalle Sallmanns Limited, an independent property valuation firm, has valued our property interests as of June 30, 2009. The text of Jones Lang LaSalle Sallmanns Limited's letter, the summary of valuation and the valuation certificates are set forth in Appendix IV to this prospectus.

LITIGATION

From time to time, we are involved in legal proceedings in the ordinary course of our business. As of the Latest Practicable Date, we were not involved in any legal or arbitration proceedings that we believe would have a material adverse effect on our business, financial condition or results of operations.

BACKGROUND INFORMATION OF CONTROLLING SHAREHOLDERS

Trisonic International

Trisonic International was incorporated in Hong Kong on July 19, 2006 as a private limited liability company. Trisonic International is currently an investment holding company. As of the Latest Practicable Date, Trisonic International is controlled by our Founders and its shareholders include our Founders and Kingston Grand.

Our Founders

Our Founders are the majority shareholders of Chuan Wei. Most of them currently form the management team of Chuan Wei. They are:

- Mr. WANG Jin (王勁) ("Mr. WANG"), who is one of our non-executive Directors. Mr. WANG has accumulated over 20 years of experience in steel production, raw material procurement and operations management in the steel industry. Mr. WANG has been the chairman of Chuan Wei since May 1998. In addition, he has been a director of Atlantic China Welding Consumables, Inc. (四川大西洋焊接材料股份有限公司), a company listed on the Shanghai Stock Exchange, since September 1999. In April 2000, Mr. WANG obtained the qualification of senior economist (高級經濟師) from the Sichuan Province Professional Title Reform Leading Group (四川省職稱改革領導小組), a PRC governmental authority. He served as a deputy to the 10th National People's Congress (第十屆全國人大代表) from March 2003 to March 2008 and he is currently serving as a deputy to the 11th National People Congress (第十一屆全國人大代表). He is also currently the director of the China Confederation of the Iron and Steel Industry (中國鋼鐵工業聯合會常務理事), the vice-chairman of the Sichuan Chamber of Commerce (四川省商會副會長), and the vice-chairman of the Sichuan Enterprise Confederation and Sichuan Entrepreneur Association (四川省企業聯合會暨企業家協會副會長).
- Mr. YANG Xianlu (楊先露), who was the vice-president of Chuan Wei from May 1998 to November 2005. He was the president of Chuan Wei from November 2005 to May 2008. He has over 20 years of experience in steel production, technology application and operational management in the steel industry.
- Mr. WU Wendong (吳文東), who has been the chief operating officer of Chuan Wei since September 2008. He was the head of research and development department of Chuan Wei from May 1998 to August 1999. He was the vice-president and chief engineer of Chuan Wei from August 1999 to September 2008. He has over 20 years of experience in quality control, research and development of products in the steel industry.
- Mr. ZHANG Yuangui (張遠貴), who has been the chief marketing officer of Chuan Wei since September 2008. He was the general manager of the sales department of Chuan Wei from May 1998 to May 2001. He was also the assistant to the president of Chuan Wei from February 2000 to May 2001. He was the vice-president of Chuan Wei from May 2001 to September 2008. He has over 20 years of experience in quality control and sales in the steel industry.
- Mr. SHI Yinjun (石銀君), who has been the chief financial officer of Chuan Wei since September 2008. He was the head of the finance department of Chuan Wei from May 1998 to May 2001. He was also the assistant to the president of Chuan Wei from February 2000 to May 2001. He was the chief accountant of Chuan Wei from May 2001 to December 2004. He was the vice-president and chief accountant from December 2004 to September 2008. He has over 20 years of experience in accounting related matters.

- Mr. LI Hesheng (李和勝), who has been the deputy secretary of the Communist Party Committee in Chuan Wei since December 2001 and the chairman of the labor union of Chuan Wei since October 2006. He was the vice-president of Chuan Wei from December 2004 to November 2005. He has over 19 years of experience in labor union and party administrative related work.

Kingston Grand

Kingston Grand is an investment holding company holding 40.0% of the issued share capital of Trisonic International.

EXCLUDED BUSINESSES

As of the Latest Practicable Date, Trisonic International holds 68.0% equity interest in Weiyuan Steel and 70.0% equity interest in Neijiang Bowei Combustion. Chuan Wei and Weiyuan Steel hold 29.43% and 0.57% equity interest, respectively, in Neijiang Chuanwei Special Steel.

Weiyuan Steel

Weiyuan Steel was established as a limited liability company in the PRC on April 3, 2001. Its predecessor was Weiyuan Steel Factory (威遠鋼鐵廠) which had been engaged in steel production since 1929. On August 24, 2006, with the approval of Sichuan Provincial Department of Commerce, Trisonic International contributed to the registered capital of Weiyuan Steel which then became a Sino-foreign equity joint venture enterprise. According to Weiyuan Steel's business license, it has a registered capital of approximately RMB553.2 million. It is currently engaged in steel production, such as the production of rolled steel wire for welding, low carbon hot-rolled steel wire, hot-rolled rib steel and hot-rolled bar.

As of June 30, 2009, Weiyuan Steel has an annual production capacity of 3.0 Mt of crude steel and is the second largest steel production company in Sichuan by annual production volume. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, it purchased a total of approximately 3.0 Mt, 3.4 Mt, 3.3 Mt and 1.7 Mt of iron ore products, respectively, out of which 336.8 Kt, 626.7 Kt, 274.3 Kt and 159.7 Kt of iron ore products were purchased from us for the years ended December 31, 2006, 2007 and 2008, respectively.

Weiyuan Steel was our single largest customer during the years ended December 31, 2006 and 2007. For the years ended December 31, 2006 and 2007, our sales to Weiyuan Steel accounted for approximately 96.5% and 94.1% of total our revenue for these periods, respectively. Beginning in January 2008, we began the process of increasing our sales to Independent Third Party customers in order to reduce our sales to Weiyuan Steel to approximately 30.0% or less of our total contracted sales revenue. As of December 31, 2008 and June 30, 2009, our sales to Weiyuan Steel accounted for only 21.1% and 17.3% of our total revenue, respectively. During such period, we supplied our products to Weiyuan Steel at market prices. See the "Business — Sales — Sales to Weiyuan Steel" section in this prospectus. Weiyuan Steel does not engage in any business that competes or is likely to compete with our business and has been operating independently from our Group. Other than Mr. WANG Jin, who is our non-executive Director and a director of Weiyuan Steel, there is no overlap between our Directors and management team and those of Weiyuan Steel. See "— Independence from Controlling Shareholders — Management independence" in this section.

Neijiang Chuanwei Special Steel

Neijiang Chuanwei Special Steel was established as a domestic limited company in the PRC on September 1, 1998 and converted to a Sino-foreign joint venture enterprise on September 4, 2006.

According to its business license, Neijiang Chuanwei Special Steel has a registered capital of RMB200.0 million. It is currently engaged in the business of steel smelting, steel compression processing and sales of steel products.

Neijiang Chuanwei Special Steel does not engage in any business that competes or is likely to compete with our business. Other than Mr. WANG Jin, who is our non-executive Director and a director of Neijiang Chuanwei, there is no overlap between our Directors and management team and those of Neijiang Chuanwei Special Steel. See "— Independence from Controlling Shareholders — Management independence" in this section.

Neijiang Bowei Combustion

Neijiang Bowei Combustion was established as a domestic limited company in the PRC on November 28, 1994 and converted to a Sino-foreign joint venture enterprise on September 4, 2006. According to its business license, Neijiang Bowei Combustion has a registered capital of RMB100.0 million. It is currently engaged in the production of metallurgical coke, coal tar, coke oven coal gas, ammonium sulfate, coal tar processing and crude benzol.

Neijiang Bowei Combustion does not engage in any business that competes or is likely to compete with our business. Other than Mr. WANG Jin, who is our non-executive Director and a director of Neijiang Bowei Combustion, there is no overlap between our Directors and management team and those of Neijiang Bowei Combustion. See "— Independence from Controlling Shareholders — Management independence" in this section.

Size of Weiyuan Steel, Neijiang Chuanwei Special Steel and Neijiang Bowei Combustion during the Track Record Period

The table below summarizes the revenue, cost of sales, gross profit, net profit, gross profit margin and total assets of Weiyuan Steel, Neijiang Chuanwei Special Steel and Neijiang Bowei Combustion during the Track Record Period based on the audited and unaudited financial statements of these companies prepared under the applicable PRC accounting standards:

	Year ended December 31,			Six months ended June 30,
	2006	2007	2008	2009
Weiyuan Steel				
Revenue (RMB million)	4,758.6	5,684.3	7,663.6	2,909.6
Cost of sales (RMB million)	4,495.6	5,326.8	7,526.2	2,787.2
Gross profit (RMB million)	246.8	341.7	137.3	122.4
Net profit (RMB million)	86.9	156.5	40.9	26.9
Gross profit margin (%)	5.5	6.3	1.8	4.2
Total assets (RMB million)	3,111.0	4,124.7	3,942.8	4,268.5
Neijiang Chuanwei Special Steel				
Revenue (RMB million)	1,528.1	2,162.6	2,002.7	248.6
Cost of sales (RMB million)	1,416.1	2,040.7	1,891.4	237.7
Gross profit (RMB million)	112.0	121.9	111.3	10.9
Net profit (RMB million)	69.9	71.5	45.4	11.6
Gross profit margin (%)	7.3	5.6	5.6	4.4
Total assets (RMB million)	598.3	763.9	730.3	751.0
Neijiang Bowei Combustion				
Revenue (RMB million)	1,031.7	1,158.9	1,682.8	678.5
Cost of sales (RMB million)	968.7	1,085.7	1,594.6	639.8
Gross profit (RMB million)	63.0	73.2	88.2	38.8
Net profit (RMB million)	16.5	27.9	39.9	20.8
Gross profit margin (%)	6.1	6.3	5.2	5.7
Total assets (RMB million)	432.0	706.1	507.0	471.9

The sales amount of our iron ore products to Weiyuan Steel in 2006, 2007 and 2008 and the six months ended June 30, 2009 was RMB203.7 million, RMB344.9 million, RMB167.1 million and RMB84.2 million, respectively. Such amounts represent 4.5%, 6.5%, 2.2% and 3.0%, respectively, of the total amount of the cost of sales of Weiyuan Steel in the same period. As the sales amount of our iron ore products to Weiyuan Steel only constitutes a small percentage of the total amount of the cost of sales of Weiyuan Steel during the Track Record Period, our Directors are of the view that Weiyuan Steel has not relied on us for the supply of raw materials for its production of steel products during the Track Record Period.

Reasons for not including Weiyuan Steel, Neijiang Chuanwei Special Steel and Neijiang Bowei Combustion in our Group

Our Founders have decided to position ourselves as a mining operator with a strong focus on iron and titanium-related products. All of the net proceeds from the Global Offering will be applied to the development of this business. Because the Excluded Businesses are so different from the business we intend to focus on, our Founders do not consider it commercially reasonable to put these businesses all in one group. In addition, Weiyuan Steel, Neijiang Chuanwei Special Steel and Neijiang Bowei Combustion have been operating as separate businesses independently from our Group during the Track Record Period and it therefore would require the significant reorganization of these companies to achieve integration with our Group and such reorganization would be difficult to complete in a cost-effective or timely manner.

Further, there are different business risks faced by the Excluded Businesses compared to those risks faced by our Group. The Excluded Businesses require substantial facilities and involve more complex supply and customer relationships than the mining business. For example, steel production requires significant capital investment in more sophisticated machinery and requires a workforce with a different skill set from those required in open-pit, low-skilled mining operations. Customer product specifications are also more varied, requiring greater control over the manufacturing process, and product quality is more difficult to control. Finally, laws and regulations, particularly those related to environmental protection that apply to the Excluded Businesses, may be different from those that apply to mining.

Based on the above, our Founders have no present intention to include Weiyuan Steel, Neijiang Chuanwei Special Steel and Neijiang Bowei Combustion in our Group before or after the Listing.

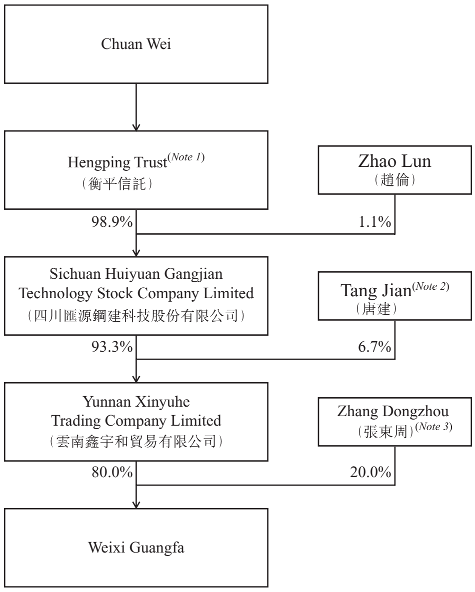
EXCLUDED MINES

As of the Latest Practicable Date, Chuan Wei, a company which our Founders are majority shareholders of, held various iron ore mines in the southwest region of the PRC (the "Excluded Mines") indirectly.

Under the Non-Competition Deed, our Founders have undertaken not to engage in further competitive activities apart from the Excluded Mines described below.

Weixi Guangfa Iron Ore Development Company Limited (維西廣發鐵礦開發有限公司) ("Weixi Guangfa")

As of the Latest Practicable Date, Chuan Wei holds 80.0% equity interest in Weixi Guangfa indirectly as follows:



Notes:

1. Hengping Trust (衡平信托) holds 98.9% equity interest in Sichuan Huiyuan Gangjian Technology Stock Company Limited (四川匯源鋼建科技股份有限公司) in trust for Chuan Wei.
2. Mr. TANG Jian (唐建) is the chairman of Weixi Guangfa.
3. Mr. ZHANG Dongzhou (張東周) is a director of Weixi Guangfa.

Weixi Guangfa is a limited liability company incorporated in the PRC on June 10, 2005. According to its business license, it has a registered capital of RMB5.1 million. Its current business scope includes exploration for, processing and sale of iron ore. Weixi Guangfa is the holder of an exploration permit for Lagaluo mine (拉嘎洛鐵礦), an iron ore mine located at Lagaluo Village, Zhonglu Townlet, Weixi County, Diqing, Yunnan Province.

As of the Latest Practicable Date, the directors of Weixi Guangfa are Messrs. TANG Jian (唐建), LI Youyi (李幼毅) and ZHANG Dongzhou (張東周). As of the Latest Practicable Date, Weixi Guangfa has only obtained an exploration permit for Lagaluo mine and has not commenced its business operations. Hence there is no profit or loss derived or incurred (as the case may be) by Weixi Guangfa during the Track Record Period. According to the information provided by Weixi Guangfa, its exploration costs in 2006, 2007 and 2008 and the six months ended June 30, 2009 were RMB0.3 million, RMB12.4 million, RMB5.7 million and 6.7 million, respectively. Pursuant to the exploration permit of Lagaluo mine, the mine covers an area of 12.0 sq. km. and the term of the exploration permit is one year, from October 30, 2007 to October 29, 2008. Weixi Guangfa has obtained an extension of the exploration permit for Lagaluo mine for one year, from October 30, 2008 to October 20, 2009. Weixi Guangfa is in the process of applying for an extension of the exploration permit for Lagaluo mine for one year, and expects to obtain approval for the extension on or before the expiry date of the current exploration permit. As of the Latest Practicable Date, there is no review of the reserves at Lagaluo mine. We have decided not to acquire Lagaluo mine prior to Listing because it is still at the exploration stage. We have obtained a binding undertaking from Weixi Guangfa dated July 28, 2009.

Under its terms, Weixi Guangfa undertakes the following: (i) Lagaluo mine covers an area of 12.0 sq. km. with total reserves of 8.1 Mt; (ii) it will transfer to us the exploration or mining rights and related assets of the Lagaluo mine if we intend to acquire Lagaluo mine within 24 months of the undertaking and will enter into an agreement to transfer the exploration or mining rights and related assets of the Lagaluo mine to us within 120 business days from the date we exercise such option; (iii) it will use its best efforts to assist us in our application to the relevant government authority to transfer the exploration or mining rights and related assets of the Lagaluo mine to us; and (iv) it will not enter into any agreement with a third party to transfer the exploration or mining rights and related assets of the Lagaluo mine or grant a third party any right in respect of the same. In the event it intends to transfer the exploration or mining rights and related assets of the Lagaluo mine to any third party, we have the right of first refusal to acquire the same on terms and conditions no less favorable than those offered to the third party. See "— Options to Acquire Excluded Mines" in this section. We intend to exercise our option to acquire the exploration or mining rights and related assets of the Lagaluo mine one year after Weixi Guangfa has obtained the mining permit for the Lagaluo mine.

Our Directors do not believe that the business of Weixi Guangfa poses a material competitive threat to our business because the mining operations at Lagaluo mine have not yet begun. Weixi Guangfa's target customer base will be customers located in Yunnan province. In contrast, the majority of our customers are located in Sichuan. Since our customer base is substantially different from that of Weixi Guangfa, the Sole Sponsor is of the view that Weixi Guangfa will not compete with us after obtaining its mining permit. In addition, under the Non-Competition Deed, there are provisions restricting the Controlling Shareholder from selling iron ore to our existing customers or customers in Sichuan. Further, provisions will be made such that if Weixi Guangfa were to sell any of its iron ore products to any customer outside of Yunnan Province, Weixi Guangfa will have to obtain consent from us prior to such sales. Such consent will be reviewed and approved by the independent non-executive Directors. Therefore, the Sole Sponsor is of the view that the nature of Lagaluo mine and the implementation of the above provisions in the Non-Competition Deed will sufficiently safeguard our interest and Weixi Guangfa will not be competing with us for the year after obtaining the mining permit.

Aba Mining Company Limited (阿壩礦業有限公司) ("Aba Mining")

As of the Latest Practicable Date, Chuan Wei holds 85.0% equity interest in Aba Mining. The remaining 15.0% equity interest in Aba Mining is owned as to 10.0% by Mr. ZHAO Maolin (趙茂林), and 5.0% by Mr. ZHANG Yiliang (張藝良), respectively.

Aba Mining is a limited liability company incorporated in the PRC on February 27, 2004 with a registered capital of RMB20.0 million. Its current business scope includes that of mining, beneficiation and sale of ore products. Aba Mining is the holder of a mining permit for Maoling mine (毛嶺鐵礦), an iron ore mine located at Maoling Village, Weizhou Town, Wenchuan County, Aba Autonomous Prefecture, Sichuan, PRC.

As of the Latest Practicable Date, the directors of Aba Mining are Messrs. ZHAO Maolin (趙茂林), ZHANG Yiliang (張藝良) and QIU, Xuhua (邱緒華).

Aba Mining has obtained a mining permit for Maoling mine. Pursuant to the mining permit of Maoling mine, the mode of mining will be underground mining and the mine covers an area of 1.9 sq. km. with a permitted operating scale of 300.0 Kt per year. The term of the mining permit is 30 years, from October 2004 to October 2034. The table below sets forth the information relating to the operations of Maoling mine based on management account.

	Year ended December 31,			Six months ended June 30,
Maoling mine	**2006**	**2007**	**2008**	**2009**
Revenue (in RMB'000)	44,372.0	49,674.0	6,896.0*(Note 1)*	182,331
Cost of sales (in RMB'000)	25,266.0	28,855.0	7,128.0	177,400
Gross profit/(loss) (in RMB'000)	19,106.0	20,819.0	(232.0)	4,931
Gross profit margin (%)	43.1	41.9	(3.4)*(Note 2)*	2.7
Net profit/(loss) (in RMB'000)	5,690.0	2,461.0	(14,094)	(2,495)
Total assets (in RMB'000)	79,936.0	141,733.0	144,408.0	187,907
Production capacity (Kt/year)	80.0	80.0	N/A*(Note 3)*	N/A
Production volume (Kt)	84.0	90.0	N/A*(Note 3)*	N/A
Sales volume (Kt)	84.0	90.0	1.9	—

Notes:

1. The revenue for 2008 was derived from the sale of Aba Mining's inventory of 0.8 Kt of iron ore products and distribution of 1.1 Kt of Chuan Wei's steel products.
2. There was no gross profit margin for 2008 as there was a loss suffered by Aba Mining in relation to Maoling mine for the same period.
3. The operations of Maoling mine ceased on October 2007 and has not yet resumed operations as of June 30, 2009.

According to a reserve report prepared by Geochemical Exploration Team of Sichuan Geological Mining Exploration and Development Bureau (四川省地質礦產勘查開發局化探隊) dated October 2007, Maoling mine has reserves of 10.4 Mt of iron ore.

We have obtained a binding undertaking from Aba Mining dated June 17, 2009. Under its terms, Aba Mining undertakes the following: (i) Maoling mine has total reserves of 10.0 Mt; (ii) it will transfer to us the mining rights and related assets of Maoling mine if we exercise the option to acquire the mining rights and related assets of Maoling mine within 24 months of the undertaking and will enter into an agreement to transfer the mining rights and related assets of Maoling mine to us within 120 business days from the date we exercise such option; (iii) it will use its best endeavors to assist us in our application to the relevant government authority to transfer the mining rights and related assets of Maoling Mine to us; and (iv) it will not enter into any agreement with a third party to transfer the mining rights and related assets of Maoling mine or grant a third party any right in respect of the same. In the event it intends to transfer the mining rights and related assets of Maoling mine to any third party, we have the right of first refusal to acquire the same on terms and conditions no less favorable than those offered to the third party. See "— Options to Acquire Excluded Mines" in this section. In view of the uncertainty of the timing of resumption of the operations of Maoling mine, we have decided not to acquire the mine prior to Listing and will reconsider an acquisition after its operations resume.

Our Directors do not believe that the business of Aba Mining poses a material competitive threat to our business. To the knowledge of our Directors, Maoling mine has not been in operation since October 2007 when a landslide occurred in the Maoling mine. As a result, Aba Mining decided to cease the operation of Maoling mine temporarily and the mine has not resumed operations. Furthermore, because Maoling mine is located in the area affected by the earthquake, it is unlikely that its operations will resume in 2009.

Yanyuan County Xiwei Mining Company Limited (鹽源縣西威礦業有限責任公司) ("Yanyuan Xiwei")

As of the Latest Practicable Date, Chuan Wei holds the entire equity interest in Yanyuan Xiwei indirectly through Aba Mining. Yanyuan Xiwei is wholly owned by Aba Mining. Aba Mining is owned as to 85.0% by Chuan Wei, 10.0% by Mr. ZHAO Maolin (趙茂林) and 5.0% by Mr. ZHANG Yiliang (張藝良) respectively.

Yanyuan Xiwei is a limited liability company incorporated in the PRC on December 7, 2007. It is in the process of setting up its business operations. It has yet to obtain the short-term land use rights and certain other permits and certificates for its operations. It is the holder of a mining permit for Huangcaoping mine (黃草坪鐵礦), an iron ore mine located at Huangcaoping near the Ping Chuan Town of Yanyuan County, Sichuan, PRC.

As of the Latest Practicable Date, Yanyuan Xiwei has three directors, Mr. ZENG Qiang (曾強), Mr. QIU Jianwei (邱建偉) and Mr. GUO Honggang (郭宏鋼).

Yanyuan Xiwei has obtained a mining permit for Huangcaoping mine. Pursuant to the mining permit of Huangcaoping mine, the mode of mining is underground mining and the mine covers an area of 0.4 sq. km, with a permitted operating scale of 20.0 Kt per year. The term of the mining permit is six years and seven months, from June 2008 to January 2015. Information relating to the table below sets forth the operation of Huangcaoping mine.

	Year ended December 31,			Six months ended June 30,
Huangcaoping mine	**2006**	**2007**	**2008**	**2009**
Revenue (in RMB'000)	—	—	7,083.0	3,772
Cost of sales (in RMB'000)	—	—	2,753.0	1,766
Gross profit (in RMB'000)	—	—	4,330.0	2,006
Gross profit margin (%)	—	—	61.1	53.2
Net profit (in RMB'000)	—	—	1,207.0	(860)
Total assets (in RMB'000)	—	—	13,516.0	22,111
Production capacity (Kt/year)	—	—	20.0	20.0
Production volume (Kt)	—	—	12.6	17.0
Sales volume (Kt)	—	—	9.1	7.0

We have obtained a binding undertaking from Yanyuan Xiwei dated June 17, 2009. Under its terms, Yanyuan Xiwei undertakes the following: (i) Huangcaoping mine has total indicated mineral resources of 269.3 Kt; (ii) it will transfer to us the mining rights and related assets of Huangcaoping mine if we exercise the option to acquire the mining rights and related assets of Huangcaoping mine within 24 months of the undertaking and will enter an agreement to transfer the mining rights and related assets of the mine to us within 120 business days from the date we exercise such option; (iii) it will use its best endeavors to assist us in our application to the relevant government authority in relation to the transfer of the mining rights and related assets of Huangcaoping mine; and (iv) it will not enter into any agreement with a third party to transfer the mining rights and related assets of Huangcaoping mine or grant a third party any right in respect of the same. In the event it intends to transfer the mining rights and related assets of Huangcaoping mine to any third party, we have the right of first refusal to acquire the same on terms and conditions no less favorable than those offered to the third party. We have decided not to acquire Huangcaoping mine prior to Listing because of the time, cost and efforts involved in obtaining such permits and certificates. See "— Options to Acquire Excluded Mines" in this section. We intend to exercise our option to acquire the Huangcaoping mine after Yanyuan Xiwei obtains all the necessary permits and certificates required for its operations.

Our Directors do not believe that the business of Yanyuan Xiwei poses any material competitive threat to our business. In any event, if Yanyuan Xiwei were to sell any of its iron ore products to any customer in Sichuan, Yanyuan Xiwei will have to obtain consent from us prior to selling its iron ore products. Such consent will be reviewed and approved by our independent non-executive Directors. Therefore, our Directors are of the view that the nature of Huangcaoping mine and the implementation of these provisions in the Non-Competition Deed can sufficiently safeguard our interest and Yanyuan Xiwei will not be competing with us during the period before Yanyuan Xiwei has obtained all the necessary permits and certificates.

OPTIONS TO ACQUIRE EXCLUDED MINES

Pursuant to the undertakings granted by the owners of the Excluded Mines, each owner undertakes, amongst others (i) to transfer to us the mining rights and related assets of the relevant Excluded Mine if we exercise the option to acquire the mining rights and related assets of the relevant Excluded Mine within 24 months of the undertaking and will enter into an agreement with us to transfer the mining rights and related assets of the relevant Excluded Mine within 120 business days from the date we exercise such option; and (ii) not to enter into any agreement with a third party to transfer the mining rights and related assets of the relevant Excluded Mine or grant a third party any right in respect of the same. In the event it intends to transfer the mining rights and related assets of the relevant Excluded Mine to any third party, we have the right of first refusal to acquire the same on terms and conditions no less favorable than those offered to the third party.

Under the Non-Competition Deed, our Founders have also agreed to cause the owners of the Excluded Mines to transfer the mining rights and related assets of any of the Excluded Mines to us if we exercise the options to acquire the mining rights and related assets of such Excluded Mine. A description of the range of the acquisition price of the iron ore mining reserve in relation to the Excluded Mines may be found in "Business — Expansion and Construction Plan — Expansion of mineral reserves — Option agreements in respect of five iron ore mines in Sichuan and Yunnan" section in this prospectus. Accordingly, when our Directors consider it to be beneficial for us to do so, such as when all the necessary due diligence has been undertaken, or when the timing is considered appropriate or beneficial to us, we may exercise our options to purchase all or any of the Excluded Mines, subject to compliance with any applicable PRC laws and the approval of the relevant government authorities and our independent Shareholders. In addition, each of our Controlling Shareholders will provide all information as may be reasonably requested by us from time to time relating to the Excluded Mines so that we may consider whether we shall exercise any of its rights under the Non-Competition Deed. We currently intend to exercise our options within two years after Listing for the following reasons:

- We intend to acquire our option to acquire the mining rights and related assets of the Lagaluo mine after the mining permit for the mine has been obtained and the owner of the Lagaluo mine is permitted to transfer the mining rights of the Lagaluo mine to us. Under PRC law, mining rights cannot be transferred to another party until one year after the commencement of operation of the mine. As of the Latest Practicable Date, the mine owner of the Lagaluo mine has not yet obtained the mining permit.
- We intend to exercise our option to acquire the mining rights and related assets of the Maoling mine after its operations resume. Because substantial repairs to the electricity supply and roads to the mine are required, we expect that the operation of the Maoling Mine will not resume until 2011.

- We intend to exercise our option to acquire the mining rights and related assets of the Huangcaoping mine after all the necessary permits and certificates required for its operations are obtained. Based on our experience, we expect that it will take the mine owner of the Huangcaoping mine at least 18 months to obtain all these permits and certificates.

If we exercise any option and upon execution of a binding agreement for the purchase of any of the mining rights and related assets of the Excluded Mines, we will comply with the applicable requirements under Chapter 14A of the Listing Rules. In addition, any decisions relating to the exercise of any of the rights under the Non-Competition Deed shall be made by the independent non-executive Directors, who will convene at least twice a year or upon our request to consider whether or not to exercise the option to purchase any of the mining rights and related assets of the Excluded Mines. The independent non-executive Directors will consider, among other things, the total proved and probable reserves, the average grade and content of the reserves, the market value of iron ore, regulatory compliance and the scale of production in respect of the relevant Excluded Mine. In the event the independent non-executive Directors consider appropriate, they will appoint experts or independent technical advisors to assist them in their consideration of whether to exercise the said option. See "— Deed of Non-Competition" in this section. Any further acquisition of any of the mining rights and related assets of the Excluded Mines by our Group at any time after Listing will be subject to all applicable provisions of the Listing Rules.

According to the Tentative Regulations on the Administration of Transfer of Mining Industry Rights《礦業權出讓轉讓管理暫行規定》, the Measures for the Administration of Transfer of Mineral Exploration Right and Mining Right (《探礦權採礦權轉讓管理辦法》) and other relevant regulations, the transfer of the mineral exploration rights and mining rights is subject to the approval of the relevant PRC land and resources authority.

When the relevant PRC land and resources authority reviews a request to transfer mineral exploration rights or mining rights, it takes into consideration the following material factors: (1) two years since the date of issuance of an exploration and survey permit, or discovery of mineral resources within the exploration and survey area(s); (2) one year since a mining enterprise's commencement of production; (3) fulfillment of the specified minimum exploration and survey investment; (4) no dispute on the ownership of the mineral exploration rights/ mining rights; (5) payment of the mineral exploration rights utilization fee and mineral exploration rights purchase price, or payment of the mining rights utilization fee, mining rights purchase fee, mineral resources compensation fee and resources tax; (6) qualification of the transferee; (7) whether the mineral exploration rights or the mining rights are obtained via state-funded exploration and survey; (8) if the transferor is a state-owned enterprise, consent from the applicable governing authority; and (9) whether the mineral exploration rights/mining rights transfer contract complies with relevant PRC laws and policies.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors believe we are independent from our Controlling Shareholders and their associates (other than our Group), including Weiyuan Steel, Neijiang Chuanwei Special Steel and Neijiang Bowei Combustion, in terms of our business operations, financial matters and administrative management. Our Directors also believe there is no conflict of interest or undue reliance on our Controlling Shareholders.

Operational independence

There were certain transactions between us and certain related parties during the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, details of which are set forth in Note 33 of Section II of the Accountants' Report attached as Appendix I to this prospectus. Weiyuan Steel was our single largest customer during the years ended December 31, 2006 and 2007. For the years ended December 31, 2006 and 2007, our sales to Weiyuan Steel accounted for approximately 96.5% and 94.1%, of our total revenue for these periods, respectively. Our sales to Weiyuan Steel were reduced to approximately 21.1% and 17.3% of our total revenue for the year ended December 31, 2008 and the six months ended June 30, 2009, respectively. We plan to keep the percentage of sales to Weiyan Steel to approximately 30.0% or less of our total contracted revenue by the end of 2009. See the "Business — Sales — Sales to Weiyuan Steel" section in this prospectus.

For the year ended December 31, 2008 and the six months ended June 30, 2009, we have been able to execute contracts with Independent Third Party customers for quantities of our products sufficient to reduce the percentage of our total revenue made to Weiyuan Steel to 21.1% and 17.3%, respectively. See the "Business — Sales — Sales to Weiyuan Steel" section in this prospectus. We believe our plan to secure Independent Third Party customers quickly is achievable because of the shortage of iron ore supply in Sichuan, and in the PRC generally. See the "Industry Overview — PRC Iron Ore Industry — Iron ore demand" and "Industry Overview — Sichuan Iron Ore Industry — Iron ore demand" sections in this prospectus. Thus, except as disclosed in the "Connected Transactions" section in this prospectus, we do not believe we rely on our Controlling Shareholders to gain access to our customers and suppliers.

The business of our Company and that of the Excluded Businesses are different. Our Company is principally engaged in the business of production of iron ore products. In contrast, Weiyuan Steel is principally engaged in the business of steel production. Neijiang Chuanwei Special Steel is principally engaged in the business of steel smelting, steel compression processing and sales of steel products. Neijiang Bowei Combustion is principally engaged in the production of metallurgical coke, coal tar, coke oven coal gas, ammonium sulfate, coal tar processing and crude benzol.

In addition, we do not have the same products, nor do we share any common customers or services and/or employees with our Controlling Shareholders and their associates.

Based on the above, our Directors confirm that our Group is operating independently from our Controlling Shareholders and their associates.

Financial independence

Our Directors confirm that our Group has the ability to operate independently of our Controlling Shareholders from a financial perspective. Our Group is capable of obtaining financing independently of our Controlling Shareholders, including securing loans from commercial banks. Our Group is capable of operating its financial, accounting and treasury functions independently without relying on our Controlling Shareholders. Our Group has its own finance department which is responsible for our accounting and treasury functions, including financial reporting, liaising with our auditors, review of our cash flow position and negotiation and monitoring of our bank loan facilities and drawdowns. As of the Latest Practicable Date, our Group has no outstanding loans owed to, and no outstanding guarantees from, our Controlling Shareholders. Our Directors further confirm that as of the Listing Date, our Group will not have any outstanding loans owed to, and no outstanding guarantees from, our Controlling Shareholders.

In light of the above, our Directors believe that we are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders.

Management independence

Since 2001, our Founders have engaged in a conglomerate strategy of investing in different industries and each time they established or acquired a new company as a platform for expanding into a new industry, they would allocate or hire a new management team to focus on the business segment and operate independently. Establishing a new subsidiary with a specialized management team allows control over business operations, and enables the subsidiary to enter into and focus on the new industry more efficiently. Since each company established by our Founders in a different industry faces different opportunities, growth potential and risks and rewards from other subsidiaries, different international investors have invested in each of them and each company has a separate board of directors and management team.

Our business is run by our senior management under the supervision of our executive Directors. Our Board has four non-executive Directors and four independent non-executive Directors. Our senior management is responsible for overseeing the daily operations of our Group and for formulating business strategies and reports to the Board on a regular basis.

Our Board is the highest authority in managing our Group's business and approving the overall business strategies. This clear delineation of responsibilities has been adopted by our Group since the establishment of our business in the PRC. Our Board acts collectively to decide on matters in the interests of our Group. All decisions of our Board must be approved by a simple majority of members of our Board. If a conflict of interest, whether actual or potential, arises, the relevant Directors are required to declare his interest and abstain from voting on the relevant resolutions pursuant to the Articles and the requirements under the Listing Rules.

As of the Latest Practicable Date, the positions of our Directors in our Controlling Shareholders are as follows:

Name	Position in our Company	Position in Trisonic International	Position in Kingston Grand
JIANG Zhongping *(Note 1)*	executive Director	N/A	N/A
LIU Feng	executive Director	N/A	N/A
WANG Yunjian	executive Director	N/A	N/A
YU Xingyuan	executive Director	N/A	N/A
WANG Jin	non-executive Director	Director	Director
ZHU Xiaolin *(Note 2)*	non-executive Director	N/A	N/A
TEO Cheng Kwee	non-executive Director	Director	Director
DEVLIN Paul Jason	non-executive Director	N/A	N/A
YU Haizong	independent non-executive Director	N/A	N/A
GU Peidong	independent non-executive Director	N/A	N/A
LIU Yi	independent non-executive Director	N/A	N/A
WU Wei	independent non-executive Director	N/A	N/A

Notes:

1. Mr. JIANG Zhongping was appointed director of Trisonic International on August 18, 2006 and he resigned on November 10, 2008.

2. Mr. ZHU Xiaolin was appointed director of Trisonic International on August 18, 2006 and he resigned on November 10, 2008.

Two out of our twelve Directors serve as directors of Trisonic International, which is an investment holding company. Two of our twelve Directors serve as directors of Kingston Grand. The retention of Messrs. TEO Cheng Kwee and WANG Jin as directors of Trisonic International and Kingston Grand is due to their vast commercial experience and knowledge, enabling them to provide valuable input on corporate governance and business and financial strategies. Mr. TEO Cheng Kwee is the chief executive officer and founder of a company listed on the Singapore Exchange Limited and has over 30 years of experience in the building and construction industry. Mr. WANG Jin has been a director of a company listed on the Shanghai Stock Exchange and has over 20 years of experience in steel production, raw material procurement and operations management in the steel industry. See the "Directors, Senior Management and Employees — Board of Directors — Non-executive Directors" section in this prospectus. For their roles and duties in our Group, see the "Directors, Senior Management and Employees" section in this prospectus. Mr. WANG Jin also serves as a non-executive director in Weiyuan Steel, Neijiang Chuanwei Special Steel and Neijiang Bowei Combustion. He is not responsible for the day-to-day operations of these companies. None of the Directors serve as directors in the Excluded Mines.

Our Directors believe that our Board can function effectively. According to the Articles of Association, an overlapping Director may not attend any Board meetings at which a contract, arrangement or proposal that he or any of his associates has a material interest in will be considered. If at the request of other non-conflicted Directors, such overlapping Director is present at the Board meeting, such overlapping Director shall not vote or be counted for quorum purposes in respect of any Board resolutions approving such contract or arrangement or proposal, and shall be excluded from all deliberations over such contract, arrangement or proposal. See the "Appendix VI — Summary of the Constitution of the Company and Cayman Companies Law — Articles of Association" section in this prospectus. The two overlapping Directors are non-executive Directors. They are not responsible for the day to day operations of the decision of our Group. Because all of our executive Directors and all of the independent non-executive Directors do not overlap, our Board can function effectively in the event that the overlapping Directors cannot attend a Board meeting or vote or be counted for quorum purposes and the presence of our overlapping Directors do not compromise our Board's independence or our Board's ability to act in the best interests of our shareholders as a whole. The presence of the overlapping Directors do not compromise our Board's independence or its ability to function effectively in the best interests of our shareholders as a whole for the following reasons:

(a) the two overlapping Directors are non-executive Directors and therefore are not responsible for the day to day operations of the business of our Group;

(b) even without the presence of the two overlapping Directors at a board meeting, the remaining Directors will be able to function effectively given their qualifications, expertise and experience in various fields such as iron ore mining, accounting and enterprise management in the PRC, mineral processing engineering and experience in the iron and titanium related business; and

(c) all of our executive Directors and all of the independent non-executive Directors do not overlap. As such, the remaining ten non-overlapping Directors would be able to vote or be counted for quorum purposes for any board resolutions approving such contract or arrangement or proposal which the overlapping Directors or his associates has a material interest in.

As of the Latest Practicable Date, the positions of the management team of Weiyuan Steel are as follows:

Name	Management Position in Weiyuan Steel	Management Position in our Group
YUAN Yong (袁勇)	Chairman and chief executive officer	N/A
PENG Bo (彭波)	Director and deputy chief executive officer	N/A
WANG Jin (王勁)	Director	Non-Executive Director
YANG Xianlu (楊先露)	Director	N/A
ZHANG Yuangui (張遠貴)	Director	N/A
SHI Yinjun (石銀君)	Director	N/A
YANG Nengzhong (楊能忠)	Director	N/A

Our Directors are of the view that our management team operates independently from that of Weiyuan Steel. Other than Mr. WANG Jin who concurrently serves as a director in Weiyuan Steel and our non-executive Director, the remaining members of the board of directors and management team of Weiyuan Steel are different from ours.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders has entered into the Non-Competition Deed in favor of our Company, pursuant to which each of our Controlling Shareholders has agreed, undertaken to and covenanted with our Company jointly and severally that with effect from the Listing Date:

(a) (i) our Controlling Shareholders shall not;

(ii) our Controlling Shareholders shall procure that the Controlled Companies (as defined below) and the Controlled Persons (as defined below) shall not; and

(iii) our Controlling Shareholders shall use their best endeavors to procure that their associates and associate companies (as defined below) (other than our Group) shall not:

whether as principal or agent and whether undertaken directly or indirectly through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or concerned with, directly or indirectly, any business which is in any respect in competition with or similar to or is likely to be in competition with mining, ore processing and sale of iron concentrates, iron pellets, titanium concentrates and titanium-related downstream products or any other business from time to time conducted by any member of our Group ("Competing Business") in Hong Kong, the PRC or such other part of the world where any member of our Group carries on its business from time to time (the "Restricted Territories") (other than the Excluded Mines); and

(b) in the event that any of our Controlling Shareholders, the Controlled Persons (as defined below), any of the Controlled Companies (as defined below), and/or any of their associates or associate companies (as defined below) is offered or becomes aware of any business opportunity to directly or indirectly engage or become interested in any activity relating to the Competing Business in any of the Restricted Territories (the "Business Opportunity"), he/it:

(i) shall promptly notify our Company in writing and refer such Business Opportunity to our Company for consideration and provide such information as is reasonably required by our Company in order to come to an informed assessment of such Business Opportunity; and

(ii) shall not and shall procure that his/its associates shall not, invest or participate in such Business Opportunity unless (i) such Business Opportunity shall have been rejected by our Company; (ii) the principal terms on which our Controlling Shareholders or associates may invest or participate in such Business Opportunity are no more favorable than those made available to our Company; and (iii) such Business Opportunity has been first offered to our Company.

For the purpose of the above, the following terms shall have the following meanings:

"associate company" shall mean a company in which a person or a company has an equity interest of less than 30% and in which he or it exercises significant influence over its management;

"Controlled Companies" shall mean the companies controlled, whether directly or indirectly, by our Controlling Shareholders and the term "controlled" shall have the meaning ascribed to a subsidiary of another company as provided for in section 2 of the Companies Ordinance; and

"Controlled Persons" shall mean any spouse or children under the age of 18 of our Controlling Shareholders and persons to whom our Controlling Shareholders provide financial assistance to set up and operate business.

See "— Options to Acquire Excluded Mines" in this section for a description of options granted under the Non-Competition Deed.

The restrictions mentioned above shall take effect from the Listing Date and shall remain in full force and effect until the Shares cease to be listed on the Stock Exchange (except for the temporary suspension of the Shares for any reason) or when our Controlling Shareholders cease to be interested in 30.0% or more of the issued Shares of our Company.

Our independent non-executive Directors will review annually whether our Controlling Shareholders have fully complied with the undertakings stipulated in the Non-Competition Deed. For the purpose of this review, each of our Controlling Shareholders has undertaken that it/he will provide information as requested by such Directors. Each of our Controlling Shareholders has also undertaken that it/he will notify us as to whether there is a violation of the undertakings in the Non-Competition Deed and provide reasons for such violation, if any. Our Company will disclose the results of the annual review of our independent non-executive Directors in the next annual report.

In the event of default of any of the non-competition undertakings stipulated under the Non-Competition Deed, our Controlling Shareholders shall discuss with our Company in good faith as to an appropriate remedy. Our independent non-executive Directors will review the appropriateness of such remedy. The results of such review, in case of default of the Non-Competition Deed, will be disclosed in the next annual report of our Company and the announcement will be made pursuant to the Listing Rules.

For the avoidance of doubt, the following shall not be considered a restriction for the purpose of the Non-Competition Deed above:

(a) holding or being interested in any securities in a company which engages in or involves a business which is in competition with or is likely to be in competition with the key business of our Company or any of our Company's subsidiaries, provided that the amount of such holding does not exceed 10.0% of the issued share capital of such company or it/he is not the single largest shareholder of such company or it/he does not control the board of such company;

(b) holding any securities in our Company; or

(c) engaging in or discharging any duty, service or act for the benefit of our Company or any of our Company's subsidiaries.

CONNECTED TRANSACTIONS

Following completion of the Global Offering, certain transactions between our Company and connected persons (as such term is defined under the Listing Rules) of our Company will continue and will constitute continuing connected transactions (as defined in the Listing Rules) of our Company. The particulars of such connected transactions are set forth in the "Connected Transactions" section in this prospectus.

CONTINUING CONNECTED TRANSACTIONS

Following completion of the Global Offering, the following transactions will constitute continuing connected transactions of our Company under the Listing Rules:

Exempt continuing connected transactions

(i) Tenancy Agreement

On April 16, 2009, Huili Caitong entered into a two year and four month tenancy agreement (the "Tenancy Agreement") with Longwei Hotel, whereby Longwei Hotel leased office premises with a total gross floor area of approximately 131.0 sq.m. to Huili Caitong at a monthly rent of RMB8,122.0 (exclusive of management fees, water and electricity charges) for the period from April 16, 2009 to August 14, 2011. Huili Caitong uses such office premises as its principle place of business and headquarters in the PRC.

Longwei Hotel is owned as to 90.0% by Sichuan Jinli Property Development Co. Ltd (四川勁力房地產開發有限公司) and 10.0% by an Independent Third Party. Sichuan Jinli is a limited liability company established in the PRC on July 26, 2001, owned as to 10.0% by Chuan Wei, 9.7% by WANG Jin, 8.9% by WU Wendong and 5.2% by LI Hesheng. Accordingly, Longwei Hotel is a connected person for the purposes of the Listing Rules.

The monthly rent of RMB8,122.0 under the Tenancy Agreement is based on market rates. The Directors confirm that the rent under the Tenancy Agreement is fair and reasonable, and has been negotiated on an arm's length basis and upon normal commercial terms. Jones Lang LaSalle Sallmanns Limited, an independent property valuation firm, has also confirmed that the rent payable under the Tenancy Agreement is fair and reasonable and consistent with the prevailing market rates for similar premises in similar locations.

As the size of the above office premises is relatively small, our Directors are of the view that our Group would be able to lease suitable replacement premises from Independent Third Parties in the same area without undue difficulty, should this be necessary.

Based on the rent under the Tenancy Agreement, the Tenancy Agreement will constitute a de minimis transaction of our Group under Rule 14A.33 of the Listing Rules and, accordingly, the abovementioned continuing connected transaction of our Group will be exempted from reporting, announcement and shareholders' approval requirements under chapter 14A of the Listing Rules.

(ii) Options to Acquire Excluded Mines

Pursuant to the undertakings granted by the owners of the Excluded Mines, each owner undertakes, amongst others (i) to transfer to us the mining rights and related assets of the relevant Excluded Mine if we exercise the option to acquire the mining rights and related assets of the relevant Excluded Mine within 24 months of the undertaking and will enter into an agreement with us to transfer the mining rights and related assets of the relevant Excluded Mine within 120 business days from the date we exercise such option; and (ii) not to enter into any agreement with a third party to transfer the mining rights and related assets of the relevant Excluded Mine or grant a third party any right in respect of the same. In the event it intends to transfer the mining rights and related assets of the relevant Excluded Mine to any third party, we have the right of first refusal to acquire the same on terms and conditions no less favorable than those offered to the third party. See the "Business — Expansion and Construction Plan — Expansion of mineral reserves — Option agreements in respect of five iron ore mines in Sichuan and Yunnan" and "Relationship with Controlling Shareholders — Options to Acquire Excluded Mines" sections in the prospectus. In the event that we choose to exercise such option(s), we will comply with all relevant Listing Rules (including Chapter 14A).

Non-exempt continuing connected transaction subject to independent Shareholders' approval requirements

Sale of products to Weiyuan Steel

During the years ended December 31, 2006 and 2007, Huili Caitong sold the majority of its iron concentrates and iron pellets to Weiyuan Steel. See the "Business — Sales — Sales to Weiyuan Steel" section in this prospectus.

Background

Weiyuan Steel is a company established in the PRC in which Trisonic International, one of the Controlling Shareholders, owns 68.0% of the equity interest. Accordingly, Weiyuan Steel is a connected person for the purpose of the Listing Rules.

Reasons for the transaction

We sold iron concentrates to Weiyuan Steel because (i) it was willing to purchase in large quantities; (ii) it offered market prices for our products; and (iii) the resulting revenue stream from the sale of iron concentrates to Weiyuan Steel was stable and predictable.

The sale of iron concentrates to Weiyuan Steel was part of the ordinary course of our business.

Pricing basis and policy

In compliance with the Listing Rules, we have entered into an agreement dated December 26, 2007 and two supplemental agreements dated April 10, 2009 and June 1, 2009 (the "June Supplemental Agreement"), respectively, with Weiyuan Steel pursuant to which we sell iron concentrates to Weiyuan Steel from time to time from January 1, 2008 to December 31, 2011 (collectively the "Sales Agreement"). The prices of the iron concentrates to be sold to Weiyuan Steel are determined based on arm's length negotiations. The June Supplemental Agreement specifies the pricing arrangement with Weiyuan Steel for iron concentrates contracted for 2009 and 2010. According to the June Supplemental Agreement, the minimum selling price of iron concentrates for 2009 and 2010 is RMB605.1 and RMB632.5 per tonne, respectively, subject to adjustment based on the market price of iron concentrates. If the market price of iron concentrates falls below the minimum selling price, the sales price will remain the same. If the market price of iron concentrates rises above the minimum selling price, the sales price will be adjusted to a higher amount, which is equal to the sum of the minimum selling price and an amount to be agreed that is not more than 50% of the increase in the market price above the minimum selling price.

Annual transaction value

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, sales of iron concentrates to Weiyuan Steel amounted to approximately RMB75.2 million, RMB179.5 million, RMB152.7 million, and RMB84.2 million, respectively. Purchasing iron ore products from suppliers abroad or from other regions of the PRC is more costly than purchasing from suppliers in Sichuan due to related significant transportation costs and risks as well as the higher prices of imported iron ore products. In addition, iron ore from different areas has different mineral contents and steel producers must invest time and resources into formulating the appropriate mix of iron ore with other additives to produce steel of the same quality and specifications from such different ore lots.

As a result, Weiyuan Steel has the commercial incentive to purchase all the iron ore products we could supply to reduce its costs and secure a stable source of supply close to its production facilities. Since Weiyuan Steel is our related party and was willing to offer market prices for our products, we decided to give priority to Weiyuan Steel in the sales of our iron ore products since our first sale to Weiyuan Steel in 2005. Because of the increase in the production volume of our iron ore products in 2006 and 2007, our sales volume to Weiyuan Steel increased in the same periods.

Our Directors expect that sales of iron concentrates to Weiyuan Steel during the years ending December 31, 2009, 2010 and 2011 will amount to approximately RMB276.2 million, RMB359.6 million and RMB359.6 million, respectively. The estimate of the proposed cap for the year ending December 31, 2009 is calculated by reference to (i) the actual average selling price of RMB527.2 per tonne of iron concentrates for the six months ended June 30, 2009; (ii) the minimum sales price of RMB605.1 set out in the June Supplemental Agreement; and (iii) the contracted sales volume of 450.0 Kt set out in the Sales Agreement. The estimate of the proposed cap for the year ending December 31, 2010 is calculated by reference to (i) the minimum sales price of RMB632.5 set out in the June Supplemental Agreement; and (ii) the contracted sales volume of 520.0 Kt set out in the Sales Agreement. The estimate of the proposed cap for the year ending 2011 is calculated by reference to (i) the market prices determined based on the prices of the same products of the same grade sold by other iron ore product producers in the Panxi Region and by reference to the purchase prices of the same products bought by Weiyuan Steel from other Independent Third Party suppliers; and (ii) the contracted sales volume of 520.0 Kt set out in the Sales Agreement. We have considered the following factors in estimating these proposed caps:

- our production volume forecast;
- the need to maintain good relationships with our new Independent Third Party customers by allowing them to purchase in significant amounts while also ensuring a stable supply to Weiyuan Steel; and
- projected continuation of price trends in iron ore products based on current market trends.

The table below summarizes the historical and forecast sales volumes and amounts to Weiyuan Steel and our relevant annual production volume (including the volumes provided by our first Independent Third Party Processing Contractor) for the years ended December 31, 2006 to 2008 and the years ending December 31, 2009, 2010 and 2011 (including the volumes provided by our Independent Third Party Processing Contractors), respectively.

	Historical				Forecast		
	Year ended December 31,			Six months ended June 30,	Year ending December 31,		
	2006	2007	2008	2009	2009	2010	2011
Iron Concentrates							
Sales volume (Kt)	166.8	371.1	255.5	159.7	450.0	520.0	520.0
Sales amount (in RMB million)	75.2	179.5	152.7	84.2	276.2	359.6	359.6
Production volume (Kt)	287.0	519.0	1,163.8	743.5	1,598.1	1,874.0	2,098.0

Our annual transaction amount with Weiyuan Steel in 2009 is estimated to be RMB276.2 million. This estimate is based on the contracted sales volume of 450.0 Kt of iron concentrates to Weiyuan Steel with an average selling price of RMB613.8 per tonne. Our iron concentrates production (including the iron concentrates produced by our Independent Third Party Processing Contractors) is expected to reach approximately 1,598.1 Kt in 2009. We expect that the increase in expected sales volume will be supported by the expected increase in our production volume of iron concentrates in 2009. The percentage of our total sales volume to Weiyuan Steel in 2009 is expected to remain below 30.0% of our total sales volume of iron ore products in 2009 because of the concurrent increase in our production of iron concentrates. Based on historical and current market trends, we estimate that the average selling price of iron concentrates in 2009 will increase to a minimum of approximately RMB613.8 per tonne.

Our annual transaction amount with Weiyuan Steel in 2010 is estimated to be RMB359.6 million. This estimate is based on the contracted sales volume of 520.0 Kt of iron concentrates to Weiyuan Steel with an average selling price of RMB691.5 per tonne. Our iron concentrates production (including the iron concentrates produced by our Independent Third Party Processing Contractors) is expected to reach approximately 1,874.0 Kt in 2010. We expect that the increase in sales volume will be supported by the increase in our production volume of iron concentrates in 2010. The percentage of our total sales volume to Weiyuan Steel in 2010 is expected to remain below 30.0% of our total sales volume of iron ore products in 2010 because of the concurrent increase in the production of iron concentrates. Based on historical and current market trends, we estimate that the average selling price of iron concentrates will increase to approximately RMB691.5 per tonne in 2010, representing an increase of 12.7% as compared to the average selling price in 2009.

Our annual transaction amount with Weiyuan Steel in 2011 is estimated to be RMB359.6 million. This estimate is based on the contracted sales volume of 520.0 Kt of iron concentrates to Weiyuan Steel with an average selling price of RMB691.5 per tonne of iron concentrates. Our iron concentrates production (including the iron concentrates produced by our Independent Third Party Processing Contractors) is expected to reach approximately 2,098.0 Kt in 2011. We expect that the increase in sales volume will be supported by the increase in our production volume of iron concentrates in 2011. The percentage of our total sales volume to Weiyuan Steel in 2011 is expected to remain below 30.0% of our total sales volume of iron ore products in 2011 because of the concurrent increase in the production volume of iron concentrates. Based on historical and current market trends, we estimate that the average selling price of iron concentrates will remain stable at approximately RMB691.5 per tonne in 2011.

The table below summarizes the estimated average selling price of iron concentrates to Weiyuan Steel, the contracted sales volume of iron concentrates with Weiyuan Steel and the proposed annual cap for the years ending December 31, 2009, 2010 and 2011, respectively:

For the year ended December 31,	Estimated Average Selling Price to Weiyuan Steel	Contracted Sales Volume with Weiyuan Steel	Proposed Annual Cap
	(RMB)	(Kt)	(RMB million)
2009	613.8	450.0	276.2
2010	691.5	520.0	359.6
2011	691.5	520.0	359.6

Implications under the Listing Rules

Based on the annual transaction value, the applicable percentage ratios as stated in rule 14.07 of the Listing Rules will, on an annual basis, exceed 25.0%. Therefore, the transaction with Weiyuan Steel is subject to the reporting, announcement and independent Shareholders' approval requirements applicable to non-exempt continuing connected transactions under rule 14A.35 of the Listing Rules.

WAIVER FROM THE STOCK EXCHANGE

Under the Listing Rules, any transaction between our Group and any of the chief executive of our Company, the Directors or substantial Shareholders or any of our subsidiaries or an associate of any of them which is carried out on a continuing or recurring basis and is expected to extend over a period of time is considered to be a "continuing connected transaction" for as long as the other party to the transaction remains a connected person, and the transaction will require reporting, announcement and/ or independent Shareholders' prior approval unless it falls within any of the exceptions set forth in the Listing Rules.

Following Listing, the above transaction with Weiyuan Steel as described under "— Continuing Connected Transaction" in this section (the "Transaction") will constitute a continuing connected transaction for our Company for the purposes of the Listing Rules.

Our Company has applied to the Stock Exchange for a waiver under rule 14A.42(3) of the Listing Rules from compliance with the independent Shareholders' approval and announcement requirement with respect to the Transaction, and the Stock Exchange has granted such waiver. Except for the foregoing, we will comply with all applicable rules set out in Chapter 14A of the Listing Rules in relation to the Transaction.

With regard to rule 14A.35(2) and 14A.36(1) of the Listing Rules, the maximum aggregate annual value of the Transaction for each of the financial years ending December 31, 2009, 2010 and 2011 shall not exceed the relevant cap amount set forth below (the "Cap Amount"):

Revenue nature

	Historical transaction amount				Proposed annual cap		
	2006	2007	2008	Six months ended June 30, 2009	2009	2010	2011
	RMB (million)	RMB (million)	RMB (million)	RMB (million)	RMB (million)	RMB (million)	RMB (million)
Sale of iron concentrates to Weiyuan Steel(Note)	75.2	179.5	152.7	84.2	276.2	359.6	359.6

Note: We sold iron concentrates to Weiyuan Steel as its main business is smelting and refining of iron and steel. The historical figures represent the sales of iron concentrates to Weiyuan Steel during the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009.

Our Directors, including the independent non-executive Directors, are of the view that the Transaction has been and will continue to be entered into in the ordinary and usual course of business and on normal commercial terms for transactions of a similar nature and is fair and reasonable and in the interests of our Shareholders taken as a whole. The Sole Sponsor is of the view that the Transaction has been and will continue to be entered into in our ordinary and normal course of business, and that the terms of the Transaction (including the annual caps) are normal commercial terms which are fair and reasonable and in the interests of our Shareholders as a whole.

Our Directors consider our estimated transaction volume with a given connected person during the financial years ending December 31, 2009, 2010 and 2011 is based on the transaction volume with such connected person and the trends in transaction volume during the years ended December 31, 2006, 2007 and 2008, or in accordance with the existing agreement, taking into account the growth of operation scale, market and other factors. Therefore, our Directors, including the independent non-executive Directors, and the Sole Sponsor believe that the Cap Amount is fair and reasonable and in the interests of our Shareholders as a whole. In addition, we will comply with rules 14A.35(1), 14A.35(2) and 14A.36 to 14A.40 of the Listing Rules in relation to the continuing connected transaction.

Our Directors confirm that upon Listing, other than the transactions described under the paragraphs headed "— Exempt Continuing Connected Transactions" and "— Non-exempt Continuing Connected Transaction Subject to Independent Shareholders' Approval Requirements" in this section, there are no other connected transactions with connected persons. In the event that we enter into any new transaction or agreement with any connected person in the future, our Company will comply with the provisions of Chapter 14A of the Listing Rules. In addition, if the Transaction shall continue after the expiration of the current waivers, our Company will comply with the provisions of Chapter 14A of the Listing Rules in relation to the Transaction.

BOARD OF DIRECTORS

The particulars of Directors are set forth below:

Executive Directors

Mr. JIANG Zhongping (蔣中平), aged 43, is an executive Director and the chairman of our Company. Mr. JIANG is primarily responsible for the overall management and strategic planning and business development of our Group. Mr. JIANG joined our Group in March 2008 as director of Huili Caitong. Mr. JIANG has over 19 years of experience in production and quality control in the steel industry. Mr. JIANG was a technician, head of quality control department and the chief manager of the audit department of Chuan Wei from August 1989 to April 2008. Mr. JIANG graduated from Chongqing Steel and Iron College (重慶鋼鐵專科學校) in Chongqing in July 1989 with a college degree in iron and steel rolling.

Mr. LIU Feng (劉峰), aged 40, is an executive Director and the chief executive officer of our Company. Mr. LIU is primarily responsible for the management of daily operations and development of our operations of our Group. Mr. LIU joined our Group in December 2004 as vice general manager of Huili Caitong. Mr. LIU has over 20 years of experience in civil engineering, quality control and technology applications in the steel industry. Mr. LIU was a technician, deputy head of civil engineering department, and deputy general managers of a number of subsidiaries of Chuan Wei from August 1988 to October 2005. Mr. LIU is responsible for the management of our Baicao Mine and our Baicao Processing Plant. Mr. LIU graduated from Chongqing Architecture University (重慶建築大學) in Chongqing in December 1996 with a college degree in construction engineering.

Mr. WANG Yunjian (王運建), aged 42, is an executive Director and the chief operating officer of our Company. Mr. WANG is primarily responsible for the daily operations of our Group. Mr. WANG joined our Group in May 2005 as director of Huili Caitong. Mr. WANG has 19 years of experience in steel production, technology applications and operations management in the steel industry. Mr. WANG was a technician, technical chief, deputy general manager and the financial chief of Chuan Wei from October 1998 to November 2005. Mr. WANG graduated from Chongqing Steel and Iron College (重慶鋼鐵專科學校) in Chongqing in July 1989 with a college degree in steel rolling.

Mr. YU Xingyuan (余興元), aged 39, is an executive Director and the chief investment officer of our Company. Mr. YU is primarily responsible for the business development of our Group. Mr. YU joined our Group in October 2004 as director of Huili Caitong. Mr. YU has 15 years of experience in steel production, technology applications and operations management in the steel industry. Mr. YU was a technician, technical chief and head of technical development department of Chuan Wei from August 1992 to September 2003. Mr. YU graduated from Northeast Industrial Institute (東北工學院) in Shenyang, Liaoning Province in July 1992 with a bachelor's degree in mining engineering. Mr. YU received a master's degree from Chongqing University (重慶大學) in Chongqing in December 2004 in metallurgy engineering.

Non-executive Directors

Mr. WANG Jin (王勁), aged 46, is a non-executive Director of our Company. Mr. WANG is the chairman and chief executive officer of Chuan Wei. Mr. WANG obtained the qualification of senior economist (高級經濟師) from Sichuan Province Professional Title Reform Leading Group (四川省職稱改革領導小組), a PRC governmental authority in April 2000. Mr. WANG has accumulated over 20 years of experience in steel production, raw material procurement and operations management in the steel industry. Mr. WANG joined Chuan Wei in September 1987 and was promoted to the chairman of Chuan Wei in May 1998. Mr. WANG has been a director of the Atlantic China Welding Consumables, INC. (四川大西洋焊接材料股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600558), since September 1999. Mr. WANG graduated from Chongqing University (重慶大學) in Chongqing in July 1987 with a bachelor's degree in viscous pressure. Mr. WANG received a master's degree in industrial engineering from Chongqing University (重慶大學) in Chongqing in December 2002. He served as a deputy to the 10th National People's Congress (第十屆全國人大代表) from March 2003 to March 2008 and he is currently serving as a deputy to the 11th National People Congress (第十一屆全國人大代表). He is also currently the director of the China Confederation of the Iron and Steel Industry (中國鋼鐵工業聯合會常務理事), the vice-chairman of the Sichuan Chamber of Commerce (四川省商會副會長), and the vice-chairman of the Sichuan Enterprise Confederation and Sichuan Entrepreneur Association (四川省企業聯合會暨企業家協會副會長).

Mr. ZHU Xiaolin (朱曉林), aged 36, is a non-executive Director of our Company. Mr. ZHU joined Chuan Wei in October 2004 and is currently the chief investment officer of Chuan Wei. Mr. ZHU has over 13 years of experience in accounting and enterprise management in various industries in the PRC. Mr. Zhu obtained the qualified accountant certificate from Ministry of Finance (財政部) in December 1997. Mr. ZHU was an accountant and manager of Leshan-Phoenix Semiconductor Co., Ltd. and was the chief financial officer and chief investment officer of Xinde Telecom International Venture from August 1995 to March 1997 and from March 1997 to March 2002, respectively. Mr. ZHU was the chief financial officer of New Hope Group from March 2002 to December 2004. Mr. ZHU graduated from Southwestern University of Finance and Economics (西南財經大學) in Chengdu City, Sichuan Province in July 1995 with a bachelor's degree in accounting.

Mr. TEO Cheng Kwee (張青貴), aged 56, is a non-executive Director of our Company since December 7, 2008. Mr. TEO has over 30 years of experience in the building and construction industry. Mr. TEO is the chief executive officer and founder of Sapphire Corporation Limited, a company listed on the Singapore Exchange Limited (Ticker symbol: 589.SI). He was appointed to the board of Sapphire Corporation Limited since November 26, 1985. Mr. TEO graduated from Thomson Secondary School (德新中學) in Singapore in 1971.

Mr. DEVLIN Paul Jason, aged 39, is a non-executive Director of our Company appointed by Green Globe since December 7, 2008. According to the Articles of Association, Mr. DEVLIN may be subject to re-election upon expiration of his term. The Directors confirm that all special appointment rights granted to Green Globe will be terminated before Listing. Mr. DEVLIN has experience in the investment finance field. He was the first vice-president, head of Central bank Sales of Asia Painewebber International (Singapore) Pte. Ltd., an investment firm. Mr. DEVLIN has been the managing director of Sky Mountain Capital Management Limited, a private equity management firm since September 20, 2007. Mr. DEVLIN has been a full member of the Institute of Directors in London since September 2008. Mr. DEVLIN graduated from Victoria University in Manchester, UK in 1992 with a bachelor of arts in economic and social studies and the University of Chicago Graduate School of Business in Chicago, USA with a Master of Business Administration degree in 2003.

Independent non-executive Directors

Mr. YU Haizong (余海宗), aged 45, is an independent non-executive Director of our Company since September 4, 2009. Mr. YU was a chartered public accountant in Sichuan Tongde Certified

Accountants Firm (四川同德會計師事務所) (formerly known as Chengdu Xinda Certified Accountants Firm (成都信達會計師事務所) from 1994 to 2000. Mr. YU was a chartered public accountant (non-practicing) in the PRC, a member of the Chartered Public Accountant Further Education Committee of Sichuan Association of Chartered Public Accountants (四川省註冊會計師協會CPA後續教育委員會), a member of the expert panels of Bureau of Land and Resources of Sichuan (四川省國土資源廳) and Science and Technology Bureau of Sichuan (四川省科學技術廳). Mr. YU is a professor, master and doctoral supervisor of the Accounting Faculty of Southwestern University of Finance and Economics (西南財經大學) in Chengdu City, Sichuan Province. Mr. YU is also the dean of the Modern Accounting Research Institute at Southwestern University of Finance and Economics (西南財經大學現代會計研究所) in Chengdu City, Sichuan Province. Mr. YU worked in the finance department of Weiyuan Steel Factory (威遠鋼鐵廠) from July 1988 to August 1990. Mr. YU served as an independent non-executive director of Xinan Huaji Company Limited (西南化機股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: SZ000838) from 1998 to 2000 and he has been serving as an independent non-executive director of Junyu Checheng Company Limited (金宇車城股份有限公司) ("Jinyu Checheng"), a company listed on the Shenzhen Stock Exchange (Stock Code: SZ000803) since May 2004. He is currently a member of audit committee and remuneration committee of Jinyu Checheng. As a member of the audit committee of Jinyu Checheng, Mr. YU's duties include reviewing the internal control system and reviewing and analyzing financial statements of the company. Mr. YU received a bachelor's degree from Southwestern University of Finance and Economics (西南財經大學) in Chengdu City, Sichuan Province in accounting in July 1988, a master's degree in economics (accounting) in December 1992 and a doctoral degree in management (accounting) in March 2002. Through his professional qualification as a chartered public accountant, his education background in accounting and his previous experience as an independent non-executive director of public companies, he meets the criteria for accounting and related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Our Directors are of the view that Mr. YU's experience with internal controls and reviewing and analyzing audited financial statements of a public company gained while serving as a member of audit committee of Jinyu Checheng enables him to meet the requirements under Listing Rules 3.10(2).

Mr. GU Peidong (顧培東), aged 52, is an independent non-executive Director of our Company since September 4, 2009. Mr. GU was a PRC qualified lawyer. Mr. GU was a commissioner of the Lawyer Notarization Expert Advisory Committee of the PRC Ministry of Justice (司法部律師公証專家諮詢委員會), an adviser to the Science and Technology Advisory Group of Sichuan (四川省科技顧問團), a commissioner of the Expert Advisory Committee of the People's Procuratorate of Sichuan (中國國際貿易仲裁委員會) and an arbitrator of the China International Economic and Trade Arbitration Commission. Mr. GU was a teacher in Southwest University of Political Science and Law (西南政法大學) in Chongqing from 1984 to 1987. Mr. GU was a director of the Graduate School of Development and Reform of the Sichuan Province Systems Reform Commission (四川省發展與改革研究所) from 1987 to 1995 and a secretary general of the Sichuan Province Systems Reform Commission (四川省發展與改革委員會). In 1995, Mr. GU established his own law firm Sichuan Zhongwei Law Firm (四川中維律師事務所). Mr. GU was a professor and doctoral supervisor at Southwest University of Political Science and Law (西南政法大學) in Chongqing in 2003 and is currently a professor and doctoral supervisor at Sichuan University (四川大學). Mr. GU received a bachelor's degree in civil litigation law from Southwest University of Political Science and Law (西南政法大學) in Chongqing in December 1981 and a master's degree in law in January 1985.

Mr. LIU Yi (劉毅), aged 47, is an independent non-executive Director of our Company since September 4, 2009. Mr. LIU has been working at Sichuan Metallurgical Design and Research Institute (四川省冶金設計研究院) since July 1987, engaging in project consulting, beneficiation process and tile design, feasibility study and engineering design work and specializing in mineral processing engineering. His past experiences in mining design projects include constructing iron concentrates production lines of various capacities, and mining operations planning for vanadium-bearing titanomagnetite mines. He is currently the director and chief project designer of the mining office of Sichuan Metallurgical Design and Research Institute (四川省冶金設計研究院). Mr. LIU studied at the faculty of mining resource engineering of Xi'an Metallurgy and Architecture College (西安冶金建築學院) in Xi'an City, Shanxi and received a bachelor's degree in engineering from Xi'an Metallurgy and Architecture College (西安冶金建築學院) in Xi'an City, Shanxi in 1987.

Mr. WU Wei (吳瑋), aged 48, is an independent non-executive Director of our Company since September 4, 2009. Mr. WU has been working at various positions within the Panzhihua Iron & Steel (Group) Company group between 1982 and 2007. He has over 20 years' experience in the iron and titanium- related business, specially in mining and beneficiation process. Mr. WU studied at the mining faculty of the North Eastern Engineering College (東北工學院) in Shenyang City, Liaoning Province and received a bachelor's degree in engineering from the North Eastern Engineering College (東北工學院) in Shenyang City, Liaoning Province in 1982. Mr. WU was certified as a Senior Engineer (高級工程師) by Panzhihua Iron and Steel (Group) Company (攀枝花鋼鐵（集團）公司) in April 1994.

SENIOR MANAGEMENT

Mr. JIANG Zhongping (蔣中平) is the chairman of our Company. Details of his biography are set out above in this section.

Mr. LIU Feng (劉峰) is the chief executive officer of our Company. Details of his biography are set out above in this section.

Mr. WANG Yunjian (王運建) is the chief operating officer of our Company. Details of his biography are set out above in this section.

Mr. YU Xingyuan (余興元) is the chief investment officer of our Company. Details of his biography are set out above in this section.

Mr. KONG Chi Mo (江智武), aged 34, *FCCA, ACIS, ACS*, is the chief financial officer of our Company since May 2008. Prior to joining our Company, Mr. KONG was an audit senior manager at KPMG's Beijing Office. In his eight years with KPMG, Mr. KONG was the engagement manager on audits for the initial public offerings and annual audits of several Chinese companies listed in Hong Kong and the United States. Mr. KONG has been a fellow of the Association of Chartered Certified Accountants since February 2008 and an associate member of the Hong Kong Institute of Company Secretaries and the Institute of Company Secretaries and Administrators, respectively, since April 1, 2009. Prior to joining KPMG, Mr. KONG worked as a tax associate and finance trainee in PricewaterhouseCoopers and Hutchison Telecommunications (Hong Kong) Limited, respectively. Mr. KONG graduated from the Chinese University of Hong Kong in May 1997 with a bachelor's degree in business administration.

Prior to Mr. KONG Chi Mo's appointment, Mr. TANG Wei (湯偉) was the chief financial officer of Huili Caitong since January 2007. Mr. TANG currently is the head of the finance department of Huili Caitong. Mr. TANG worked at the accounting department of Chuan Wei since February 2004, and was the head of that accounting department of Chuan Wei since July 2005. He worked at the finance division of the mining resources department of Chuan Wei as a financial officer from May 2006 to January 2007. Mr. TANG graduated from Guizhou College of Finance and Economics (貴州財經學院) in Guizhou in July 2003 with a bachelor's degree in accounting.

COMPANY SECRETARY

Mr. KONG Chi Mo (江智武) is the company secretary of our Company. Mr. KONG is working for our Company on a full time basis. Details of his biography are set out above in this section in this prospectus.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate compensation amount (comprising basic salaries, housing allowances, other allowances, pension and benefits) paid to our Directors for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 was approximately RMB176,000, RMB281,000, RMB1,195,000 and RMB456,000, respectively.

Our remuneration committee reviews and recommends the terms of remuneration packages, including bonuses and other compensation payable to our Directors to ensure that the terms are in line with our Directors' performance as well as in compliance with the relevant regulations. The remuneration committee's recommendations are then approved by the Board and at a meeting of the Shareholders. We anticipate an upward revision of our Directors' fees in 2009 to compensate for the additional responsibilities our Directors will be required to undertake as directors of a listed company. Our executive Directors' remuneration for the Track Record Period is based on our actual financial results and performance in the Track Record Period.

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, allowances, share-based compensation and other allowances and benefits in kind and bonuses) paid to our five highest paid individuals for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 were approximately RMB1,036,000, RMB1,116,000, RMB2,015,000 and RMB1,086,000, respectively. Following the Listing, any discretionary bonuses shall be declared and approved by the Board and the remuneration committee according to our operating performance, financial position and business development plan.

No compensation was paid by us to or received by a Director or past Director for the loss of office as our Director or of any other office in connection with the management of our affairs. None of our Directors has waived any emoluments.

EMPLOYEES

As of June 30, 2009, we had a total of 928 full-time employees. Substantially all of our employees are based in the PRC. The following table shows a breakdown of our employees by functions:

Function	
Management	24
Administration	64
Operations	
Production	585
Quality control	54
Maintenance	55
Warehouse and security	108
Production safety and environmental protection	8
Sales and marketing	4
Technology	26
Total	928

OUR RELATIONSHIP WITH OUR EMPLOYEES

We recognize the importance of maintaining good relations with our employees. The remuneration payable to the employees includes salaries and allowances.

We have not experienced any significant problems with our employees or disruption to our operations due to labor disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff. Our Directors believe we have a good working relationship with our employees.

SOCIAL INSURANCE AND HOUSING FUNDS

As of June 30, 2009, we have established various benefit plans including the provisions of social insurance and housing funds.

According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums《社會保險費徵繳暫行條例》) effective on January 22, 1999, Huili Caitong was required to make a social insurance registration within 30 days of the effective date of the aforesaid interim regulations and Xiushuihe Iron was required to make such registration within 30 days of its establishment date, which was March 21, 2000.

Although registration was delayed, we completed the registration for social insurance (including pension insurance, medical insurance, labor injury insurance, maternity insurance and unemployment insurance) for Huili Caitong and Xiushuihe Iron on September 5, 2005 and January 1, 2006, respectively. After registration, we made social insurance contributions in accordance with the relevant national and local laws and regulations governing social insurance. The social insurance authorities of Huili County have confirmed that (i) we will not be penalized for our failure to complete the social insurance registration and to make social insurance contributions prior to our social insurance registration and (ii) we will not be required to make social insurance contributions with respect to the period prior to our social insurance registration.

According to the Regulations on the Administration of Housing Funds (《住房公積金管理條例》) effective on April 3, 1999 and amended on March 24, 2002, Huili Caitong was required to make a housing fund payment registration within 60 days of the effective date of the aforesaid regulations and Xiushuihe Iron was required to make such registration within 30 days of the date of its reincorporation from a township and village enterprise to a limited liability company, which was June 26, 2007.

Although registration was delayed, we completed the housing fund payment registration for Huili Caitong and Xiushuihe Iron on March 18, 2008 and March 25, 2008, respectively. Following the housing fund payment registration, we made housing fund contributions in accordance with relevant laws and regulations governing housing funds. The Liangshan Housing Fund Administration Center Huili Branch has confirmed that (i) we will not be penalized for our delayed housing fund payment registration and to make housing fund contributions prior to our housing fund payment registration and (ii) we will not be required to make housing fund contributions with respect to the period prior to our housing fund payment registration.

EMPLOYEE REMUNERATION

We determine employee remuneration based on factors such as qualifications and years of experience. Our staff costs (including Directors' and senior management's emoluments) for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 were approximately RMB7.4 million, RMB10.5 million, RMB19.1 million and RMB11.5 million, respectively. The continuous significant increase in staff costs during the Track Record Period is mainly due to our business expansion, which led to the increase in the number of administration employees and labor workers working at our processing plants. The number of full-time employees was 625, 673, 926 and 928 as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively.

BOARD COMMITTEES

Audit committee

We established an audit committee on September 4, 2009, with written terms of reference as suggested under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

The primary duties of the audit committee are to review and supervise our financial reporting processes and internal control system. The audit committee currently consists of four members, being Messrs. YU Haizong, ZHU Xiaolin, GU Peidong and LIU Yi, of which Mr. YU Haizong is the chairman.

Remuneration committee

We established a remuneration committee on September 4, 2009.

The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. At present, the remuneration committee consists of four members, being Messrs. WANG Jin, YU Haizong, GU Peidong and WU Wei, of which Mr. WANG Jin is the chairman. Under our remuneration committee's terms of reference, a member of the remuneration committee with a personal interest in any matter presented in a meeting of our remuneration committee shall abstain from attending the relevant meeting.

COMPLIANCE ADVISOR

We have appointed Guotai Junan Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. The term of the appointment shall commence on the Listing Date and end on the date on which we, as required under Rule 13.46 of the Listing Rules, distribute our annual report with respect to our financial results for the first full financial year commencing after the Listing Date. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company on the following circumstances:

- before the publication of any regulatory announcements, circulars or financial reports;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of Listing in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecasts, estimates, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

So far as our Directors are aware, immediately following completion of the Global Offering (assuming the Over-allotment Option is not executed and without taking into account any Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or our underlying shares which would be required to be disclosed to us under the provisions of Division 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

Name	Nature of interest	Class of securities(Note 1)	Number of Shares	Approximate percentage of interest in such corporation immediately after the Global Offering(Note 2)
Trisonic International(Note 3)	Beneficial owner	Ordinary (L)	1,194,000,000	59.7%
Mr. WANG Jin(Note 3)(Note 4)	Interest in controlled corporation	Ordinary (L)	1,194,000,000	59.7%
Kingston Grand(Note 3)	Interest in controlled corporation	Ordinary (L)	1,194,000,000	59.7%
Mr. YANG Xianlu(Note 3)	Interest in controlled corporation	Ordinary (L)	1,194,000,000	59.7%
Mr. WU Wendong(Note 3)	Interest in controlled corporation	Ordinary (L)	1,194,000,000	59.7%
Mr. LI Hesheng(Note 3)	Interest in controlled corporation	Ordinary (L)	1,194,000,000	59.7%
Mr. SHI Yinjun(Note 3)	Interest in controlled corporation	Ordinary (L)	1,194,000,000	59.7%
Mr. ZHANG Yuangui(Note 3)	Interest in controlled corporation	Ordinary (L)	1,194,000,000	59.7%
Sapphire Corporation Limited(Note 4)	Interest in controlled corporation	Ordinary (L)	1,194,000,000	59.7%
Green Globe(Note 5)	Beneficial owner	Ordinary (L)	217,800,000	10.9%
AL Safat Asia Resources I Limited(Note 5)	Interest in controlled corporation	Ordinary (L)	217,800,000	10.9%
AL Safat Investment Company K.S.C.C.(Note 6)	Interest in controlled corporation	Ordinary (L)	217,800,000	10.9%

Notes:

1. The letter 'L' denotes the person's long position in such Shares.

2. Assuming the Over-allotment Option is not exercised.

3. The issued share capital of Trisonic International is owned as to 6% by Mr. YANG Xianlu; 6% by Mr. WU Wendong, 3% by Mr. LI Hesheng, 30.6% by Mr. WANG Jin, 7.2% by Mr. SHI Yinjin and 7.2% by Mr. ZHANG Yuangui; and 40% by Kingston Grand. Both our Founders and Kingston Grand are deemed under SFO to be interested in 1,194,000,000 Shares held by Trisonic International.

4. The issued share capital of Kingston Grand is owned as to 60% by Mr. WANG Jin and 40% by Sapphire Corporation Limited. Mr. WANG Jin and Sapphire Corporation Limited are deemed under SFO to be interested in 1,194,000,000 Shares held by Kingston Grand.

5. The issued share capital of Green Globe is owned as to 100% by AL Safat Asia Resources I Limited. AL Safat Asia Resources I Limited is deemed under SFO to be interested in 217,800,000 Shares held by Green Globe.

6. The issued share capital of AL Safat Asia Resources I Limited is owned as to 100% by AL Safat Investment Company K.S.C.C. AL Safat Investment Company K.S.C.C. is deemed under SFO to be interested in 217,800,000 Shares held by Green Globe.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Global Offering (without taking into account any Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or our underlying shares which would fall to be disclosed to us under the provisions of Division 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group.

Authorized share capital:

		HK$
10,000,000,000	Shares	1,000,000,000

Issued shares:

10,000	Shares in issue as of the date of this prospectus	1,000

Shares to be issued:

1,499,990,000 *(Note 1)*	Shares to be issued pursuant to the Capitalization Issue	149,999,000
500,000,000	Shares to be issued pursuant to the Global Offering	50,000,000

Total issued share capital:

2,000,000,000	Shares	200,000,000

1. 88,800,000 Shares of which will be the Sale Shares to be issued to the Selling Shareholder pursuant to the Capitalization Issue, all of which will be offered for sale by the Selling Shareholder under the International Placing.

(1) Assumption

The above table assumes that the Global Offering becomes unconditional. It takes no account of (i) any Shares which may be issued pursuant to any exercise of the Over-allotment Option, or (ii) any Shares which may be issued or repurchased pursuant to the General Mandate referred to in Note 3 below; or (iii) any Shares which may be repurchased by us pursuant to the Repurchase Mandate referred to in Note 4 below; or (iv) any exercise of any options granted or to be granted under the Share Option Scheme referred to in Note 5 below. If the Over-allotment Option is exercised in full, then 75,000,000 additional Shares will be issued resulting in a total enlarged issued share capital of 2,075,000,000 Shares.

(2) Ranking

The Offer Shares will rank *pari passu* in all respect with all Shares currently in issue or to be issued, in particular, will rank in full for all dividend or other distributions declared, made or paid on the Shares with respect to a record date which falls after the date of this prospectus, save with respect to entitlement to the Capitalization Issue.

(3) General mandate

Subject to the conditions stated in the "Structure of the Global Offering — Conditions of the Global Offering" section in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares (otherwise than by way of rights issues, scrip dividend schemes or other similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or in issue prior to the date of the passing of the relevant resolution or pursuant to the exercise of options which may be granted under the Share Option Scheme or other similar arrangement or under the Global Offering or the Capitalization Issue or a specific authority granted by the Shareholders in a general meeting), with an aggregate nominal value of not more than the sum of:

(a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and Capitalization Issue; and

(b) the aggregate nominal value of the share capital of our Company repurchased by us (if any) pursuant to the Repurchase Mandate referred to in Note 4 below.

This general mandate to issue Shares will remain in effect until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate,

whichever occurs first.

For further details of this General Mandate, please refer to the "Statutory and General Information — A. Further Information about Our Group — 3. Resolutions of our Shareholders" attached as Appendix VII to this prospectus.

(4) Repurchase mandate

Subject to the conditions stated in the "Structure of the Global Offering — Conditions of the Global Offering" section in this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of and on behalf of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and the Capitalization Issue.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the "Statutory and General Information — A. Further Information about Our Group — 6. Repurchases by our Company of our own Shares" attached as Appendix VII to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate,

whichever occurs first.

(5) Share option scheme

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarized in the "Statutory and General Information — E. Share Option Scheme" attached as Appendix VII to this prospectus.

The following discussion should be read in conjunction with our audited consolidated financial statements together with the accompanying notes. See the Accountants' Report in Appendix I to this prospectus. The following discussion contains forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such differences include, without limitation, those discussed in the "Risk Factors" section and elsewhere in this prospectus.

OVERVIEW

We are primarily engaged in the business of mining, ore processing and sale of iron concentrates, iron pellets and titanium concentrates through our PRC operating subsidiaries, Huili Caitong and Xiushuihe Mining. The total proved and probable reserves of vanadium-bearing titanomagnetite in our Baicao Mine and Xiushuihe Mine were approximately 60.0 Mt and 18.7 Mt, respectively, as of June 30, 2009. Our principal customers are steel producers and titanium-related downstream product producers.

We grew rapidly during the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, with revenue increasing from RMB211.1 million in 2006 to RMB791.2 million in 2008, representing a CAGR of 93.6%, and from RMB315.3 million for the six months ended June 30, 2008 to RMB486.0 million for the six months ended June 30, 2009, representing an increase of 54.1%.

Our revenue derived from our iron concentrates increased from RMB75.2 million in 2006 to RMB495.6 million in 2008, representing a CAGR of 156.7%. Our revenue derived from our iron concentrates increased from RMB168.7 million for the six months ended June 30, 2008 to RMB239.4 million for the six months ended June 30, 2009, representing an increase of 41.9%. Our revenue derived from our iron pellets increased from RMB113.9 million in 2006 to RMB252.3 million in 2008, representing a CAGR of 48.8 %. Our revenue derived from our iron pellets increased from RMB115.1 million for the six months ended June 30, 2008 to RMB240.5 million for the six months ended June 30, 2009, representing an increase of 108.9%.

Our revenue derived from our medium-grade titanium concentrates increased from RMB7.5 million in 2006 to RMB43.3 million in 2008, representing a CAGR of 141.0%. Our revenue derived from our medium-grade titanium concentrates decreased from RMB31.6 million for the six months ended June 30, 2008 to RMB6.1 million for the six months ended June 30, 2009, representing a decrease of 80.6%. This decrease was mainly due to the substantial reduction of more than 50.0% in the price of medium-grade titanium concentrates that occurred around the end of 2008 and the decrease in our production volume of medium-grade titanium concentrates due to the discontinuation of the greater part of such production at our Xiushuihe Processing Plant during the six months ended June 30, 2009 as a result of a planned upgrade of the medium-grade titanium concentrates production line to a high-grade titanium concentrates production line.

Our total comprehensive income increased from RMB32.3 million in 2006 to RMB318.8 million in 2008, representing a CAGR of 214.1%, and from RMB137.6 million for the six months ended June 30, 2008 to RMB149.9 million for the six months ended June 30, 2009, representing an increase of 8.9%. We accomplished our growth by expanding our production volume to meet the rapid increase in market demand for our products. During the years ended December 31, 2006 and 2007, we sold over 90.0% of our products to Weiyuan Steel, a connected person. In January 2008, we began the process of increasing our sales to Independent Third Party customers in order to reduce our sales to

Weiyuan Steel to approximately 30.0% or less of our total contracted sales revenue. For the year ended December 31, 2008 and the six months ended June 30, 2009, our sales to Weiyuan Steel accounted for only 21.1% and 17.3% of our total revenue, respectively.

BASIS OF PREPARATION

Our financial information has been prepared in accordance with IFRS. Our financial information has been prepared on a continuing basis as if the Reorganization had been completed at the beginning of the Track Record Period. The acquisition of Powerside, Simply Rise, Huili Caitong and Xiushuihe Mining pursuant to the Reorganization was treated as a business combination under common control because each of our Company, Powerside, Simply Rise, Huili Caitong and Xiushuihe Mining was ultimately controlled by the Founders before and after the Reorganization. See the "History, Reorganization and Group Structure — Reorganization" section in this prospectus.

As the Reorganization involved companies under common control, our Group is regarded and accounted for as a continuity group. Accordingly, our financial information has been prepared based on the principles of merger accounting.

Accordingly, the consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity of our Group for the Track Record Period and the consolidated statements of financial position of our Group as of December 31, 2006, 2007 and 2008 and June 30, 2009, have been prepared as if the current Group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/registration, whichever is shorter, to the extent that the interest in the relevant company was held by our Shareholders.

For subsidiaries historically acquired by our Group during the Track Record Period, their financial statements are consolidated from or to their respective dates of acquisition. All income, expenses and unrealized gains and losses resulting from intercompany transactions and intercompany balances within our Group are eliminated in full upon consolidation.

FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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

Price of products

The unit prices of our products are primarily based on the iron content of our iron concentrates and iron pellets and the titanium content of our titanium concentrates. In addition, we are exposed to the risk of fluctuations in the prices of our products. Fluctuations in iron ore product prices are due to a number of factors, including but not limited to the global and PRC supply of and demand for iron ore products and the performance of the PRC steel industry.

Most of our existing and potential customers are located in the southwest region of the PRC and the prices of our iron ore products are generally influenced by market prices in the Panxi Region. Throughout the greater part of the Track Record Period, local demand for iron ore products in Sichuan exceeded local production volume. An increasing number of steel producers are expanding their production facilities to accommodate the use of vanadium-bearing titanomagnetite products in their production processes. These factors contributed to an increase in demand for our iron ore products as well as the substantial price increases for iron ore products during the greater part of the Track Record Period. See the "Industry Overview — Overview of the Iron Ore and Titanium Industries — Iron ore and titanium prices" section in this prospectus.

We have been producing iron concentrates, iron pellets and titanium concentrates throughout the Track Record Period. As we use some of our own iron concentrates to produce our iron pellets, we are able to control the volume of our iron concentrates consumed for the production of iron pellets. As a result, we are able to adjust the sales volume of our iron concentrates and our iron pellets in response to the profitability of our iron concentrates and iron pellets. If one product has a higher profit margin than the other, we will increase production of the more profitable product to capitalize on favorable market conditions. However, if the profitability of both our iron concentrates and iron pellets decrease, our business, financial condition and results of operations may be materially and adversely affected.

The following table sets forth the average selling prices of our products for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
			(RMB/Tonne)		
Iron concentrates	450.8	477.8	621.9	644.5	516.7
Iron pellets	670.2	646.0	826.1	848.0	723.3
Medium-grade titanium concentrates	295.9	176.3	199.7	229.3	94.4

Iron concentrates and iron pellets

Due to the recent global economic slowdown, the average selling price of our iron concentrates and iron pellets decreased by approximately 23.8% and 11.7%, respectively, between June 2008 and June 2009. The table below shows the monthly average selling prices per tonne of our iron concentrates and iron pellets, respectively, from June 2008 to June 2009.

	Average selling price per tonne (RMB)												
	Month ended June 30,	Month ended July 31,	Month ended August 31,	Month ended September 30,	Month ended October 31,	Month ended November 30,	Month ended December 31,	Month ended January 31,	Month ended February 28,	Month ended March 31,	Month ended April 30,	Month ended May 31,	Month ended June 30,
	2008							2009					
Iron concentrates	764.5	733.1	758.2	696.7	603.4	457.3	465.2	519.4	468.6	475.2	510.0	514.4	582.3
Iron pellets	935.6	954.5	936.7	904.6	805.1	651.0	679.7	682.8	676.1	675.7	684.7	717.5	826.5

In 2008, the highest monthly average selling price of our iron concentrates was RMB764.5 per tonne in June 2008 and the lowest monthly average selling price of our iron concentrates was RMB457.3 per tonne in November 2008. In 2008, the highest monthly average selling price of our iron pellets was RMB954.5 per tonne in July 2008 and the lowest monthly average selling price of our iron pellets was RMB651.0 per tonne in November 2008. For the six months ended June 30, 2009, the highest monthly average selling price of our iron concentrates was RMB582.3 per tonne in June 2009 and the lowest monthly average selling price of our iron concentrates was RMB468.6 per tonne in February 2009. For the six months ended June 30, 2009, the highest monthly average selling price of our iron pellets was RMB826.5 per tonne in June 2009 and the lowest monthly average selling price of our iron pellets was RMB675.7 per tonne in March 2009. The average selling prices of our iron concentrates and iron pellets have shown signs of stabilization beginning in February 2009.

Despite decreases in the monthly average selling prices of our products in 2008, our sales volume and revenue from our iron concentrates and iron pellets in 2008 increased when compared to the sales volume and revenue from our iron concentrates and iron pellets in 2007 because the production volume average selling price of our iron ore products increased in 2008. Our production volume of iron concentrates and iron pellets increased from 519.0 Kt to 1,163.8 Kt, and from 249.0 Kt to 325.3 Kt, respectively, from 2007 to 2008, due to an increase in the production capacity of our iron ore products from 2007 to 2008. The production capacity of our iron concentrates in 2007 and 2008 (including the iron concentrates allocated to us by our first Independent Third Party Processing Contractor in 2007 and 2008), was 600.0 Kt. and 1,550.0 Kt, respectively. In 2007, the production capacity of our iron pellets was 333.0 Kt. In 2008, the production capacity of our iron pellets was 380.0 Kt (including the 20.0 Kt of iron pellets allocated to us by our first Independent Third Party Pelletizing Contractor in 2008). See "— Our Production Operations and Facilities — Production facilities" in this section. As a result of the increase in the production volume of our iron ore products and the increase in their average selling prices in 2008, as described above, our revenue increased in 2008.

As of June 30, 2009, the total contracted sales volume of iron concentrates and iron pellets for the year 2009 was 1.3 Mt and 710.0 Kt, respectively. The actual total sales volume of iron concentrates and iron pellets for the six months from January 1, 2009 to June 30, 2009 was 463.3 Kt and 332.5 Kt, respectively, representing 34.8% and 46.8% of the contracted iron concentrates and iron pellets for 2009, respectively.

In January, February, March, April, May, and June 2009 the average selling prices of iron concentrates per tonne were RMB519.4, RMB468.6, RMB475.2, RMB510.0, RMB514.4 and RMB582.3, respectively, and the average selling prices of iron pellets per tonne were RMB682.8, RMB676.1, RMB675.7, RMB684.7, RMB717.5 and RMB826.5, respectively. Based on the monthly figures from January 2009 to June 2009 (which do not reflect major differences in the average selling prices of each iron ore product from month to month), our Directors believe that the average selling prices of iron concentrates and iron pellets have shown signs of stabilization beginning in February 2009 and we expect that the price will gradually increase for the remainder of 2009.

Because steel production companies in Sichuan have commercial incentives to purchase large quantities of iron ore products from local iron ore producers due to significant transportation costs and the higher prices of imported iron ore products, we believe that we will benefit from the increased demand for steel created by Sichuan reconstruction plans. See "— Factors Affecting Results of Operations and Financial Conditions — Sales volume" in this section. Nevertheless, in the event that the demand for iron ore products in the PRC and Sichuan decreases, the market price will decrease and that may have a material adverse effect on our business, financial condition and results of operations. See the "Risk Factors — Risks Relating to Our Business and Industry — Our business depends on the economic growth of the PRC, the performance of the PRC iron and steel industries, and the growth of the PRC titanium and titanium-related industries" section in this prospectus.

Titanium concentrates

Fluctuations in the price of titanium concentrates are primarily due to demand from downstream product producers such as titanium powder producers and fluctuations in the prices of titanium-related downstream products. See "— Results of Operations" in this section and the "Industry Overview — Overview of the Iron Ore and Titanium Industries — Iron ore and titanium prices" and "Business — Customers — Expansion of customer base" sections in this prospectus for more information regarding the fluctuations in the average selling prices of our medium-grade titanium concentrates during the Track Record Period.

Sales of our medium-grade titanium concentrates recorded a gross loss margin of 155.9% for the six months ended June 30, 2009. This loss was mainly attributable to the substantial reduction of more than 50% in the price of medium-grade titanium concentrates that occurred around the end of 2008 and the decrease in our production volume of medium-grade titanium concentrates due to the discontinuation of the greater part of such production at our Xiushuihe Processing Plant during the six months ended June 30, 2009 as a result of a planned upgrade of the medium-grade titanium concentrates production line to a high-grade titanium concentrates production line. Going forward, we intend to discontinue the production of medium-grade titanium concentrates and focus on the production of high-grade titanium concentrates. See the "Business — Expansion and Construction Plan — Expansion and construction of production facilities" section in this Prospectus.

Sales volume

The sales volume of our iron concentrates and iron pellets increased substantially during the Track Record Period. The sales volume of our medium-grade titanium concentrates increased substantially from 2006 to 2008 but decreased substantially for the six months ended June 30, 2009 mainly due to the discontinuation of the greater part of our production of medium-grade titanium concentrates at our Xiushuihe Processing Plant during the six months ended June 30, 2009 as a result of a planned upgrade of the medium-grade titanium concentrates production line to a high-grade titanium concentrates production line. The following table sets forth the sales volume of our products for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2006	2007 (kt)	2008	2008 (kt)	2009
Iron concentrates	166.8	398.0	796.9	261.7	463.3
Iron pellets	169.9	255.6	305.4	135.8	332.5
Medium-grade titanium concentrates	25.2	63.9	216.7	137.6	64.9

The following table sets forth the month-to-month sales volume and revenue of our iron concentrates and iron pellets for 2008 and for the six months ended June 30, 2009:

	Jan' 08	Feb' 08	Mar' 08	Apr' 08	May' 08	Jun' 08	Jul' 08	Aug' 08	Sep' 08	Oct' 08	Nov' 08	Dec' 08	Total
Iron concentrates													
Sales volume (Kt)	31.8	32.3	46.5	53.4	40.2	57.6	62.4	71.6	133.1	73.5	94.3	100.2	796.9
Revenue (RMB'000)	16,602.6	16,074.4	29,498.5	33,390.4	29,075.7	44,019.2	45,732.8	54,293.8	92,785.8	44,371.3	43,106.5	46,617.0	495,568.0
Iron pellets													
Sales volume (Kt)	18.8	27.0	15.1	19.4	25.4	30.0	29.6	23.8	26.9	20.7	35.9	32.8	305.4
Revenue (RMB'000)	14,406.8	19,371.2	12,964.5	16,957.1	23,324.0	28,096.2	28,323.7	22,300.1	24,294.5	16,635.6	23,379.1	22,266.2	252,319.0

	Jan' 09	Feb' 09	Mar' 09	Apr' 09	May' 09	Jun' 09	Total (Jan-Jun' 09)
Iron concentrates							
Sales volume (Kt)	62.8	69.3	68.7	67.7	92.7	102.1	463.3
Revenue (RMB'000)	32,615.8	32,482.3	32,684.4	34,513.4	47,679.0	59,436.3	239,411.2
Iron pellets							
Sales volume (Kt)	40.0	44.8	56.7	23.4	91.2	76.4	332.5
Revenue (RMB'000)	27,344.1	30,274.4	38,325.2	16,019.1	65,427.3	63,107.4	240,497.5

The sales volume of our products is generally dependent upon our mineral reserves, production capacity, the demand for our products and the availability of reliable and adequate transportation capacity for our products.

We expect that increasing sales volumes will continue to be the main driver of our revenue growth in the future. In addition, the availability of sufficient transport capacity on the PRC railroad transportation network is an important factor affecting our continued growth.

Our mineral reserves and production capacity

Our future growth will largely be dependent on our capital investment plan to (a) increase our mineral reserves and (b) increase our production capacity. We plan to increase our mineral reserves through a combination of the acquisition of, or consolidation with, other mines in the region and by extending to areas adjacent to the boundary limits of our existing mines set forth in our current mining rights. We intend to expand our iron concentrates, iron pellets and titanium concentrates and titanium-related products production capacity by (i) improving our existing production lines; (ii) constructing new production lines; (iii) acquiring the production lines of other enterprises; and (iv) increasing the quantity of our products we produce utilizing Independent Third Party processing and pelletizing contractors. See the "Business — Strategies", "Business — Our Production Operations and Facilities" and "Future Plans and Use of Proceeds" sections in this prospectus.

Demand for our products

According to the Hatch Report, iron ore demand in the PRC exceeded iron ore output in the PRC between 2001 and 2008. In 2008, iron ore demand exceeded iron ore output in the PRC by approximately 365.8 Mt. We believe that this supply shortfall will continue based on information in the Hatch Report which showed that total PRC iron ore supply shortfall during the six months ended June 30, 2009 was 235.5 Mt. The shortfall in the domestic supply of iron ore presents significant market opportunities for our iron concentrates and iron pellets. Details of the iron ore market are set out in the "Industry Overview — Overview of the Iron Ore and Titanium Industries — PRC iron ore industry" and "Industry Overview — Overview of the Iron Ore and Titanium Industries — Sichuan iron ore industry" sections in this prospectus.

Availability of reliable and adequate transport capacity for our products

Our customers largely rely on the railroad system to transport our products. Any shortage in transportation capacity or any material increase in transportation costs may have a material adverse effect on the demand for our products.

Our mines and ore processing plants are located in close proximity to the railroad transportation network. See the "Business — Competitive Strengths — We are located close to our customers and to the railroad transportation network" section in this prospectus for details on the location of our mines and the arrangement on the utilization of railroad transportation capacity by our customers.

Cost of sales

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

	Year ended December 31,						Six months ended June 30,			
	2006 RMB'000	%	2007 RMB'000	%	2008 RMB'000	%	2008 RMB'000 (unaudited)	%	2009 RMB'000	%
Mining and stripping contracting fees	21,323	21.3	33,239	17.7	129,433	35.5	46,007	33.6	91,388	33.0
Processing contracting fees (*Note 1*)	—	—	37,810	20.1	65,473	18.0	28,778	21.0	35,112	12.7
Pelletizing contracting fees (*Note 2*)	—	—	—	—	1,750	0.5	—	—	22,761	8.2
Materials	31,053	31.0	74,501	39.7	76,402	21.0	29,111	21.2	32,388	11.7
Labor	7,701	7.7	7,969	4.2	15,119	4.2	6,202	4.5	8,679	3.1
Power and other utilities	9,313	9.3	11,141	5.9	26,561	7.3	10,759	7.9	20,644	7.5
Repair and maintenance	3,171	3.2	6,286	3.3	5,541	1.5	3,967	2.9	6,368	2.3
Depreciation and amortization	9,238	9.2	9,705	5.2	22,923	6.3	9,951	7.3	18,247	6.6
Transportation(*Note 3*)	2,855	2.9	4,458	2.4	8,113	2.2	2,135	1.6	10,812	3.9
Other manufacturing overheads	4,781	4.8	5,010	2.7	19,654	5.4	5,960	4.3	13,416	4.9
Other materials cost(*Note 4*)	13,870	13.9	—	—	—	—	—	—	—	—
Total production cost	103,305	103.3	190,119	101.2	370,969	101.9	142,870	104.3	259,815	93.9
Inventory movement(*Note 5*)	(3,175)	(3.3)	(2,350)	(1.2)	(6,847)	(1.9)	(5,819)	(4.3)	16,723	6.1
Total Cost of sales	**100,130**	**100.0**	**187,769**	**100.0**	**364,122**	**100.0**	**137,051**	**100.0**	**276,538**	**100.0**

Notes:

1. Our engagement with our first Independent Third Party Processing Contractor began in 2007, thus no processing contracting fees were incurred in 2006.

2. We only engaged our first Independent Third Party Pelletizing Contractor in December 2008, thus no pelletizing contracting fees were incurred in 2006 and 2007.

3. Transportation means the cost of transporting iron concentrates from the processing plants to our Iron Pelletizing Plant.

4. Other materials cost includes materials that we purchased from third party suppliers for sale to our customers. We have not sold any materials that we purchased from third party suppliers to our customers since 2007.

5. Inventory movement means the finished goods as of the beginning of the year less finished goods at the end of the year.

Mining and stripping contracting fees represent fees paid to our Independent Third Party Mining Contractor who carries out ore mining and waste stripping activities at our mines. Fluctuations in fees paid to our Independent Third Party Mining Contractor are primarily tied to increases or decreases in our mining and stripping activities. Our mining and stripping contracting fees increased substantially from RMB33.2 million for the year ended December 31, 2007 to RMB129.4 million for the year ended December 31, 2008 mainly due to the 12.4% increase in the mining contracting fees per tonne and the 34.8% increase in the stripping contracting fees per cubic meter in 2008 and a substantial increase in the volume of iron ore mined and stripped by our Independent Third Party Mining Contractor for the year ended December 31, 2008. The volume of iron ore mined and stripped in 2008 exceeded the total volume of iron ore mined and stripped for 2007 by 172.4%. Our mining and stripping contracting fees increased substantially from RMB46.0 million for the six months ended June 30, 2008 to RMB91.4 million for the six months ended June 30, 2009 mainly due to increased mining and stripping activities required to meet the increase in our production level.

Processing contracting fees represent fees paid to our first Independent Third Party Processing Contractor who processes the ores from our Baicao Mine. Fluctuations in fees paid to our first Independent Third Party Processing Contractor are primarily tied to increases or decreases in our processing activities.

Pelletizing contracting fees represent fees paid to our first Independent Third Party Pelletizing Contractor and second Independent Third Party Pelletizing Contractor whom we engaged in December 2008 and in February 2009, respectively, to increase our iron pellets production capacity. Fees paid to our first Independent Third Party Pelletizing Contractor are calculated based on a fixed rate of RMB137.0 per tonne on a dry basis, subject to adjustment depending on the quality of the iron pellets produced. See the "Business — Independent Third Party Contractors — Pelletizing contractors" section in this prospectus.

Materials used in our processing operations include coal, bentonite clay and iron concentrates, and the largest component of our materials cost from 2006 to 2008 was the cost of iron concentrates purchased by us from third party suppliers for the production of our iron pellets. We did not purchase iron concentrates from third party suppliers for the six months ended June 30, 2009. Whether we are required to purchase iron concentrates from external suppliers depends on the quantity of iron concentrates we are able to produce at our Xiushuihe Processing Plant and the feedstock demand of our Iron Pelletizing Plant. See the "Business — Products — Iron Pellets" section in this prospectus.

Labor costs are primarily comprised of the wages paid to our employees who work at our processing plants. Repair and maintenance represents the cost of repairing and maintaining our processing equipment. Depreciation represents depreciation expenses for property, plant and equipment calculated on a straight-line basis. Amortization represents the cost of amortizing our mining rights over the estimated useful lives of our mines, in accordance with our production plans and their proved and probable reserves using the units of production method.

Transportation expenses

We have two main types of transportation arrangements with our customers.

In relation to Weiyuan Steel, for the years ended December 31, 2006 and 2007, we bore (i) the road transportation expenses from our processing plants or the processing plant of our first Independent Third Party Processing Contractor to the nearest train stations where our products were uploaded to trains; and (ii) the railroad transportation expenses to the train station designated by Weiyuan Steel. Such transportation expenses were thereafter reimbursed by Weiyuan Steel through the inclusion of these expenses in the purchase price paid by Weiyuan Steel for our products. Our transportation expenses per tonne for the delivery of products to Weiyuan Steel for the years ended December 31, 2006 and 2007 were approximately RMB126.9 and RMB126.5, respectively. As of January 1, 2008, Weiyuan Steel has changed its delivery location to train stations near our mines. We therefore now bear only the road transportation expenses mentioned in (i) above. As a result, there has been a significant decrease in transportation expenses relating to Weiyuan Steel. Our transportation expenses per tonne for the delivery of products to Weiyuan Steel for the year ended December 31, 2008 and for the six months ended June 30, 2009 were approximately RMB42.6 and RMB39.5, respectively.

In 2008, we also entered into a separate transportation arrangement with an Independent Third Party customer on similar terms to the arrangement we had with Weiyuan Steel in 2008. As of June 30, 2009, we have entered into separate transportation arrangements with two other Independent Third Party Customers also on similar terms to the arrangement we had with Weiyuan Steel in 2008.

In 2008, we also provided one-time transportation assistance to Chengdu Yingchi. Chengdu Yingchi required road transportation services because it is not located near a railroad line. We bore, on behalf of the customer, approximately RMB2.6 million in transportation expenses for the year ended

December 31, 2008. These transportation expenses were reimbursed by Chengdu Yingchi through the inclusion of such expenses in the purchase price paid by Chengdu Yingchi for our products.

During the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our remaining customers collected our products directly from our processing plants or the plant of our first Independent Third Party Processing Contractor. We therefore did not and do not bear transportation expenses for these customers.

Because the full transportation costs in the above arrangements are ultimately reimbursed by our customers by adding such costs to the contract sales price, our Directors are of the view that we have not been unduly exposed to risks associated with transportation expenses. The main risk we potentially face is the customer credit risk that arises if the relevant customer does not pay the contract purchase price. Our Directors believe that such customer credit risk is limited given that we did not face any difficulties in collecting the full purchase price from our customers during the Track Record Period.

PRC enterprise income tax

Our PRC operating subsidiaries are subject to PRC enterprise income tax. Prior to January 1, 2008, the PRC enterprise income tax rate was 33%. The New Tax Law, which became effective on January 1, 2008, replaced the PRC Income Tax Law for Foreign Invested Enterprises and Foreign Enterprises (《中華人民共和國外商投資企業和外國企業所得稅法》). Under the New Tax Law, enterprises that previously enjoyed a preferential tax rate prior to March 16, 2007 will be gradually subject to a new tax rate of 25% over the five years beginning January 1, 2008. Enterprises that prior to March 16, 2007 enjoyed a fixed period of tax exemption and reduction will continue to enjoy their preferential tax treatment until the expiration of the prescribed period. Enterprises whose preferential tax treatment period has not yet commenced because of the lack of profit in prior years will enjoy such preferential tax treatment beginning January 1, 2008 and lasting until the expiration of the relevant preferential tax treatment period.

Under the previous tax regime, Huili Caitong, a foreign-invested enterprise since September 22, 2006, was exempted from enterprise income tax for its profit-making year ended December 31, 2007, and would have been entitled to a full exemption for the year ending December 31, 2008 and a 50% tax reduction for the subsequent three years. Under the New Tax Law, Huili Caitong will continue to enjoy a full exemption from enterprise income tax for 2008 and a 50% tax reduction from 2009 until 2011. From 2012 onwards, Huili Caitong will be subject to the 25% tax rate. Xiushuihe Mining was subject to a 33% enterprise income tax rate during the years ended December 31, 2006 and 2007 and has been subject to a 25% tax rate since January 1, 2008.

CRITICAL ACCOUNTING POLICIES

Our principal accounting policies are set forth in Note 3 of Section II of the "Accountants' Report", attached as Appendix I to this prospectus. IFRS requires that we adopt accounting policies and make estimates that our Directors believe are most appropriate under the circumstances for the purposes of giving a true and fair view of our results and financial position. Critical accounting policies are those that require management to exercise judgment and make estimates which yield materially different results if management were to apply different assumptions or make different estimates. We believe the most complex and sensitive judgments, because of their significance to our financial information, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Actual results in these areas may differ from our estimates. We have identified below the accounting policies that we believe are the most critical to our financial information and that involve the most significant estimates and judgments.

Revenue recognition

Revenue recognition involves estimates and judgments concerning timing. Significant changes in our management's estimates and judgments may result in revenue adjustments. As a general principle, revenue is recognized at the time when the economic benefits will most probably flow to us and when the amount of revenue can be measured reliably based on the following criteria:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, i.e., when goods are delivered and title has passed, provided that our Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Depreciation and amortization

The amount of depreciation and amortization expenses to be recorded on an asset is affected by a number of estimates made by our management, such as estimated useful lives, proved and probable reserves and residual values. If different judgments are used, material differences may result in the amount and timing of the depreciation or amortization charges related to the asset. We have identified below the accounting policies that we believe are critical to our financial information in connection with depreciation and amortization.

Property, plant and equipment

Depending on the nature of the item of property, plant and equipment, depreciation is calculated either (i) on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life or (ii) using the units of production method to write off the cost of the assets in proportion to the proved and probable mineral reserves. Our management estimates the useful lives, proved and probable reserves, residual values and related depreciation charges for property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of each item of property, plant and equipment of a similar nature and function. They could change significantly as a result of technical innovations and actions of our competitors. The assumptions used in the determination of useful lives of property, plant and equipment are reviewed periodically. Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

Mining rights

Mining rights are stated at cost less accumulated amortization and any impairment losses. Mining rights include (i) the cost of acquiring mining licenses; (ii) exploration and evaluation costs transferred from exploration rights and assets upon the determination that an exploration property is capable of commercial production; and (iii) the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortized over the shorter of the unexpired period of the rights on the straight-line basis or the estimated useful lives of the mines in accordance with the production plans of the entities concerned and the proved and probable reserves of each mine using the units of production method. Mining rights are written off the consolidated statements of comprehensive income if the mining property is abandoned.

Exploration rights and assets

Exploration rights are amortized over the term of the rights. Equipment used in exploration is depreciated over its useful life or, if dedicated to a particular exploration project, over the life of the project, whichever is shorter. Amortization and depreciation are included, in the first instance, in exploration rights and assets and are transferred to mining rights when it can be reasonably ascertained whether an exploration property is capable of commercial production.

Exploration and evaluation costs include expenditures incurred to secure further mineralization in existing orebodies as well as in new areas of interest. Expenditure incurred prior to accruing legal rights to explore an area is written off as incurred.

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs are capitalized and transferred to mining infrastructure and amortized using the units of production method based on the proved and probable mineral reserves. Exploration and evaluation assets are written off the consolidated statements of comprehensive income if the exploration property is abandoned.

Mine reserves

Engineering estimates of our mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgments involved in developing such estimates. There are authoritative guidelines regarding the engineering criteria that must be met before estimated mine reserves can be designated as “proved” and “probable”. Proved and probable mine reserve estimates are updated on a regular basis taking into account recent production and technical information regarding each mine. In addition, as prices and production costs change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis at related depreciation and amortization rates.

Impairment of mining and exploration assets, including property, plant and equipment

The carrying value of mining and exploration assets, including property, plant and equipment, is reviewed for impairment, when events or changes in circumstances indicate that the carrying value may not be recoverable, in accordance with the accounting policy as disclosed in Note 3 of Section II to the “Accountants’ Report” attached as Appendix I to this prospectus. The recoverable amount of these assets or, where appropriate, the cash generating unit to which they belong, is calculated as the higher of its fair value less costs to sell and value-in-use. Estimating the value-in-use requires our management to estimate future cash flows from the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Net realizable value of inventories

Our management makes judgments on the net realizable value of inventories based on historical experience and various other assumptions that they believe to be reasonable under the circumstances.

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to be incurred through completion and disposal. These estimates are based on current market conditions and the historical experience of selling products of a similar nature. They may change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Our management reassesses these estimates on each statement of financial position date.

Impairment of goodwill

Our management determines whether goodwill is impaired at least on an annual basis. This determination requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires our management to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of those cash flows. The estimation of the expected future cash flows from each cash-generating unit may change significantly should the cash-generating unit fail to sustain the estimated growth.

Impairment of receivables

Impairment of receivables is calculated based on an assessment of the recoverability of receivables. The calculation of impairment of receivables involves the use of estimates and judgments. An estimate for doubtful debt is made when collection of the full amount under the invoice is no longer probable, as supported by objective evidence based on available current and historical information to evaluate the impairment. Bad debts are written off as they are incurred. Where the actual outcome or future expectations differ from the original estimates, such difference will affect the carrying value of receivables and thus, the impairment loss in the period in which the estimate is changed.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of comprehensive income, or in equity if it relates to items that are recognized in the same or a different period directly in equity.

Current tax

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and, accordingly are exempted from payment of Cayman Islands Income Tax. Our PRC operating subsidiaries are subject to PRC enterprise income tax. As matters relating to PRC enterprise income tax are not usually confirmed by the relevant local tax authorities at the time when the financial statements are prepared, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision of PRC enterprise income tax to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax expenses and tax provisions in the period in which the differences realize.

Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the statement of comprehensive income date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. As a result, the amount of deferred tax recorded on the statement of financial position depends on management's estimates.

(i) *Deferred tax assets*

Deferred tax assets are recognized for all deductible temporary differences by carrying forward the unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except (i) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (ii) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. The amount of such assets is measured at the rates that are expected to apply when the asset is realized, based on tax rates and tax laws that have been enacted or substantially enacted as of the statement of financial position date. We review the carrying amount of deferred tax assets at each statement of financial position date and reduce such amount to the extent that it is no longer probable (i.e., less than a 50% chance) that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

(ii) *Deferred tax liabilities*

Deferred tax liabilities are recognized for all taxable temporary differences, except (i) where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (ii) in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Provision for rehabilitation

We are subject to various PRC environmental laws and regulations as well as local environmental regulations. We are currently not obligated under any legal requirement, contractual agreement or arrangement with respect to mine closure, restoration or environmental clean up or rehabilitation. Our assessment of potential liabilities and estimate of the necessary reserves for rehabilitation are based on our (i) assessment of the applicable environmental policies and/or standards promulgated by the PRC governmental authorities; and (ii) calculations of the amounts and timing of future cash expenditure needed for potential future rehabilitation. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. We record a corresponding asset in the mining infrastructure line item in the period in which the liability is incurred. The asset is depreciated using the units of production method over its expected life and the liability is accreted to the projected expenditure date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation and asset are recognized at the appropriate discount rate. While we believe that our environmental rehabilitation provisions are adequate, the amounts estimated for future liabilities may differ materially from the costs that will actually be incurred to rehabilitate our mine sites in the future.

In particular, changes in environmental laws and regulations may increase the costs of environmental rehabilitation.

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME LINE ITEMS

Revenue

Revenue represents the invoiced value of goods sold, net of trade discounts and returns, where applicable. Our revenue is derived primarily from the sale of our iron concentrates, iron pellets and medium-grade titanium concentrates to our customers. During the Track Record Period and as of the Latest Practicable Date, we have not provided for any trade discounts or returns.

The following table sets forth our sales volume, average selling price, revenue contribution by product categories and percentage of total revenue for the periods indicated:

	Year ended December 31,							Six months ended June 30,				
	2006		2007		2008			2008		2009		
	Revenue (RMB'000)	Percentage of total revenue (%)	Revenue (RMB'000)	Percentage of total revenue (%)	Revenue (RMB'000)	Percentage of total revenue (%)	CAGR from 2006 to 2008 (%)	Revenue (RMB'000)	Percentage of total revenue (%)	Revenue (RMB'000)	Percentage of total revenue (%)	Period increase/ (decrease) (%) (Note 3)
Iron concentrates	75,194	35.6	190,171	51.9	495,568	62.6	156.7	168,661	53.5	239,411	49.3	41.9
Iron pellets	113,899	54.0	165,145	45.0	252,319	31.9	48.8	115,120	36.5	240,498	49.4	108.9
Medium-grade titanium concentrates	7,452	3.5	11,271	3.1	43,276	5.5	141.0	31,554	10.0	6,132	1.3	(80.6)
Others (Note 1)	14,558	6.9	83 (Note 2)	—	—	—	—	—	—	—	—	—
Total	211,103	100.0	366,670	100.0	791,163	100.0	93.6	315,335	100.0	486,041	100.0	—

Notes:

1. Others include revenue generated from the sale of materials that we purchased from third party suppliers for sale to our customers. We have not sold any materials purchased from third party suppliers to our customers since 2007.
2. This amount represents an adjustment to the selling price of other products sold in 2006 which was due to a higher content of iron and was agreed to by these customers in 2007.
3. This amount represents the percentage increase or decrease in the six month period ended June 30, 2009 over the corresponding amounts for the six month period ended June 30, 2008.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our iron concentrates and iron pellets together accounted for 89.6%, 96.9%, 94.5% and 98.7% of our total revenue, respectively. We expect iron concentrates and iron pellets to continue to account for the majority of our revenue for 2009.

Our revenue derived from our iron concentrates increased from RMB75.2 million in 2006 to RMB495.6 million in 2008, representing a CAGR of 156.7%. Our revenue derived from our iron concentrates increased from RMB168.7 million for the six months ended June 30, 2008 to RMB239.4 million for the six months ended June 30, 2009, representing an increase of 41.9%. Our revenue derived from our iron pellets increased from RMB113.9 million in 2006 to RMB252.3 million in 2008, representing a CAGR of 48.8%. Our revenue derived from our iron pellets increased from RMB115.1 million for the six months ended June 30, 2008 to RMB240.5 million for the six months ended June 30, 2009, representing an increase of 108.9%.

Our revenue derived from our medium-grade titanium concentrates increased from RMB7.5 million in 2006 to RMB43.3 million in 2008, representing a CAGR of 141.0%. Our revenue derived from our medium-grade titanium concentrates decreased from RMB31.6 million for the six months ended June 30, 2008 to RMB6.1 million for the six months ended June 30, 2009, representing a decrease of 80.6%. This decrease was mainly due to the substantial reduction of more than 50.0% in the price of medium-grade titanium concentrates that occurred around the end of 2008 and the decrease in our production volume of medium-grade titanium concentrates due to the discontinuation of the greater part of such production at our Xiushuihe Processing Plant during the six months ended June 30, 2009 as a result of a planned upgrade of the medium-grade titanium concentrates production line to a high-grade titanium concentrates production line.

We plan to use a portion of the net proceeds from the Global Offering to continue to increase our production capacity of iron concentrates. We also plan to use a portion of the net proceeds from the Global Offering to complete the upgrade of our existing medium-grade titanium concentrates production lines to produce high-grade titanium concentrates. Details of our plans on the expansion of our production capacities for iron concentrates and production of high-grade titanium concentrates are set out in the "Business — Expansion and Construction Plan" and "Future Plans and Use of Proceeds" sections in this prospectus.

Cost of sales

Cost of sales mainly includes the mining and stripping contracting fees, processing contracting fees, cost of materials, labor, power and other utilities, repair and maintenance, depreciation and amortization, transportation and other overhead costs. For a breakdown and description of the components of our cost of sales, see "— Factors Affecting Results of Operations and Financial Condition — Cost of sales" in this section.

The following table sets forth our cost of sales by product and as a percentage of our total cost of sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2006		2007		2008		2008		2009	
	Cost of Sales (RMB '000)	Percentage of total cost of sales (%)	Cost of Sales (RMB '000)	Percentage of total cost of sales (%)	Cost of Sales (RMB'000)	Percentage of total Cost of Sales (%)	Cost of Sales (RMB'000) (unaudited)	Percentage of total Cost of Sales (%)	Cost of Sales (RMB'000)	Percentage of total Cost of Sales (%)
Iron concentrates	27,789	27.8	73,473	39.1	181,760	50.0	53,808	39.2	120,066	43.4
Iron pellets	55,690	55.6	106,092	56.5	138,540	38.0	55,889	40.8	140,781	50.9
Medium-grade titanium concentrates	2,781	2.8	8,204	4.4	43,822	12.0	27,354	20.0	15,691	5.7
Others(Note)	13,870	13.8	—	—	—	—	—	—	—	—
Total cost of sales	100,130	100.0	187,769	100.0	364,122	100.0	137,051	100.0	276,538	100.0

Note: Others include cost of sales of materials that we purchased from third party suppliers for sale to our customers. We have not sold any materials purchased from third party supplier to our customers since 2007.

Mining and stripping contracting fees constitute a significant portion of our cost of sales related to the production of our iron concentrates and medium-grade titanium concentrates. We entered into a mining and stripping contracting contract with our Independent Third Party Mining Contractor for a term of five years beginning on August 16, 2006. In addition, in March 2007, we engaged our first Independent Third Party Processing Contractor to process our ore to produce iron concentrates and medium-grade titanium concentrates from our Baicao Mine.

With respect to the production of our iron pellets, materials cost represents a significant proportion of our cost of sales. Of the materials cost, the cost of iron concentrates is the largest component. Our Xiushuihe Processing Plant supplies most of the iron concentrates used in the production of iron pellets at our Iron Pelletizing Plant. In the years ended December 31, 2006 and 2007 and 2008, we purchased iron concentrates from third party suppliers because the volume of iron concentrates produced from our Xiushuihe Processing Plant was insufficient to meet the production requirements of our iron pellets. Our Directors confirm that the increase in the cost of sales of iron pellets from 2006 to 2008 was in line with the corresponding increase in the production volume. The increase in the average cost of sales of iron pellets between 2006 and 2007 is due to our purchase of 19.3% and 45.1%, respectively, of the total iron concentrates feed used in our Iron Pelletizing Plant from third party suppliers. The market price of iron concentrates was relatively higher during that period, which also contributed to this increase in average cost of sales. As our production of iron concentrates increases, we plan to reduce our purchases from third party suppliers. We decreased our purchases from third party suppliers to 2.4% of the total iron concentrates feed used in our Iron Pelletizing Plant for 2008 as compared to 45.1% for 2007. For the six months ended June 30, 2009, we did not purchase iron concentrates feed from third party suppliers. In addition, due to demand for iron pellets from our customers, we entered into a contract with our first Independent Third Party Pelletizing Contractor for a term of one year from December 18, 2008, and a contract with our second Independent Third Party Pelletizing Contractor for a term of one year from February 19, 2009, to increase our iron pellets production capacity. The Independent Third Party Pelletizing Contractors will use the iron concentrates from our processing plants.

Other income

Our other income primarily consists of interest income and the income produced from the sale of materials to our contractors for the expansion and construction of our processing facilities.

Selling and distribution costs

Our selling and distribution costs primarily consist of transportation expenses for the delivery of our products to our major customers. See "— Factors Affecting Results of Operations and Financial Condition — Transportation expenses" in this section. The following table sets forth the breakdown of our selling and distribution costs for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2006 (RMB'000)	2007 (RMB'000)	2008 (RMB'000)	2008 (RMB'000) (unaudited)	2009 (RMB'000)
Transportation expenses	50,432	86,000	20,465	7,770	11,725
Others	829	572	1,979	981	1,024
Total	51,261	86,572	22,444	8,751	12,749
Transportation expenses as percentage of total revenue	23.9%	23.5%	2.6%	2.5%	2.4%

During the years ended December 31, 2006 and 2007, pursuant to our arrangement with Weiyuan Steel, we were responsible for the (i) road transportation expenses from our processing plants or the processing plant of our first Independent Third Party Processing Contractor to the nearest train stations where our products were uploaded to trains and (ii) the railroad transportation expenses to the train stations designated by Weiyuan Steel. Our transportation expenses during this period are primarily related to this service we provided to Weiyuan Steel. After January 1, 2008, pursuant to new contracts signed with Weiyuan Steel, we only deliver our products sold to Weiyuan Steel to train stations near our mines. Transportation expenses for the year ended December 31, 2008 consisted of approximately RMB14.1 million relating to the delivery of our products to Weiyuan Steel; approximately RMB3.8 million relating to the delivery of our products to Independent Third Party customer G and approximately RMB2.6 million relating to a one-time delivery of our products to Chengdu Yingchi. Transportation expenses for the six months ended June 30, 2009 consisted of approximately RMB7.0 million relating to the delivery of our products to Weiyuan Steel and approximately RMB4.7 million relating to the delivery of our products to Independent Third Party customer H. See "— Factors Affecting Results of Operations and Financial Condition — Transportation expenses" in this section for more information on our transportation arrangement with our customers.

The change that occurred on January 1, 2008 in our transportation arrangement with Weiyuan Steel, which resulted in the inclusion of transportation expenses in the selling price paid by Weiyuan Steel for our products, has led to a decrease in the average selling price of our iron ore products and our gross profit margin. If the transportation arrangement with Weiyuan Steel had not changed, the average selling price per tonne of our iron concentrates and iron pellets in 2008 would have been RMB661.7 and RMB833.8, respectively. The average selling price of our iron concentrates and iron pellets after the change in the transportation arrangement with Weiyuan steel in 2008 was RMB621.9 and RMB826.1, respectively, representing a decrease of 6.0% and 0.9%. Our gross profit margin for 2008 also correspondingly decreased from 55.9% to 54.0% due to the new transportation arrangement with Weiyuan Steel.

Administrative expenses

Our administrative expenses primarily consist of staff costs, business development expenses, professional consulting fees, depreciation, taxes, office expenses, land charges, land and environmental compensation fees, mineral resource compensation fees, rental expenses and Nanjiang Project technical service fees. The following table sets forth the breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
		(RMB'000)		(RMB'000)	
				(unaudited)	
Staff costs	2,855	4,656	8,576	2,545	4,504
Business development expenses	826	1,254	2,718	1,080	926
Professional consulting fees	918	609	10,541	6,799	734
Depreciation	174	172	387	118	605
Taxes	115	435	452	0	59
Office expenses	1,246	1,423	2,149	631	1,422
Land surcharges and compensation fees	483	2,335	1,284	522	1,323
Mineral resource compensation fees	247	1,187	2,178	653	843
Rental expenses	133	357	224	161	163
Nanjiang Project technical service fees(*Note*)	—	—	2,721	—	1,227
Others	303	680	1,772	468	(44)
Total	7,300	13,108	33,002	12,977	11,762

Note: The technical service fees were incurred after the completion of the upgrade of an existing 150.0 Kt iron concentrates production line to 200.0 Kt and the construction of a new 300.0 Kt iron concentrates production line in June 2008. No technical service fees were incurred in 2006 and 2007. See Note 34 of the Accountants' Report attached as Appendix I to this prospectus.

Staff costs consist of payroll and bonus to administrative staff. The increase in staff costs during the Track Record Period was consistent with the increase in the number of administrative employees due to our business expansion.

Business development expenses primarily consist of travel and entertainment fees incurred during the Track Record Period. The increase in our business development expenses during the Track Record Period was consistent with the increase in our customer development activities and in business travel related to our business expansion and financing activities.

Professional consulting fees include fees paid to professional valuers, business consulting fees and fees paid to industry consultants providing exploration and excavation planning services for our mines.

Land surcharges and compensation fees primarily consist of (i) surcharges paid to the government and (ii) compensation for the use of peripheral farm land. See the "Business — Regulatory Compliance Issues" and "Business — Properties — Owned properties" sections in this prospectus.

Mineral resource compensation fees are levied by the Mineral Resource Department of the People's Government (礦產資源管理局). The amount of mineral resources compensation fees is computed based on the revenue of mineral products as calculated according to certain compensation levy rates. The increase in these fees was mainly due to the increase in our production and sales volume during the Track Record Period.

Nanjiang Project technical fees are fees paid to Nanjiang for its provision of technical support services to us pursuant to the co-operation agreement between Nanjiang and us. See the "Business — Co-operation Agreement" section and Note 34 of Section II of the Accountants' Report attached as Appendix I to this prospectus.

Other operating expenses

Our other operating expenses primarily consist of the cost of materials sold to our contractors for the expansion and construction of our processing facilities, listing fee expenses, road maintenance fees charged by the government, loss on disposal of property, plant and equipment, and bank charges.

Finance costs

Our finance costs mainly represent interest on bank loans incurred during the Track Record Period.

Income tax expenses

Income tax expenses consist of provisions for current and deferred PRC income tax expenses. Overall, our effective tax rate for the years ended December 31, 2006, 2007 and 2008 and for the six months ended June 30, 2009 was 34.6%, 1.8%, 8.1%, and 16.1%, respectively. The decrease in our effective tax rate in the year ended December 31, 2007 was due to the tax holiday provided by law to Huili Caitong after it changed its status to a foreign-invested enterprise. Xiushuihe Mining remained subject to the PRC income tax rate of 33% in 2007. For the year ended December 31, 2008, Huili Caitong continued to enjoy its tax holiday and Xiushuihe Mining was subject to a 25% tax rate. The increase in our effective tax rate for the year ended December 31, 2008 was primarily due to the increase in profit before tax generated by Xiushuihe Mining. The increase in our effective tax rate for the six months ended June 30, 2009 was primarily due to the increase in profit before tax and the change in the PRC income tax preferential treatment enjoyed by Huili Caitong from a tax exemption in 2008 to a 50% tax reduction in 2009. See "— Factors Affecting Results of Operations and Financial Condition — PRC enterprise income tax" in this section.

The following table sets forth details regarding our income tax expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2006		2007		2008		2008		2009	
	RMB'000	Percentage of profit before tax %	RMB'000	Percentage of profit before tax %	RMB'000	Percentage of profit before tax %	RMB'000 (unaudited)	Percentage of profit before tax %	RMB'000	Percentage of profit before tax %
Profit before tax excluding loss incurred by our Company	49,433	—	75,690	—	372,200	—	158,351	—	183,760	—
Tax at applicable tax rate of 33% or 25% in the PRC	16,313	33.0	24,978	33.0	93,050	25.0	39,588	25.0	45,940	25.0
Lower tax rate for a subsidiary	—	—	(23,925)	(31.6)	(67,464)	(18.1)	(29,705)	(18.8)	(17,360)	(9.4)
Sub-total	16,313	33.0	1,053	1.4	25,586	6.9	9,883	6.2	28,580	15.6
Effect of change in enacted tax rate used for the recognition of deferred tax	—	—	939	1.3	—	—	—	—	—	—
Deferred tax assets arising from the provision for rehabilitation	—	—	(1,250)	(1.7)	—	—	—	—	—	—
Expenses not deductible for tax	806	1.6	636	0.8	1,867	0.5	322	0.2	993	0.5
Adjustments in respect of current tax of previous periods	—	—	—	—	2,614	0.7	—	—	—	—
	17,119	34.6	1,378	1.8	30,067	8.1	10,205	6.4	29,573	16.1

Cayman Islands profits tax

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and accordingly are exempt from payment of Cayman Islands Income Tax.

BVI profits tax

The BVI has no corporation, capital gains, wealth, or any other taxes applicable to a business company. We are not subject to any profit, income or other taxes of the BVI with respect to our business, provided that we do not have any employees in the BVI nor carry on any business in the BVI. Our Directors have confirmed that as of the Latest Practicable Date, we have no employees in the BVI and did not carry on any business in the BVI.

Hong Kong profits tax

Hong Kong profits tax is assessed on any profits arising or derived from Hong Kong. We have made no provision for Hong Kong profits tax because we had no assessable profits derived from or earned in Hong Kong during the Track Record Period.

PRC enterprise income tax

The provision for PRC income tax is based on the respective income tax rate applicable to our PRC operating subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC based on taxable income determined under PRC GAAP during the Track Record Period. For more information on the relevant PRC enterprise income tax law, see "— Factors Affecting Results of Operations and Financial Condition — PRC enterprise income tax" in this section.

Prior to January 1, 2008, the PRC enterprise income tax rate was 33%. The New Tax Law, which became effective on January 1, 2008, replaced the PRC Income Tax Law for Foreign Invested Enterprise and Foreign Enterprise. Under the New Tax Law, enterprises that previously enjoyed a preferential tax rate prior to March 16, 2007 will be gradually subject to a new tax rate of 25% over the next five years from January 1, 2008. Enterprises that previously enjoyed a fixed period of tax exemption and reduction prior to March 16, 2007 will continue to enjoy their preferential tax treatment until the expiration of the prescribed period. Enterprises whose preferential tax treatment period has not commenced due to lack of profits in prior years will enjoy preferential tax treatment beginning January 1, 2008 and lasting until the expiration of the relevant preferential tax treatment period.

Minority interests

Minority interests represent the interests of outside shareholders not held by us in the results and net assets of our subsidiaries. An acquisition of minority interests is accounted for by using the entity concept method whereby the difference between the consideration and the net book value of the share of the net assets acquired is recognized as an equity transaction.

RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of comprehensive income for the periods indicated, as derived from the Accountants' Report attached as Appendix I to this prospectus.

	Year ended December 31,						Six months ended June 30,			
	2006		2007		2008		2008		2009	
	RMB'000	Percentage of revenue (%)	RMB'000	Percentage of revenue (%)	RMB'000	Percentage of revenue (%)	RMB'000 (Unaudited)	Percentage of revenue (%)	RMB'000	Percentage of revenue (%)
Revenue	211,103	100.0	366,670	100.0	791,163	100.0	315,335	100.0	486,041	100.0
Cost of sales	(100,130)	(47.4)	(187,769)	(51.2)	(364,122)	(46.0)	(137,051)	43.5	(276,538)	56.9
Gross profit	110,973	52.6	178,901	48.8	427,041	54.0	178,284	56.5	209,503	43.1
Other income	147	0.0	1,496	0.4	17,277	2.2	13,470	4.3	2,230	0.5
Selling and distribution costs	(51,261)	(24.3)	(86,572)	(23.6)	(22,444)	(2.8)	(8,751)	(2.8)	(12,749)	(2.6)
Administrative expenses	(7,300)	(3.5)	(13,108)	(3.6)	(33,002)	(4.2)	(12,977)	(4.1)	(11,762)	(2.4)
Other operating expenses	(1,334)	(0.6)	(3,107)	(0.8)	(37,000)	(4.7)	(21,002)	(6.7)	(5,478)	(1.1)
Finance costs	(1,792)	(0.8)	(1,920)	(0.5)	(3,048)	(0.4)	(1,214)	(0.4)	(2,293)	(0.5)
Profit before tax	49,433	23.4	75,690	20.7	348,824	44.1	147,810	46.8	179,451	36.9
Income tax expense	(17,119)	(8.1)	(1,378)	(0.4)	(30,067)	(3.8)	(10,205)	(3.2)	(29,573)	(6.1)
Total comprehensive income for the year/period	32,314	15.3	74,312	20.3	318,757	40.3	137,605	43.6	149,878	30.8
Attributable to:										
Owners of our Company	23,042	10.9	53,686	14.7	248,675	31.4	95,281	30.2	133,445	27.4
Minority interests	9,272	4.4	20,626	5.6	70,082	8.9	42,324	13.4	16,433	3.4
	32,314	15.3	74,312	20.3	318,757	40.3	137,605	43.6	149,878	30.8

Six months ended June 30, 2009 compared to the six months ended June 30, 2008

Revenue

Our revenue increased by 54.1%, or RMB170.7 million, from RMB315.3 million for the six months ended June 30, 2008 to RMB486.0 million for the six months ended June 30, 2009. The increase was primarily attributable to the increase in the sales volume of our iron concentrates and iron pellets.

For the six months ended June 30, 2009, we sold 463.3Kt and 332.5Kt of iron concentrates and iron pellets, respectively, compared to 261.7Kt and 135.8Kt for the six months ended June 30, 2008, respectively, representing increases of 77.0% and 144.9%, respectively. The increase in the sales volume of our iron concentrates was primarily due to (i) the increase in our production volume and the production volume of our first Independent Third Party Processing Contractor; and (ii) production volume contributed by our second Independent Third Party Processing Contractor whom we engaged in April 2009. The increase in the sales volume of our iron pellets was primarily due to (a) the increase in our production volume and (b) production volume contributed by our first and second Independent Third Party Pelletizing Contractors whom we engaged in December 2008 and February 2009, respectively.

Due to the recent global economic slowdown and its effect on the demand for our products, the average selling prices of our iron concentrates and iron pellets for the six months ended June 30, 2009 have decreased compared to the average selling prices of our iron concentrates and iron pellets for the six months ended June 30, 2008. The average selling prices of our iron concentrates and iron pellets have shown signs of stabilization beginning in February 2009. The sales volume and the revenue of our iron concentrates and iron pellets for the six months ended June 30, 2009 have increased compared to the sales volume and revenue of our iron concentrates and iron pellets for the six months ended

June 30, 2008. See the "Industry Overview — Overview of the Iron Ore and Titanium Industries — Iron ore and titanium prices" and the "Business — Customers — Recent global economic trends and impact on our business" sections in this prospectus.

Our revenue derived from our medium-grade titanium concentrates decreased from RMB31.6 million for the six months ended June 30, 2008 to RMB6.1 million for the six months ended June 30, 2009, representing a decrease of 80.6%. This decrease was mainly due to the substantial reduction of more than 50.0% in the price of medium-grade titanium concentrates that occurred around the end of 2008 and the decrease in our production volume of medium-grade titanium concentrates due to the discontinuation of the greater part of such production at our Xiushuihe Processing Plant during the six months ended June 30, 2009 as a result of a planned upgrade of the medium-grade titanium concentrates production line to a high-grade titanium concentrates production line.

Cost of sales

Our cost of sales increased by 101.8%, or RMB139.4 million, from RMB137.1 million for the six months ended June 30, 2008 to RMB276.5 million for the six months ended June 30, 2009. The increase in cost of sales was primarily due to the increase in our production volume. Our waste stripping activities and associated fees increased to meet the increase in our production levels. Processing contracting fees also increased as a result of the engagement of the second Independent Third Party Processing Contractor in April 2009. During the six months ended June 30, 2009, we did not purchase any iron concentrates for use in our Iron Pelletizing Plant from third party suppliers and currently do not expect to purchase iron concentrates from third parties in the future. As a percentage of revenue, our cost of sales increased from 43.5% for the six months ended June 30, 2008 to 56.9% for the six months ended June 30, 2009. This increase was primarily due to (i) lower prices of iron concentrates and iron pellets during the six months ended June 30, 2009 as compared to prices during the first six months ended June 30, 2008; (ii) a substantial increase in the sales volume of iron pellets, which have a higher unit cost of sales than iron concentrates; and (iii) an increase in the unit cost of production of iron concentrates. The unit cost of production of iron concentrates increased for the six months ended June 30, 2009 because we processed a relatively higher amount of primary raw ore during such period. Unlike the relatively more oxidized raw ore found closer to the surface, primary raw ore from deeper levels in the mine is harder and therefore the energy costs involved in the crushing and grinding processes increase and more raw ore is required to produce the same amount of iron concentrates. We plan to adjust the mix of harder primary raw ore with softer oxidized raw ore to lower the overall strength of our raw ore and reduce the unit cost of production in the future.

Gross Profit

As a result of the foregoing, our gross profit increased by 17.5%, or RMB31.2 million, from RMB178.3 million for the six months ended June 30, 2008 to RMB209.5 million for the six months ended June 30, 2009. Our gross profit margin decreased from 56.5% for the six months ended June 30, 2008 to 43.1% for the six months ended June 30, 2009. The decrease in gross profit margin is primarily due to the fact that the average selling prices of our iron ore products in the six months ended June 30, 2009 was lower than those in the six months ended June 30, 2008 as a result of the global economic downturn and the increased unit cost of production of iron concentrates in the same period. We believe that our gross profit margin will improve as (i) the average selling price of our iron concentrates and our iron pellets increases; and (ii) we adjust the mix of harder primary raw ore with softer oxidized raw ore to lower the overall strength of our raw ore. We also recorded a gross loss margin of 155.9% for our medium-grade titanium concentrates for the six months ended June 30, 2009 as compared with the gross profit margin of 13.3% for the six months ended June 30, 2008, which was primarily due to the substantial reduction of over 50.0% in the price of medium-grade titanium concentrates that occurred around the end of 2008.

Other income

Our other income decreased by 83.4%, or RMB11.3 million, from RMB13.5 million for the six months ended June 30, 2008 to RMB2.2 million for the six months ended June 30, 2009, mainly due to the decrease in the sale of construction materials to construction contractors used in the construction and expansion of our processing facilities because we had fewer construction projects during the six months ended June 30, 2009.

Selling and distribution costs

Our selling and distribution costs increased by 45.7%, or RMB3.9 million, from RMB8.8 million for the six months ended June 30, 2008 to RMB12.7 million for the six months ended June 30, 2009, mainly due to an increase in transportation expenses resulting from the increase in sales of iron ore products to Weiyuan Steel and Independent Third Party customer H in the six months ended June 30, 2009. As a percentage of revenue, our selling and distribution costs decreased from 2.8% for the six months ended June 30, 2008 to 2.6% for the six months ended June 30, 2009. See "— Description of Selected Consolidated Statement of Comprehensive Income Line Items — Selling and distribution costs" in this section.

Administrative Expenses

Our administrative expenses decreased by 9.4%, or RMB1.2 million, from RMB13.0 million for the six months ended June 30, 2008 to RMB11.8 million for the six months ended June 30, 2009, primarily due to the decrease in professional consulting fees, which was partially offset by (i) increases in staff costs; and (ii) the payment of Nanjiang Project technical service fees. The decrease in professional consulting fees was due to our engagement of an industry consultant in 2008 only (but not in 2009) to advise on our expansion and construction plans. The increase in staff costs was due to our business expansion in the period. The Nanjiang Project technical service fees are comprised of fees paid to Nanjiang for its provision of technical support services to us pursuant to the co-operation agreement between Nanjiang and Xiushuihe Mining. See the "Business — Co-operation Agreement" section and Note 34 of section II of the Accountants' Report attached as Appendix I to this prospectus. As a percentage of revenue, our administrative expenses decreased from 4.1% for the six months ended June 30, 2008 to 2.4% for the six months ended June 30, 2009. See "— Description of Selected Consolidated Statement of Comprehensive Income Line Items — Administrative expenses" in this section.

Other operating expenses

Other operating expenses decreased by 73.9%, or RMB15.5 million, from RMB21.0 million for the six months ended June 30, 2008 to RMB5.5 million for the six months ended June 30, 2009, primarily due to (i) the decrease in the sale of raw materials to our contractors used in the expansion and construction of our processing facilities because we had fewer construction projects during the first half of 2009; (ii) the lack of any sales of iron ore to our first Independent Third Party Processing

Contractor; and (iii) the decrease in fees expensed in connection with the Listing in the six months ended June 30, 2009.

Finance costs

Finance costs increased by 88.9%, or RMB1.1 million from RMB1.2 million for the six months ended June 30, 2008 to RMB2.3 million for the six months ended June 30. 2009, primarily due to interest arising from a new bank loan of RMB100.0 million and discounted bills.

Income tax expense

Income tax expense increased by 189.8%, or RMB19.4 million, from RMB10.2 million for the six months ended June 30, 2008 to RMB29.6 million for the six months ended June 30, 2009, primarily due to a change in the preferential treatment for PRC income tax enjoyed by Huili Caitong from a tax exemption in 2008 to a 50.0% tax reduction in 2009.

Total comprehensive income

As a result of the foregoing, our total comprehensive income increased by 8.9%, or RMB12.3 million, from RMB137.6 million for the six months ended June 30, 2008 to RMB149.9 million for the six months ended June 30, 2009. Our net profit margin decreased from 43.6% for the six months ended June 30, 2008 to 30.8% for the six months ended June 30, 2009.

Total comprehensive income attributable to owners of our Company

Total comprehensive income attributable to owners of our Company increased by 40.1%, or RMB38.1 million, from RMB95.3 million for the six months ended June 30, 2008 to RMB133.4 million for the six months ended June 30, 2009.

Minority interests

Minority interests decreased by 61.2%, or RMB25.9 million, from RMB42.3 million for the six months ended June 30, 2008 to RMB16.4 million for the six months ended June 30, 2009. This decrease was mainly due to our acquisition of a 18.5% equity interest in Huili Caitong. See the "History, Reorganization and Group Structure — History and Development — Pre-IPO investment — Our corporate investor" section in this prospectus.

Year ended December 31, 2008 compared to the year ended December 31, 2007

Revenue

Our revenue increased by 115.8%, or RMB424.5 million, from RMB366.7 million in 2007 to RMB791.2 million in 2008. The increase was primarily attributable to (i) the increase in the sales volume of our iron concentrates and iron pellets and, to a lesser extent, of our medium-grade titanium concentrates and (ii) the increase in the average selling prices of iron concentrates, iron pellets and medium-grade titanium concentrates during the year ended December 31, 2008.

In 2008, we sold 796.9 Kt, 305.4 Kt and 216.7 Kt of iron concentrates, iron pellets and medium-grade titanium concentrates, respectively, compared to 398.0 Kt, 255.6 Kt and 63.9 Kt in 2007, respectively, representing increases of 100.2%, 19.5% and 238.9%, respectively. The increase in the sales volume of our iron concentrates was primarily due to the increase in our production volume and in the production volume of our first Independent Third Party Processing Contractor to meet increased demand. The increase in the sales volume of our iron pellets was due to the increase in production volume at our Iron Pelletizing Plant to meet increased demand. The increase in the sales volume of our medium-grade titanium concentrates was due to the increase in our production volume as well as the sale of approximately 46.5 Kt of our inventory to a single customer in completion of a contract which was negotiated in 2007 and settled in 2008.

Due to the recent global economic slowdown and its effect on demand for our products, the average selling prices of our iron concentrates and iron pellets decreased between June 2008 and December 2008. However, the sales volume and revenue of our iron concentrates and iron pellets in 2008 have increased when compared to the sales volume and revenue of our iron concentrates and iron pellets in 2007. See the "— Factors Affecting Results of Operations and Financial Conditions — Price of products" in this section, the "Industry Overview — Overview of the Iron Ore and Titanium Industries — Iron ore and titanium prices" and the "Business — Customers — Recent global economic trends and impact on our business" sections in this prospectus.

Cost of sales

Our cost of sales increased by 93.9%, or RMB176.3 million, from RMB187.8 million in 2007 to RMB364.1 million in 2008. The increase in cost of sales was primarily due to the increase in our production volume. Our waste stripping fees increased due to (i) the renegotiation of the waste stripping contract with our Independent Third Party Mining Contractor that led to an increase in waste stripping fees and (ii) an increase in waste stripping activities. Processing contracting fees also increased as a result of the increase in exclusive processing capacity allocated to us by our first Independent Third Party Processing Contractor in 2008. Such increases were partially offset by a decrease in costs related to purchasing iron concentrates feed for our Iron Pelletizing Plant in 2008 because we were increasingly able to supply the plant with our own iron concentrates as a result of our increased production capacity during 2008. As a percentage of revenue, our cost of sales decreased from 51.2% in 2007 to 46.0% in 2008 because our revenue was increasing at a comparatively higher rate than our cost of sales.

Gross profit

As a result of the foregoing, our gross profit increased by 138.7%, or RMB248.1 million, from RMB178.9 million in 2007 to RMB427.0 million in 2008. Our gross profit margin for the same period increased from 48.8% in 2007 to 54.0% in 2008. The increase in gross profit margin was primarily due to the fact that the increase in average selling price of our iron ore products was proportionally greater than the increase in our unit cost of sales during the year ended December 31, 2008. This increase was partially offset by a gross loss margin of 1.3% for our medium-grade titanium concentrates in 2008 as compared to a gross profit margin of 27.2% in 2007, which is primarily due to the increase in the average selling price of our medium-grade titanium concentrates being proportionally lower than the increase in our unit cost of sales for these products during the year ended December 31, 2008.

Other income

Our other income increased by 1,054.9%, or RMB15.8 million, from RMB1.5 million in 2007 to RMB17.3 million in 2008, mainly due to sales of construction materials made to construction contractors and a one-off sale of our iron ore to our first Independent Third Party Processing Contractor in 2008 which amounted to RMB8.6 million and RMB8.4 million, respectively. Our first Independent Third Party Processing Contractor typically uses iron ore provided by us to produce iron concentrates for us. In April, 2008, because our inventories of iron ore at that time were insufficient to supply the requirements of the first Independent Processing Contractor, we purchased 157.5 Kt of iron ore from the first Independent Third Party Processing Contractor for RMB8.4 million with the understanding that the first Independent Third Party Processing Contractor would use the iron ore in the production of iron concentrates for us. It was further agreed that we would sell back to the first Independent Third Party Processing Contractor the same amount of iron ore and at the same price once we had enough ore to do so. Accordingly, on May 2008, we sold 157.5 Kt of iron ore at RMB8.4 million to the first Independent Third Party Processing Contractor. The cost incurred by us in connection with this sale was RMB5.3 million and was recorded as other operating expenses in the consolidated statement of comprehensive income for the year ended December 31, 2008.

Selling and distribution costs

Our selling and distribution costs decreased by 74.1%, or RMB64.2 million, from RMB86.6 million in 2007 to RMB22.4 million in 2008, mainly due to the decrease in transportation expenses. See "— Factors Affecting Results of Operations and Financial Conditions — Transportation expenses" in this section and the "Risk Factors — Risks Relating to Our Business and Industry — We may incur transportation costs if our customers do not pay the contract sales price" section in this prospectus. As a percentage of revenue, our selling and distribution costs decreased from 23.6% in 2007 to 2.8% in 2008. See "— Description of Selected Consolidated Statement of Comprehensive Income Line Items — Selling and distribution costs" in this section.

Administrative expenses

Our administrative expenses increased by 151.8%, or RMB19.9 million, from RMB13.1 million in 2007 to RMB33.0 million in 2008, primarily due to increases in our staff costs, professional consulting fees, Nanjiang Project technical service fees and other expenses incurred in 2008 of RMB3.9 million, RMB9.9 million and RMB2.7 million, respectively. Our staff costs increase is in line with the increase in the number of our administrative employees due to the expansion of our business. The increase in professional consulting fees is due to our hiring of an industry consultant in 2008 to advise on our expansion and construction plan. Nanjiang Project technical service fees are fees paid to Nanjiang for its provision of technical support services to us pursuant to the co-operation agreement between Nanjiang and the Xiushuihe Mining. See the "Business — Co-operation Agreement" section and Note 34 of section II of the Accountants' Report attached as Appendix I to this prospectus. Our other expenses are expenses incurred in relation to our business expansion and are in line with the increase in our other income in 2008. As a percentage of revenue, our administrative expenses increased from 3.6% in 2007 to 4.2% in 2008. See "— Description of Selected Consolidated Statement of Comprehensive Income Line Items — Administrative expenses" in this section.

Other operating expenses

Other operating expenses increased by 1,091.2%, or RMB33.9 million, from RMB3.1 million in 2007 to RMB37.0 million in 2008, primarily due to the fees expensed in connection with the Listing. As at December 31, 2008, we incurred legal and other professional fees relating to the Global Offering of RMB28.5 million in aggregate, of which RMB21.4 million was expensed in 2008 in accordance with IAS 32. The remainder, being listing fees, of RMB7.1 million were deferred and capitalized as "Deferred listing fees" under "Prepayments, deposits and other receivables" in the consolidated statements of financial position and will be deducted from our share premium when we complete the Global Offering. Moreover, the ongoing construction and upgrades of our facilities that were completed in 2008 and a one-off sale of iron ore to our first Independent Third Party Processing Contractor in 2008 also contributed to an increase in our other operating expenses.

Finance costs

Finance costs increased by 58.8% or RMB1.1 million, from RMB1.9 million in 2007 to RMB3.0 million in 2008, primarily due to the increase in the effective interest rates of our bank loans and an additional bank loan of RMB25.0 million that we obtained in September 2008 and repaid in December 2008.

Income tax expense

Income tax expense increased by 2,081.9%, or RMB28.7 million, from RMB1.4 million in 2007 to RMB30.1 million in 2008, mainly due to our profit before tax generated by Xiushuihe Mining in 2008. See "— Description of Selected Consolidated Statement of Comprehensive Income Line Items — Income tax expenses" in this section.

Total comprehensive income

As a result of the foregoing, our total comprehensive income increased by 328.9%, or RMB244.4 million, from RMB74.3 million in 2007 to RMB318.8 million in 2008. Our net profit margin increased from 20.3% in 2007 to 40.3% in 2008.

Total comprehensive income attributable to owners of our Company

Total comprehensive income attributable to owners of our Company increased by 363.2%, or RMB195.0 million, from RMB53.7 million in 2007 to RMB248.7 million in 2008.

Minority interests

Minority interests increased by 239.8%, or RMB49.5 million, from RMB20.6 million in 2007 to RMB70.1 million in 2008. The percentage increase in total comprehensive income attributable to owners of our Company in 2008 was higher than the percentage increase in total comprehensive income attributable to minority interests in 2007 primarily as a result of the acquisition of a 18.5% equity interest in Huili Caitong by our Group. See the "History, Reorganization and Group Structure — History and Development — Pre-IPO investment — Our corporate investor" section in this prospectus.

Year ended December 31, 2007 compared to year ended December 31, 2006

Revenue

Our revenue increased by 73.7%, or RMB155.6 million, from RMB211.1 million in 2006 to RMB366.7 million in 2007. The increase was primarily attributable to (i) the increase in the sales volume of our iron concentrates, iron pellets and, to a lesser extent, medium-grade titanium concentrates and (ii) the increase in the average selling price of our iron concentrates.

In 2007, we sold 398.0 Kt, 255.6 Kt and 63.9 Kt of iron concentrates, iron pellets and medium-grade titanium concentrates, respectively, compared to 166.8 Kt, 169.9 Kt and 25.2 Kt in 2006, respectively, representing an increase of 138.6%, 50.4% and 153.9%, respectively. The increase in sales volume of our iron concentrates and medium-grade titanium concentrates was primarily due to (i) the engagement of our first Independent Third Party Processing Contractor to process our ore beginning in March 2007 and (ii) a material increase in the production volume of our Baicao Processing Plant in 2007. The increase in our Baicao Processing Plant's production volume was primarily due to the gradual increase in the production capacity of its iron concentrates production line by the end of 2006 and improvements in its operational efficiency. We decided to engage our first Independent Third Party Processing Contractor to process our ore to allow us to increase our production volume significantly within a short period of time without incurring substantial capital expenditure. The annual production volume of our iron concentrates and medium-grade titanium concentrates (including our first Independent Third Party Processing Contractor's production volume) increased by 80.8% and 444.7%, respectively, from 287.0 Kt and 24.6 Kt in 2006, respectively, to 519.0 Kt and 134.1 Kt in 2007, respectively. The increase in sales volume of our iron pellets was due to the gradual increase in the production capacity of our Iron Pelletizing Plant, which reached its maximum production capacity in 2007.

The average selling price of our iron concentrates increased from RMB450.8 per tonne in 2006 to RMB477.8 per tonne in 2007. This increase was primarily due to the increase in the market price of iron concentrates. The average selling price of our iron pellets decreased from RMB670.2 per tonne in 2006 to RMB646.0 per tonne in 2007, primarily due to the lowering of the average iron content level of our iron concentrates used in the production of our iron pellets from 56% in 2006 to 55% in 2007. Our customers agreed to our lowering of the iron content level. The average selling price of our medium-grade titanium concentrates decreased from RMB295.9 per tonne in 2006 to RMB176.3 per tonne in 2007, primarily due to the lowering of the average titanium dioxide content level of our medium-grade titanium concentrates from our Baicao Processing Plant from 37% in 2006 to 27% in 2007, which resulted from changes in the production process of medium-grade titanium concentrates in the course of implementing of the technology and equipment upgrade program for the production of high-grade titanium concentrates.

Cost of sales

Our cost of sales increased by 87.5%, or RMB87.7 million, from RMB100.1 million in 2006 to RMB187.8 million in 2007, primarily as a result of the increase in revenue. As a percentage of revenue, our cost of sales increased slightly from 47.4% in 2006 to 51.2% in 2007. This increase was primarily due to two factors. First, there was an increase in our purchases of iron concentrates, the main raw materials for our iron pellets, from third party suppliers at market prices because our own supplies were insufficient to meet the processing demands of our Iron Pelletizing Plant. Second, in March 2007 we decided to outsource the ore processing at our Baicao Processing Plant to our first Independent Third Party Processing Contractor in order to expand our processing capacity quickly to meet the increasing demand for our iron ore products. Such increase in demand was mainly due to (i) an overall increase in consumption of steel in the PRC; and (ii) increased demand from Weiyuan Steel as it expanded its steel production.

Gross profit

As a result of the foregoing, our gross profit increased by 61.2%, or RMB67.9 million, from RMB111.0 million in 2006 to RMB178.9 million in 2007. Our gross profit margin for the same period decreased from 52.6% in 2006 to 48.8% in 2007, primarily due to the increase in our unit cost of sales as result of our purchase of 119.5 Kt of iron concentrates from third party suppliers as raw material for our Iron Pelletizing Plant.

Other income

Our other income increased by 917.7%, or RMB1.4 million, from RMB0.1 million in 2006 to RMB1.5 million in 2007, mainly due to the increase in the sale of materials from RMB83,000 in 2006 to RMB1.4 million in 2007 to our contractors for the expansion and construction of our processing facilities.

Selling and distribution costs

Our selling and distribution costs increased by 68.9%, or RMB35.3 million, from RMB51.3 million in 2006 to RMB86.6 million in 2007, mainly due to the increase in transportation expenses for delivery of our products to Weiyuan Steel by 71.8% from RMB49.7 million in 2006 to RMB85.4 million in 2007, which resulted from the increase in the volume of products delivered to Weiyuan Steel. The increase in our selling and distribution costs from 2006 to 2007 was in line with our increase in revenue over the same period. As a percentage of revenue, our selling and distribution costs remained stable between 23.6% and 24.3% over the same period. See "— Description of Selected Consolidated Statement of Comprehensive Income Line Items — Selling and distribution costs" in this section.

Administrative expenses

Our administrative expenses increased by 79.6%, or RMB5.8 million, from RMB7.3 million in 2006 to RMB13.1 million in 2007, mainly due to the increase in staff costs, land surcharges and compensation fees. The increase in staff costs was due to our business expansion in this period, while the increase in land surcharges and compensation fees was related to our payment of surcharges in 2007. See the "Business — Regulatory Compliance Issues" section in this prospectus. As a percentage of revenue, our administrative expenses remained stable at 3.5% in 2006 and 3.6% in 2007. See "— Description of Selected Consolidated Statement of Comprehensive Income Line Items — Administrative expenses" in this section.

Other operating expenses

Other operating expenses increased by 132.8%, or RMB1.8 million, from RMB1.3 million in 2006 to RMB3.1 million in 2007, mainly due to the increase in cost of materials sold to our contractors for the expansion and construction of our processing facilities and losses on the disposal of property, plant and equipment.

Finance costs

Finance costs increased by 7.1%, or RMB0.1 million, from RMB1.8 million in 2006 to RMB1.9 million in 2007.

Income tax expense

Income tax expense decreased by 92.0%, or RMB15.7 million, from RMB17.1 million in 2006 to RMB1.4 million in 2007, mainly due to the fact that Huili Caitong enjoyed its first tax holiday in 2007, as a result of which RMB23.9 million of taxable income was exempt from PRC enterprise income tax.

Total comprehensive income

As a result of the foregoing, our total comprehensive income increased by 130.0%, or RMB42.0 million, from RMB32.3 million in 2006 to RMB74.3 million in 2007. Our net profit margin increased from 15.3% in 2006 to 20.3% in 2007.

Total comprehensive income attributable to owners of our Company

Profit attributable to owners of our Company increased from RMB23.0 million in 2006 to RMB53.7 million in 2007.

Minority interests

Minority interests increased by 122.5%, or RMB11.3 million, from RMB9.3 million in 2006 to RMB20.6 million in 2007, mainly due to the increase in the profitability of our PRC operating subsidiaries.

ANALYSIS OF VARIOUS CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

Intangible assets

Our intangible assets consist of mining rights and exploration and evaluation assets. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our intangible assets were RMB8.7 million, RMB144.2 million, RMB140.8 million and RMB135.7 million, respectively.

The increase in intangible assets as of December 31, 2006 was primarily due to exploration and evaluation costs incurred by us to conduct exploration of our Baicao Mine and Xiushuihe Mine in connection with the renewal of the mining permits for these mines, which amounted to RMB5.4 million and RMB2.5 million, respectively.

The balance of intangible assets as of December 31, 2007 further increased by RMB135.5 million, which was primarily attributable to (i) consideration paid for the renewal of the mining permits of Baicao Mine and Xiushuihe Mine for a term of 20 years, amounting to RMB76.7 million and RMB42.7 million, respectively; and (ii) additional exploration and evaluation costs incurred to conduct further explorations of Baicao Mine and Xiushuihe Mine in connection with the renewal of the mining permits for these mines, amounting to RMB10.2 million and RMB6.6 million, respectively.

The balance of intangible assets as of December 31, 2008 decreased by RMB3.3 million as compared to the balance as of December 31, 2007, mainly due to the amortization of mining rights in 2008 in the amount of RMB7.8 million. Such decrease was partially offset by the additional professional fees of RMB4.4 million incurred for the purpose of increasing the ore production quotas of our Baicao Mine and Xiushuihe Mine.

The balance of intangible assets as of June 30, 2009 decreased by RMB5.1 million as compared to the balance as of December 31, 2008, due to an amortization of mining rights in the amount of RMB5.1 million.

Trade and notes receivables

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Trade receivables	330	3	82,432	192,768
Note receivables	—	—	5,200	—
	330	3	87,632	192,768

The ageing analysis of trade receivables that are not considered to be impaired is as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
— Neither past due nor impaired	—	3	82,417	192,768
— Over 30 days past due	330	—	15	—
	330	3	82,432	192,768

Trade receivables represent receivables from the sale of goods to unrelated parties. Our trade receivables outstanding balances as of December 31, 2007 were relatively small because Independent Third Party customers of our iron concentrates and iron pellets were generally required to make full payment upfront before delivery. Our trade receivables outstanding balance as of December 31, 2006 was due to an amount overdue from sales of medium-grade titanium concentrates to a customer which was collected in January 2007. Since January 1, 2008, we have standardized the credit term granted to all customers of our iron ore products, including Weiyuan Steel and any other connected persons, to a maximum of 30 days. We decided to standardize our credit period to 30 days for customers of iron ore products because we expect that our Independent Third Party customers will be purchasing the majority of our products in the future and we believe that it is important to treat our Independent Third Party customers and our related customers equally under these circumstances. In relation to sales of medium-grade titanium concentrates, we generally require full payment from these customers prior to delivery because the volume of sales of our medium-grade titanium concentrates products to these Independent Third Party customers is relatively small, unless we are aware that they have a good credit history. Our sales to Independent Third Parties increased in 2008, which led to an increase in our trade receivables in 2008. As of June 30, 2009, the balance of our trade and notes receivables was RMB192.8 million.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly consist of prepayments for construction in progress and purchase of machinery, fees prepaid to our first Independent Third Party Processing Contractor, prepaid stripping fees and deferred listing fees. The increase of prepayments for construction in progress and purchase of machinery from RMB2.4 million as of December 31, 2006 to RMB8.7 million as of December 31, 2007 was mainly due to preparation for the planned upgrade of our existing medium-grade titanium concentrates production lines to produce high-grade titanium concentrates and the planned construction of new iron concentrates production lines in 2008. As of December 31, 2008, the balance for prepayments for construction in progress and purchase of machinery remained stable at RMB9.0 million due to RMB8.6 million in payments made for the construction of new iron ore production capacity and a new production line at our Baicao Mine. As of June 30, 2009, the balance for prepayments for construction in progress and purchase of machinery decreased to RMB7.2 million, primarily due to the fact that we had fewer construction projects during the first half of 2009.

The prepaid stripping fees represent waste stripping contracting fees prepaid by us to our Independent Third Party Mining Contractor. The increase in our prepaid stripping fees from RMB8.5 million as of December 31, 2006 to RMB23.1 million as of December 31, 2007, to RMB40.0 million as of December 31, 2008 and to RMB103.9 million as of June 30, 2009 is due to increased waste stripping activities at our mines during these periods. We recognize prepaid stripping fees as part of production costs once the raw iron ore is put into use. As of June 30, 2009, we had also prepaid RMB3.7 million in contracting fees to our first Independent Third Party Processing Contractor for the processing of iron concentrates and medium-grade concentrates and deferred listing fees of RMB8.1 million. The prepayment to our first Independent Third Party Processing Contractor was in the form of a security deposit.

Balances due from related parties

Balances due from related parties consist of amounts due from Chuan Wei, Weiyuan Steel, Jian An and Tongyu:

	December 31,			Six months ended June 30,
	2006 RMB'000	**2007 RMB'000**	**2008 RMB'000**	**2009 RMB'000**
Chuan Wei	31,183	229,695	—	—
Weiyuan Steel	—	—	29,541	35,051
Jian An	—	—	892	—
Tongyu	—	—	—	1,355
	31,183	229,695	30,433	36,406

The increase in our total outstanding balance due from a related party was in line with the increase in sales made to Weiyuan Steel during the years ended December 31, 2006 and 2007. Chuan Wei is a company controlled by our Founders and is our connected person. The balances with Chuan Wei are trade in nature arising from the sale of our products to, and the purchase of goods from and services provided by, companies controlled by Chuan Wei. Until December 31, 2007, the balance due from Chuan Wei resulted from the sale to and purchase of goods from companies controlled by Chuan Wei and subsequently transferred to Chuan Wei at each statement of financial position date pursuant to the centralized cash flow management system implemented by Chuan Wei. The balances due from Chuan Wei as of December 31, 2005, 2006 and 2007 were interest-free, unsecured and have no fixed credit term. The outstanding balance due from Chuan Wei to us as of December 31, 2007 was settled in full in 2008.

As of the Latest Practicable Date, all of the outstanding balances due from our related parties as of June 30, 2009 had been settled in full.

Inventories

Our inventories consist of raw materials, spare parts and consumables and finished goods. Raw materials include raw ore, coal and the iron concentrates used for the production of iron pellets. The following table sets forth our balances of inventory as of each of the statement of financial position dates:

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
At cost:				
Raw materials	4,842	12,406	34,062	43,617
Spare parts and consumables	2,058	3,511	10,567	13,475
Finished goods	13,574	15,924	20,059	2,189
	20,474	31,841	64,688	59,281
At net realizable value:				
Finished goods	—	—	907	1,683
At the lower of cost and net realizable value	20,474	31,841	65,595	60,964

The balance of inventories as of December 31, 2007 increased by RMB11.4 million as compared to December 31, 2006 mainly due to the combined effect of (i) the increase in raw materials of our iron concentrates held for the production of iron pellets of RMB2.4 million; (ii) the increase in coal inventory of RMB2.5 million and; (iii) the increase in the finished goods of our medium- grade titanium concentrates of RMB13.5 million, partially offset by the decrease in the finished goods of our iron concentrates of RMB8.7 million as of December 31, 2007.

The balance of inventory as of December 31, 2008 increased by RMB33.8 million as compared to the balance as of December 31, 2007 primarily due to the accumulation of more raw materials in response to our production needs.

The balance of inventories as of June 30, 2009 decreased by RMB4.6 million as compared to the balance of inventories as of December 31, 2008, primarily due to increased sales in the first half of 2009.

Trade and notes payables

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Trade payables	32,592	64,423	108,030	102,792
Notes payables	14,300	14,300	—	—
	46,892	78,723	108,030	102,792

Our trade payables mainly consist of payables in respect of (i) the purchase of coal; (ii) transportation expenses incurred for the delivery of our products to our customers; and (iii) fees paid to our Independent Third Party contractors for their mining, processing and pelletizing services. Our trade payables are non-interest-bearing and are normally settled within 60 to 180 days. The following table sets forth an ageing analysis of our trade payables, based on the invoice date, as of each of the statement of financial position dates:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000			
Outstanding balance with ages:				
Within 180 days	21,090	63,882	107,512	99,463
181-365 days	10,975	281	191	2,865
1-2 years	459	18	141	150
2-3 years	68	174	18	128
Over 3 years	—	68	168	186
	32,592	64,423	108,030	102,792

We were not in default in the settlement of our trade payables during the Track Record Period. The increase in the outstanding balance for trade payables of over one year throughout the Track Record Period was primarily due to the fact that certain of our suppliers have not yet furnished their official invoices to us. We will make the payment once we receive the official invoices from them. Other than the amount of trade payables in connection with those suppliers who have not furnished us with their official invoices, which represented an amount less than RMB530,000 as of each of December 31, 2006, 2007 and 2008 and June 30, 2009, we did not encounter difficulties in settling our trade payables during the Track Record Period.

The increase in trade payables during the Track Record Period was in line with the increase in our production volume over the same period.

The notes payables as of December 31, 2006 were fully settled by us when they matured in March 2007. In addition, notes payables as of December 31, 2007 were fully settled by us when they matured in January 2008.

Other payables and accruals

Except for an interest-free loan from a licensed non-banking financial institution which has a repayment term of four years and payables related to the Nanjiang Project where the repayment terms are determined based on the yearly projected profit of Xiushuihe Mining, our other payables and accruals are non-interest bearing and have average terms of one to three months, consisting mainly of payables related to construction in progress, taxes other than income tax and mining rights and exploration and evaluation assets. Our other payables and accruals in 2008 include payables related to the Nanjiang Project, land use rights and the listing fees. See the "Business — Co-operation Agreement" section in this prospectus for information relating to the Nanjiang Project and Note 34 of Section II of the Accountants' Report attached as Appendix I to this prospectus.

Our balance of other payables and accruals as of June 30, 2009 was RMB206.5 million, representing an increase of RMB14.9 million from the balance of RMB191.6 million as of December 31, 2008. This increase was primarily due to the increase in payables related to construction in progress of RMB34.2 million, representing payments to our contractors for construction projects that were completed or close to completion in the first half of 2009.

Our balance of other payables and accruals as of December 31, 2008 was RMB191.6 million, representing an increase of RMB23.1 million from the balance of RMB168.5 million as of

December 31, 2007. This increase was mainly due to (i) the increase in payables related to construction in progress of RMB13.0 million, which was mainly attributable to more construction activities in 2008; (ii) the increase in payables related to land use rights of RMB14.3 million, which was mainly attributable to the acquisition of land use rights by Huili Caitong in 2008. See the "Business — Properties — Owned properties — Long-term state-owned land use rights and building ownership" section in this prospectus; (iii) the increase in payables related to listing fees by RMB11.2 million to professional parties involved in the Listing; (iv) the increase in payables to Nanjiang related to the cost of upgrade and construction of our production lines and technical service fees totalling RMB70.1 million; and (v) the decrease in the payables related to the mining rights and taxes other than income tax totalling RMB88.0 million, which was mainly attributable to the payments made in 2008 related to the renewal our mining permits for Baicao Mine and Xiushuihe Mine.

The balance of other payables and accruals increased from RMB32.6 million as of December 31, 2006 to RMB168.5 million as of December 31, 2007, mainly due to (i) the increase in the payables related to the mining rights and exploration and evaluation assets by RMB121.8 million, (ii) the increase in payables related to construction in progress by RMB3.4 million and (iii) the increase in payables by RMB7.9 million related to taxes other than income tax, such as value added taxes and resource tax, which was mainly attributable to the increase in sales volume.

We recorded accumulated losses as of January 1, 2006 because the losses incurred prior to January 1, 2005 were higher than the amount of profit recorded during the year ended December 31, 2005. Losses were incurred prior to 2005 mainly because Huili Caitong and Xiushuihe Mining both owned mines that were non-operational and thus did not operate at full production capacity prior to January 1, 2005 and had also not reached a size at which they could benefit from economies of scale. As a result, Huili Caitong and Xiushuihe Mining incurred relatively larger fixed overhead costs compared to revenue recorded prior to January 1, 2005, mainly due to the depreciation of plant and machinery.

Goodwill

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
At cost:				
At beginning and at end of year	15,318	15,318	15,318	15,318

Goodwill is recorded in the consolidated statements of financial position. The goodwill amount arose from Huili Caitong's acquisition of Xiushuihe Mining and represented an excess in the cost of the business combination over the Company's interest in the net fair value of Xiushuihe Mining's identifiable assets and liabilities as of the date of the acquisition.

Impairment testing of goodwill

The goodwill amount arising from the acquisition described above was recorded in the consolidated statements of financial position as an asset and measured at cost initially and was subsequently tested for impairment.

The recoverable amount of the cash-generating unit was determined based on a value in-use-calculation. Estimating the value-in-use calculation requires our management to make an estimate of the expected future cash flows based on financial budgets over a five-year period and with the assumption that cash flows beyond the five-year period will be stable. The discount rate applied to these cash flow projections is 13.4%.

ANALYSIS OF VARIOUS FINANCIAL RATIOS

The following table sets forth the turnover days of our trade receivables, inventories and trade payables for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2006	**2007**	**2008**	**2009**
Trade receivables turnover days (unrelated customers)(*Note 1*)	<1	<1	19	51
Trade receivables turnover days (related customers)(*Note 2*)	34	130	60	12
Inventory turnover days(*Note 3*)	66	51	49	41
Trade payables turnover days(*Note 4*)	105	94	86	69

Notes:

1. Trade receivables turnover days (unrelated customers) represent turnover days with respect to trade receivables from our unrelated customers. Trade receivables turnover days (unrelated customers) for the relevant year/period is calculated by dividing the average of the opening and closing balances of trade receivables for the relevant year/period by revenue and then multiplied by the number of days in the relevant year/period.

2. Trade receivables turnover days (related customers) represent turnover days with respect to trade related receivables from our related customers. Trade receivables turnover days (related customers) for the relevant year/period is calculated by dividing the average opening and closing balances of the due from related parties that are of a trade nature for the relevant year/period by revenue and then multiplied by the number of days in the relevant year/period.

3. Inventory turnover days for the relevant year/period is calculated by dividing the average of the opening and closing balances of inventories for the relevant year/period by cost of sales and then multiplied by the number of days in the relevant year/period.

4. Trade payables turnover days represent turnover days with respect to payables to our suppliers. Trade payables turnover days for the relevant year/period is calculated by dividing the average of the opening and closing balances of trade payables for the relevant year/period by cost of sales and then multiplied by the number of days in the relevant year/period.

Trade receivables turnover days (unrelated customers)

During the years ended December 31, 2006 and 2007, our trade receivables turnover days (unrelated customers) were less than one day because we derived the majority of our sales from a connected person and Independent Third Party customers were generally required to make full payment upfront before delivery. Since January 1, 2008, we have been imposing a standardized 30-day credit term on all customers of our iron ore products. With the increase in the number of Independent Third Party customers and our standardized 30-day credit term for the sale of our iron ore products, our trade receivables turnover days (unrelated customers) for the year ended December 31, 2008 increased to 19 days. The trade receivables turnover days (unrelated customers) for the six months ended June 30, 2009 increased to 51 days primarily due to the substantial balance of trade and notes receivable as of June 30, 2009 as a result of substantial sales transactions concluded in June 2009.

Our revenue in June 2009 accounted for over 25% of our total revenue for the six months ended June 30, 2009. As of June 30, 2009, none of the balance of our trade and notes receivables was overdue. As of July 31, 2009, we had collected RMB177.7 million of the outstanding balance for the sales of our iron ore products to our Independent Third Party customers, representing approximately 92.2% of the trade receivables as of June 30, 2009.

We concluded substantial sales transactions in both May and June 2009 relative to the first four months of 2009 because during the first quarter of 2009 we performed annual maintenance work on our production lines and such lines were not producing at full capacity. By April 2009, our maintenance work was complete and we increased production of our iron ore products. The increase in our production of iron concentrates, used as feed for the production of iron pellets, also allowed our Independent Third Party Pelletizing contractors to increase their production of iron pellets for us. With this increase in production of our iron ore products beginning in April 2009, we were able to sell increased quantities of our iron ore products in May and June 2009. Our sales transactions in the first six months ended June 30, 2008 showed a similar pattern because we usually carry out our annual maintenance work in the first quarter of the year.

Trade receivables turnover days (related customers)

Our trade receivables turnover days (related customers) increased from 34 days in 2006 to 130 days in 2007 mainly due to the increase in sales to our related customers in the same period. Our trade receivables turnover days (related customers) decreased from 130 days in 2007 to 60 days in 2008 and further decreased to 12 days for the six months ended June 30, 2009 because we imposed a standardized 30-day credit term on all customers of our iron ore products from January 1, 2008 and the sales amount to related customers in 2008 decreased to 21.1% of the total revenue of the same period. As of the Latest Practicable Date, we have collected all of the outstanding balances for the sales of goods from related parties as of June 30, 2009.

We seek to create effective credit control policies for our Group. Since January 1, 2008, we have imposed a standardized 30-day credit term on sales to all customers of our iron ore products. In relation to sales of medium-grade titanium concentrates, we generally require full payment from these customers prior to delivery because the volume of sales of our medium-grade titanium concentrates products to these Independent Third Party customers is relatively smaller, unless we are aware that they have a good credit history. Our trade receivables turnover days for our unrelated customers and related customers in 2008 was 19 days and 60 days, respectively. Our trade receivables turnover days for our unrelated customers in 2008 of 19 days was within the 30-day credit term we grant to all customers of our iron ore products. The number of trade receivables turnover days for related customers in 2008 was greater than the number of trade receivables turnover days for unrelated customers for the same period mainly because part of the balance of trade receivables from related customers during such period was incurred in connection with sales of our products prior to January 1, 2008, at a time when related customers were not required to settle their amounts within a fixed period of time. For the sales of our products that take place after January 1, 2008, all of our related customers and unrelated customers of iron ore products are subject to a credit term of 30 days. As of December 31, 2008, the balance of the amount due from related parties for the sales of goods was RMB29.5 million. For the six months ended June 30, 2009, our trade receivables turnover days (related customers) was 12 days, which was within the 30-day credit term we grant to all customers of our iron ore products. Based on the above, our Directors are of the view that our current credit control policies are effective.

Inventory turnover days

Our inventory turnover days decreased from 66 days in 2006 to 51 days in 2007. There was no material change in our inventory turnover days in 2008, remaining stable at 49 days. Our inventory turnover days decreased further to 41 days for the six months ended June 30, 2009. See "— Analysis of Statement of Financial Position Items — Inventory" in this section.

Trade payables turnover days

Our trade payables turnover days decreased from 105 days in 2006 to 94 days in 2007 and further decreased to 86 days in 2008 and 69 days for the six months ended June 30, 2009, mainly due to the increase in our revenue and our improved cash flow during these periods that allowed us to settle our trade payables in a shorter period of time.

LIQUIDITY AND CAPITAL RESOURCES

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

As of June 30, 2009, we had cash and cash equivalents of approximately RMB149.1 million. Numerous factors beyond our control, including fluctuations in the market prices of our products, may adversely impact our cash flows from operations and may require us to seek other sources of funds including bank borrowings. See the "Risk Factors — Risks Relating to our Business and Industry" and "Business — Customers — Recent global economic trends and impact on our business" sections in this prospectus, and "— Factors Affecting Results of Operations and Financial Condition — Price of products" in this section.

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

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

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Current assets				
Pledged bank balances	14,310	4,316	40	—
Cash and bank equivalents	3,289	7,586	133,098	149,110
Trade and notes receivables	330	3	87,632	192,768
Prepayments, deposits and other receivables	13,247	32,884	88,854	111,792
Due from related parties	31,183	229,695	30,433	36,406
Inventories	20,474	31,841	65,595	60,964
	82,833	306,325	405,652	551,040
Current liabilities				
Interest-bearing bank loans	30,000	30,000	—	100,000
Trade and notes payables	46,892	78,723	108,030	102,792
Other payables and accruals	32,591	168,546	139,756	161,608
Due to related parties	—	—	12,466	13,446
Dividend payable	—	—	—	26,003
Tax payable	27,434	24,637	29,724	44,441
	136,917	301,906	289,976	448,290
Net current (liabilities)/assets	(54,084)	4,419	115,676	102,750

We had net current liabilities of RMB54.1 million as of December 31, 2006 and net current assets of RMB4.4 million, RMB115.7 million and RMB102.8 million as of December 31, 2007 and 2008 and June 30, 2009, respectively.

Our net current liabilities as of December 31, 2006 were primarily due to the following factors: (i) capital expenditures incurred in 2006 for intangible assets amounting to RMB8.5 million; (ii) a RMB15.6 million increase in income tax and VAT payable arising from an increase in sales and profit for 2006 due to the increase in demand for our products and the expansion of our production capacity; and (iii) an increase in costs arising from the purchase of raw materials amounting to RMB7.4 million in line with our production expansion in 2006. The net current assets of RMB4.4 million as of December 31, 2007 were mainly due to (i) a capital injection by one of our Controlling Shareholders, Trisonic International, of US$18 million (equivalent to RMB138 million) for the purpose of subscribing for a 72% equity interest in Huili Caitong as part of the Reorganization as described in the "History, Reorganization and Group Structure — Reorganization" section in this prospectus and (ii) an increase in our sales which led to an increase in the amount due from a related party by RMB198.5 million that was partially offset by an one-time payable for the acquisition of the 20-year mining rights for our Baicao Mine and Xiushuihe Mine and related exploration and evaluation expenditures aggregating to RMB121.8 million.

As of December 31, 2008, we recorded net current assets of RMB115.7 million. Our improved liquidity position as of December 31, 2008 was primarily attributable to the stronger sales performance by our PRC operating subsidiaries in 2008. Our sales increased by 115.8%, or RMB424.5 million, from RMB366.7 million in 2007 to RMB791.2 million in 2008. The significant increase in our sales led to an increase in the amount of cash and cash equivalents and trade receivables.

As of June 30, 2009, we recorded net current assets of RMB102.8 million. Our liquidity position as of June 30, 2009 remained stable compared to our position as of December 31, 2008. This stability was primarily attributable to the increased sales by our PRC operating subsidiaries in the six months ended June 30, 2009. Our revenue increased by 54.1%, or RMB170.7 million, from RMB315.3 million for the six months ended June 30, 2008 to RMB486.0 million for the six months ended June 30, 2009. The significant increase in our sales led to an increase in the amount of cash and cash equivalents and trade receivables as at June 30, 2009, partially offset by increases in current interest-bearing bank loans, other payables and accruals, dividends payable and tax payable.

As of July 31, 2009, we had net current assets of approximately RMB147.4 million, comprising current assets of approximately RMB577.2 million and current liabilities of approximately RMB429.8 million. The following table sets out the composition of our unaudited current assets and liabilities as of July 31, 2009:

	July 31, 2009
	RMB'000 (Unaudited)
Current assets	
Cash and cash equivalents	192,146
Trade and notes receivables	169,109
Prepayments, deposits and other receivables	115,571
Due from related parties	37,639
Inventories	62,740
	577,205
Current liabilities	
Interest-bearing bank loans	100,000
Trade and notes payables	100,353
Other payables and accruals	140,857
Due to related parties	13,807
Dividend payable	26,003
Tax payable	48,749
	429,769
Net current assets	147,436

Our liquidity position has improved during the period from June 30, 2009 to July 31, 2009. As of June 30, 2009, our net current assets were RMB102.8 million, whereas our net current assets as of July 31, 2009 were RMB147.4 million. This increase is mainly due to the combined effect of (i) the increase in our current assets as of July 31, 2009 and (ii) the decrease in our current liabilities as of July 31, 2009.

The increase in our current assets from RMB551.0 million as of June 30, 2009 to RMB577.2 million as of July 31, 2009 was mainly due to the combined effect of the increase in cash and cash equivalents and the decrease in the trade and notes receivables. Our cash and cash equivalents increased from RMB149.1 million as of June 30, 2009 to RMB192.1 million as of July 31, 2009 mainly due to our increased sales performance in June 2009. Our trade and notes receivables decreased from RMB192.8 million as of June 30, 2009 to RMB169.1 million as of July 31, 2009, mainly due to the collection of trade receivables in July 2009.

The decrease in our current liabilities from RMB448.3 million as of June 30, 2009 to RMB429.8 million as of July 31, 2009 was mainly due to decrease in other payables and accruals. Our other payables and accruals decreased from RMB161.6 million as of June 30, 2009 to RMB140.9 million as of July 31, 2009 mainly due to settlement of payment for our construction projects in July 2009.

Our Directors are of the view that the working capital available to our Group is sufficient for our present requirements for the next 12 months taking into consideration factors such as our revenue and net cash inflow in the six months ended June 30, 2009. See "— Indebtedness, contractual obligations, capital commitments, contingent liabilities and off-statement of financial position arrangements — Directors opinion on the sufficiency of working capital" in this section.

Cash flow data

The following table sets forth selected cash flow data from our consolidated statements of cash flow for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000	2009 RMB'000
Net cash inflow (outflow) from operating activities	44,692	(96,915)	423,033	276,024	31,866
Net cash outflow from investing activities	(29,515)	(36,179)	(267,063)	(208,314)	(115,854)
Net cash inflow (outflow) from financing activities	(15,418)	137,391	(30,458)	1	100,000
Increase (decrease) in cash and cash equivalents	(241)	4,297	125,512	67,711	16,012

Net cash inflow (outflow) from operating activities

For the six months ended June 30, 2009, our net cash inflow from operating activities was RMB31.9 million. The net cash inflow from operating activities was primarily attributable to profit before tax of RMB179.5 million and a decrease in inventories of RMB4.3 million, primarily due to the sales of finished goods, partially offset by (a) an increase in the trade and notes receivables of RMB105.1 million primarily due to the increase in sales; (b) an increase in prepayments, deposits and other receivables of RMB41.3 million primarily due to an increase in prepaid stripping fees of RMB63.9 million; (c) a decrease in trade and notes payables of RMB5.2 million primarily due to settlement of trade payables; and (d) an increase in the balance due from related parties of RMB4.6 million primarily due to the increase in sales to Weiyuan Steel.

In 2008, our net cash inflow from operating activities was RMB423.0 million. The net cash inflow from operating activities was primarily attributable to profit before tax of RMB348.8 million and (i) an increase in trade and notes payables of RMB29.3 million, primarily due to the increase in fees payable to our Independent Third Party contractors in connection with their mining, processing and pelletizing services, which was in line with the increase in our production volume in 2008; and (ii) a decrease in the amount due from related parties of RMB199.3 million, partially offset by (a) an increase in trade and notes receivables of RMB87.6 million, primarily due to the increase in sales to our Independent Third Party customers and the implementation of our new credit term policy, pursuant to which we grant a 30-day credit term to all customers of our iron ore products, (b) an increase in prepayments, deposits and other receivables of RMB55.6 million, primarily due to an increase in the balance of fees prepaid to our first Independent Third Party Processing Contractor of RMB29.6 million, prepaid stripping fees of RMB16.9 million and deferred listing fees of RMB7.1 million and (c) an increase in inventories of RMB35.6 million, primarily due to the expansion of our processing plants which required more raw materials in 2008.

In 2007, net cash outflow from operating activities was RMB96.9 million. The net cash outflow from operating activities was primarily attributable to (i) an increase in the amount due from a related party of RMB198.5 million primarily due to an increase in sales of our products to related parties; (ii) an increase in prepayments, deposits and other receivables of RMB13.4 million, primarily due to an increase in the balance of prepaid stripping fees which totaled RMB14.6 million for waste stripping contracting fees which was in line with the increase in waste stripping activities; and (iii) an increase in inventory of RMB11.4 million, primarily due to the expansion of our processing plants which required more materials in 2008, and partially offset by a profit before tax of RMB75.7 million and (a) an increase in trade and notes payables of RMB31.8 million, primarily due to the increase in fees payable to our Independent Third Party contractors in connection with their mining, stripping and ore processing services, which was in line with the increase in our production volumes in 2007; and (b) an increase in other payables and accruals of RMB10.9 million, primarily due to the increase in the payables related to taxes other than income taxes and other payables which amounted to RMB7.9 million and RMB3.4 million, respectively.

In 2006, net cash inflow from operating activities was RMB44.7 million. The net cash inflow from operating activities was primarily attributable to profit before tax of RMB49.4 million; and (i) an increase in trade and notes payables of RMB7.4 million, which was in line with the increase in our production volumes in 2007; and (ii) an increase in other payables and accruals of RMB10.1 million, primarily due to an increase in the payables related to payroll and welfare and taxes, which were mainly attributable to the increase in our sales volume, partially offset by (a) an increase in the amount due from a related party of RMB22.7 million, primarily due to the increase in sales of our products to the related party; (b) an increase in prepayments, deposits and other receivables of RMB5.6 million, primarily due to an increase in prepaid stripping fees of RMB3.5 million for waste stripping contracting fees due to the increase in waste stripping activities and prepayments of RMB1.5 million made to an Independent Third Party supplier for the purchase of iron concentrates as feedstock for our Iron Pelletizing Plant in 2007; and (c) an increase in inventory of RMB4.6 million, primarily due to an increase in our spare parts and finished goods inventory which totaled RMB4.8 million.

Net cash outflow from investing activities

Cash used in investing activities has primarily been used to fund the construction and upgrade of our production facilities.

For the six months ended June 30, 2009, our net cash outflow from investing activities was RMB115.9 million, consisting primarily of the purchase of property, plant and equipment of RMB73.1 million and an increase in the prepaid land lease payments of RMB37.7 million.

In 2008, our net cash outflow from investing activities was RMB267.1 million, consisting primarily of the purchase of property, plant and equipment of RMB173.0 million, the purchase of mining rights of RMB86.8 million, an increase in prepaid land lease payments of RMB11.5 million, partially offset by a decrease in pledged bank balance of RMB4.3 million for notes payable granted to us.

In 2007, our net cash outflow from investing activities was RMB36.2 million, consisting primarily of the purchase of property, plant and equipment of RMB31.7 million and the purchase of intangible assets of RMB14.5 million, partially offset by a decrease in pledged bank balance of RMB10.0 million for notes payables granted to us.

In 2006, our net cash outflow from investing activities was RMB29.5 million, consisting primarily of the purchase of property, plant and equipment of RMB11.5 million, an increase in pledged bank balance of RMB10.0 million for notes payables granted to us and the purchase of intangible assets of RMB8.5 million.

Net cash inflow (outflow) from financing activities

The cash flows from financing activities mainly consist of capital injections from one of our Controlling Shareholders, Trisonic International, and net proceeds from, or the repayment of, bank and other borrowings.

For the six months ended June 30, 2009, our net cash inflow from financing activities was RMB100.0 million, representing the proceeds from bank borrowings.

In 2008, our net cash outflow from financing activities was RMB30.5 million, primarily as a result of the repayment of bank borrowings of RMB85.5 million, partially offset by proceeds from bank and other borrowings of RMB55.0 million.

In 2007, our net cash inflow from financing activities was RMB137.4 million, primarily as a result of (i) a capital injection in the amount of approximately RMB138.0 million from our one of our Controlling Shareholders for an increase in the registered share capital of Huili Caitong and (ii) proceeds from bank loans of RMB30.0 million, partially offset by repayment of bank and other borrowings of RMB30.5 million.

In 2006, our net cash outflow from financing activities was RMB15.4 million, primarily as a result of repayment of bank and other borrowings of RMB45.4 million, partially offset by proceeds from bank loans of RMB30.0 million.

Capital expenditures

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

	Year ended December 31,			Six months ended June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Property, plant and equipment	8,576	33,858	253,088	109,152
Intangible assets				
— Exploration and evaluation assets	7,929	16,811	—	—
— Mining rights	559	119,415	4,448	—
	17,064	170,084	257,536	109,152

Our total capital expenditures increased by 896.7% from RMB17.1 million in 2006 to RMB170.1 million in 2007. In 2008, our total capital expenditures further increased to RMB257.5 million. For the six months ended June 30, 2009, our total capital expenditures amounted to RMB109.2 million. We used our capital expenditures primarily to expand our production capacity and to improve our processing technology, including, among others, costs incurred to further explore and develop our mine reserves and the acquisition of mining rights in respect of our Baicao Mine and Xiushuihe Mine. The significant increase in capital expenditure in 2008 in property, plant and equipment related primarily to additional costs for (a) construction of an iron concentrates production line with an annual production capacity of 300.0 Kt at our Baicao Processing Plant amounting to RMB153.5 million, which was completed in July 2008; (b) construction of plant, road and mining infrastructure at our Baicao Processing Plant amounting to RMB17.4 million; (c) construction of phase II of a new 500.0 Kt iron concentrates production line with a planned annual production capacity of 200.0 Kt at our Baicao Processing Plant, which was completed in May 2009. The phase II iron concentrates production line of 200.0 Kt commenced production in August 2009, with a total estimated capital expenditures of RMB36.0 million; (d) the construction of an iron concentrates production line with an annual production capacity of 300.0 Kt at our Xiushuihe Processing Plant amounting to RMB67.3 million, which was completed in June 2008, as part of the Nanjiang Project; (e) the construction of a high titanium concentrates production line with a planned annual production capacity of 30.0 Kt and the expansion of this line to the annual production capacity of 50.0 Kt at our Xiushuihe Processing Plant amounting to RMB2.4 million, which is expected to be completed by December 2009, with a total estimated capital expenditures of RMB23.0 million, as part of the Nanjiang Project; and (f) purchase of machinery amounting to RMB8.3 million. The construction costs for the iron concentrates production line at our Baicao Processing Plant were higher than the construction costs incurred at our Xiushuihe Processing Plant because the iron concentrates production line at our Baicao Processing Plant was constructed in a newly constructed production plant while the iron concentrates production line at our Xiushuihe Processing Plant was constructed within the existing production plant. In 2006 and 2007, we spent approximately RMB7.9 million and RMB16.8 million in exploration costs for our mines. In 2007, we spent approximately RMB76.7 million and RMB42.7 million to renew our mining permits for our Baicao Mine and Xiushuihe Mine, respectively.

Our expected capital expenditure plans for our Baicao Mine and Xiushuihe Mine for the years ending December 31, 2009, 2010 and 2011 are set forth below:

	Forecast		
	Year ending December 31,		
Item	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Processing Facilities	155,819	181,800	—
Tailings	35,980	—	—
Exploration	6,000	14,000	—
Land	23,568	—	—
Property Acquisition	9,550	—	93,000
Total	**230,917**	**195,800**	**93,000**

Note: According to the Report of Independent Technical Adviser, the expected capital costs (including waste stripping costs) for the years ending December 31, 2009, 2010 and 2011, are RMB386.1 million, RMB287.5 million and RMB163.5 million, respectively.

Our forecasted capital expenditures for processing facilities relates to the construction and upgrading of our processing facilities. See the "Business — Expansion and Construction Plan — Expansion and construction of production facilities" section in this prospectus.

We plan to fund our capital expenditures through cash generated from our operations, bank borrowings and the net proceeds from the Global Offering. However, the estimated amounts and items of capital expenditures may be subject to change depending on a number of factors, including the implementation of our business plan and market conditions. As we continue to expand, we may incur additional expenditures. Our ability to obtain additional funding in the future is subject to a variety of uncertainties including our future results of operations, financial condition and cash flow, economic, political and other conditions in the PRC and Hong Kong.

Related party transactions

The related party transactions during the Track Record Period are set out in Note 33 of the Accountants' Report attached as Appendix I to this prospectus.

Our Directors confirm that as of June 30, 2009, other than the sales of our products to Weiyuan Steel, there are no other material related party transactions.

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

Indebtedness

Our bank and other borrowings on each of the statement of financial position date were as follows:

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Repayable within one year:				
Bank loans — secured and guaranteed	30,000	30,000	—	—
Unsecured	—	—	—	100,000
	30,000	30,000	—	100,000

The outstanding bank loan of RMB30.0 million as of December 31, 2006 was fully repaid by us in August 2007. Upon repayment, we obtained a new bank loan of RMB30.0 million in August 2007, which we fully repaid in August 2008.

Our Directors confirm that there were no overdue bank loan balances during the Track Record Period.

(a) Bank loans:

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Guaranteed by a related party(*Note*):				
Xichang Vanadium	30,000	30,000	—	—
Jointly secured by:				
Net book value of mining rights	196	—	—	—

Note: All guaranteed bank loans have been released in 2008.

(b) The effective fixed interest rates of our bank loans per annum for the periods indicated were as follows:

	December 31,			June 30,
	2006	2007	2008	2009
Bank loans	5.58% to 5.85%	5.85% to 6.84%	—	5.31%

Contractual obligations

We have certain additional commitments and contingent liabilities that are not recorded on our consolidated statements of financial position, but may result in future cash requirements.

(i) Operating lease arrangements

We lease some of our office premises under operating lease arrangements, with leases negotiated for terms ranging from two to five years with an option for renewal after that date, at which time all terms will be renegotiated.

At each of the relevant statement of financial position dates, we had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Within one year	119	221	91	215
In the second to fifth years, inclusive	276	199	177	271
	395	420	268	486

Capital commitments

In addition to the operating lease commitments set out above, we have the following capital commitments at each of the statement of financial position dates as follows:

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Contracted, but not provided for:				
In respect of				
— Plant and machinery	—	—	7,922	12,395
	—	—	7,922	12,395
Authorized, but not contracted for:				
In respect of				
— Land use rights	—	—	17,973	—
— Plant and machinery	5,500	115,576	73,746	241,477
— Reservoir	—	—	36,000	6,332
— Nanjiang project: a new titanium concentrates production line with an annual production capacity of 50.0 Kt	—	—	20,626	20,632
	5,500	115,576	148,345	268,441
Total	5,500	115,576	156,267	280,836

Our capital commitments increased materially from December 31, 2006 to December 31, 2007 primarily due to the construction of new production lines at our Baicao Processing Plant. See the "Business — Expansion and Construction Plan — Expansion and construction of production facilities" section in this prospectus. Our capital commitments as of December 31, 2008 and June 30, 2009 further increased to RMB156.3 million and RMB280.8 million, primarily due to the construction of the new production lines at our Baicao Processing Plant, the construction of a water reservoir near our Baicao Processing Plant and the Nanjiang Project.

Contingent liabilities

We had the following contingent liabilities at each of the statement of financial position dates as follows:

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Guaranteed bank loans of related parties	—	330,500	—	—

As of the Latest Practicable Date, we did not have any guarantee over bank loans by/to related parties outstanding.

Off-statement of financial position arrangements

As of the Latest Practicable Date, we did not have any off-statement of financial position arrangements.

Directors opinion on the sufficiency of working capital

Our Directors are of the view that the working capital available to our Group is sufficient for our present requirements for the next 12 months commencing from the date of the publication of this prospectus, taking into consideration the following:

(a) we had recorded a significant revenue of RMB486.0 million and a net cash inflow from operating activities of RMB31.9 million for the six months ended June 30, 2009;

(b) we have also obtained three letters of intent from China Construction Bank (Sichuan Branch) each dated February 25, 2009, pursuant to which China Construction Bank (Sichuan Branch) agreed to provide credit facilities aggregating to RMB200.0 million to finance three of our projects, subject to the completion of their assessment of our projects as discussed below and our Company obtaining the approvals for the projects from the relevant government authorities.

   We expect that China Construction Bank (Sichuan Branch) will complete the assessment of the following two projects in September 2009: (i) the construction of a new iron concentrates production line with an annual production capacity of 200.0 Kt and (ii) the upgrade of an existing medium-grade titanium concentrates production line to a high-grade titanium concentrates production line with an annual production capacity of 40.0 Kt. The assessment by China Construction Bank (Sichuan Branch) of our plan to construct the third project, the two titanium slag production lines, is expected to be completed before the end of 2009. We expect to enter into agreements with China Construction Bank (Sichuan Branch) for the credit facilities with respect to the first two projects in October 2009 and the third project in December 2009. See the "Business — Expansion and Construction Plan — Expansion and construction of production facilities" section in this prospectus; and

(c) cash required for other investing activities can be satisfied by the net proceeds from the Global Offering.

MARKET RISK DISCLOSURE

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

Liquidity risk

We monitor our risk of funds shortage by considering the maturity of both our financial instruments and financial assets and projected cash flows from operations. Our objective is to maintain a balance between continuity of funding and flexibility through the use of a mix of interest-bearing bank facilities and advances from related parties.

Interest rate risk

We are not subject to any significant exposure to the risk of changes in market interest rates because we do not have any long term receivables or any debt obligations subject to floating interest rates. However, if interest rates increase in the future, the finance cost of new debt will increase. We do not currently use any derivative instruments to modify the nature of our debt so as to manage our interest rate risk.

Foreign currency risk

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

The Renminbi exchange rate has been relatively stable during the past few years. However, the Renminbi is not freely convertible. There is a risk that the PRC government may take actions affecting exchange rates which may have a material adverse effect on our net assets, earnings and any dividends we declare if such dividends are to be exchanged or converted into foreign exchange. Moreover, we have not hedged our foreign exchange rate risk. See the "Risk Factors — Risks Relating to Conducting Our Operations in the PRC — All of our revenue is denominated in Renminbi, which is not freely convertible for capital account transactions and may be subject to exchange rate volatility" section in this prospectus.

Credit risk

During the year ended December 31, 2006 and 2007, we traded mainly with our related parties. It was our policy to ensure that sales were conducted with related parties possessing an appropriate credit history. We traded only with recognized and creditworthy third parties. It is our policy that all third party customers who wish to trade on credit terms are subject to credit verification policies. Since January 1, 2008, we increased our sales to recognized and creditworthy third parties with no requirement for collateral. In addition, receivable balances from related and unrelated customers are monitored on an ongoing basis and our exposure to bad debts is not significant.

During the Track Record Period, our cash and cash equivalents were mainly deposits with state-owned banks in the PRC. Our credit risk on other financial assets, which are comprised of trade and note receivables, other receivables and amounts due from related parties, arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. During the Track Record Period, we had no other financial assets which carried significant exposure to credit risk.

During the Track Record Period, we did not have a concentration of credit risk with any single counterparty other than the amount due from a related party which arose from the ordinary course of business. See the "— Analysis of Various Consolidated Statement of Financial Position Items — Balance due from related parties" paragraph in this section and Note 21 to the "Accountants' Report" attached as Appendix I to this prospectus.

PROFIT FORECAST

Our Directors forecast that, on the bases and assumptions set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, the forecast consolidated total comprehensive income attributable to owners of our Company for the year ending December 31, 2009 will not be less than RMB321.8 million (equivalent to approximately HK$365.0 million).

The profit forecast for the year ending December 31, 2009 has been prepared by our Directors based on our audited consolidated results for the six months ended June 30, 2009, our consolidated unaudited results for the one month ended July 31, 2009 and a forecast of our consolidated results for the remaining five months ending December 31, 2009.

The above profit forecast is based on the assumptions set out in Appendix III to this prospectus including prices and sales volume for our iron concentrates and iron pellets. The average selling prices of iron concentrates, iron pellets and medium-grade titanium concentrates per tonne for 2009 used in the above profit forecast are based on the selling prices of iron concentrates, iron pellets and medium-grade titanium concentrates delivered in 2009 and the contracted sales price of these products expected to be delivered in 2009, taking into account the market research analysis prepared by the Directors.

The following table sets forth a sensitivity analysis of the forecast consolidated total comprehensive income attributable to owners of our Company for the year ending December 31, 2009 with respect to the variation in the forecast average selling prices of our major products, namely iron concentrates and iron pellets, for the five months ending December 31, 2009 and on the assumption that there is no change in other input variables, including fixed and variable costs:

Iron ore products price (RMB per tonne)		Variation from iron ore products price	Corresponding 2009 forecasted consolidated total comprehensive income attributable to owners of the Company	Variation from 2009 forecasted consolidated total comprehensive income attributable to owners of the Company
Iron concentrates	Iron pellets	(%)	RMB'000	(%)
473.9	661.2	(20)	321,776	—
503.5	702.5	(15)	321,776	—
533.1	743.8	(10)	321,776	—
562.8	785.2	(5)	321,776	—
592.4	826.5	—	321,776	—
622.0	867.8	5	339,737	6
651.6	909.1	10	357,697	11
681.2	950.5	15	375,658	17
710.9	991.8	20	393,619	22

The above sensitivity analysis is based on the principal assumptions set out in Part A of Appendix III to this prospectus.

DIVIDEND POLICY

The payment and amount of any dividends will be determined at the discretion of the Board by taking into account relevant factors, including but not limited to, our future operations and earnings, our capital requirements and surplus and our financial condition. In addition, our constitutional documents and the Cayman Companies Law set forth requirements related to the declaration, payment and the amount of dividends. Under our constitutional documents and the Cayman Companies Law, payment of dividends out of our share premium account is possible on the condition that we are able to pay our debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

Our ability to declare future dividends will also depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Pursuant to PRC law, dividends may only be paid out of distributable profits, defined as the retained earnings after tax payments as determined under the PRC GAAP less any recovery of accumulated losses and the required allocations to statutory reserves made by our PRC operating subsidiaries. In general, we will not declare dividends in a year where we do not have any distributable earnings.

We declared one-off and non-recurring special dividends of RMB20.0 million to our Shareholders on February 24, 2009 and distributed such dividends on September 16, 2009. Because such special dividends were derived from the undistributed profits of Huili Caitong prior to January 1, 2008, our PRC legal advisors have advised us that such dividends are not subject to PRC withholding tax. Other than the declaration of such special dividends, we did not declare or pay any dividends during the Track Record Period.

Taking into account our present financial position, we currently intend to distribute to our Shareholders not less than 20% of our annual distributable profit attributable to owners of our Company in respect of the financial year ending December 31, 2010 and each financial year thereafter. However, such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividends in such manner or declare or pay dividends at all. We cannot assure you that dividends will be paid in the future or as to the timing of any dividends that may be paid in the future. See the "Risk Factors — Risks Relating to the Global Offering — We cannot assure you that we will declare dividends in the future" section in this prospectus. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

WORKING CAPITAL

Our Directors are of the opinion that, taking into account our present available banking facilities and internal resources, we have sufficient working capital for our present requirements for at least the next 12 months commencing from the date of this prospectus.

DISTRIBUTABLE RESERVES

As of June 30, 2009, the aggregate amount of distributable reserves of our Company was RMB627,613,000.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules for illustration purposes only. It sets out and illustrates the effect of the Global Offering on the consolidated net tangible assets of our Group as of June 30, 2009 as if it had been taken place on June 30, 2009.

The following data may not give a true picture of the consolidated net tangible assets of our Group following the Global Offering. It is based on the consolidated net tangible assets attributable to the owners of our Company as of June 30, 2009 as shown in the Accountants' Report, details of which are set out in Appendix I to this prospectus, and adjusted as described below:

	Consolidated net tangible assets attributable to owners of our Company as of June 30, 2009(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets(3)	Unaudited pro forma adjusted net tangible assets per Share(4)	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an Offer Price of HK$3.12 per Share	501,748	1,290,948	1,792,696	0.90	1.02
Based on an Offer Price of HK$3.86 per Share	501,748	1,605,722	2,107,470	1.05	1.20

Notes:

1. The consolidated net tangible assets attributable to owners of our Company as of June 30, 2009 is extracted from the "Accountants' Report" attached as Appendix I to this prospectus.

   The consolidated net tangible assets attributable to owners of our Company as of June 30, 2009 was determined as follows:

	RMB'000
Audited consolidated net assets as set out in Appendix I to this prospectus	727,993
Less: Minority interests	(75,198)
Consolidated net assets attributable to owners of our Company	652,795
Less: Goodwill arising from the acquisition of a subsidiary	(15,318)
Intangible assets	(135,729)
Consolidated net tangible assets attributable to owners of our Company	501,748

2. The estimated net proceeds from the Global Offering are based on Offer Shares and the Offer Price of HK$3.12 or HK$3.86 per Share, being the low or high end of the stated Offer Price range, after deduction of the underwriting fees and related expenses payable by our Company without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

3. The Group's property interests as of June 30, 2009 have been valued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer and the relevant property valuation report is set out in Appendix IV "Property Valuation". The above unaudited pro forma adjusted net tangible assets do not take into account the surplus attributable to the Group arising from the revaluation of the Group's property interest amounting to RMB13,373,000. If such revaluation surplus was included in the Group's financial statements for the period ended June 30, 2009, the annual depreciation charges would increase by approximately RMB1,812,000.

4. The unaudited pro forma adjusted net tangible assets value per Share is based on 2,000,000,000 Shares expected to be in issue following the completion of the Global Offering.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

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

NO MATERIAL ADVERSE CHANGE

Our Directors confirm there has been no material adverse change in our financial or trading position or prospects since June 30, 2009, being the date of our latest audited financial results as set out in the "Accountants' Report" attached as Appendix I to this prospectus.

PROPERTY VALUATION

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued our property interests as of June 30, 2009 and is of the opinion that the capital value of our property interests in aggregate amounted to RMB210.6 million as of June 30, 2009. Details of valuation of our property interests as of June 30, 2009 are set out in Appendix IV to this prospectus.

FUTURE PLANS

Please refer to the "Business — Strategies" section in this prospectus for a detailed discussion of our futures plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,642.7 million after deducting the underwriting commissions and estimated expenses payable by us in the Global Offering, assuming the Over-allotment Option is not exercised, and an Offer Price of HK$3.49 per Share (being the mid-point of the offer price range stated in this prospectus). We intend to use these net proceeds for the following purposes:

- approximately 62.0%, or HK$1,018.4 million, to finance the acquisition or consolidation of other mines to be identified by our Group, which may include the mines with respect to which we have entered into option agreements described below. Our growth model includes the acquisition of vanadium-bearing titanomagnetite mines in Sichuan Province. We have begun to identify potential mines in our region and since April 2009 have entered into option agreements with the owners of five mines that allow us, within a specified time period and at our sole discretion, to purchase the mining rights and related assets of the five mines. Together, these five mines are estimated to have total iron ore resources of approximately 126.2 Mt. We have not made any payments in respect of any of these option agreements and are not contractually committed to purchase any of the five mines. We currently do not have plans to exercise our options with respect to any of the five mines. If we do decide to exercise any of these options, the terms of purchase would be subject to further negotiations with the mine owner and any such purchase would comply with the applicable requirements of the Listing Rules. See the "Business — Expansion and Construction Plan — Expansion of mineral reserves — Option agreements in respect of five iron ore mines in Sichuan and Yunnan" and the "Relationship with Controlling Shareholders — Excluded Mines" sections in this prospectus.

- approximately 8.0%, or HK$131.4 million, to finance the expansion of the mining boundaries set forth in our existing mining rights. On July 8, 2009, we obtained a two-year exploration permit to conduct exploration activities in the adjacent areas to the west of our current Xiushuihe mining rights area. Upon completion of the exploration phase and if we consider it beneficial to do so, we intend to apply for the relevant mining permits for this area and believe we can obtain such mining permits by July 2011. Pursuant to relevant PRC laws and regulations and as advised by our PRC advisors, we have a right of priority in the grant of the relevant mining permits for the area covered by the exploration permit. The expansion of our current mining area will extend the mine life of Xiushuihe Mine. The total estimated cost of obtaining the exploration permit and mining rights is expected to be approximately RMB120.0 million. We intend to utilize this portion of the proceeds from the Global Offering to expand the mining boundaries set forth in our existing mining rights even if we acquire other mines. See the "Business — Expansion and Construction Plan — Expansion of mineral reserves — Expansion of the mining boundaries of our Xiushuihe Mine" section in this prospectus.

- approximately 8.0%, or HK$131.4 million, to finance the construction of two titanium slag production lines with a planned annual aggregate production capacity of 120.0 Kt at the Luchang Vanadium Titanomagnetite Industrial Park;

- approximately 10.0%, or HK$164.3 million, to finance the construction of both a new iron concentrates production line with a planned annual production capacity of 300.0 Kt and a new high-grade titanium concentrates production line with a planned annual production capacity of 60.0 Kt at our Xiushuihe Processing Plant;
- approximately 2.0%, or HK$32.9 million, to finance the upgrade of our existing medium-grade titanium concentrates production line to a high-grade titanium concentrates production line with a planned annual production capacity of 50.0 Kt at our Xiushuihe Processing Plant;
- approximately 2.0%, or HK$32.9 million, to finance the upgrade of our existing medium-grade titanium concentrates production line to a high-grade titanium concentrates production line with a planned annual production capacity of 40.0 Kt at our Baicao Processing Plant; and
- the remainder of the net proceeds, being approximately 8.0%, or HK$131.4 million, for working capital.

See the "Business — Expansion and Construction Plan" section in this prospectus for a description of these and other projects.

Our Directors confirm that we have not entered into any contractual commitments or agreements in relation to our use of the net proceeds.

We will not receive any of the proceeds from the sale of Sale Shares in the Global Offering by the Selling Shareholder.

If the Offer Price is determined to be at the highest point of the indicative range, the net proceeds to our Company would increase by approximately HK$178.5 million. In such event, we intend to use 100% of the additional net proceeds for the acquisition or consolidation of other mines as set forth above. If the Offer Price is determined at the lowest point of the indicative range, the net proceeds to our Company would decrease by approximately HK$178.5 million. In such event, we will reduce our planned usage on a pro-rata basis. We will finance any shortfall in the implementation of our plans by internal resources and/or additional bank borrowings, as and when appropriate.

Assuming that the Over-allotment Option is exercised in full, the additional net proceeds we will receive are estimated to be approximately HK$252.6 million (based on the mid-point of the indicative range of the Offer Price of HK$3.49 per Share). We intend to use 100% of the additional net proceeds for the acquisition or consolidation of other mines as set forth above.

To the extent that any of our net proceeds from the Global Offering are not applied immediately, we intend to deposit them in interest-bearing bank accounts.

Our Directors may reallocate the use of proceeds from the Global Offering should any of the above future plans not be implemented. In such event, we will comply with the appropriate requirements under the Listing Rules and issue an announcement if there are any material changes or modifications to the use of proceeds from the Global Offering.

Pursuant to Article 4 of the SAFE Circular No. 75 and other relevant laws and regulations of the PRC, we are required to transfer the net proceeds from the Global Offering to the PRC in accordance with the use of proceeds set forth above or the use of capital plan stipulated in the business plan letter submitted to the relevant foreign exchange authority. Pursuant to the relevant laws and regulations of the PRC, we may transfer the net proceeds from the Global Offering to the PRC by (a) making capital contributions to the relevant PRC subsidiaries, (b) establishing new foreign investment enterprises, (c) acquiring existing domestic or foreign investment enterprises in the PRC and/or (d) providing shareholder loans to our qualified PRC operating subsidiaries. As advised by our PRC legal advisors, we may, subject to the approval of the competent PRC authorities, transfer the net proceeds we will receive from the Global Offering to the PRC and use the same in accordance with the use of proceeds set forth above.

We do not expect any difficulties in using the net proceeds from the Global Offering in the manner described in this section. Should we be unable to use the net proceeds from the Global Offering for any reason (including if we are unable to obtain the approval of the relevant PRC authorities for the transfer of the net proceeds from the Global Offering into the PRC), our Directors believe that our production capacity expansion projects, namely the upgrade of our existing medium-grade titanium concentrates production lines and the construction of a new iron concentrates production line, can be funded by a combination of funds generated by our operations and bank borrowings. Our Directors do not believe that there will be any material adverse impact on our liquidity position if we are unable to use the net proceeds from the Global Offering for these projects.

If we are unable for any reason (including if we are unable to obtain the approval of the relevant PRC authorities for the transfer of the net proceeds from the Global Offering into the PRC) to use the net proceeds from the Global Offering on certain planned expansion projects, namely the acquisition or consolidation of other mines, the expansion of the mining boundaries set forth in our existing mining rights and the expansion of our production lines through the construction of the titanium slag production lines, then we currently plan not to proceed with such projects. As these projects are important to our business growth, we expect that not proceeding with such projects would have a material adverse effect on our future business growth.

HONG KONG UNDERWRITERS

Joint Lead Managers

Citigroup Global Markets Asia Limited

Deutsche Bank AG, Hong Kong Branch

Co-lead Manager

BOCOM International Securities Limited

Co-Manager

CAF Securities Company Limited

INTERNATIONAL UNDERWRITERS

Joint Lead Managers

Citigroup Global Markets Limited

Deutsche Bank AG, Hong Kong Branch

Co-lead Manager

Cazenove Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

We are offering the Hong Kong Offer Shares for subscription on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares to be offered pursuant to the Global Offering as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to purchase or procure subscribers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement being signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into force:

(i) any new law or regulation, or any change or development involving a prospective change in existing law or regulation, or in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, China, the

Cayman Islands, the United States, Canada, any member of the European Union, Japan, Singapore or any other relevant jurisdiction (each a "***Relevant Jurisdiction***"); or

(ii) any change or development involving a prospective change or development, or any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets), or any monetary or trading settlement system or matters and/or disaster (including, without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars or an appreciation of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or

(iii) any change or development in the conditions of local, national or international equity securities or other financial markets; or

(iv) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, epidemic, outbreak of an infectious disease, civil commotion, acts of war, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is declared), acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency or war, riot, public disorder, economic sanctions, acts of God, accident or interruption or delay in transportation) in or affecting any Relevant Jurisdiction; or

(v) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or any Relevant Jurisdiction; or

(vi) (A) any moratorium, suspension, limitation or restriction on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Tokyo Stock Exchange or (B) a general moratorium on commercial banking activities in New York, London, Cayman Islands, Hong Kong, Japan or China declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or

(vii) any change or development or prospective change or development in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting an investment in the Shares; or

(viii) any change or development involving a prospective change on the condition, financial or otherwise, or in the earnings, business affairs, business prospects or trading position of the Group; or

(ix) any executive Director being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or

(x) the commencement by any regulatory body or organization of any public action against any executive Director or the Group or an announcement by any regulatory body that it intends to take any such action; or

(xi) a contravention by any member of the Group of the Companies Ordinance or companies law of the Cayman Islands or any of the Listing Rules; or

(xii) other than with the approval of the Joint Lead Managers, the issue or requirement to issue by our Company of a supplementary prospectus, the Application Form, preliminary or final offering circular pursuant to the Companies Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the sole opinion of the Joint Lead Managers, materially adverse to the marketing for or implementation of the Global Offering; or

(xiii) any change or development involving a prospective change of, or a materialization of, any of the risks set out in this prospectus in the section headed "Risk Factors"; or

(xiv) a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group;

and which, in any such case and in the sole opinion of the Joint Lead Managers (for themselves and on behalf of the other Hong Kong Underwriters),

(A) is or may or will be or is likely to be materially adverse to, or materially and prejudicially affect, the general affairs or the business or financial or trading or other condition or prospects of our Company or our subsidiaries; or

(B) has or may have or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of Shares being applied for or accepted or the distribution of Shares and/or make it impracticable, inexpedient or inadvisable for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offer or the Global Offering to be performed or implemented as envisaged; or

(C) makes or will or is likely to make it impracticable, inexpedient or inadvisable to proceed with or to market the Hong Kong Public Offer and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(D) has or will have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Hong Kong Public Offer or pursuant to the underwriting thereof, or

(b) there has come to the notice of the Joint Lead Managers or any of the Hong Kong Underwriters:

(i) that any statement contained in this prospectus, any of the Application Form(s), the preliminary offering circular, the final offering circular, the Formal Notice and any announcements in the agreed form issued by us in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) was, has or may become untrue, incorrect or misleading in any material respect, or any forecasts, estimates, expression of opinion, intention or expectation expressed in such documents are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) any matter has arisen or has been discovered which would or might, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes an omission therefrom; or

(iii) any of the warranties given by any of our Company, our Founders, our Controlling Shareholders or Green Globe in the Hong Kong Underwriting Agreement is (or might when repeated be) being untrue or misleading or inaccurate in any material respect; or

(iv) any event, act or omission which gives or may give rise to any liability of our Company, our Founders, our Controlling Shareholders, Green Globe or any other indemnifying party pursuant to the indemnities given by our Company, our Founders, our Controlling Shareholders, Green Globe or any of them under the Hong Kong Underwriting Agreement; or

(v) any breach of any of the obligations of our Company, our Founders, our Controlling Shareholders, Green Globe or any other indemnifying party under the Hong Kong Underwriting Agreement; or

(vi) any material adverse change or prospective material adverse change in the assets, liabilities, conditions, profits, losses, business, properties, results of operations, in the financial or trading position or prospects or performance of our Company or our subsidiaries; or

(vii) any material litigation or claim being threatened or instigated against our Company or any of our subsidiaries or any Founder, any Director or Green Globe,

(viii) any of the Reporting Accountant, Jones Lang LaSalle Sallmanns Limited as the property valuer and Behre Dolbear Asia, Inc as the technical adviser in relation to the Global Offering, Conyers Dill & Pearman as our legal advisers on Cayman Islands law and King & Wood as our legal advisers on PRC law has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(ix) approval for the listing of and permission to deal in the Shares on the Stock Exchange is refused or not granted, other than subject to customary conditions, on or before the listing approval date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(x) we withdraw this prospectus, Application Forms, preliminary offering circular or final offering circular (and any other documents used in connection with the Global Offering), or the Global Offering,

then the Joint Lead Managers (on behalf of the Hong Kong Underwriters) may, in their sole discretion and upon giving notice to us, terminate the Hong Kong Underwriting Agreement with immediate effect.

UNDERTAKINGS

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except pursuant to the Capitalization Issue, the Global Offering (including the exercise of the Over-allotment Option and the grant and exercise of the options under the Share Option Scheme) or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange that except pursuant to the Global Offering (including the Over-allotment Option), he/it will not and shall procure that the relevant registered holder(s) will not, without the prior written consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules:

(1) in the period commencing on the date hereof and ending on the date which is six months from the date on which dealings in our Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner; and

(2) in the period of six months commencing on the date on which the period referred to in paragraph (1) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (1) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would then cease to be our Company's controlling shareholder for the purposes of the Listing Rules.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and the Company that within the period commencing on the date hereof and ending on the date which is 12 months from the date on which dealings in the securities of our Company commence on the Stock Exchange, he/it shall:

(1) when he/it pledges or charges any securities of our Company or interests therein beneficially owned by him/it in favor of any authorized institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

(2) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by Our Company

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Hong Kong Underwriters that, except as pursuant to the Global Offering (including the exercise of the Over-allotment Option and the grant and exercise of the options under the Share Option Scheme) at any time from the date of the Hong Kong Underwriting Agreement until the expiry of six months from the Listing Date, our Company will not without the prior written consent of the Joint Lead Managers (and subject to the requirements set out in the Listing Rules) :

(1) offer, accept subscription for, pledge, charge, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of our share capital or any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital; or

(2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital; or

(3) offer or agree to enter into any transaction with the same economic effect described in (1) and (2) above; or

(4) publicly announce any intention to enter into any transaction described in (1), (2) or (3) above,

whether any of the foregoing transactions described in (1) or (2), above, is to be settled by delivery of share capital or such other securities, in cash or otherwise, and we further agree that, in the event of an issue or disposal of any Shares or any interest therein after the date falling six months from the Listing Date, we will take all reasonable steps to ensure that such an issue or disposal will not create a disorderly or false market of the Shares.

Undertakings by the Controlling Shareholders

Each of our Controlling Shareholders has agreed and undertaken to us, the Sole Global Coordinator, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Hong Kong Underwriters that, save as pursuant to the stock borrowing arrangement that may be entered into with the Sole Global Coordinator in connection with the Global Offering, without the prior written consent of the Joint Lead Managers (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules from the date of the Hong Kong Underwriting Agreement up to and including the date falling:

(a) six months from the Listing Date, he/it will not:

(i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any share capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or

(iii) offer or agree to enter into any transaction with the same economic effect described in (i) and (ii) above; or

(iv) publicly disclose that he/it will or may enter into any transaction described in (i), (ii) or (iii) above,

whether any such transaction described in (i) or (ii) above is to be settled by delivery of such capital or securities, in cash or otherwise; and

(b) one year from the Listing Date:

(i) he/it will not enter into any of the foregoing transactions in paragraphs (a)(i) or (ii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal, any of our Controlling Shareholders will cease to be a controlling shareholder of our Company; and

(ii) in the event that he/it enters into any such transactions, or publicly announces an intention to enter into any such transactions, he/it will take all reasonable steps to ensure that such actions will not create a disorderly or false market in the securities of our Company.

Subject to the above, each of our Controlling Shareholders has agreed and undertaken that, if at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling twelve months from the Listing Date, he/it shall:

(a) if and when he/it pledges or charges any securities or interests in the securities of our Company beneficially owned by him/it, immediately inform our Company and the Joint Lead Managers in writing of such pledge or charge together with the number of securities so pledged or charged; and

(b) if and when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be disposed of, immediately inform our Company and the Joint Lead Managers in writing of such indications. Our Company has agreed and undertaken that upon receiving such information in writing from any of our Controlling Shareholders, it shall, as soon as practicable, notify the Stock Exchange and make a public disclosure un relation to such information by way of press announcement.

Commission and Expenses

The Hong Kong Underwriters will receive a commission of 3.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer, out of which they will pay any sub-underwriting commissions. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. Our Company may also in its sole discretion pay the Joint Lead Managers an additional incentive fee of up to 0.5% in the aggregate of the sale proceeds of the Global Offering if it is satisfied with the services provided by the Joint Lead Managers in connection with the Global Offering.

Hong Kong Underwriters' Interest in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement and the stock borrowing arrangement that may be entered into between Citi and Trisonic International for the purpose of the Global Offering, none of the Underwriters has any shareholding interests in any members of our Group or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreements.

Indemnity

Our Company, the Controlling Shareholders and Green Globe have agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

International placing

In connection with the International Placing, we expect to enter into the International Underwriting Agreement with, among others, the Controlling Shareholders, the Selling Shareholder, the International Underwriters, the Sole Global Coordinator and the Joint Bookrunners. Under the International Underwriting Agreement, the International Underwriters to be named therein would severally agree to purchase the International Placing Shares or procure purchasers for the International Placing Shares being offered pursuant to the International Placing.

Under the International Underwriting Agreement, our Company has granted to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator or any of its affiliates or any person acting for it on behalf of the International Underwriters (at the discretion of the Sole Global Coordinator, and in consultation with DB), in whole or in part at one or more times, for up to 30 days after the last day for lodging applications under the Hong Kong Public Offer, to require our Company to allot and issue up to an aggregate of 75,000,000 additional Shares and the Selling Shareholder to sell up to an aggregate of 13,320,000 additional Shares, representing in aggregate approximately 15% of the Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price and will be for the purpose of, among other things, covering over-allocations in the International Placing, if any. An announcement will be made in the event that the Over-allotment Option is exercised.

TOTAL EXPENSES

Assuming an Offer Price of HK$3.49 per Share (being the mid-point of the stated offer price range of HK$3.12 to HK$3.86 per Share), the aggregate commissions and fees (exclusive of any discretionary incentive fees), together with Stock Exchange listing fees, SFC transaction levy of 0.004%, Stock Exchange trading fee of 0.005%, legal and other professional fees and printing and other expenses relating to the Global Offering to be borne by the Company and the Selling Shareholder, are estimated to amount to approximately HK$129.8 million (assuming the Over-allotment Option is not exercised) in total. The Selling Shareholder will be responsible for the commissions, incentive fee, if any, the Stock Exchange trading fee, the SFC transaction levy and buyers' and sellers' stamp duties in respect of the offering and sale of Sale Shares in the Global Offering.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$3.86 and is expected to be not less than HK$3.12 unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offer as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offer, you must pay the maximum Offer Price of HK$3.86 per Offer Share plus a 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.004% SFC transaction levy.

If the Offer Price, as finally determined in the manner described below, is lower than HK$3.86, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. You may find further details in the "How to Apply for Hong Kong Offer Shares" section in this prospectus.

DETERMINATION OF THE OFFER PRICE

We expect the Offer Price to be fixed by agreement among us, the Selling Shareholder and the Joint Lead Managers, on behalf of the Underwriters, on the Price Determination Date when market demand for the Offer Shares will be determined. We expect the Price Determination Date to be on or around Wednesday, September 30, 2009 and in any event, no later than 5:00 p.m. on Tuesday, October 6, 2009. The Offer Price will not be more than HK$3.86 per Offer Share and is expected to be not less than HK$3.12 per Offer Share. **You should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

The Joint Lead Managers, on behalf of the Underwriters, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process reduce the number of Offer Shares and/or the indicative Offer Price range below that described in this prospectus on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer publish a notice in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) of the reduction in the number of Offer Shares and/or the indicative Offer Price range.

Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon among the Joint Lead Managers, on behalf of the Underwriters, the Selling Shareholder and us, will be fixed within such revised Offer Price range. In this notice, we will also confirm or revise, as appropriate, the working capital statement as currently disclosed in the "Financial Information — Working Capital" section in this prospectus, the offering statistics as currently disclosed in the "Summary" section in this prospectus, the use of proceeds in the "Future Plans and Use of Proceeds" section in this prospectus and any other financial information which may change as a result of such reduction**. If you have already submitted an application for Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offer, you will not be allowed to subsequently withdraw your application, even if the number of Offer Shares and/or the Offer Price range is reduced.** If we do not publish a notice in the South China Morning Post and the Hong Kong Economic Times of a reduction in the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offer, the Offer Price, if agreed upon by us, will be within the Offer Price range as stated in this prospectus.

If we and the Selling Shareholders are unable to reach an agreement with the Joint Lead Managers on behalf of the Underwriters on the Offer Price by 5:00 p.m. by Tuesday, October 6, 2009, the Global Offering will not proceed and will lapse.

We expect to publish an announcement of the Offer Price, together with the level of interest in the International Placing and the application results and basis of allotment of the Hong Kong Offer Shares, on Wednesday, October 7, 2009.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus (including any additional Shares to be issued or sold pursuant to the exercise of the Over-allotment Option), and such listing and permission not having been subsequently revoked prior to the commencement of dealings in our Shares on the Stock Exchange;
- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Lead Managers, on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective agreements;

in each case, on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

The consummation of each of the International Placing and the Hong Kong Public Offer is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the day after such lapse.

In the above situation, we will return all application monies to the applicants for the Hong Kong Offer Shares, without interest and on the terms described in the "How to Apply for Hong Kong Offer Shares — Refund of Application Monies" section in this prospectus. In the meantime, we will hold all application monies in separate bank account(s) or separate bank accounts with the receiving banker(s) or other banks licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

We expect to despatch share certificates for the Offer Shares on Wednesday, October 7, 2009. However, these share certificates will only become valid certificates of title at 8:00 a.m. on Thursday, October 8, 2009 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the "Underwriting" section of this prospectus has not been exercised.

THE GLOBAL OFFERING

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- the Hong Kong Public Offer of 58,880,000 Shares (subject to adjustment) in Hong Kong as described below under the paragraph headed "The Hong Kong Public Offer"; and
- the International Placing of 529,920,000 Shares (subject to adjustment and the Over-allotment Option) in the United States with QIBs in reliance on Rule 144A, and outside the United States in reliance on Regulation S.

You may apply for Offer Shares under the Hong Kong Public Offer or indicate an interest for Offer Shares under the International Placing, but you may not apply in both offerings for the Offer Shares.

In other words, you may only apply for and receive either Hong Kong Offer Shares under the Hong Kong Public Offer or International Placing Shares under the International Placing, but not under both offerings. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. The International Placing will involve private placements of the Offer Shares to QIBs in the United States in reliance on Rule 144A or another exemption from registration under the US Securities Act and to institutional and professional investors and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to the Price Determination Date.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. Allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and that those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

In connection with the Global Offering, we are expected to grant the Over-allotment Option to the Sole Global Coordinator on behalf of the International Underwriters. The Over-allotment Option gives the Sole Global Coordinator the right, exercisable at any time until 30 days from the last day for the lodging of applications under the Hong Kong Public Offer, being Thursday, October 29, 2009, to require us to allot and issue up to an aggregate of 75,000,000 additional Shares and the Selling

Shareholder to offer 13,320,000 additional Shares for sale, representing in aggregate 15% of the initial size of the Global Offering at the Offer Price to cover, among other things, over-allocations in the International Placing, if any. The Sole Global Coordinator may also cover any over-allocations by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Sole Global Coordinator exercises the Over-allotment Option in full, the Offer Shares (including the Over-allotment Shares) will represent approximately 32.0% of our enlarged issued share capital following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, we will make a press announcement.

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters and the International Placing is expected to be fully underwritten by the International Underwriters. The Hong Kong Public Offer and the International Placing are subject to the conditions described in the "Underwriting — Underwriting Arrangements and Expenses" section in this prospectus. In particular, we, the Selling Shareholder and the Joint Lead Managers, on behalf of the Underwriters, must agree on the Offer Price for the Global Offering. The Hong Kong Underwriting Agreement was entered into on Wednesday, September 23, 2009 and, subject to an agreement on the Offer Price among the Joint Lead Managers (on behalf of the Hong Kong Underwriters), the Selling Shareholder and us for purposes of the Hong Kong Public Offer. The International Underwriting Agreement (including the agreement on the Offer Price among us, the Selling Shareholder and the Joint Lead Managers on behalf of the International Underwriters for purposes of the International Placing) is expected to be entered into on Wednesday, September 30, 2009, being the Price Determination Date. The Hong Kong Underwriting Agreement and the International Underwriting Agreement are conditional upon each other.

THE HONG KONG PUBLIC OFFER

Number of Shares Initially Offered

The Hong Kong Public Offer is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions provided in the Hong Kong Underwriting Agreement including those described in "— Conditions of the Global Offering" in this section) for the subscription in Hong Kong of, initially, 58,880,000 Offer Shares at the Offer Price (representing 10% of the total number of the Offer Shares initially available under the Global Offering). Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer described below, the Hong Kong Offer Shares will represent approximately 2.9% of our enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The total number of the Offer Shares available under the Hong Kong Public Offer is to be divided equally into two pools for allocation purposes:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of

more than HK$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. For the purpose of this subsection only, the "subscription price" for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. We will reject multiple applications between the two pools and reject multiple applications within pool A or pool B. In addition, any applications for more than 50% of the 58,880,000 Hong Kong Offer Shares initially included in the Hong Kong Public Offer (that is, 29,440,000 Hong Kong Offer Shares) will be rejected. Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Placing, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue, as the case may be. We and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offer from investors who have indicated interest in or have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for or have received Offer Shares in the Hong Kong Public Offer.

Reallocation and Clawback

The allocation of our Shares between the Hong Kong Public Offer and the International Placing is subject to adjustment.

If the number of Shares validly applied for under the Hong Kong Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares available for subscription under the Hong Kong Public Offer, then our Shares will be reallocated to the Hong Kong Public Offer from the International Placing so that the total number of our Shares available under the Hong Kong Public Offer will be increased to 176,640,000 Shares (in the case of (i)), 235,520,000 Shares (in the case of (ii)) and 294,400,000 Shares (in the case of (iii)), respectively, representing 30%, 40% and 50%, respectively, of the total number of Shares available under the Global Offering (before any exercises of the Over-allotment Option). In addition, the Joint Lead Managers has the discretion to reallocate our Shares offered in the International Placing to the Hong Kong Public Offer as it deems appropriate to satisfy valid applications under the Hong Kong Public Offer.

If the Hong Kong Public Offer is not fully subscribed, the Joint Lead Managers may, at their discretion, reallocate to the International Placing all or any unsubscribed Shares offered in the Hong Kong Public Offer in such manner as it deems appropriate.

THE INTERNATIONAL PLACING

Number of Offered Shares

The number of the Offer Shares to be initially offered for subscription and sale under the International Placing will be 529,920,000 Offer Shares, representing 90% of the Offer Shares initially available under the Global Offering and approximately 26.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised. The International Placing Shares include 441,120,000 new Shares and 88,800,000 Sale Shares.

Allocation

Pursuant to the International Placing, the International Placing Shares will be conditionally placed on behalf of us by the International Underwriters or through selling agents appointed by them. International Placing Shares will be placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for the International Placing Shares in Hong Kong, Europe and other jurisdictions outside the United States in offshore transactions meeting the requirements of, and in reliance on, Regulation S, and with QIBs in the United States in reliance on Rule 144A or another exemption from registration requirements under the U.S. Securities Act. Prospective investors may be required to give an undertaking and confirmation that he has not applied for or taken up any Hong Kong Offer Shares. The International Placing is subject to the Hong Kong Public Offer becoming unconditional.

Stock Borrowing Arrangement

In order to facilitate the settlement of over-allotments in connection with the Global Offering, the Stabilization Manager may choose to borrow, whether on its own or through its affiliates, up to 88,320,000 Shares from Trisonic International pursuant to the stock borrowing arrangement (being the maximum number of Shares which the Company and the Selling Shareholder may need to issue and/or sell pursuant to the Over-allotment Option), or acquire Shares from other sources, including the exercise of the Over-allotment Option.

If such stock borrowing arrangement with Trisonic International is entered into, it will only be effected by the Stabilization Manager or its agent for settlement of over-allocation in the International Placing and such arrangement is not subject to the restrictions of Rule 10.07 (1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with. The same number of Shares so borrowed must be returned to Trisonic International or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full and the relevant Shares subject to the Over-allotment Option have been issued. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Trisonic International by the Stabilization Manager or its agent in relation to the stock borrowing arrangement.

Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market during a specified period of time to retard and, if possible, prevent a decline in the public market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilization Manager, on behalf of the Underwriters, may over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period which begins on the commencement of trading of the Shares on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer. The stabilizing period is expected to expire on Thursday, October 29, 2009. However, there is no obligation on the Stabilization Manager to do this. Such stabilizing action, if taken, may be discontinued at any time, and must be brought to an end after a limited period. The stabilizing action which may be taken by the Stabilization Manager may include primary and ancillary stabilizing action such as purchasing or agreeing to purchase any of the Shares, exercising the Over-allotment Option, stock borrowing, establishing a short position in the Shares, liquidating long positions in the Shares or offering or attempting to do any such actions. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold under the Over-allotment Option, namely 88,320,000 Shares, which is 15% of the Shares available under the Global Offering. For the purpose of settlement of over-allocations in connection with the International Placing, the Stabilization Manager may borrow up to 88,320,000 Shares from Trisonic International, equivalent to the maximum number of Shares to be issued on full exercise of Over-allotment Option, under the stock borrowing arrangement. The stock borrowing arrangement will be affected in compliance with all applicable laws, rules and regulatory requirements. No payments or other benefit will be made to Trisonic International by the Stabilization Manager in relation to the stock borrowing arrangement.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Stabilizing activities permitted under the Securities and Futures (Price Stabilizing) Rules include: (a) primary stabilization, including purchasing, or agreeing to purchase, any of the Shares or offering or attempting to do so for the purpose of preventing or minimizing any reductions in the market price of the Shares, and (b) ancillary stabilization in connection with any primary stabilizing actions, including: (i) over-allocation for the purpose of preventing or minimizing any reductions in the market price; (ii) selling or agreeing to sell Shares so as to establish a short position in them for the purpose of preventing or minimizing any reductions in the market price; (iii) purchasing or subscribing, or agreeing to purchase or subscribe for Shares pursuant to the Over-allotment Option in order to close out any positions established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell Shares to liquidate a long position held as a result of those purchases or subscriptions; and (vi) offering or attempting to do anything described in (ii), (iii) or (iv) or (v). The Stabilization Manager may take any one or more of the stabilizing actions described above.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilization Manager, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilization Manager or any of its affiliates, or any persons acting for them, will maintain the long position is at the discretion of the Stabilization Manager and is uncertain. In the event that the Stabilization Manager liquidates this long position by selling in the open market, the market price of the Shares may decline.

Stabilizing action by the Stabilization Manager is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer. The stabilizing period is expected to end on or before Thursday, October 29, 2009. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period.

Any stabilizing action taken by the Stabilization Manager may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for on-market purchases of the Shares by the Stabilization Manager or any of its affiliates, or any persons acting for them, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by subscribers or purchasers.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, October 8, 2009, it is expected that dealings in Shares on the Stock Exchange will commence at 9:30 a.m. on Thursday, October 8, 2009.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price among the Joint Lead Managers (on behalf of the Underwriters), the Selling Shareholder and us on the Price Determination Date.

We expect that we will, on or about Wednesday, September 30, 2009, shortly after determination of the Offer Price, enter into International Underwriting Agreement relating to the International Placing.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting” in this prospectus.

METHODS TO APPLY FOR HONG KONG OFFER SHARES

There are three ways to make an application for the Hong Kong Offer Shares. You may either:

(i) use a **white** or **yellow** Application Form;

(ii) electronically instruct HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf; or

(iii) use the **White Form eIPO** method by submitting applications online through the designated website at **www.eipo.com.hk**.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by any of the above methods.

I. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **white** or **yellow** Application Form if you or any person(s) for whose benefit you are applying are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Offer Shares by means of **White Form eIPO**, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorized officer who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Joint Lead Managers (or its respective agents or nominees) may accept it at its discretion and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Joint Lead Managers, or the designated White Form eIPO Service Provider (where applicable) or our respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares in our Company, our Directors or chief executive of our Company or any of our subsidiaries, or associates of any of them (as "associate" is defined in the Listing Rules) or United States persons (as defined in Regulation S) or persons who do not have a Hong Kong address or any other connected persons of our Company or persons who will become our connected persons immediately upon completion of the Global Offering.

You may apply for Hong Kong Offer Shares under the Hong Kong Public Offer or indicate an interest for International Placing Shares under the International Placing, but may not do both.

Our Offer Shares are not available to our Directors, chief executive or any of their respective associates.

II. APPLYING BY USING AN APPLICATION FORM

Which Application Form to use

Use a **white** Application Form if you want the Hong Kong Offer Shares issued in your own name.

Use a **yellow** Application Form if you want the Hong Kong Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Where to collect Application Forms

You can collect a **white** Application Form and this prospectus during normal business hours from 9:00 a.m. on Thursday, September 24, 2009 until 12:00 noon on Tuesday, September 29, 2009 from:

Citigroup Global Markets Asia Limited
50th Floor, Citibank Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

or

Deutsche Bank AG, Hong Kong Branch
48/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

or

BOCOM International Securities Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

or

CAF Securities Company Limited
1302B Fairmont House
8 Cotton Tree Drive
Central, Hong Kong

or any of the following branches of **Standard Chartered Bank (Hong Kong) Limited**:

	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building 4-4A Des Voeux Road Central Central
	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
	Causeway Bay Branch	G/F, Yee Wah Mansion 38-40A Yee Wo Street Causeway Bay
	Quarry Bay Branch	G/F, Westlands Gardens 1027 King's Road, Quarry Bay
	North Point Centre Branch	North Point Centre 284 King's Road, North Point
Kowloon	Kwun Tong Branch	1A Yue Man Square, Kwun Tong
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 10 Granville Road, Tsimshatsui
	Cheung Sha Wan Branch	828 Cheung Sha Wan Road Cheung Sha Wan
	Telford Gardens Branch	Shop P9-12, Telford Centre Telford Gardens Tai Yip Street, Kwun Tong
New Territories	Shatin Centre Branch	Shop 32C, Level 3 Shatin Shopping Arcade Shatin Centre 2-16 Wang Pok Street, Shatin
	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza 298 Sha Tsui Road, Tsuen Wan
	Metroplaza Branch	Shop No. 175-176, Level 1 Metroplaza 223 Hing Fong Road, Kwai Chung
	Tseung Kwan O Branch	Shop G37-40, G/F Hau Tak Shopping Centre East Wing Hau Tak Estate, Tseung Kwan O

or any of the following branches of **Bank of Communications Co., Ltd. Hong Kong Branch**:

	Branch Name	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Central District Sub-Branch	G/F., Far East Consortium Building, 125A Des Voeux Road C., Central
	Quarry Bay Sub-Branch	G/F., 981C, King's Road Quarry Bay
	Hennessy Road Sub-Branch	G/F., Bank of Communications Building, 368 Hennessy Road
	Taikoo Shing Sub-Branch	Shop 38, G/F., CityPlaza 2 18 Taikoo Shing Road
	King's Road Sub-Branch	67-71 King's Road

	Branch Name	Address
Kowloon	Kwun Tong Sub-Branch	Shop A, G/F., Hong Ning Court 55 Hong Ning Road Kwun Tong
	Jordan Sub-Branch	1/F., Booman Building 37U Jordan Road
	Lam Tin Sub-Branch	G/F., 63-65 Kai Tin Tower Kai Tin Road, Lam Tin
	Hunghom Sub-Branch	Flat A6, G/F. Wing Kwai Building 1-3 Tak Man Street Whampoa Estate, Hunghom
	Shamshuipo Sub-Branch	G/F., Shop 1, Golden Centre 94 Yen Chow Street, Sham Shui Po
New Territories	Market Street Sub-Branch	G/F., 53 Market Street Tsuen Wan
	Tuen Mun Sub-Branch	Flat/Rm 7, G/F. Castle Peak Lin Won Building Yan Ching Circuit, Tuen Mun
	Ma On Shan Sub-Branch	Shop Nos. 3038A & 3054-56 Level 3, Sunshine City Plaza Ma On Shan
	Tiu Keng Leng Sub-Branch	Unit L2-064 & 065 Metro Town Shopping Mall 8 King Ling Road Tiu Keng Leng

You can collect a **yellow** Application Form and this prospectus during normal business hours from 9:00 a.m. on Thursday, September 24, 2009 until 12:00 noon on Tuesday, September 29, 2009 from:

(1) The Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or

(2) Your stockbroker, who may have such Application Forms and this prospectus available.

How to complete the Application Form

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying check(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

By signing on the Application Form, you should note *inter alia* that you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

(a) confirm that you have only relied on the information and representations in this prospectus and the Application Form in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;

(b) agree that we, the Selling Shareholder, our Directors, the Sole Global Coordinator, the Joint Lead Managers, the Underwriters and other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;

(c) undertake and confirm that you (if the application is made for your benefit), or the person(s) for whose benefit you have made the application, have not indicated an interest for, applied for or taken up any of the International Placing Shares; and

(d) agree to disclose to our Company, the Selling Shareholder, our Hong Kong Share Registrar, the receiving bankers, the Sole Global Coordinator, the Joint Lead Managers and its respective advisors and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application.

In order for the **yellow** Application Form to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

(a) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**

(i) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.

(b) **If the application is made by an individual CCASS Investor Participant:**

(i) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card Number; and

(ii) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(c) **If the application is made by a joint individual CCASS Investor Participant:**

(i) the Application Form must contain all joint CCASS Investor Participants' names and Hong Kong Identity Card Numbers; and

(ii) the participant I.D. must be inserted in the appropriate box in the Application Form.

(d) **If the application is made by a corporate CCASS Investor Participant:**

(i) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and

(ii) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

If your application is made through a duly authorized attorney, our Company and the Joint Lead Managers, may accept it at our discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. Our Company and the Joint Lead Managers will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

How to make payment for the application

Each completed **white** or **yellow** application form must be accompanied by either one check or one banker's cashier order, which must be stapled to the top left hand corner of the application form.

If you pay by check, the check must:

(a) be in Hong Kong dollars;

(b) be drawn on your Hong Kong dollar bank account in Hong Kong;

(c) bear your account name (or, in the case of joint applicants, the name of the first-named applicant) either pre-printed on the check or endorsed on the reverse of the check by an authorized signatory of the bank on which it is drawn, which must be the same as the name on your application form (or, in the case of joint applicants, the name of the first-named applicant). If the check is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant);

(d) be made payable to "**Horsford Nominees Limited — China VTM Mining Public Offer**";

(e) be crossed "Account Payee Only"; and

(f) not be post dated.

Your application may be rejected if your check does not meet all of these requirements or is dishonored on first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

(a) be in Hong Kong dollars;

(b) be issued by a licensed bank in Hong Kong and have your name certified on the reverse of the banker's cashier order by an authorized signatory of the bank on which it is drawn. The name on the reverse of the banker's cashier order and the name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named applicant;

(c) be made payable to "**Horsford Nominees Limited — China VTM Mining Public Offer**";

(d) be crossed "Account Payee Only"; and

(e) not be post dated.

Your application may be rejected if your banker's cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your check or banker's cashier order will not be presented for payment before 12:00 noon on Tuesday, September 29, 2009. We will not give you a receipt for your payment. We will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund checks). The right is also reserved to retain any Share certificates and/or any surplus application monies or refunds pending clearance of your check or banker's cashier order.

III. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give electronic application instructions via CCASS to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time.

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
2/F, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and our Hong Kong Share Registrar.

Giving Electronic application instructions to HKSCC to apply for Hong Kong Offer Shares by HKSCC Nominees on your behalf

Where a **white** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

(a) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **white** Application Form or this prospectus;

(b) on behalf of each such person, HKSCC Nominees:

  (i) agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted electronic application instructions on that person's behalf or that person's CCASS Investor Participant stock account;

  (ii) undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given electronic application instructions or any lesser number;

(iii) undertakes and confirms that that person has not indicated an interest for, applied for or taken up any Offer Shares under the International Placing;

(iv) (if the electronic application instructions are given for that person's own benefit) declares that only one set of electronic application instructions has been given for that person's benefit;

(v) (if that person is an agent for another person) declares that that person has only given one set of electronic application instructions for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;

(vi) understands that the above declaration will be relied upon by us, the Selling Shareholder, our Directors and the Joint Lead Managers in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the electronic application instructions given by that person and that that person may be prosecuted if he makes a false declaration;

(vii) authorizes us to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's electronic application instructions and to send Share certificate(s) and/ or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;

(viii) confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

(ix) confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations save as set out in any supplement to this prospectus, and that person agrees that neither our Company, the Selling Shareholder, our Directors, the Sole Global Coordinator, the Joint Lead Managers, the Underwriters, or any of the parties involved in the Global Offering will have any liability for any such other information or representation;

(x) agrees that our Company, the Selling Shareholder, the Sole Global Coordinator, the Joint Lead Managers, the Underwriters and any of their respective directors, officers, employees, partners, agents or advisors are liable only for the information and representations contained in this prospectus and any supplement thereto;

(xi) agrees to disclose that person's personal data to our Company, the Selling Shareholder, our Hong Kong Share Registrar, receiving bankers, the Sole Global Coordinator, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents and any information which they may require about that person for whose benefit the application is made;

(xii) agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;

(xiii) agrees that any application made by HKSCC Nominees on behalf of that person pursuant to the **electronic application instructions** given by that person is irrevocable on or before Saturday, October 24, 2009, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before Saturday, October 24, 2009, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

(xiv) agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offer made by our Company;

(xv) agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares;

(xvi) agrees with our Company, for ourselves and for the benefit of each of our shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Cayman Companies Law, the Companies Ordinance and the Articles of Association; and

(xvii) agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, and the related brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Offer Share paid on application, refund of the application monies (in each case including brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **white** Application Form.

Minimum application amount and permitted numbers

You may use the Application Forms to subscribe for a minimum of 1,000 Hong Kong Offer Shares or for one of the numbers in the table in the Application Forms. You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions in respect of a minimum of 1,000 Hong Kong Offer Shares. Such instructions in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

Section 40 of the Companies Ordinance

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

Warning

The application for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, the Selling Shareholder, our Directors, the Sole Global Coordinator, the Joint Lead Managers and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **white** or **yellow** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, September 29, 2009 or such later time as described in the paragraph headed "V. When May Applications Be Made — Effect of bad weather on the opening of the application lists" below.

IV. APPLYING THROUGH WHITE FORM eIPO

General

(a) You may apply through **White Form eIPO** by submitting an application through the designated website at **www.eipo.com.hk** if you satisfy the relevant eligibility criteria for this as set out in the subsection headed "I. Who Can Apply for Hong Kong Offer Shares" in this section of the prospectus and on the same website. If you apply through **White Form eIPO**, the Shares will be issued in your own name.

(b) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at **www.eipo.com.hk.** You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated White Form eIPO Service Provider and may not be submitted to our Company.

(c) If you give electronic application instructions through the designated website at **www.eipo.com.hk**, you will have authorized the designated White Form eIPO Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.

(d) In addition to the terms and conditions set out in this prospectus, the designated White Form eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at **www.eipo.com.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

(e) By submitting an application to the designated White Form eIPO Service Provider through the **White Form eIPO** service, you are deemed to have authorized the designated White Form eIPO Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.

(f) You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.

(g) You may submit your application to the designated White Form eIPO Service Provider through the designated website **www.eipo.com.hk** from 9:00 a.m. on Thursday, September 24, 2009 until 11:30 a.m. on Tuesday, September 29, 2009 or such later time as described under the sub-paragraph headed "Effect of bad weather on electronic applications under White Form eIPO service" below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, September 29, 2009, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed "Effect of bad weather on electronic application under White Form eIPO service" below.

You will not be permitted to submit your application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(h) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at www.eipo.com.hk. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Tuesday, September 29, 2009, or such later time as described under the paragraph headed "Effect of bad weather on electronic applications under White Form eIPO service" below, the designated White Form eIPO Service Provider will reject your application and your application monies will be refunded to you in the manner described in the designated website at www.eipo.com.hk.**

(i) Once you have completed payment in respect of any electronic application instruction given by you or for your benefit to the designated White Form eIPO Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.

(j) **Warning**: The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated White Form eIPO Service Provider to public investors. **We, our Directors, the Sole Global Coordinator, the Joint Lead Managers and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.**

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 per each "**China Vanadium Titano-Magnetite Mining Company Limited**" **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of Earth (HK).

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the White Form eIPO service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offer to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **white** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **white** or **yellow** Application Form or give **electronic application instructions** to HKSCC via CCASS.

Conditions of the White Form eIPO service

In using the **White Form eIPO** service to apply for the Hong Kong Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- **applies** for the desired number of Hong Kong Offer Shares on the terms and conditions of this prospectus and the White Form eIPO designated website at **www.eipo.com.hk** subject to the Articles of Association;
- **undertakes** and agrees to accept the Hong Kong Offer Shares applied for, or any lesser number allotted to the applicant on such application;
- **declares** that it is the only application made and the only application intended by the applicant to be made whether on a **white** or **yellow** application form or by giving electronic application instruction to HKSCC or to the White Form eIPO Service Provider under the **White Form eIPO** service, to benefit the applicant or the person for whose benefit the applicant is applying;
- **undertakes** and **confirms** that the applicant and the person for whose benefit the applicant is applying has not applied for or taken up, or indicated an interest for, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, nor otherwise participate in the International Placing;
- **understands** that such declaration and representation will be relied upon by our Company in deciding whether or not to make any allotment of Hong Kong Offer Shares in response to such application;
- **authorizes** our Company to place the applicant's name on the register of members of our Company as the holder of any Hong Kong Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set out in this prospectus) to send any Share certificates by ordinary post at the applicant's own risk to the address given on the **White Form eIPO** application except where the applicant has applied for 1,000,000 or more Hong Kong Offer Shares and that applicant collects any Share certificate(s) in person in accordance with the procedures prescribed in the **White Form eIPO** designated website at **www.eipo.com.hk** and this prospectus;
- **requests** that any refund payment instructions be despatched to the application payment bank account where the applicants had paid the application monies from a single bank account;
- **requests** that any refund cheque(s) be made payable to the applicant who had used multi-bank accounts to pay the application monies;
- **has read** the terms and conditions and application procedures set out on the **White Form eIPO** designated website at **www.eipo.com.hk** and this prospectus and **agrees** to be bound by them;
- **represents, warrants and undertakes** that the applicant, and any persons for whose benefit the applicant are applying are non-US person(s) outside the United States (as defined in Regulation S), when completing and submitting the application or is a person described in paragraph (h)(3) of Rule 902 of Regulation S or the allotment of or

application for the Hong Kong Offer Shares to or by whom or for whose benefit the application is made would not require our Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong; and

- **agrees** that such application, any acceptance of it and the resulting contract, will be governed by and construed in accordance with the law Hong Kong.

Effect of bad weather on electronic application under White Form eIPO service

The latest time for submitting an application to the designated White Form eIPO Service Provider through **White Form eIPO** service will be 11:30 a.m. on Tuesday, September 29, 2009 and the latest time for completing full payment of application monies will be 12:00 noon on Tuesday, September 29, 2009. If:

(a) a tropical cyclone warning signal number 8 or above; or

(b) a "black" rainstorm warning signal

is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, September 29, 2009, the latest time to complete the application and the latest time to complete payment will be postponed to 11:30 a.m. and 12:00 noon respectively on the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

If the application lists of the Hong Kong Public Offer do not open and close on Tuesday, September 29, 2009 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed "Expected Timetable" in this prospectus, such dates mentioned in the section headed "Expected Timetable" in this prospectus may be affected. A press announcement will be made in such event in the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese).

Supplemental information

If any supplement to this prospectus is issued, applicant(s) who have already submitted an electronic application instruction through the **White Form eIPO** service may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **White Form eIPO** service that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **White Form eIPO** service is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

Effect of completing and submitting an application through the White Form eIPO service

By completing and submitting an application through the **White Form eIPO** service, you for yourself or as agent or nominee and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- instruct and authorize our Company and the Joint Lead Managers as agents for our Company (or its respective agents or nominees) to do on your behalf all things necessary to register any Hong Kong Offer Shares allotted to you in your name as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the **White Form eIPO** designated website at **www.eipo.com.hk**;

- confirm that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;
- agree that our Company and our Directors are liable only for the information and representations contained in this prospectus and any supplement thereto;
- agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (if the application is made for your own benefit) warrant that it is the only application which will be made for your benefit on a **white** or **yellow** application form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider via the **White Form eIPO** service;
- (if you are an agent for another person) warrant reasonable enquiries have been made of that other person that it is the only application which will be made for the benefit of that other person on a **white** or **yellow** application form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service, and that you are duly authorized to submit the application as that other person's agent;
- undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for, take up or indicate an interest for, any Offer Shares under the International Placing;
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- agree to disclose to our Company, our Hong Kong Share Registrar, receiving bankers, the Sole Global Coordinator, the Joint Lead Managers and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- agree with our Company and each shareholder, and our Company agrees with each of the shareholders, to observe and comply with the Companies Ordinance, the Memorandum and Articles of Association;
- agree with our Company and each Shareholder that the Shares are freely transferable by the holders thereof;
- authorize our Company to enter into a contract on your behalf with each of our Directors and officers whereby each such Director and officer undertakes to observe and comply with his or her obligations to shareholders as stipulated in the Memorandum and Articles of Association;
- represent, warrant and undertake that you are not, and none of the other person(s) for whose benefit you are applying, is a US person (as defined in Regulation S);

- represent and warrant that you understand that the Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States (as defined in Regulation S) when completing the application or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and the **White Form eIPO** designated website at **www.eipo.com.hk** and agree to be bound by them;
- undertake and agree to accept the Shares applied for, or any lesser number allocated to you under your application; and
- if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus and the **White Form eIPO** designated website at **www.eipo.com.hk**.

Our Company, the Sole Global Coordinator, the Joint Lead Managers, the Underwriters and their respective directors, officers, employees, partners, agents, advisors, and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in such application.

Power of attorney

If your application is made by a duly authorized attorney, our Company or the Joint Lead Managers, as its agent, may accept it at its discretion and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

Additional information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving electronic application instructions through **White Form eIPO** service to the White Form elPO Service Provider through the designated website at **www.eipo.com.hk** will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the designated White Form eIPO Service Provider, the designated White Form elPO Service Provider may adopt alternative arrangements for the refund of application monies to you. Please refer to the additional information provided by the designated White Form eIPO Service Provider on the designated website at **www.eipo.com.hk**.

Otherwise, any application monies payable to you due to a refund for other reasons are set out below in the subsection headed "IX. Publication of Results; Despatch/Collection of Share Certificates and Refunds of Application Monies" below.

V. WHEN MAY APPLICATIONS BE MADE

Applications on white or yellow Application Forms

Completed **white** and **yellow** Application Forms, with payment attached, must be lodged by 12:00 noon on Tuesday, September 29, 2009, or, if the application lists are not open on that day, then by 12:00 noon on the next day that the lists are open.

Your completed Application Form, with full payment in Hong Kong dollars attached, should be deposited in the special collection boxes provided at any of the branches of the receiving bankers listed under the subsection headed "II. Applying by Using an Application Form — Where to collect Application Forms" above at the following times:

Thursday, September 24, 2009	**9:00 a.m. to 5:00 p.m.**
Friday, September 25, 2009	**9:00 a.m. to 5:00 p.m.**
Saturday, September 26, 2009	**9:00 a.m. to 1:00 p.m.**
Monday, September 28, 2009	**9:00 a.m. to 5:00 p.m.**
Tuesday, September 29, 2009	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, September 29, 2009.

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allotment of any such Hong Kong Offer Shares will be made until the closing of the application lists. No allotment of any of the Hong Kong Offer Shares will be made later than Wednesday, October 7, 2009.

Electronic Application Instructions to HKSCC via CCASS

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Thursday, September 24, 2009	**9:00 a.m. to 8:30 p.m.(1)**
Friday, September 25, 2009	**8:00 a.m. to 8:30 p.m.(1)**
Saturday, September 26, 2009	**8:00 a.m. to 1:00 p.m.(1)**
Monday, September 28, 2009	**8:00 a.m. to 8:30 p.m.(1)**
Tuesday, September 29, 2009	**8:00 a.m.(1) to 12:00 noon**

Note:

(1) These dates and times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Thursday, September 24, 2009 until 12:00 noon on Tuesday, September 29, 2009 (24 hours daily, except the last application day).

The latest time for inputting electronic application instructions via CCASS will be 12:00 noon on Tuesday, September 29, 2009, the last application day, or if the application lists are not open on that day, by the time and date stated in the paragraph headed "Effect of bad weather on the opening of the application lists" below.

Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, September 29, 2009. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warning signals in force in Hong Kong at anytime between 9:00 a.m. and 12:00 noon.

If the application lists of the Hong Kong Public Offer do not open and close on Tuesday, September 29, 2009 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed "Expected Timetable" in this prospectus, such dates mentioned in the section headed "Expected Timetable" in this prospectus may be affected. An announcement will be made in such event.

VI. HOW MANY APPLICATIONS MAY YOU MAKE

Multiple applications or suspected multiple applications are liable to be rejected. You may not make more than one application for Hong Kong Offer Shares unless you are a nominee, in which case you may both give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and may lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for *each* beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

Otherwise, multiple applications are not allowed and will be rejected.

If you have made an application by giving electronic application instructions to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an electronic application instruction to HKSCC, you:

- (if the application is made for your own benefit) warrant that the application made pursuant to a **white** or **yellow** Application Form or electronic application instruction is the only application which will be made for your benefit on a **white** or **yellow** Application

Form or by giving electronic application instructions to HKSCC or to the White Form eIPO Service Provider via the **White Form eIPO** service; or

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person which confirms that this is the only application which will be made for the benefit of that other person on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider via the **White Form eIPO** service, and that you are duly authorized to sign the Application Form or give electronic application instructions as that other person's agent.

Save as referred to above, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider via the **White Form eIPO** service; or
- both apply (whether individually or jointly) on one **white** Application Form and one **yellow** Application Form or on one **white** or **yellow** Application Form and give electronic application instructions to HKSCC or to the White Form eIPO Service Provider via the **White Form eIPO** service; or
- apply on one **white** or **yellow** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service for more than 29,440,000 Hong Kong Offer Shares, being 50% of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offer; or
- have indicated an interest for or have been or will be placed any of the International Placing Shares.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of an application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company; or
- control more than one half of the voting power of the company; or
- hold more than one half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

VII. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted Hong Kong Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Hong Kong Offer Shares will not be allotted to you:

(a) **If your application is revoked:**

By completing and submitting an Application Form or submitting an **electronic application instruction** to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** service you agree that your application or the application made by HKSCC Nominees on your behalf or the White Form eIPO Service Provider cannot be revoked on or before Saturday, October 24, 2009, unless a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. This agreement will take effect as a collateral contract with us, and will become binding when you lodge your application or submit your electronic application instructions to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person on or before Saturday, October 24, 2009, except by means of one of the procedures referred to in this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf or the White Form eIPO Service Provider has been accepted, it cannot be revoked or withdrawn. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) **Full discretion of our Company, the Joint Lead Managers or our or the Joint Lead Managers' respective agents or nominees to reject or accept:**

We, the Joint Lead Managers or the designated White Form eIPO Service Provider (if applicable) or our or its respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(c) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **yellow** Application Form) will be void if the Listing Committee does not grant permission to list the Hong Kong Offer Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies us of that longer period within three weeks of the closing date of the application lists.

(d) **You will not receive any allotment if:**

- you make multiple applications or you are suspected to have made multiple applications;
- you or the person in whose benefit you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) International Placing Shares. By filling in any of the Application Forms or submitting electronic application instructions to HKSCC or to the White Form eIPO Service Provider via the **White Form eIPO** service, you agree not to apply for or indicate an interest for Offer Shares in the International Placing. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offer from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offer;
- your payment is not made correctly or you pay by check or banker's cashier order and the check or banker's cashier order is dishonored upon its first presentation;
- your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- you apply for more than 29,440,000 Hong Kong Offer Shares (being 50% of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offer);
- our Company or the Joint Lead Managers believe that by accepting your application, we would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address overleaf is located;
- the Underwriting Agreements do not become unconditional; or
- the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement are/is terminated in accordance with their respective terms.

You should also note that you may apply for Offer Shares under the Hong Kong Public Offer or indicate an interest for Offer Shares under the International Placing, but may not do both.

VIII. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$3.86 per Hong Kong Offer Share. You must also pay a brokerage fee of 1%, SFC transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%. This means that for every board lot of 1,000 Hong Kong Offer Shares, you will pay approximately HK$3,898.94. The Application Forms have tables showing the exact amount payable for the numbers of Hong Kong Offer Shares that may be applied for. You must pay the maximum Offer Price and related brokerage fee, SFC transaction levy, and the Stock Exchange trading fee in full when you apply for the Hong Kong Offer Shares. You must pay the amount payable upon application for Hong Kong Offer Shares by a check or a banker's cashier order in accordance with the terms set out in the Application Forms or this prospectus.

If your application is successful, the brokerage fee will be paid to participants of the Stock Exchange or the Stock Exchange, and the SFC transaction levy and Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy collected by the Stock Exchange on behalf of the SFC).

IX. PUBLICATION OF RESULTS, DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUNDS OF APPLICATION MONIES

Publication of results

We expect to announce the Offer Price, the level of indication of interest in the International Placing, the basis of allotment of the Hong Kong Offer Shares and the results of applications under the Hong Kong Public Offer no later than 9:00 a.m. on Wednesday, October 7, 2009 and in the manner specified below:

- on the website of the Stock Exchange (www.hkex.com.hk); and
- on the website of our Company for at least five consecutive days (www.chinavtmmining.com).

A notification announcement under Rule 2.17A of the Listing Rules which also includes the Offer Price, an indication of the level of interest in the International Placing, the level of applications of the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares will be published by us on Wednesday, October 7, 2009 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

In addition, we expect to announce the results of applications and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer at the times and dates and in the manner specified below:

- Results of allocations for the Hong Kong Public Offer will be available from our designated results of allocations website at **www.iporesults.com.hk** on a 24-hour basis from 8:00 a.m. on Wednesday, October 7, 2009 to 12:00 midnight on Tuesday, October 13, 2009. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- Results of allocations will be available from our Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, October 7, 2009 to Saturday, October 10, 2009; and
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Wednesday, October 7, 2009 to Friday, October 9, 2009 at all the receiving bank branches

and sub-branches at the addresses set out in the section headed "How to Apply for Hong Kong Offer Shares — II. Applying by Using an Application Form — Where to collect Application Forms" in this prospectus.

Despatch/collection of share certificates/e-Refund payment instructions/refund checks

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the initial price per Offer Share (excluding brokerage fee, SFC transaction levy, and Stock Exchange trading fee thereon) paid on application, or if the conditions of the Global Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy, and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your application:

(a) for applications on **white** Application Forms or by giving electronic application instructions through **White Form eIPO** service:

(i) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or

(ii) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applications on **yellow** Application Forms: Share certificates for the Shares successfully applied for will be deposited into CCASS as described below); and/or

(b) for applications on **white** or **yellow** Application Forms, refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the final Offer Price and the maximum Offer Price per Hong Kong Offer Share paid on application in the event that the Offer Price is less than the offer price per Offer Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

(c) for applicants apply through the **White Form eIPO** service by paying the application monies through a single bank account and applicant's application is wholly or partially unsuccessful and/or the Final Offer Price being different from the Offer Price initially paid on the application, e-Refund payment instructions (if any) will be despatched to the application payment bank account on or around Wednesday, October 7, 2009.

(d) for applicants apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts and applicant's application is wholly or partially unsuccessful and/or the Final Offer Price being different from the Offer Price initially paid on the application, refund cheque(s) will be sent to the address specified in the application instructions to the designated **White Form eIPO** Service Provider on or around Wednesday, October 7, 2009, by ordinary post and at applicant's own risk.

Subject to personal collection as mentioned below, refund checks for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per Share initially paid on application (if any) under **white** or **yellow** Application Forms; and Share certificates for wholly and partially successful applicants under **white** Application Forms or by giving electronic application instructions through **White Form eIPO** service are expected to be posted on or around Wednesday, October 7, 2009. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s).

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund check, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/ passport number before encashment of your refund check. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund check.

Share certificates will only become valid certificates of title at 8:00 a.m. on Thursday, October 8, 2009 provided that the Hong Kong Public Offer has become unconditional in all respects and the rights of termination described in the paragraph headed "Grounds for Termination" in the section headed "Underwriting" in this prospectus have not been exercised. You will receive one Share certificate for all the Hong Kong Offer Shares issued to you under the Hong Kong Public Offer (except pursuant to applications made on **yellow** application form or by **electronic application instructions** to HKSCC where Share certificates will be deposited in CCASS).

White Application Form

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have indicated on your application form that you will collect your Share certificate(s) (where applicable) and/or refund check (if any) in person, you may collect it/them from:

Computershare Hong Kong Investor Services Limited	Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

between 9:00 a.m. and 1:00 p.m. on Wednesday, October 7, 2009 or any other date notified by our Company in the newspapers as the date of despatch of Share certificates/e-Refund payment instructions/refund checks.

If you are an individual who opts for personal collection, you must not authorize any other person to make the collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must, in any event, produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your Share certificate(s) and/or refund check (if any) within the time for collection specified above, they will be sent to you by ordinary post to the address as specified in your application form (or the address of the first-named applicant in case of a joint application) and at your own risk shortly after the time for collection.

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect your Share certificate(s) and/or refund check (if any) in person; or if you have applied for less than 1,000,000 Hong Kong Offer Shares; or if your application is rejected, not accepted or accepted in part only; or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus, or if any application is revoked or any allotment pursuant thereto has become void, then your Share certificate(s) (where applicable) and/or refund check (where applicable) in respect of the application monies or the appropriate portion thereof, together with the related brokerage, Stock Exchange trading fee and SFC transaction levy (without interest) will be sent to the address on your Application Form (or the address of the first-named applicant in case of a joint application) by ordinary post and at your own risk on the date of despatch.

If you apply through White Form eIPO

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your Share certificate(s) in person from Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, October 7, 2009.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider promptly thereafter, by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** on Wednesday, October 7, 2009 by ordinary post and at your own risk.

If you paid the application monies from a single bank account and your application is wholly or partially unsuccessful and/or the Offer Price being different from the initial price paid on your application, e-Refund payment instructions (if any) will be despatched to your application payment bank account on or around Wednesday, October 7, 2009.

If you used multi-bank accounts to pay the application monies and your application is wholly or partially unsuccessful and/or the Offer Price being different from the initial price paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on or around Wednesday, October 7, 2009, by ordinary post and at your own risk.

Yellow Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **yellow** Application Form to collect your refund check (where applicable) in person, please follow the same instructions as those for **white** Application Form applicants as described above.

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect refund check(s) (if any) in person, or you have applied for less than 1,000,000 Hong Kong Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus, or if any application is revoked or any allotment pursuant thereto has become void, your refund check(s) in respect of the application monies or the appropriate parties thereof, together with the related brokerage, Stock Exchange trading fee, SFC transaction levy (without interest) will sent to the address on your application form by ordinary post and at your own risk.

If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you at the close of business on Wednesday, October 7, 2009, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for the Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of the Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS investor participant:

- our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the newspapers on Wednesday, October 7, 2009. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, October 7, 2009 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the "CCASS Phone System" and "CCASS Internet System" (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply by giving electronic application instructions to HKSCC

If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant's stock account at the close of business on Wednesday, October 7, 2009, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

Our Company will publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner, where supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner described in the paragraph headed “Publication of results” in this section above on Wednesday, October 7, 2009.

You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, October 7, 2009 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Wednesday, October 7, 2009. Immediately after the credit of the relevant portion of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Offer Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, October 7, 2009. No interest will be paid thereon.

Refund of application monies

If you do not receive any Hong Kong Offer Shares for any reason, we will refund your application monies, including related brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, we will refund to you the appropriate portion of your application monies (including the related brokerage fee of 1%, SFC transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%) without interest.

If the Offer Price as finally determined is less than the initial price per Hong Kong Offer Share (excluding brokerage fee, SFC transaction levy, and Stock Exchange trading fee thereon) paid on application, we will refund to you the surplus application monies, together with the related brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, without interest.

All such interest accrued prior to the date of despatch of refund will be retained for our benefit.

In a contingency situation involving a substantial over-application, at the discretion of us and the Joint Lead Managers, for applications made on Application Forms for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) is expected to be made on Wednesday, October 7, 2009 in accordance with the various arrangements as described above.

X. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, October 8, 2009. The Shares will be traded in board lots of 1,000 each. The stock code of the Shares is 893.

XI. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

XII. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the "**Ordinance**") came into effect in Hong Kong on 20 December 1996. This Personal Information Collection Statement informs the applicant for and holder of the Hong Kong Offer Shares of the policies and practices of our Company and our Hong Kong Share Registrar in relation to personal data and the Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company and our Hong Kong Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of our Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of our Company or our Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of share certificate(s), and/or the despatch of or encashment of refund cheque(s) to which you are entitled.

It is important that holders of securities inform our Company and our Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

(b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and refund cheque, where applicable and verification of compliance with the terms and application procedures set out in the application forms and this prospectus and announcing results of allocations of the Hong Kong Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of our Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by any laws, rules or regulations;
- disclosing identities of successful applications by way of press announcement(s) or otherwise;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and our Hong Kong Share Registrar to discharge our obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) Transfer of personal data

Personal data held by our Company and our Hong Kong Share Registrar relating to the applicants and the holders of securities will be kept confidential but our Company and our Hong Kong Share Registrar, to the extent necessary for achieving the above purposes or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, our Company may disclose, obtain or provide (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to or from any and all of the following persons and entities:

- we or our appointed agents such as financial advisers, receiving bankers and our principal share registrar and Hong Kong Share Registrar;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Hong Kong Offer Shares to be deposited into CCASS);

- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or our Hong Kong Share Registrar in connection with the operation of our businesses;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an Application Form or by giving **electronic application instructions** to HKSCC or by applying through **White Form eIPO**, you agree to all of the above.

(d) Access and correction of personal data

The Ordinance provides the applicants and the holders of securities with rights to ascertain whether our Company and/or our Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the Ordinance, our Company and our Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices or the kinds of data held should be addressed to our Company for the attention of our company secretary or (as the case may be) our Hong Kong Share Registrar for the attention of the Privacy Compliance Officer (for the purposes of the Ordinance).

ERNST & YOUNG
安 永 會 計 師 事 務 所

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

September 24, 2009

The Directors
China Vanadium Titano-Magnetite Mining Company Limited
Citigroup Global Markets Asia Limited

Dear Sirs,

We set out below our report on the financial information regarding China Vanadium Titano-Magnetite Mining Company Limited (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group") for each of the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 (the "Relevant Periods") and the six months ended June 30, 2008 (the "June 30, 2008 Financial Information"), prepared on the basis set out in Note 2 of Section II below, for inclusion in the prospectus of the Company dated September 24, 2009 (the "Prospectus") in connection with the proposed listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on April 28, 2008 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands under the name of China Vanadium Titano-Magnetite Mining Co. Ltd. The name of the Company was subsequently changed to its present name on May 26, 2008. Pursuant to a group reorganization (the "Reorganization"), details of which are further described in the "History, Reorganization and Group Structure — Reorganization" section in the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group.

The Group is principally engaged in the business of mining, ore processing, iron pelletizing and sale of iron concentrates, iron pellets and titanium concentrates and management of strategic investments.

Particulars of the principal companies comprising the Group at the date of this report are set out below:

Company name	Place and date of incorporation/ registration	Nominal value of issued and paid-up share/ registered paid-up capital	Percentage of equity interests attributable to the Company	Principal activities
			%	
Subsidiaries				
Directly held:				
Powerside Holdings Limited(1) ("Powerside")	British Virgin Islands January 8, 2008	US$1	100.0	Investment holding
First China Limited(2) ("First China")	Hong Kong March 5, 2008	HK$1	100.0	Investment holding
Indirectly held:				
Simply Rise Holdings Limited(2) ("Simply Rise")	Hong Kong January 2, 2008	HK$1	100.0	Investment holding
Huili County Caitong Iron and Titanium Co., Ltd. ("Huili Caitong")(3) 會理縣財通鐵鈦有限責任公司	PRC July 7, 1998	RMB178,571,000	90.5	Iron ore mining, and iron ore beneficiation, and sale of self-produced products
Huili County Xiushuihe Mining Co., Ltd. ("Xiushuihe Mining")(3)(4) 秀水河礦業有限公司	PRC March 21, 2000	RMB7,990,000	95.0	Iron ore mining and iron ore beneficiation

Notes:

(1) As of the date of this report, no audited financial statements have been prepared since the date of incorporation of Powerside as Powerside has not carried on any business other than the Reorganization and other events described in the "History, Reorganization and Group Structure — Reorganization" section in the Prospectus.

(2) The statutory financial statements of these companies for the year ended December 31, 2008 were audited by Ernst & Young, Certified Public Accountants, Hong Kong.

(3) The statutory financial statements of these companies for the years ended December 31, 2006 and 2007 were audited by Sichuan Jianke Certified Public Accountants (四川建科會計師事務所), certified public accountants registered in the PRC. The statutory financial statements of these companies for the year ended December 31, 2008 were audited by Sichuan Jun He Certified Public Accountants (四川君和會計師事務所), certified public accountants registered in the PRC.

(4) Xiushuihe Mining was incorporated as a township and village enterprise on March 21, 2000 under the name of Huili County Xiushuihe Iron ("Xiushuihe Iron"). On June 26, 2007, Xiushuihe Iron was re-incorporated as a limited liability company under the name of Huili County Xiushuihe Mining Co., Ltd. The Company's 95% interest in Xiushuihe Mining is held directly by Huili Caitong.

The English names of the subsidiaries and auditors registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

All companies now comprising the Group have adopted December 31 as their financial year end date. No audited financial statements have been requested by the Company since the date of its incorporation as there is no statutory requirement for the Company to obtain audited financial statements. The statutory audited financial statements of the subsidiaries established in the People's Republic of China (the "PRC" or "Mainland China") were prepared in accordance with the generally accepted accounting principles and the relevant financial regulations of the PRC. The directors of the Company (the "Directors") have prepared the consolidated financial statements of the companies now comprising the Group for the Relevant Periods (the "IFRS Financial Statements") in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (the "IASB").

The financial information as set out in Sections I to III below (the "Financial Information") has been prepared from the IFRS Financial Statements and in accordance with the basis set out in Note 2 of Section II.

The Directors are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with IFRS. The directors of the respective companies of the Group are responsible for the preparation and true and fair presentation of the respective financial statements and, where appropriate, management accounts in accordance with the relevant accounting principles and financial regulations applicable to these companies. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgments and estimates made are prudent and reasonable. It is our responsibility to form an independent opinion based on our audit of the Relevant Periods and our review on the June 30, 2008 Financial Information, respectively, and to report our opinion and review conclusion, respectively, thereon.

Procedures performed in respect of the Relevant Periods

For the purpose of this report, we have carried out an independent audit on the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Procedures performed in respect of the June 30, 2008 Financial Information

For the purpose of this report, we have also performed a review of the June 30, 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 30, 2008 Financial Information.

Opinion in respect of the Financial Information of the Relevant Periods

In our opinion, the Financial Information for the Relevant Periods prepared on the basis of presentation set out in Note 2 of Section II below gives, for the purpose of this report, a true and fair view of the consolidated profits and cash flows of the Group for each of the Relevant Periods and of the state of affairs of the Group as of December 31, 2006, 2007 and 2008 and June 30, 2009, and of the state of affairs of the Company as of December 31, 2008 and June 30, 2009.

Review conclusion in respect of the June 30, 2008 Financial Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the June 30, 2008 Financial Information is not prepared, in all material respects, in accordance with IFRS.

I. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

	Notes	Year ended December 31, 2006	Year ended December 31, 2007	Year ended December 31, 2008	Six months ended June 30, 2008	Six months ended June 30, 2009
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	5	211,103	366,670	791,163	315,335	486,041
Cost of sales	6	(100,130)	(187,769)	(364,122)	(137,051)	(276,538)
Gross profit		110,973	178,901	427,041	178,284	209,503
Other income	5	147	1,496	17,277	13,470	2,230
Selling and distribution costs		(51,261)	(86,572)	(22,444)	(8,751)	(12,749)
Administrative expenses		(7,300)	(13,108)	(33,002)	(12,977)	(11,762)
Other operating expenses		(1,334)	(3,107)	(37,000)	(21,002)	(5,478)
Finance costs	6	(1,792)	(1,920)	(3,048)	(1,214)	(2,293)
Profit before tax	6	49,433	75,690	348,824	147,810	179,451
Income tax expense	8	(17,119)	(1,378)	(30,067)	(10,205)	(29,573)
Total comprehensive income for the year/period		32,314	74,312	318,757	137,605	149,878
Attributable to:						
Owners of the Company		23,042	53,686	248,675	95,281	133,445
Minority interests		9,272	20,626	70,082	42,324	16,433
		32,314	74,312	318,757	137,605	149,878
Earnings per share (RMB) — Basic	9	0.02	0.04	0.17	0.06	0.09

Consolidated Statements of Financial Position

	Notes	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	10	100,596	122,896	357,264	451,141
Intangible assets	11	8,684	144,155	140,829	135,729
Prepaid land lease payments	12	—	—	23,177	49,375
Prepayment	14	—	—	—	16,604
Payment in advance	15	—	—	3,217	—
Goodwill	16	15,318	15,318	15,318	15,318
Long-term deposits	17	—	—	—	1,277
Deferred tax assets	18	3,567	4,186	5,848	6,241
		128,165	286,555	545,653	675,685
Current assets					
Pledged bank balances	19	14,310	4,316	40	—
Cash and cash equivalents	19	3,289	7,586	133,098	149,110
Trade and notes receivables	20	330	3	87,632	192,768
Prepayments, deposits and other receivables	14	13,247	32,884	88,854	111,792
Due from related parties	21	31,183	229,695	30,433	36,406
Inventories	22	20,474	31,841	65,595	60,964
		82,833	306,325	405,652	551,040
Current liabilities					
Interest-bearing bank loans	23	30,000	30,000	—	100,000
Trade and notes payables	24	46,892	78,723	108,030	102,792
Other payables and accruals	25	32,591	168,546	139,756	161,608
Due to related parties	21	—	—	12,466	13,446
Dividend payable		—	—	—	26,003
Tax payable		27,434	24,637	29,724	44,441
		136,917	301,906	289,976	448,290
Net current assets/(liabilities)		(54,084)	4,419	115,676	102,750
Total assets less current liabilities		74,081	290,974	661,329	778,435
Non-current liabilities					
Other payables	25	459	—	51,870	44,918
Provision for rehabilitation	26	—	4,999	5,341	5,524
		459	4,999	57,211	50,442
Net assets		73,622	285,975	604,118	727,993
Equity					
Issued share capital	27	—	—	1	1
Reserves	28	49,907	202,983	539,349	652,794
Minority interests		23,715	82,992	64,768	75,198
Total equity		73,622	285,975	604,118	727,993

Consolidated Statements of Changes in Equity

	Attributable to owners of the Company									
	Issued share capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Contributed surplus	Difference arising from the acquisition of minority interests	Retained earnings (accumulated losses)	Total	Minority interests	Total equity
	RMB'000 Note 27	RMB'000 Note 28 (a)	RMB'000 Note 28 (b)	RMB'000 Note 28 (c)	RMB'000 Note 28 (d)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2006	—	—	1,425	193	45,420	—	(20,173)	26,865	14,443	41,308
Total comprehensive income for the year	—	—	—	—	—	—	23,042	23,042	9,272	32,314
Transfer from/(to) reserves	—	—	2,433	(193)	—	—	(2,240)	—	—	—
At December 31, 2006 and January 1, 2007	—	—*	3,858*	—*	45,420*	—*	629*	49,907	23,715	73,622
Total comprehensive income for the year	—	—	—	—	—	—	53,686	53,686	20,626	74,312
Transfer from/(to) reserves	—	—	5,217	—	—	—	(5,217)	—	—	—
Capital injection (Note 29 (a))	—	—	—	—	99,390	—	—	99,390	38,651	138,041
At December 31, 2007 and January 1, 2008	—	—*	9,075*	—*	144,810*	—*	49,098*	202,983	82,992	285,975
Total comprehensive income for the year	—	—	—	—	—	—	248,675	248,675	70,082	318,757
Transfer from/(to) reserves	—	—	27,555	—	—	—	(27,555)	—	—	—
Acquisition of minority interests (Note 29(b))	—	—	—	—	—	(530,393)	—	(530,393)	(88,306)	(618,699)
Issue of shares	1	618,084	—	—	—	—	—	618,085	—	618,085
At December 31, 2008 and January 1, 2009	1	618,084*	36,630*	—*	144,810*	(530,393)*	270,218*	539,350	64,768	604,118
Total comprehensive income for the period	—	—	—	—	—	—	133,445	133,445	16,433	149,878
Transfer from/(to) reserves	—	—	10,383	—	—	—	(10,383)	—	—	—
Dividends declared to:										
— Minority shareholders	—	—	—	—	—	—	—	—	(6,003)	(6,003)
— Owners of the Company (Note 30)	—	—	—	—	—	—	(20,000)	(20,000)	—	(20,000)
Issue of shares	—	—	—	—	—	—	—	—	—	—
At June 30, 2009	1	618,084*	47,013*	—*	144,810*	(530,393)*	373,280*	652,795	75,198	727,993
(Unaudited)										
At January 1, 2008	—	—	9,075	—	144,810	—	49,098	202,983	82,992	285,975
Total comprehensive income for the period	—	—	—	—	—	—	95,281	95,281	42,324	137,605
Transfer from/(to) reserves	—	—	11,394	—	—	—	(11,394)	—	—	—
Issue of shares	1	—	—	—	—	—	—	1	—	1
At June 30, 2008	1	—	20,469	—	144,810	—	132,985	298,265	125,316	423,581

* These reserves accounts comprise the consolidated reserves in the consolidated statements of financial position.

Consolidated Statements of Cash Flows

	Notes	Year ended December 31, 2006	2007	2008	Six months ended June 30, 2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from operating activities						
Profit before tax		49,433	75,690	348,824	147,810	179,451
Adjustments for:						
Depreciation of property, plant and equipment	6, 10	10,666	10,844	18,720	6,152	13,943
Amortization of intangible assets	6, 11	147	755	7,774	4,100	5,100
Amortization of prepaid land lease payments	6, 12	—	—	119	9	429
Loss/(gain) on disposal of items of property, plant and equipment	6	460	714	—	—	(23)
Finance costs	6	1,792	1,920	3,048	1,214	2,293
Write-down of inventories to net realizable value	6, 22	—	—	1,805	—	370
Interest income	5	(60)	(128)	(147)	(75)	(63)
Cash flow before working capital changes		62,438	89,795	380,143	159,210	201,500
Decrease/(increase) in trade and notes receivables		(330)	327	(87,629)	(123,707)	(105,136)
Decrease/(increase) in inventories		(4,635)	(11,367)	(35,559)	(31,976)	4,261
Increase in prepayments, deposits and other receivables		(5,583)	(13,368)	(55,635)	(2,983)	(41,341)
Increase/(decrease) in trade and notes payables		7,407	31,831	29,307	29,476	(5,238)
Increase/(decrease) in other payables and accruals		10,141	10,965	10,494	2,423	(1,246)
Decrease/(increase) in amounts due from related parties		(22,713)	(198,512)	199,262	229,695	(4,618)
Increase in amounts due to related parties		—	—	11,851	40,015	980
Cash generated from/(used in) operations		46,725	(90,329)	452,234	302,153	49,162
Interest paid		(1,792)	(1,920)	(2,706)	(1,043)	(2,110)
Interest received		60	128	147	75	63
Income taxes paid		(301)	(4,794)	(26,642)	(25,161)	(15,249)
Net cash inflow/(outflow) from operating activities		44,692	(96,915)	423,033	276,024	31,866
Cash flows from investing activities						
Purchase of items of property, plant and equipment		(11,462)	(31,710)	(173,034)	(109,866)	(73,106)
Increase in long-term deposits		—	—	—	—	(1,277)
Increase in prepaid land lease payments		—	—	(11,540)	(5,270)	(37,711)
Proceeds from disposal of items of property, plant and equipment		436	—	—	—	—
Purchase of intangible assets		(8,488)	(14,463)	(86,765)	(86,765)	(3,800)
Decrease/(increase) in pledged bank balances		(10,001)	9,994	4,276	(6,413)	40
Net cash outflow from investing activities		(29,515)	(36,179)	(267,063)	(208,314)	(115,854)

	Notes	Year ended December 31, 2006	2007	2008	Six months ended June 30, 2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from financing activities						
Capital injection	29 (a)	—	138,041	—	—	—
Issue of share		—	—	1	1	—
Proceeds from bank loans		30,000	30,000	55,000	—	100,000
Repayment of bank loans		(44,768)	(30,000)	(85,000)	—	—
Repayment of interest-free loan from a licensed non-banking financial institution		(650)	(650)	(459)	—	—
Net cash inflow/(outflow) from financing activities		(15,418)	137,391	(30,458)	1	100,000
Net increase/(decrease) in cash and cash equivalents		(241)	4,297	125,512	67,711	16,012
Cash and cash equivalents at beginning of year/period		3,530	3,289	7,586	7,586	133,098
Cash and cash equivalents at end of year/period		3,289	7,586	133,098	75,297	149,110
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	19	3,289	7,586	133,098	75,297	149,110

Company's Statement of Financial Position

	Notes	December 31, 2008	June 30, 2009
		RMB'000	RMB'000
Non-current assets			
Investments in subsidiaries	13	618,700	618,700
Current assets			
Dividend receivable		—	57,187
Due from a subsidiary	13	—	6
Prepayments and other receivables	14	7,152	8,160
		7,152	65,353
Current liabilities			
Other payables	25	11,523	7,898
Dividend payable		—	20,000
Due to related parties	21	19,620	28,541
		31,143	56,439
Net current assets/(liabilities)		(23,991)	8,914
Net assets		594,709	627,614
Equity			
Issued share capital		1	1
Reserves		594,708	627,613
		594,709	627,614

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information and reorganization

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on April 28, 2008 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands under the name of China Vanadium Titano-Magnetite Mining Co. Ltd. The name of the Company was subsequently changed to its present name on May 26, 2008. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Group is principally engaged in the business of mining, ore processing, iron pelletizing and sale of iron concentrates, iron pellets and titanium concentrates and management of strategic investments.

Pursuant to the Reorganization as described in the "History, Reorganization and Group Structure — Reorganization" section in the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group.

As a result of the above Reorganization but immediately before the proposed listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing"), 79.56% of the share capital of the Company was owned by Trisonic International Limited ("Trisonic International"), a company incorporated in Hong Kong and ultimately controlled by Messrs. Wang Jin, Yang Xianlu, Wu Wendong, Zhang Yuangui, Shi Yinjun and Li Hesheng (collectively referred to the "Founders"). In the opinion of the Directors, Trisonic International is the parent and ultimate holding company of the Company.

2. Basis of preparation

The Reorganization involved companies under common control and the Group is regarded and accounted for as a continuing group. Accordingly, for the purpose of this report, the Financial Information as set out in this report has been prepared using the principles of merger accounting.

Accordingly, the consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity of the Group for the Relevant Periods and the consolidated statements of financial position of the Group as of December 31, 2006, 2007 and 2008 and June 30, 2009 have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/registration, whichever is the shorter period, to the extent of interest held by the Company's shareholders.

For subsidiaries historically acquired by the Group during the Relevant Periods, their financial statements are consolidated from their respective dates of acquisition. All income, expenses and unrealized gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The Financial Information has been prepared in accordance with the IFRS throughout the Relevant Periods, which comprise standards and interpretations approved by the IASB and the International Accounting Standards ("IAS") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect.

The IASB issued a number of new or revised IFRS which are generally effective for annual periods beginning on or after January 1, 2006, January 1, 2007, January 1, 2008 and January 1, 2009.

For the purpose of preparing and presenting the Financial Information, the Group has early adopted all these new and revised IFRS that are relevant to the Group's operations as of the beginning of the Relevant Periods. These are the first IFRS consolidated financial statements of the Group. IFRS 1 "First-time Adoption of International Financial Reporting Standards" has been applied in preparing the Financial Information. As the Company was incorporated on April 28, 2008, the Group did not present financial statements for previous periods. Accordingly, no reconciliation of the effect of the transition from the relevant accounting principles and financial regulations applicable to the previous Generally Accepted Accounting Principles ("GAAP") to IFRS is presented.

The accounting policies set out in Note 3.2 of Section II below have been applied consistently to all periods in this Financial Information and in preparing an opening IFRS statement of financial position as of January 1, 2006 for the purpose of the transition to IFRS. The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Financial Information has been prepared on a historical basis and presented in Renminbi ("RMB") and all other values are rounded to the nearest thousand except when otherwise indicated.

3.1 Impact of issued but not yet effective IFRS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in this Financial Information.

IFRS 3 (Revised)	*Business Combinations*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
IAS 39 Amendments	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
IFRIC 17	*Distribution of Non-cash Assets to owners*
IFRIC 18	*Transfers of Assets from Customers*
IFRS 5 Amendments	Amendment to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell controlling interest in a subsidiary*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment - accounting for group cash-settled share-based payment transactions*

Except for amendments to IFRS 2 which is effective for annual periods beginning on or after January 1, 2010, the above new and revised IFRSs are effective for annual periods beginning on or after July 1, 2009.

Apart from the above, the IASB has also issued *Improvements to IFRSs** which sets out 12 amendments to 12 International Financial Reporting Standards resulting from its annual improvements project. Except for the amendment to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 which are effective for annual periods beginning on or after July 1, 2009, the remaining amendments are effective for annual periods beginning on or after January 1, 2010.

Revised IFRS 3 introduces a number of changes in accounting for business combination that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change

* The improvements to 12 IFRS include amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16.

will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rate*s, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*. The changes introduced by the revised IFRS 3 and revised IAS 27 must be applied prospectively and will affect future acquisitions and transactions with minority interests.

The amendment to IAS 39 addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

IFRIC 17 standardizes practice in the accounting for all non-reciprocal distributions of non-cash assets to owners. This new interpretation clarifies that (i) a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to IAS 10 *Events after the Reporting Date* and IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

The amendments to IFRS 5 clarifies that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after sale.

The amendments to IFRS 2 clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers. The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2 — *Group and Treasury Share Transactions*. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11.

The transfers of assets from customers to entities in sectors such as telecoms and utilities have resulted in diversity in the accounting methods used. IFRIC 18 provides guidance on when and how to recognize such assets.

The Group is in the process of making an assessment of the impact of these new and revised IFRS and IFRICs upon initial application. The Group anticipates that these new and revised IFRS and IFRICs are unlikely to have any significant impact on the Group's results of operations and financial position.

3.2 Summary of significant accounting policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Group controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Minority interests

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Group's subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as of the date of the acquisitions.

Goodwill arising on acquisition is recognized in the consolidated statements of financial position as an asset, initially measured at cost and subsequently at cost less any impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as of December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit (or group of cash-generating units) retained.

Impairment of non-financial assets other than goodwill

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, goodwill, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of comprehensive income in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of comprehensive income in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Depreciation of items of property, plant and equipment, other than mining infrastructure, is calculated on the straight-line basis to depreciate the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

• Buildings	7-35 years
• Plant and machinery	7-18 years
• Office equipment	5-7 years
• Motor vehicles	7-10 years

Depreciation of mining infrastructure is calculated using the Units of Production ("UOP") method to depreciate the cost of the assets proportionate to the extraction of the proved and probable mineral reserves.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each statement of financial position date.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the consolidated statement of comprehensive income in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each statement of financial position date.

Mining rights

Mining rights are stated at cost less accumulated amortization and any impairment losses. Mining rights include the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortized over the shorter of the unexpired period of the rights on the straight-line basis or the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the UOP method. Mining rights are written off to the consolidated statement of comprehensive income if the mining property is abandoned.

Exploration rights and assets

Exploration rights are stated at cost less accumulated amortization and any impairment losses and exploration assets are stated at cost less impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and deferred amortization and depreciation charges in respect of assets consumed during the exploration activities.

Exploration rights are amortized over the term of rights. Equipment used in exploration is depreciated over its useful life, or, if dedicated to a particular exploration project, over the life of the project on a straight line basis, whichever is shorter. Amortization and depreciation is included, in the first instance, in exploration rights and assets and are transferred to mining rights when it can be reasonably ascertained that an exploration property is capable of commercial production.

Exploration and evaluation costs include expenditures incurred to secure further mineralization in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to the consolidated statement of comprehensive income as incurred, unless the Directors conclude that a future economic benefit is more likely to be realized than not. When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalized are transferred to mining infrastructure and amortized using the UOP method based on the proved and probable mineral reserves. Exploration and evaluation assets are written off to the consolidated statement of comprehensive income if the exploration property is abandoned.

Deferred stripping costs

The Group defers and capitalizes excess stripping costs and allocates those costs to the production derived in the subsequent year. The Group adopted the specific identification approach where the deferred stripping costs are allocated to the quantity of mineral ore that becomes accessible. The deferred stripping costs are capitalized as "prepaid subcontracting fees" under "prepayments, deposits and other receivables" in the consolidated statements of financial position and amortized when the related mineral ore is extracted.

Leases

Leases that transfer substantially all the risks and rewards of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated statement of comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

Leases are accounted for as operating leases where substantially all the rewards and risks of ownership of assets remain with the lessor. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and the rentals receivable under the operating leases are credited to the consolidated statement of comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating lease, net of any incentives received from the lessor are charged to the consolidated statement of comprehensive income on the straight-line basis over the lease term.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, held to maturity investments, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. During the Relevant Periods, the Group only held loans and other receivables.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the statement of financial position date.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Fair value

The fair value of investment that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the statement of financial position date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis.

Impairment of financial assets

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognized in the consolidated statement of comprehensive income. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance amount. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are recognized when they are assessed as uncollectible.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred substantially all the risks and nor retained substantially all the rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred substantially all the risks and nor retained substantially all the rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortized cost (including interest-bearing bank loans)

Financial liabilities including trade and notes payables, other payables, amounts due to related parties and interest-bearing bank loans are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortized cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognized within "finance costs" in the consolidated statements of comprehensive income.

Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Financial guarantee contracts

Financial guarantee contracts in the scope of IAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognized initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognized at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the statement of financial position date; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 *Revenue*.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the statement of financial position date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the consolidated statement of comprehensive income.

Provisions for the Group's obligations for rehabilitation are based on estimates of required expenditure at the mines in accordance with PRC rules and regulations. The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining infrastructure. Over the time, the discounted liability is increased for the change in present value based on the appropriate discount rate. The periodic unwinding of the discount is recognized within "finance costs" in the consolidated statements of comprehensive income. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur at the appropriate discount rate.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statements of comprehensive income, or in equity if it relates to items that are recognized in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Conversely, previously unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer i.e., when goods are delivered and title has passed, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized.

Other borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognized as expenses in the consolidated statements of comprehensive income in the period in which they are incurred.

Foreign currencies

The Financial Information is presented in RMB, which is the functional and presentation currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the statement of financial position date. All differences are taken to the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Employee benefits

The employees of the subsidiaries in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the central pension schemes. The contributions are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

In addition to the above, the Group also participates in a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Scheme for its employee in Hong Kong. Contribution is made based on a percentage of the employee's basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independent administered fund.

Contributions to an accommodation fund administered by the Public Accumulation Funds Administration Centre are charged to the consolidated statement of comprehensive income as incurred.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

3.3 Significant accounting estimates

The preparation of the Group's Financial Information requires management to make significant estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, the inherent uncertainty about these significant assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2006, 2007 and 2008 and June 30, 2009 was RMB15,318,000. More details are given in Note 16.

(b) Impairment of receivables

Impairment of receivables is made based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgments. An estimate for doubtful debts is made when collection of full amount under the invoice is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying value of receivables and thus the impairment loss in the period in which such estimate is changed. There was no impairment provision for receivables during the Relevant Periods.

(c) PRC corporate income tax ("CIT")

The Group's operating subsidiaries in the PRC are subject to PRC CIT. As a result of the fact that certain matters relating to CIT have not been confirmed by the relevant local tax authorities, objective estimate based on currently enacted tax laws, regulations and other related policies are required in determining the provision of CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax and tax provision in the period in which the differences realize. The carrying amounts of PRC CIT payables at December 31, 2006, 2007 and 2008 and June 30, 2009 were RMB27,434,0000, RMB24,637,000, RMB29,724,000 and RMB44,441,000, respectively.

(d) Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record reserve for technically obsolete assets that have been abandoned. The carrying amounts of property, plant and equipment at December 31, 2006, 2007 and 2008 and June 30, 2009 were RMB100,596,000, RMB122,896,000, RMB357,264,000 and RMB451,141,000, respectively.

(e) Impairment of property, plant and equipment, including mining infrastructure

The Group assesses each cash generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The carrying value of the property, plant and equipment, including mining infrastructure, is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. Estimating the value in use requires the Group to estimate future cash flows from the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment at December 31, 2006, 2007 and 2008 and June 30, 2009 were RMB100,596,000, RMB122,896,000, RMB357,264,000 and RMB451,141,000, respectively.

(f) Mine reserves

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

(g) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at each statement of financial position date. The carrying amounts of inventories at December 31, 2006, 2007 and 2008 and June 30, 2009 were RMB20,474,000, RMB31,841,000, RMB65,595,000 and RMB60,964,000, respectively.

(h) Provision for rehabilitation

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which are discounted at a rate reflecting the term and nature of the obligation (6.84% as of June 30, 2009) to their present value. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at statement of financial position date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. The carrying amounts of provision for rehabilitation at December 31, 2007 and 2008 and June 30, 2009 were RMB4,999,000, RMB5,341,000 and RMB5,524,000, respectively.

(i) Estimation of repayment terms related to the construction cost for the upgrade and new production lines

As explained in Note 34, the repayment terms are determined based on the yearly profits projected by the Group for the new and upgraded production lines of Xiushuihe Mining. Such payment terms require the use of estimates. Actual profits may be higher or lower than estimated at the statement of financial position date, which would affect the reclassification of current and non-current payables in the consolidated statement of financial position. The carrying amounts of payables for the new and upgraded production lines of Xiushuihe Mining at December 31, 2008 and June 30, 2009 was RMB67,338,000. More details are contained in Note 34.

4. Segment information

The Group's revenue and contribution to profit during the Relevant Periods were mainly derived from its mining, ore processing, iron pelletizing and sale of iron concentrates, iron pellets and titanium concentrates. The principal assets employed by the Group are located in Sichuan Province, the PRC. Accordingly, no segment analysis by business or geographical segments is provided.

5. Revenue and other income

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns and various types of government surcharges, where applicable. There were no trade discounts or returns during the Relevant Periods.

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sale of goods	211,103	366,670	791,163	315,335	486,041
Other income					
Bank interest income	60	128	147	75	63
Sale of raw materials	83	1,356	17,004	13,240	2,133
Others	4	12	126	155	34
	147	1,496	17,277	13,470	2,230
Total revenue and other income	211,250	368,166	808,440	328,805	488,271

6. Profit before tax

The Group's profit before tax is arrived at after charging:

	Notes	Year ended December 31, 2006	2007	2008	Six months ended June 30, 2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of inventories sold		100,130	187,769	364,122	137,051	276,538
Staff costs (including directors' emoluments as set out in Note 7):						
Wages and salaries		6,899	9,335	17,139	6,254	9,928
Retirement costs						
— Defined contribution fund		507	1,119	1,907	1,008	1,456
Housing fund						
— Defined contribution fund		—	—	67	8	101
Total staff costs		7,406	10,454	19,113	7,270	11,485
Interest on bank loans		1,792	1,920	2,706	1,043	1,578
Interest on discounted bills		—	—	—	—	532
Unwinding of discount	26	—	—	342	171	183
Total finance costs		1,792	1,920	3,048	1,214	2,293
Auditors' remuneration		9	15	80	30	—
Depreciation of property, plant and equipment	10	10,666	10,844	18,720	6,152	13,943
Amortization of intangible assets	11	147	755	7,774	4,100	5,100
Amortization of prepaid land lease payments	12	—	—	119	9	429
Loss/(gain) on disposal of items of property, plant and equipment		460	714	—	—	(23)
Write-down of inventories to net realizable value	22	—	—	1,805	—	370
Operating lease rentals in respect of:						
— Land		65	274	74	57	37
— Office		109	124	150	124	126

7. Directors' remuneration

Details of the remuneration of directors, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Year ended December 31, 2006	2007	2008	Six months ended June 30, 2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	162	264	1,126	117	430
Pension scheme contributions	14	17	69	9	26
	176	281	1,195	126	456
	176	281	1,195	126	456

(a) Independent non-executive directors

The independent non-executive directors are Messrs. Yu Haizong, Gu Peidong, Liu Yi and Wu Wei.

There were no emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors and non-executive directors

	Fee	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2006				
Executive				
Mr. Jiang Zhongping	—	—	—	—
Mr. Liu Feng	—	162	14	176
Mr. Wang Yunjian	—	—	—	—
Mr. Yu Xingyuan	—	—	—	—
	—	162	14	176
Non-executive				
Mr. Wang Jin	—	—	—	—
Mr. Zhu Xiaolin	—	—	—	—
Mr. Teo Cheng Kwee	—	—	—	—
Mr. Devlin Paul Jason	—	—	—	—
	—	162	14	176
Year ended December 31, 2007				
Executive				
Mr. Jiang Zhongping	—	—	—	—
Mr. Liu Feng	—	264	17	281
Mr. Wang Yunjian	—	—	—	—
Mr. Yu Xingyuan	—	—	—	—
	—	264	17	281
Non-executive				
Mr. Wang Jin	—	—	—	—
Mr. Zhu Xiaolin	—	—	—	—
Mr. Teo Cheng Kwee	—	—	—	—
Mr. Devlin Paul Jason	—	—	—	—
	—	264	17	281
Year ended December 31, 2008				
Executive				
Mr. Jiang Zhongping	—	300	14	314
Mr. Liu Feng	—	351	27	378
Mr. Wang Yunjian	—	214	14	228
Mr. Yu Xingyuan	—	261	14	275
	—	1,126	69	1,195
Non-executive				
Mr. Wang Jin	—	—	—	—
Mr. Zhu Xiaolin	—	—	—	—
Mr. Teo Cheng Kwee	—	—	—	—
Mr. Devlin Paul Jason	—	—	—	—
	—	1,126	69	1,195

	Fee	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended June 30, 2008 (unaudited)				
Executive				
Mr. Jiang Zhongping	—	—	—	—
Mr. Liu Feng	—	117	9	126
Mr. Wang Yunjian	—	—	—	—
Mr. Yu Xingyuan	—	—	—	—
	—	117	9	126
Non-executive				
Mr. Wang Jin	—	—	—	—
Mr. Zhu Xiaolin	—	—	—	—
Mr. Teo Cheng Kwee	—	—	—	—
Mr. Devlin Paul Jason	—	—	—	—
	—	117	9	126
Six months ended June 30, 2009				
Executive				
Mr. Jiang Zhongping	—	146	7	152
Mr. Liu Feng	—	120	7	128
Mr. Wang Yunjian	—	82	6	88
Mr. Yu Xingyuan	—	82	6	88
	—	430	26	456
Non-executive				
Mr. Wang Jin	—	—	—	—
Mr. Zhu Xiaolin	—	—	—	—
Mr. Teo Cheng Kwee	—	—	—	—
Mr. Devlin Paul Jason	—	—	—	—
	—	430	26	456

Except for Mr. Liu Feng, none of the executive and non-executive directors of the Company received emoluments from the Group during the years ended December 31, 2006 and 2007. The emoluments received by Mr. Liu Feng during the Relevant Periods were wholly and exclusively for the work performed for the Group's operations and business for his capacity as general manager of Huili Caitong since 2006.

Mr. Wang Yunjian and Mr. Yu Xingyuan were nominated by Sichuan Chuanwei Group Co., Ltd. ("Chuan Wei"), a company ultimately controlled by the Founders, as directors of Huili Caitong since May 2005 and October 2004, respectively. And Mr. Jiang Zhongping was nominated by Trisonic International as the director of Huili Caitong since March 2008. During the years ended December 31, 2006 and 2007, Mr. Jiang Zhongping, Mr. Wang Yunjian and Mr. Yu Xingyuan did not receive any remuneration from the Group but from Chuan Wei arising from their individual capacity as senior management of Chuan Wei.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(c) Five highest paid employees

The five highest paid employees during the Relevant Periods fall into the following categories:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
				(Unaudited)	
Directors	1	1	4	1	4
Non-directors	4	4	1	4	1
	5	5	5	5	5

Details of directors' remuneration are set out in section II, Note 7 (b) above.

Details of the remuneration of the remaining non-director, highest paid employees during the Relevant Periods are as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	835	808	781	254	600
Pension contributions	25	27	39	19	30
	860	835	820	273	630

The remuneration of each of the individuals in each year in the Relevant Periods is below HK$1,000,000.

During the Relevant Periods, no emoluments were paid by the Group to any of the persons who are directors of the Company, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8. Income tax expense

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

The provision for PRC CIT is based on the respective CIT rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC for the Relevant Periods.

The major components of income tax expenses for the Relevant Periods are as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current — Mainland China					
CIT payable for the year/period	16,939	1,997	29,115	11,221	29,966
Adjustments in respect of current income tax of previous year	—	—	2,614	—	
Deferred tax movement (Note 18)	180	(619)	(1,662)	(1,016)	(393)
Total tax charge for the year/period	17,119	1,378	30,067	10,205	29,573

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate in the PRC to income tax expense at the Group's effective income tax rate for each of the Relevant Periods is as follows:

		Year ended December 31,			Six months ended June 30,	
	Notes	2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before tax		49,433	75,690	348,824	147,810	179,451
Add: Expenses incurred by overseas companies*		—	—	23,376	10,541	4,309
Profit before tax generated by PRC subsidiaries		49,433	75,690	372,200	158,351	183,760
Tax at applicable statutory tax rates of 33% for 2006 and 2007, 25% for 2008 and 2009 in the PRC		16,313	24,978	93,050	39,588	45,940
Lower tax rate for a subsidiary	(i)	—	(23,925)	(67,464)	(29,705)	(17,360)
Subtotal		16,313	1,053	25,586	9,883	28,580
Effect of change in enacted tax rate used for the recognition of deferred tax	(ii)	—	939	—	—	—
Deferred tax assets arising from provision for rehabilitation		—	(1,250)	—	—	—
Expenses not deductible for tax		806	636	1,867	322	993
Adjustments in respect of current income tax of previous year		—	—	2,614	—	—
Total tax charge for the year/period		17,119	1,378	30,067	10,205	29,573

* Expenses incurred by the overseas companies for the year ended December 31, 2008 and the six months ended June 30, 2009 and 2008 (2006 and 2007: Nil) mainly consist of listing fees which were expensed off to the consolidated statement of comprehensive income based on the proportion of the number of shares of the Company after the Capitalization Issue (as described in the paragraph headed "Statutory and General Information — Further Information about Our Group — Resolutions of our Shareholders" as attached as Appendix VII to the Prospectus) (Note 9) compared with the number of shares of the Company immediately upon Listing. The expenses are not expected to be tax deductible.

(i) Pursuant to the relevant tax rules and regulations of the PRC applicable to foreign investment enterprise ("FIE"), a FIE is entitled to a tax holiday whereby it is exempted from PRC CIT for its first two profit making years (after deducting losses incurred in previous years) and is entitled to a 50% tax reduction for the subsequent three years. On September 22, 2006, Huili Caitong was converted from a domestic limited company to a FIE. In accordance with the relevant tax rules and regulations applicable to FIE, Huili Caitong has the option not to choose 2006 as its first profitable year as Huili Caitong became a FIE in September 2006. As such, for income tax purposes, Huili Caitong was approved to enjoy its tax holiday from 2007 and hence, is not liable to PRC CIT in 2007 and 2008 and is entitled to a 50% tax reduction for the subsequent three years (2009 to 2011).

(ii) On March 16, 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law"), which became effective from January 1, 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Pursuant to the grandfathering arrangement under the New CIT Law, Huili Caitong will continue to enjoy the existing tax holiday. Thereafter, it will be subject to the new CIT rate of 25%.

In accordance with IAS 12, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Therefore, except for Huili Caitong, the tax rate of 25% is adopted in the calculation of deferred taxes which are expected to be realized or settled after January 1, 2008. For Huili Caitong, deferred tax assets and liabilities are measured at 0%, 12.5% or 25% depending on whether the assets are expected to be realized or the liabilities settled in 2008, 2009 to 2011, or 2012 and subsequently, respectively.

9. Earnings per share

The calculation of basic earnings per share for the Relevant Periods is based on the profit attributable to owners of the Company for each of the Relevant Periods and on the assumption that 1,500,000,000 shares, representing the number of shares of the Company immediately after the Capitalization Issue as described in the paragraph headed "Statutory and General Information — Further Information about Our Group — Resolutions of our Shareholders" as attached as Appendix VII to the Prospectus but excluding any shares to be issued pursuant to the public offering, had been in issue throughout the Relevant Periods.

No diluted earnings per share amounts are presented for any of the Relevant Periods as no diluting events occurred during the Relevant Periods.

10. Property, plant and equipment

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Mining infrastructure	Construction in progress (CIP)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At January 1, 2006	61,099	75,425	62	1,342	—	4,257	142,185
Additions	1,559	858	61	—	—	6,098	8,576
Transferred from CIP	4,954	3,267	—	—	—	(8,221)	—
Disposals	(150)	(1,076)	—	—	—	—	(1,226)
At December 31, 2006 and January 1, 2007	67,462	78,474	123	1,342	—	2,134	149,535
Additions	677	448	133	995	4,999	26,606	33,858
Transferred from CIP	—	6,426	—	—	10,000	(16,426)	—
Disposals	(350)	(882)	—	—	—	—	(1,232)
At December 31, 2007 and January 1, 2008	67,789	84,466	256	2,337	14,999	12,314	182,161
Additions	5,960	8,486	488	268	—	237,886	253,088
Transferred from CIP	120,259	76,732	—	509	9,492	(206,992)	—
At December 31, 2008 and January 1, 2009	194,008	169,684	744	3,114	24,491	43,208	435,249
Additions	403	807	132	—	—	107,810	109,152
Transferred from CIP	—	2,093	—	—	—	(2,093)	—
Disposals	(4,133)	—	—	—	—	—	(4,133)
At June 30, 2009	190,278	172,584	876	3,114	24,491	148,925	540,268
Accumulated depreciation:							
At January 1, 2006	19,244	18,413	11	935	—	—	38,603
Provided for the year	3,361	7,218	14	73	—	—	10,666
Disposals	(8)	(322)	—	—	—	—	(330)
At December 31, 2006 and January 1, 2007	22,597	25,309	25	1,008	—	—	48,939
Provided for the year	4,034	6,724	31	55	—	—	10,844
Disposals	(34)	(484)	—	—	—	—	(518)
At December 31, 2007 and January 1, 2008	26,597	31,549	56	1,063	—	—	59,265
Provided for the year	7,110	10,195	92	243	1,080	—	18,720
Disposals	—	—	—	—	—	—	—
At December 31, 2008 and January 1, 2009	33,707	41,744	148	1,306	1,080	—	77,985
Provided for the period	5,550	7,473	73	126	721	—	13,943
Disposals	(2,801)	—	—	—	—	—	(2,801)
At June 30, 2009	36,456	49,217	221	1,432	1,801	—	89,127
Net book value:							
At January 1, 2006	41,855	57,012	51	407	—	4,257	103,582
At December 31, 2006	44,865	53,165	98	334	—	2,134	100,596
At December 31, 2007	41,192	52,917	200	1,274	14,999	12,314	122,896
At December 31, 2008	160,301	127,940	596	1,808	23,411	43,208	357,264
At June 30, 2009	153,822	123,367	655	1,682	22,690	148,925	451,141

As of December 31, 2006, 2007 and 2008, the Group was in the customary process of obtaining the relevant building ownership certificates ("BOC") for certain buildings and land use rights where these buildings were occupied with net book value of approximately RMB44,865,000, RMB41,192,000 and RMB70,543,000, respectively.

As of June 30, 2009, the Group had obtained all the required BOC and land use rights for the above mentioned buildings.

11. Intangible assets

	Mining rights	Exploration and evaluation assets	Total
	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000
Cost:			
At January 1, 2006	531	—	531
Additions	559	7,929	8,488
At December 31, 2006 and January 1, 2007	1,090	7,929	9,019
Additions	119,415	16,811	136,226
Transfer in/(out)	24,740	(24,740)	—
At December 31, 2007 and January 1, 2008	145,245	—	145,245
Additions	4,448	—	4,448
At December 31, 2008 and January 1, 2009	149,693	—	149,693
Additions	—	—	—
At June 30, 2009	149,693	—	149,693
Accumulated amortization:			
At January 1, 2006	188	—	188
Provided for the year	147	—	147
At December 31, 2006 and January 1, 2007	335	—	335
Provided for the year	755	—	755
At December 31, 2007 and January 1, 2008	1,090	—	1,090
Provided for the year	7,774		7,774
At December 31, 2008 and January 1, 2009	8,864	—	8,864
Provided for the period	5,100	—	5,100
At June 30, 2009	13,964	—	13,964
Net book value:			
At January 1, 2006	343	—	343
At December 31, 2006	755	7,929	8,684
At December 31, 2007	144,155	—	144,155
At December 31, 2008	140,829	—	140,829
At June 30, 2009	135,729	—	135,729

(a) As of December 31, 2006, mining rights with net book value of RMB196,000 have been pledged to banks for bank loan granted to the Group (Note 23).

The mining rights represent rights for the mining of vanadium-bearing titanomagnetite reserves in the Baicao Mine and Xiushuihe Mine where both are located in Huili County, Sichuan, in the PRC. The Baicao Mine and Xiushuihe Mine are operated by Huili Caitong and Xiushuihe Mine, respectively. In 2004, the Group acquired short-term mining rights of the Baicao Mine and Xiushuihe Mine, which were fully amortized and also expired in December 2007. Upon expiry, the Group further acquired the mining rights of the Baicao Mine and Xiushuihe Mine for a term of 20 years from December 2007 to December 2027, which the Company commenced amortizing on January 1, 2008 in accordance with the production plans of Baicao Mine and Xiushuihe Mine and the proved and probable reserves of each mine.

(b) The exploration and evaluation assets comprise costs which are directly attributable to researching and analyzing existing exploration data; conducted topographical and geological surveys; exploratory drilling and samplings and trenching; and activities in relation to commercial and technical feasibility studies. The cost of exploration and evaluation assets incurred in 2006 and 2007 represent cost incurred for the exploration and evaluation works undertaken by an independent technical advisor for the purpose of acquiring mining rights of Baicao Mine and Xiushuihe Mine in December 2007.

12. Prepaid land lease payments

	December 31, 2008	June 30, 2009
	RMB'000	RMB'000
Cost:		
At beginning of year/period	—	23,296
Additions during the year/period	23,296	26,627
	23,296	49,923
Accumulated amortization:		
At beginning of year/period	—	119
Amortization for the year/period	119	429
	119	548
Net book value:		
At end of year/period	23,177	49,375
At beginning of year/period	—	23,177

Prepaid land lease payments represent cost of land use rights in respect of the Group' leasehold land located in Sichuan Province, the PRC, and are held under a medium lease term.

13. Investments in subsidiaries

	Notes	December 31, 2008	June 30, 2009
		RMB'000	RMB'000
Unlisted investments, at cost:			
Powerside	(a)	1	1
First China	29(b)	618,699	618,699
		618,700	618,700

The amount due from a subsidiary as of June 30, 2009 included in the Company's current assets is unsecured, interest-free and is repayable on demand.

(a) On May 22, 2008, the Company acquired the entire issued share capital of Powerside, which is the immediate holding company of the other subsidiaries of the Group, from Trisonic International by issuing 7,955 shares to Trisonic International, which was credited as fully paid-up share capital.

14. Prepayments, deposits and other receivables

Group

	Notes	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
		RMB'000	RMB'000	RMB'000	RMB'000
Current portion:					
Prepayments consisted of:					
Prepayments for CIP and purchase of machinery		2,395	8,664	8,999	7,200
Purchase of raw materials		1,500	—	15	106
Utilities		597	550	780	1,095
Fees prepaid to the process subcontractor	(a)	—	—	29,603	3,681
Prepaid subcontracting fees	(b)	8,470	23,109	39,978	87,280
Deferred listing fees	(c)	—	—	7,139	8,147
Other receivables		285	561	2,340	4,283
		13,247	32,884	88,854	111,792
Non-current portion:					
Prepaid subcontracting fees	(b)	—	—	—	16,604
		13,247	32,884	88,854	128,396

(a) The balance represents fees prepaid to the subcontractor for processing of iron concentrates and medium grade titanium concentrates in the forthcoming year.

(b) The balance represents deferred stripping costs capitalized for subcontracting fees paid by the Group to an independent third party for the stripping activities of Baicao Mine and Xiushuihe Mine, which will be recognized as part of the production costs once the raw iron ore is put into use within twelve months from the respective statement of financial position dates.

(c) Deferred listing fees represent legal and other professional fees relating to the Listing, which will be deducted from equity when the Company completes the Listing.

The carrying amounts of prepayments, deposits and other receivables closely approximate their respective fair values.

None of the above assets is either past due or impaired. The financial assets included in the above "Other receivables" relate to receivables for which there was no recent history of default.

Company

As of December 31, 2008 and June 30, 2009, prepayments mainly represent deferred listing fees incurred for the Listing. Deferred listing fees represent legal and other professional fees relating to the Listing, which will be deducted from equity when the Company completes the Listing.

15. Payment in advance

Payment in advance represents advance payment made to Huili County Land and Resources Bureau for the acquisition of state-owned land use rights located at Baicao Mine. The payment in advance was utilized as part of cost of land use rights when the related land state-owned use rights were obtained by the Group in February 2009.

16. Goodwill

	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
	RMB'000	RMB'000	RMB'000	RMB'000
At cost:				
At beginning and at end of year/period	15,318	15,318	15,318	15,318

Goodwill arose on the acquisition of Xiushuihe Mining by Huili Caitong which represents the excess of the cost of the business combination over the Company's interest in the net fair value of Xiushuihe Mining's identifiable assets and liabilities as of the date of the acquisition.

Impairment testing of goodwill

Goodwill arising on the above acquisition was recognized in the consolidated statement of financial position as an asset, initially measured at cost and subsequently assessed for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation, using cash flow projections based on financial budgets covering a five-year period with cash flows beyond the five-year period assumed to be stable. The discount rate applied to the cash flow projections is 13.4%.

Key assumptions were used in the value in use calculation of the cash-generating unit for each of the statement of financial position dates. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the budgeted gross margins is based on the past performance and its expectations for market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant unit.

17. Long-term deposits

Long-term deposits represent environmental deposits paid to the government in respect of the Group's rehabilitation obligations for close down of Baicao Mine and Xiushuihe Mine and are not expected to be refunded within the next twelve months.

18. Deferred tax

The movements in deferred tax assets are as follows:

	Excess tax depreciation over book value of property, plant and equipment	Provision for rehabilitation	Unrealized profit from inter-co. transactions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2006	3,128	—	619	3,747
Deferred tax credited/(charged) to consolidated statement of comprehensive income during the year	268	—	(448)	(180)
At December 31, 2006 and January 1, 2007	3,396	—	171	3,567
Deferred tax credited/(charged) to consolidated statement of comprehensive income during the year	(460)	1,250	(171)	619
At December 31, 2007 and January 1, 2008	2,936	1,250	—	4,186
Deferred tax credited to consolidated statement of comprehensive income during the year	769	85	808	1,662
At December 31, 2008 and January 1, 2009	3,705	1,335	808	5,848
Deferred tax credited/(charged) to consolidated statement of comprehensive income during the period	955	46	(608)	393
At June 30, 2009	4,660	1,381	200	6,241

The basis for determining the PRC CIT rates is set out in Note 8 (ii).

As mentioned in Note 8 (ii), deferred tax assets that are expected to be realized and settled in 2008 and onwards have been provided at an enacted corporate income tax rate of 25%. The effect of change in enacted tax rate used in the recognition of deferred tax assets amounting to RMB939,000 has been included in the line "deferred tax charged to the consolidated statement of comprehensive income during the year" for the year ended December 31, 2007.

Pursuant to the New CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and jurisdiction of the foreign investors. Pursuant to the "Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" effective on January 1, 2007 and "Guoshuihan [2009] No. 81" promulgated on February 20, 2009, the payment of dividend by Huili Caitong to Simply Rise and First China, which hold 72.0% and 18.5% equity interest in Huili Caitong, respectively, would be subject to applicable withholding tax rates of 5% and 10%, respectively.

According to the articles of associations of Huili Caitong, the board of directors of Huili Caitong has the ultimate power to decide Huili Caitong's dividend policy. Pursuant to the resolution of the board of directors of Huili Caitong on February 9, 2009 and July 16, 2009, the net profit of Huili Caitong for the year ended December 31, 2008 and for the six months ended June 30, 2009, after appropriations to the statuary reserve fund, will be used for business development of Huili Caitong and will not be distributed to its shareholders. As a result, no deferred tax liabilities relating to withholding tax on the distributable profits of Huili Caitong for the year ended December 31, 2008 and six months ended June 30, 2009 have been recognized.

19. Cash and cash equivalents and pledged bank balances

	Note	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
		RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand		29	4	229	22
Cash at banks		17,570	11,898	132,909	149,088
		17,599	11,902	133,138	149,110
Less: Pledged bank balances	24	(14,310)	(4,316)	(40)	—
Cash and cash equivalents		3,289	7,586	133,098	149,110

In the preparation of the consolidated statements of cash flows, pledged bank balances have been excluded from cash and cash equivalents.

The Group's cash and bank balances are denominated in RMB at each of statement of financial position dates, except for the following:

	RMB equivalent December 31, 2008	RMB equivalent June 30, 2009
	RMB'000	RMB'000
Cash and bank balances:		
HK$	2	2
US$	3	3

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents and pledged bank balances in the consolidated statements of financial position approximate to their fair values.

20. Trade and notes receivables

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	330	3	82,432	192,768
Notes receivable	—	—	5,200	—
	330	3	87,632	192,768

The aged analysis of trade receivables that are not considered to be impaired is as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
— Neither past due nor impaired	—	3	82,417	192,768
— Over 30 days past due	330	—	15	—
	330	3	82,432	192,768

Trade receivables of the Group represented proceeds receivable from the sale of goods. For the years ended December 31, 2006 and 2007, the Group's customers were generally required to make full payment upfront before delivery, except that a credit term of up to 30 days was granted to customers with approved credit. Since January 1, 2008, the Group has standardized the credit terms given to its customers of iron ore products for an approved credit term of 30 days. For the sales of medium grade titanium products, the Group generally requires full payment prior to delivery.

Receivables as of December 31, 2006 that were past due were fully recovered subsequent to December 31, 2006. The Group does not hold any collateral or other credit enhancement over these balances.

The carrying amounts of trade receivables closely approximate their fair values.

21. Balances with related parties

Group

	Notes	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
		RMB'000	RMB'000	RMB'000	RMB'000
Due from related parties:					
Trade in nature					
— Chuan Wei	(a)	31,183	229,695	—	—
— Weiyuan Steel	(b)	—	—	29,541	35,051
		31,183	229,695	29,541	35,051
Non-trade in nature					
— Jian An	(c)	—	—	892	—
— Tongyu	(d)	—	—	—	1,355
		31,183	229,695	30,433	36,406
Maximum amount outstanding during the year/period					
— Chuan Wei		37,147	274,188	229,695	—
— Weiyuan Steel		—	—	71,171	63,781
— Jian An		—	—	892	892
— Tongyu		—	—	—	1,355
Due to related parties:					
Trade in nature					
— Xichang Vanadium	(e)	—	—	132	—
Non-trade in nature					
— Trisonic International	(f)	—	—	11,924	13,306
— Sichuan Huiyuan Gang Jian Technology Co., Ltd.	(g)	—	—	410	91
— Longwei Hotel	(h)	—	—	—	49
		—	—	12,466	13,446

Notes:

(a) As of December 31, 2006 and 2007, the balances due from Chuan Wei, a company ultimately controlled by the Founders are trade in nature and arising from the sale to and purchase of goods from the companies controlled by Chuan Wei during the years ended December 31, 2006 and 2007. The balances arose from sales to and purchases of goods from the companies controlled by Chuan Wei, including sales of goods to Weiyuan Steel, which were transferred to Chuan Wei periodically pursuant to the centralized cash flow management system implemented by Chuan Wei. The balances due from Chuan Wei as of December 31, 2006 and 2007 were interest-free and unsecured and have since been repaid.

The amount due from Chuan Wei as of the statement of financial position dates can be further analyzed as follows:

	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Due from Weiyuan Steel	78,383	36,131	—	—
Due from/(to) Chuan Wei	(47,200)	193,564	—	—
Net	31,183	229,695	—	—

In addition, during the years ended December 31, 2006 and 2007, amounts due from Chuan Wei did not have fixed term of repayment. Since January 1, 2008, the Group has standardized the credit terms granted to all the Group's customers of iron ore products, including related customers of the Group, to a maximum period of 30 days. For the sales of medium grade titanium products, the Group generally requires full payment prior to delivery.

An aged analysis of amounts due from Chuan Wei as of the statement of financial position dates, based on the invoiced date, is as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Outstanding balances with ages:				
Within 30 days	15,865	122,309	—	—
30 - 180 days	8,753	107,082	—	—
181 - 365 days	6,565	304	—	—
	31,183	229,695	—	—

Since January 1, 2008, Chuan Wei ceased to implement the centralized cash flow management system and accordingly, balances with companies controlled by Chuan Wei with the Group are settled directly. Thus, there was no balance with Chuan Wei as of December 31, 2008 and June 30, 2009.

(b) The balance due from Weiyuan Steel Co., Ltd. ("Weiyuan Steel"), which is a company controlled by Trisonic International, represents amounts receivable for the sales of goods to Weiyuan Steel and aged within 30 days as of the statement of financial position date.

(c) Sichuan Chuanwei Construction and Installation Project Co., Ltd. ("Jian An") is a company controlled by Chuan Wei. Balance represents prepayment made for construction of high grade titanium production line at Baicao Mine.

(d) Sichuan Chuanwei Tongyu Transportation Co., Ltd. ("Tongyu) is a company controlled by Chuan Wei. Balance represents consideration receivable from Tongyu for the disposal of the Group's items of property, plant and equipment.

(e) Xichang Vanadium and Titanium Products Co., Ltd. ("Xichang Vanadium") is the substantial shareholder of Huili Caitong and a minority shareholder of Xiushuihe Mining. In addition, Messrs. Wang Jin, Yang Xianlu, Wu Wendong and Zhang Yuangui are also the directors of Xichang Vanadium. The balance due to Xichang Vanadium represents amount payable for the purchase of raw materials.

(f) Trisonic International is a company that is controlled by the Founders. The balance due to Trisonic International represents listing fees paid on behalf of the Company for the Listing.

(g) One of the directors of Sichuan Huiyuan Gang Jian Technology Co., Ltd. ("Sichuan Huiyuan"), Mr. Yu Xingyuan is also an executive director of the Company. The balance due to Sichuan Huiyuan represents design fee payable for the construction of production line.

(h) Sichuan Longwei Hotel Management Co., Ltd. ("Longwei Hotel") is owned as to 90% by Sichuan Jinli Property Development Co., Ltd. ("Sichuan Jinli Property) and 10% by an independent third party. Sichuan Jinli Property is owned as to 10.0% by Chuan Wei, 9.7% by Mr. Wang Jin, 8.9% by Mr. Wu Wendong and 5.2% by Mr. Li Hesheng. Balance due to Longwei Hotel represents rental payable to Longwei Hotel for the leasing of office premises by Huili Caitong.

Except for balance with Weiyuan Steel with credit term of 30 days, balances with other related parties are interest-free, unsecured and have no fixed term of repayment.

The directors confirmed that the non-trade balances with related parties will be settled prior to the Listing.

The carrying amounts of balances with related parties approximate to their fair values.

Company

	December 31, 2008	June 30, 2009
	RMB'000	RMB'000
Due to related parties:		
Non-trade in nature		
— Huili Caitong	7,712	15,271
— Trisonic International	11,908	13,270
	19,620	28,541

The balances due to Trisonic International and Huili Caitong represent listing fees paid on behalf for the Listing, which are interest-free, unsecured and repayable on demand. The directors confirmed that balance due to Trisonic International will be settled prior to the Listing.

The carrying amounts of amounts due to related parties approximate to their fair values.

22. Inventories

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
At cost:				
Raw materials	4,842	12,406	34,062	43,617
Spare parts and consumables	2,058	3,511	10,567	13,475
Finished goods	13,574	15,924	20,059	2,189
	20,474	31,841	64,688	59,281
At net realizable value:				
Finished goods	—	—	907	1,683
At the lower of cost and net realizable value	20,474	31,841	65,595	60,964

The write-down of inventories recognized during the six months ended June 30, 2009 of RMB370,000 (2008: RMB1,805,000; 2006 and 2007: Nil) was in respect of write-down of finished goods to net realizable value.

23. Interest-bearing bank loans

.	Notes	December 31,			June 30,
		2006	2007	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000
Repayable within one year:					
Secured and guaranteed	(a)	30,000	30,000	—	—
Unsecured	(b)	—	—	—	100,000
		30,000	30,000	—	100,000
The bank loans bear interest at fixed interest rates per annum in the range of:		5.58% to 5.85%	5.85% to 6.84%	—	5.31%

At each of the statement of financial position dates, all interest-bearing bank loans of the Group are denominated in RMB. The carrying amounts of the Group's bank loans approximate to their fair values.

(a) The above bank loans were secured and guaranteed by:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Guaranteed by related parties (Note 33):				
Xichang Vanadium*	30,000	30,000	—	—
* Jointly secured by:				
Net book value of mining rights (Note 11 (a))	196	—	—	—

The bank loans were guaranteed by related parties free of charge.

(b) In accordance with the loan agreement entered into between Huili Caitong and the lender, Huili Caitong agreed not to mortgage or pledge any of Huili Caitong's land use rights or mining rights to any party, and the lender will be entitled to pre-emption right in the event of such mortgage or pledge.

24. Trade and notes payables

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	32,592	64,423	108,030	102,792
Notes payable	14,300	14,300	—	—
	46,892	78,723	108,030	102,792

The carrying amounts of trade and notes payables closely approximate their fair values.

Trade payables are non-interest-bearing and are normally settled in 60 to 180 days.

Notes payable represent bank acceptance issued by Shanghai Pudong Development Bank and are interest-free with the terms of maturity ranging from three to nine months.

The Group's notes payable are secured by the pledge of certain of the Group's bank balances (Note 19).

An aged analysis of trade payables, based on the invoice date, is as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Outstanding balances with ages:				
Within 180 days	21,090	63,882	107,512	99,463
181 – 365 days	10,975	281	191	2,865
1 – 2 years	459	18	141	150
2 – 3 years	68	174	18	128
Over 3 years	—	68	168	186
	32,592	64,423	108,030	102,792

25. Other payables and accruals

Group

	Notes	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
		RMB'000	RMB'000	RMB'000	RMB'000
Current portion:					
Advances from customers		1,398	330	2,783	1,921
Payables related to:					
Construction in progress		9,598	13,016	26,067	60,314
Taxes other than income tax		18,305	26,179	20,538	23,484
Payroll and welfare payable		2,081	2,156	4,416	4,452
Mining rights & exploration and evaluation assets		—	121,763	39,446	35,646
Interest-free loans from a licensed non-banking financial institution	(a)	650	459	—	—
Sichuan Nanjiang Mining Co., Ltd.					
— Nanjiang Project Consideration	(b), 34	—	—	15,468	22,420
— Technical service fee	(b), 34	—	—	2,721	3,948
Consulting fee		—	—	493	418
Listing fees		—	—	11,164	7,888
Land use rights		—	—	14,301	—
Deposits received		215	204	397	145
Accrued liabilities		—	674	—	—
Other payables		344	3,765	1,962	972
		32,591	168,546	139,756	161,608
Non-current portion:					
Interest-free loan from a licensed non-banking financial institution	(a)	459	—	—	—
Sichuan Nanjiang Mining Co., Ltd.	(b), 34	—	—	51,870	44,918
		459	—	51,870	44,918
		33,050	168,546	191,626	206,526

(a) The interest-free and unsecured loans represented loans from Huili County Credit Corporation, a licensed non-banking financial institution. On December 21, 2004, Huili Caitong entered into a debt restructuring agreement with Huili County Credit Corporation pursuant to which Huili Caitong will settle the principals of the interest-free loans by five annual fixed installments before December 20, 2008. No interest and other charges or fees should be levied. The principals of the interest-free loans are repayable as follows:

	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	650	459	—	—
In the second year	459	—	—	—
	1,109	459	—	—
Portion classified as current liabilities	(650)	(459)	—	—
Non-current portion	459	—	—	—

(b) Balances represent payables related to the cost for the upgrade and construction of the Group's production lines by an independent third party, Sichuan Nanjiang Mining Group Co., Ltd. ("Nanjiang") and technical service fee payable to Nanjiang as disclosed in Note 34.

(c) Except as disclosed in Note 25 (a) and (b) above, the remaining other payables and accruals are non-interest-bearing and have average terms of one to three months.

The carrying amounts of other payables and accruals approximate to their fair value.

Company

As of December 31, 2008 and June 30, 2009, other payables mainly represent listing fees payable for the Listing.

26. Provision for rehabilitation

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	—	—	4,999	5,341
Additions	—	4,999	—	—
Unwinding of discount (Note 6)	—	—	342	183
At end of year/period	—	4,999	5,341	5,524

A provision for rehabilitation is mainly recognized for the present value of costs to be incurred for the restoration of tailing ponds and the removal of the processing plants in complying with the Group's obligations for close down, restoration and environmental clean up on completion of the Group's mining activities. These costs are expected to be incurred on mine closure, based on the current terms of mining rights for Baicao Mine and Xiushuihe Mine. As the extent of the rehabilitation from the mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision.

The provision was based on best estimate for future expenditure to be made by the Group and was discounted to its net present value using a discount rate of 6.84%. The discount rate adopted reflected the current market assessments of the time value of money and the risks specific to the provision. Subsequently, the provision for rehabilitation will be increased each year by the accretion of interest due to the passage of time which is recognized as interest expense.

27. Issued share capital

On April 28, 2008, the Company was incorporated in the Cayman Islands and 1 share of HK$0.10 each was allotted and issued to Trisonic International.

On May 22, 2008, the Company acquired the entire share capital of Powerside from Trisonic International by issuing an additional 7,955 shares to Trisonic International, which was credited as fully paid share capital.

On July 21, 2008, the Company acquired the entire share capital of First China by issuing an additional 2,044 shares, which was credited as fully paid share capital.

As of December 31, 2008 and June 30, 2009, 10,000 shares were in issued at HK$0.10 each.

28. Reserves

The amounts of the Group's reserves and the movement therein for the Relevant Periods are presented in the consolidated statement of changes in equity.

(a) Share premium

Share premium represents the difference between the purchase consideration of US$90 million and the nominal value of 2,044 shares of the Company issued for the acquisition of the entire equity interest in First China (Note 29(b)).

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

(b) Statutory surplus reserve and statutory reserve fund

In accordance with the Company Law of the PRC and the respective articles of association of subsidiaries domiciled in Mainland China (the "PRC Subsidiaries"), each of the PRC Subsidiaries is required to allocate 10% of its profits after tax, as determined in accordance with PRC GAAP, to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital.

As Huili Caitong was converted from a domestic limited company to a FIE on September 22, 2006, allocation to SSR is not required. According to Huili Caitong's articles of association, Huili Caitong is required to allocate 10% of its profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF").

SSR and SRF are non-distributable except in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations. They can be used to offset accumulated losses or capitalized as paid-up capital.

(c) Statutory public welfare fund (the "PWF")

Prior to January 1, 2006, in accordance with the Company Law of the PRC and the respective articles of association of the PRC subsidiaries, the PRC subsidiaries were required to transfer 5% to 10% of their profits after tax, as determined in accordance with PRC GAAP, to the statutory public welfare fund (the "PWF") which reserve is non-distributable other than in the event of liquidation.

The PWF must be used for capital expenditure on staff's collective facilities and these facilities remain the assets of the PRC subsidiaries.

In accordance with the revised Company Law of the PRC effective from January 1, 2006, the PRC subsidiaries are no longer required to transfer a portion of their profits after tax to PWF. In 2006, the balance of PWF as of January 1, 2006 was transferred to the SSR according to the revised Company Law of the PRC.

(d) Contributed surplus

The contributed surplus of the Group resulted from the preparation of the Group's Financial Information on the basis of preparation set out in Note 2 of Section II. It represents the difference between nominal value of the Company's shares issued in exchange for the subsidiaries acquired as part of the Reorganization and the aggregate amount of the nominal value of the paid-up capital of these subsidiaries attributable to the owners of the Company. Prior to the incorporation of the Company, the contributed surplus represents the aggregate amount of the nominal value of the paid-up capital of these subsidiaries attributable to the owners of the Company.

29. Notes to the consolidated statements of cash flows

(a) Capital injection

Capital injection represents cash injections from Trisonic International during 2007 for an increase in share capital of Huili Caitong amounting to approximately RMB138,041,000.

(b) Major non-cash transactions — Acquisition of minority interests in Huili Caitong

On May 25, 2008, pursuant to a series of share sale and purchase and equity transfer agreements entered into among the Company, First China, Xichang Vanadium, Sichuan Xingchuancheng Cement Co., Ltd. ("Sichuan Xingchuancheng"), Green Globe Investments Limited ("Green Globe"), Trisonic International and Mr. Wang Jin, First China agreed to purchase from Xichang Vanadium and Sichuan Xingchuancheng their 17.6% and 0.9% equity interest in Huili Caitong, respectively, at a consideration of US$85.6 million and US$4.4 million, respectively. In addition, the Company agreed to acquire the entire equity interest in First China from Green Globe for a consideration of US$90.0 million by way of allotment and issue of 2,044 shares of the Company. On June 23, 2008, the 17.6% and 0.9% equity interest in Huili Caitong held by Xichang Vanadium and Sichuan Xingchuancheng were transferred to First China.

The transaction was completed on July 21, 2008 when the Company allotted and issued 2,044 shares to Green Globe, credited as fully paid. The difference between the purchase consideration of US$90.0 million (equivalent to approximately RMB618,084,000) and the nominal value of 2,044 shares of the Company issued of RMB618,084,000 was credited to the share premium account. As a result, the Company acquired the entire issued share capital of First China, which became a wholly owned subsidiary of the Company since July 21, 2008. After the acquisition, the Group's equity interest in Huili Caitong increased from 72.0% to 90.5%, representing an acquisition of 18.5% minority interests in Huili Caitong. Details are as follows:

	Year ended December 31, 2008
	RMB'000
Purchase consideration	618,084
Add: Incidental costs associated with the acquisition	615
Total investment costs recorded by the Company/Group	618,699
Less: book value of the share of net assets acquired	88,306
Difference arising from the acquisition of minority interests	530,393

The difference of RMB530,393,000 between the consideration and the book value of the share of net assets acquired has been recognized in equity as the acquisition of minority interests are considered as an equity transaction.

Total investment costs are satisfied by:

	Year ended December 31, 2008
	RMB'000
Shares issued	618,084
Due to related parties	615
	618,699

30. Dividends

On February 24,, 2009, the Company declared one-off and non-recurring special dividends of RMB2,000 per ordinary share amounting to RMB20,000,000 to all members registered in the Register of Members of the Company. As such special dividends are derived from the distributable reserves of Huili Caitong prior to January 1, 2008, the Group's PRC legal advisors, King & Wood have advised the Group that such dividends are not subject to PRC withholding tax.

31. Commitments

(a) Capital commitments

The Group had the following capital commitments at each of the statement of financial position dates:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
— Plant and machinery	—	—	7,922	12,395
Authorized, but not contracted for:				
— Land use rights	—	—	17,973	—
— Plant and machinery	5,500	115,576	73,746	241,477
— Reservoir	—	—	36,000	6,332
— Nanjiang Project: a new titanium concentrates production line with an annual production capacity of 50.0 Kt	—	—	20,626	20,632
	5,500	115,576	148,345	268,441
	5,500	115,576	156,267	280,836

(b) Operating lease arrangements

As lessee

The Group leases certain of its office premises under operating lease arrangements, with leases negotiated for terms ranging from two to five years with an option for renewal after that date, at which time all terms will be renegotiated.

At the statement of financial position dates, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	119	221	91	215
In the second to fifth years, inclusive	276	199	177	271
	395	420	268	486

32. Contingent liabilities

The Group had the following contingent liabilities:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Guaranteed bank loans of:				
Related parties (Note 33)	—	330,500	—	—

All guarantees granted to related parties were fully released in 2008.

33. Related party transactions

(a) During the Relevant Periods, the Group had the following material transactions with related parties:

Name of related parties	Notes	Year ended December 31, 2006	2007	2008	Six months ended June 30, 2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Recurring transactions						
Sales of goods						
Weiyuan Steel Co., Ltd.	(2)	204,450	344,870	179,361	31,009	84,200
Xichang Vanadium	(2)	—	10,924	240	—	—
		204,450	355,794	179,601	31,009	84,200
Office rental						
Longwei Hotel	(6)	—	—	37	—	49
Non-recurring transactions						
Transportation fee						
Tongyu	(1&3)	43,615	58,877	502	502	—
Purchase of goods						
Xichang Vanadium	(2)	—	—	353	—	—
Construction of property, plant and equipment						
Neijang Chuanwei Construction Co., Ltd.	(1&4)	—	3,429	—	—	—
Sichuan Huiyuan	(4)	—	—	1,040	—	—
		—	3,429	1,040	—	—
Disposal of property, plant and equipment						
Tongyu	(1&7)	—	—	—	—	1,355
Guarantees of bank loans						
By the related parties:						
Xichang Vanadium	(5)	30,000	30,000	—	30,000	—
To related parties:						
Sichuan Zhonglong Co., Ltd.	(1&5)	—	25,500	—	—	—
Chuan Wei	(5)	—	60,000	—	60,000	—
Weiyuan Steel Co., Ltd.	(5)	—	180,000	—	180,000	—
Sichuan Boyu International Trading Co., Ltd.	(1&5)	—	65,000	—	65,000	—
		—	330,500	—	305,000	—

Notes:

(1) These companies are controlled by Chuan Wei.

(2) The directors consider that sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies, with the exception of credit terms to related customers for the years ended December 31, 2006, 2007 and 2008. During the years ended December 2006 and 2007, unrelated customers were generally required to make full payment upfront before delivery of products or with more favorable credit terms up to 30 days with approved credit histories and related customers were not required to pay within a fixed period of time. Since January 1, 2008, the Group has standardized the credit terms given to its customers of iron ore products to a maximum period of 30 days for all customers. For the sales of medium grade titanium products, the Group generally requires full payment prior to delivery.

(3) The directors consider that the fees for transportation service provided by the related companies were determined based on prices similarly available to third party customers. The transportation fee mainly represents the road and railway transportation cost for the delivery of the Group's products to Weiyuan Steel, which was the Group's major customer.

(4) The directors consider that the amounts paid for the construction services and machinery purchase from the related companies were determined based on prices similarly available to third party customers. These related companies mainly provided the iron production line construction and machinery installation service.

(5) The bank loans were guaranteed by a related party free of charge and were released upon the full repayment of bank loans by the Group in 2008 (Note 23). Guarantees were given by the Group for bank loans of related companies free of charge and all existing guarantees granted to related parties had been fully released during 2008 (Note 32).

(6) The directors consider that the office rental as determined under the tenancy agreement was based on market rate for similar premises in similar locations.

(7) The items of property, plant and equipment were disposed of at their respective net book value.

(8) During the Relevant Periods, the Founders and the Group effected the following transactions with Trisonic International to rationalize the Group's structure:

(i) On September 22, 2006, the registered capital of Huili Caitong was increased to RMB178,571,450. Through the capital injection of US$18 million, Trisonic International acquired a 72% equity interest in the enlarged registered capital of Huili Caitong and became the controlling shareholder of Huili Caitong.

(ii) Pursuant to an equity interest transfer agreement dated March 6, 2008, the Company's subsidiary, Simply Rise acquired from Trisonic International its 72% equity interest in Huili Caitong at a consideration of US$18 million, with reference to the subscription cost of Huili Caitong paid by Trisonic International. After the acquisition, Huili Caitong became an indirect subsidiary of the Company.

(b) Outstanding balances with related parties:

Details of the Group's balances with its related parties at each of the statement of financial position dates together with maximum outstanding balances due from related parties during the particular year/period are disclosed in Note 21 to the Financial Information.

(c) Compensation of key management personnel of the Group:

	Year ended December 31,			Six months ended June 30,	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Basic salaries and other benefits	998	1,195	2,500	409	1,294
Pension scheme contributions	38	48	89	27	79
	1,036	1,243	2,589	436	1,373

34. Significant event

Pursuant to a co-operation agreement dated August 8, 2007 (the "Original Agreement") entered into among the Group, an independent third party, Sichuan Nanjiang Mining Group Co., Ltd. ("Nanjiang") and a related party, Chuan Wei (collectively "the Parties") and a new co-operation agreement dated March 18, 2009 (the "New Agreement"):

(a) Nanjiang is required to construct new iron and titanium concentrates production lines with annual production capacity of 300 thousand tonnes (Kt) and 50 Kt, respectively (the "New Production Lines") at the ore processing plant located at Xiushuihe Mine (the "Xiushuihe Processing Plant"), and to upgrade the existing 150 Kt iron concentrates production line (the "Upgraded Production Line") at our Xiushuihe Processing Plant. The projects undertaken pursuant to the Old Agreement and the New Agreement are all constructed or to be constructed at Xiushuihe Processing Plant and are referred to as the "Nanjiang Project";

(b) the consideration of the Nanjiang Project (the "Nanjiang Project Consideration") is based on the audited amount of construction costs incurred by Nanjiang according to the final completion report as mutually agreed by the Parties. According to the final completion report as mutually agreed by the Parties, the Nanjiang Project Consideration (which is the audited construction costs incurred by Nanjiang) is RMB67,338,000;

(c) under the Original Agreement and New Agreement, the Nanjiang Project Consideration is repayable within 15 years from the completion date i.e. June 2008 of the Nanjiang Project to November 2023. The principal repayment is determined based on the following formula:

85% x {9% of the profits generated from the New Production Lines and Upgraded Production Line on sales volume within 150 Kt + 50% of the profits generated from the New Production Lines and Upgraded Production Line above sales volume of 150 Kt (collectively referred to as the "Sum of Profits")}. The Sum of Profits will first be determined by the Group and reviewed by Nanjiang and then mutually agreed upon by Nanjiang and the Group. A portion (i.e., 85%) of the Sum of Profits is recorded as the principal repayment for the Nanjiang Project Consideration. Based on the audited construction costs incurred, which was mutually agreed by the Parties in the final completion report, the Group estimates that it will pay four principal repayments in each of the four years 2009, 2010, 2011 and 2012.

Prior to the full settlement of the Nanjiang Project Consideration, 15% of the Sum of Profits will be paid to Nanjiang as a technical service fee for its technical support provided to the Group. Upon full settlement of the Nanjiang Project Consideration, the entire Sum of Profits will be paid to Nanjiang as a technical service fee until the expiry of the co-operation agreement in November 2023. The technical service fee is recognized as an expense in the consolidated statement of comprehensive income in the period in which it is incurred. During the year ended December 31, 2008 and the six months ended June 30, 2009, technical service fee payable to Nanjiang amounted to approximately RMB2,721,000 and RMB1,227,000, respectively (2006 and 2007: Nil).

According to the final completion report as mutually agreed by the Parties, the Nanjiang Project Consideration is RMB67,338,000. On initial recognition, the construction costs relating to the new and upgraded production lines aggregating RMB67,338,000 are recorded as part of property, plant and equipment, and depreciated over the estimated useful lives of the assets on the straight line basis. Based on the estimation made by the Group, the Nanjiang Project Consideration is expected to be repaid as follows:

	December 31, 2008	June 30, 2009
	RMB'000	RMB'000
Within one year	15,468	22,420
Within second and five years	51,870	44,918
	67,338	67,338

35. Financial risk management objectives and policies

The financial assets of the Group mainly include cash and bank balances, trade and notes receivables, prepayments, deposits and other receivables and amounts due from related parties, which arise directly from its operations. Financial liabilities of the Group mainly include advances from customers, other payables and accruals, trade and notes payables, amounts due to related parties, dividend payable, and interest-bearing bank loans.

Risk management is carried out by the finance department which is led by the Group's executive directors. The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units. The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, credit risk and foreign currency risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. The board regularly reviews these risks and they are summarized below.

Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and advances from related parties.

The maturity profile of the Group's financial liabilities at each of the statement of financial position dates, based on the contractual payments, was as follows:

	December 31, 2006				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	—	—	30,000	—	30,000
Trade and notes payables	11,502	35,390	—	—	46,892
Other payables and accruals	26,414	5,527	650	459	33,050
	37,916	40,917	30,650	459	109,942

	December 31, 2007				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	—	—	30,000	—	30,000
Trade and notes payables	541	78,182	—	—	78,723
Other payables and accruals	44,596	123,491	459	—	168,546
	45,137	201,673	30,459	—	277,269

	December 31, 2008				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and notes payables	518	107,512	—	—	108,030
Other payables and accruals	92,320	47,436	—	51,870	191,626
Due to related parties	12,466	—	—	—	12,466
	105,304	154,948	—	51,870	312,122

	June 30, 2009				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	—	—	100,000	—	100,000
Trade and notes payables	3,328	99,464	—	—	102,792
Other payables and accruals	153,429	—	8,179	44,918	206,526
Dividend payable	26,003	—	—	—	26,003
Due to related parties	13,446	—	—	—	13,446
	196,206	99,464	108,179	44,918	448,767

Interest rate risk

The Group's exposure to interest rate risk relates primary to the Group's bank deposits and interest-bearing bank loans. The interest rates and terms of repayment of interest-bearing bank loans are disclosed in Note 23. The Group manages its interest rate exposure from all of its interest-bearing loans through the use of fixed rates.

In addition, the Group does not consider that it has any significant exposure to the risk of changes in market interest rates from its bank deposits as a reasonably possible change of 25 basis points in the interest rates would have no material impact on the Group's consolidated statement of comprehensive income during the Relevant Periods.

Credit risk

During the years ended December 31, 2006 and 2007, the Group traded mainly with its related parties. The Group has a policy in place to ensure that sales are made to related parties with an appropriate credit history. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all third party customers who wish to trade on credit terms are subject to credit verification policies. Since January 1, 2008, the Group increased its sales to recognized and creditworthy third parties customers with no requirement for collateral. In addition, receivable balances from related and unrelated customers are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The Group's cash and cash equivalents are mainly deposits with state-owned banks in the PRC. The credit risk of the Group's other financial assets, which comprise trade and notes receivables, other receivables and amount due from a related party, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group has no other financial assets which carry significant exposure to credit risk.

During the Relevant Periods, the Group has no concentration of credit risk with any single counterparty other than amounts due from Chuan Wei and Weiyuan Steel as set out in the Note 21 which arose during the ordinary course of business. In addition, the Group's exposure to credit risk is also influenced by the individual characteristics of each customer and default risk of the industry in which customers operate. During the Relevant Periods, the Group generated its revenue from the sales of iron ore products to the producers of steel and distributors that purchase the Group's products and resell them to end users, which expose the Group to the concentration of credit risk on these customers.

Foreign currency risk

The Group's businesses are located in the PRC and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for certain payables that are denominated in Hong Kong Dollars and in US$, mainly arising from professional fees incurred relating to the Listing. The Group has not hedged its foreign exchange rate risk.

Fair values

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group's financial instruments approximated to their fair values due to the short-term to maturity at each of the statement of financial position dates.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing financial risk during the Relevant Periods.

The Group is currently funding its capital expenditure through internal generated funds from its operations and new bank borrowings. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 20% and 50%. Net debt is defined as interest-bearing bank loans, net of cash and bank balances and it excludes liabilities incurred for working capital purposes. Capital includes equity attributable to the owners of the Company and minority interests.

As of December 31, 2008 and June 30, 2009 respectively, the Group's cash and bank balances exceeded the total interest-bearing bank loans. As such, no gearing ratio at December 31, 2008 or June 30, 2009 is presented. The Group's gearing ratios or the excess of cash and bank balances over net debt at each of the statement of financial position dates were as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	30,000	30,000	—	100,000
Less: Cash and bank balances	(17,599)	(11,902)	(133,138)	(149,110)
Net debt/(excess of cash and bank balances over net debt)	12,401	18,098	(133,138)	(49,110)
Capital	73,622	285,975		
Capital and net debt	86,023	304,073		
Gearing ratio	62%	50%		

36. SUBSEQUENT EVENTS

On September 4, 2009, written shareholders' resolutions were passed to approve matters described in the paragraph headed "Statutory and General Information — Further Information about Our Group — Resolutions of our Shareholders" attached as Appendix VII to the Prospectus.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group and the Company in respect of any period subsequent to June 30, 2009.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The information set forth in this Appendix does not form part of the Accountants' Report prepared by the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with "Financial Information" and "Appendix I — Accountants' Report".

The following unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out here to provide the prospective investors with further information about how the proposed listing might have affected (i) the consolidated net tangible assets of our Group as of June 30, 2009 after completion of our Global Offering; and (ii) the forecast earnings per Share of our Group for the year ending December 31, 2009 as if the Global Offering had taken place on June 30, 2009.

The accompanying unaudited pro forma financial information of our Company is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of our Company does not purport to predict our Company's future financial position.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial positions following the completion of the Global Offering.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets have been prepared based on the consolidated net tangible assets as of June 30, 2009 as extracted from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and is adjusted as described below.

The unaudited pro forma adjusted consolidated net tangible assets have been prepared for illustrative purposes only and, because of their nature, they may not give a true picture of the financial position of the Group.

The following unaudited pro forma adjusted consolidated net tangible assets have been prepared to show the effect on the consolidated net tangible assets as of June 30, 2009 as if the Global Offering had occurred on June 30, 2009.

	Consolidated net tangible assets attributable to owners of our Company as of June 30, 2009(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets(3)	Unaudited pro forma adjusted net tangible assets per Share(4)	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an Offer Price of HK$3.12 per Share	501,748	1,290,948	1,792,696	0.90	1.02
Based on an Offer Price of HK$3.86 per Share	501,748	1,605,722	2,107,470	1.05	1.20

Notes:

(1) The consolidated net tangible assets attributable to owners of our Company as of June 30, 2009 is extracted from the Accountants' Report set out in Appendix I to this prospectus.

The consolidated net tangible assets attributable to owners of our Company as of June 30, 2009 was determined as follows:

	RMB'000
Audited consolidated net assets as set out in Appendix I to this prospectus	727,993
Less: Minority interests	(75,198)
Consolidated net assets attributable to owners of our Company	652,795
Less: Goodwill arising from the acquisition of a subsidiary	(15,318)
Other intangible assets	(135,729)
Consolidated net tangible assets attributable to owners of our Company	501,748

(2) The estimated net proceeds from the Global Offering are based on Offer Shares and the Offer Price of HK$3.12 or HK$3.86 per Share, being the low or high end of the stated offer price range, after deduction of the underwriting fees and related expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The Group's property interests as of June 30, 2009 have been valued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer and the relevant property valuation report is set out in Appendix IV "Property Valuation". The above unaudited pro forma adjusted net tangible assets do not take into account the surplus attributable to the Group arising from the revaluation of the Group's property interest amounting to RMB13,373,000. If such revaluation surplus was included in the Group's financial statements for the period ended June 30, 2009, the annual depreciation charges would increase by approximately RMB1,812,000.

(4) The unaudited pro forma adjusted net tangible assets value per Share is based on 2,000,000,000 Shares expected to be in issue following the completion of the Capitalization Issue and Global Offering.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The unaudited pro forma forecast earnings per Share of the Group for the year ending December 31, 2009 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2009. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and, because of its nature, may not provide a true picture of the financial results of the Group following the Global Offering.

Forecast consolidated total comprehensive income attributable to owners of our Company for the year ending December 31, 2009 (Note 1)	not less than RMB321.8 million (approximately HK$365.0 million)
Unaudited pro forma forecast earnings per Share for the year ending December 31, 2009 (Note 2)	not less than RMB0.161 (approximately HK$0.182)

Notes:

(1) The forecast consolidated total comprehensive income attributable to owners of our Company for the year ending December 31, 2009 is extracted from the "Financial Information — Profit Forecast" section in this prospectus. The bases and assumptions on which the above profit forecast for the year ending December 31, 2009 had been prepared are summarized in Part A of Appendix III to this Prospectus.

(2) The calculation of unaudited pro forma forecast earnings per Share is based on the forecast consolidated total comprehensive income attributable to owners of our Company for the year ending December 31, 2009 of RMB321.8 million and on the assumption that the Company has been listed since June 30, 2009 and a total number of 2,000,000,000 Shares were in issue during the year ending December 31, 2009.

(3) The unaudited pro forma forecast earning per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.8817.

C. LETTER FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS AND UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following is the text of a report received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong in respect of the unaudited pro forma financial information.

ERNST & YOUNG
安永會計師事務所

September 24, 2009

The Directors
China Vanadium Titano-Magnetite Mining Company Limited
Citigroup Global Markets Asia Limited

Dear Sirs,

We report on the unaudited pro forma adjusted net tangible assets and unaudited pro forma forecast earnings per share (the "Unaudited Pro Forma Financial Information") of China Vanadium Titano-Magnetite Mining Company Limited (the "Company") together with its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company (the "Directors") for illustrative purposes only, to provide information about how the Global Offering (as defined in the Prospectus of the Company dated September 24, 2009, the "Prospectus") might have affected the relevant financial information of the Group presented, for inclusion in Part A and B of Appendix II to the Prospectus. The basis of presentation of the Unaudited Pro Form Financial Information is set out in Appendix II to the Prospectus.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND REPORTING ACCOUNTANTS

It is the responsibility solely of the Directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as of June 30, 2009 or any future date; or
- the earnings per share of the Group for the year ending December 31, 2009 or any future periods.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The forecast of consolidated total comprehensive income attributable to owners of our Company for the year ending December 31, 2009 is set out in "Financial Information — Profit Forecast" section.

(A) BASES AND ASSUMPTIONS

Our Directors have prepared the forecast of the consolidated total comprehensive income attributable to owners of our Company for the year ending December 31, 2009 based on audited consolidated results of the Group for the six months ended June 30, 2009, the unaudited consolidated results of the Group for the one month ended July 31, 2009 and the forecast of the consolidated results for the remaining five months ending December 31, 2009.

The profit forecast has been prepared on the basis of accounting policies consistent in all material respects with those currently adopted by our Company as summarized in the Accountants' Report, details of which are set forth in Appendix I to this prospectus.

Our Directors have adopted the following principal assumptions in the preparation of profit forecast:

- the average selling prices of our iron concentrates and iron pellets for the five months ending December 31, 2009 are RMB592.4 per tonne and RMB826.5 per tonne, respectively (See "Financial Information — Profit Forecast" section of this prospectus for a sensitivity analysis of the forecast consolidated total comprehensive income attributable to owners of our Company for the year ending December 31, 2009 with respect to the variation in the forecast on the average selling price of iron concentrates and iron pellets in the five months ending December 31, 2009);
- there will be no material changes in our Group's operations;
- there will be no material changes in the existing political, legal, fiscal, market or economic conditions in the PRC, Hong Kong or in any other country or territory in which our Group currently operates or which are otherwise material to our business;
- there will be no changes in legislation, regulations or rules in the PRC, Hong Kong or in any other countries or territories in which our Group operates or with which our Group has arrangements or agreements, which may materially adversely affect our Group's business or operations;
- there will be no material changes in inflation rates, interest rates or foreign exchange rates from those currently prevailing in the context of our Group's operations;
- there will be no material changes in the bases or applicable rates of taxation, surcharges or other government levies in the countries or territories in which our Group operates except as otherwise disclosed in this prospectus.

Beginning in June 2009, we have entered into supplemental agreements with all our customers of iron ore products which set the floor price for iron ore products contracted for 2009 and 2010. According to these supplemental agreements, if the market price of the iron ore product falls below the contracted sales price, the contracted sales price remains unchanged. If the market price of the iron ore product rises above the contracted sales price, the contracted sales price will be adjusted to a higher amount equal to the sum of the contracted sales price and an amount to be agreed that is not more than

50.0% of the increase in the market price above the contracted sales price. Therefore, the consolidated total comprehensive income attributable to the owners of our Company for 2009 will not be changed if the average selling price of iron ore products falls below the contracted floor price.

The following table sets forth a sensitivity analysis of the forecast consolidated total comprehensive income attributable to owners of our Company for the year ending December 31, 2009 with respect to the variation in the forecast average selling prices of our Group's major products, namely iron concentrates and iron pellets, for the five months ending December 31, 2009 and on the assumption that there is no change in other input variables, including fixed and variable costs:

Iron ore products price (RMB per tonne)		Variation from iron ore products price	Corresponding 2009 forecasted consolidated total comprehensive income attributable to owners of our Company	Variation from 2009 forecasted consolidated total comprehensive income attributable to owners of our Company
Iron concentrates	Iron pellets	(%)	RMB'000	(%)
473.9	661.2	(20)	321,776	—
503.5	702.5	(15)	321,776	—
533.1	743.8	(10)	321,776	—
562.8	785.2	(5)	321,776	—
592.4	826.5	—	321,776	—
622.0	867.8	5	339,737	6
651.6	909.1	10	357,697	11
681.2	950.5	15	375,658	17
710.9	991.8	20	393,619	22

The above sensitivity analysis is based on the principal assumptions set out in this appendix.

(B) THE LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for inclusion in this prospectus, in respect of the public forecast of our Group for the year ending December 31, 2009.

ERNST & YOUNG
安 永 會 計 師 事 務 所

September 24, 2009

The Directors
China Vanadium Titano-Magnetite Mining Company Limited
Citigroup Global Markets Asia Limited

Dear Sirs,

We have reviewed the calculations and accounting policies adopted in arriving at the forecast of the consolidated net profit attributable to owners of China Vanadium Titano-Magnetite Mining Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending December 31, 2009 (the "Forecast"), as set out in the paragraph headed "Profit Forecast" under the section headed "Financial Information" in this prospectus of the Company dated September 24, 2009 (the "Prospectus''), for which the directors of the Company (the "Directors") are solely responsible.

The Forecast has been prepared by the Directors based on the audited consolidated results of the Group for the six months ended June 30, 2009, the unaudited consolidated results of the Group for the one month ended July 31, 2009 and the forecast of the consolidated results of the Group for the remaining five months ending December 31, 2009.

In our opinion, so far as the calculations and accounting policies are concerned, the Forecast has been properly compiled in accordance with the bases and assumptions made by the Directors of the Company as set out in Part (A) of Appendix III of this Prospectus, and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our Accountants' Report dated September 24, 2009, the text of which is set out in Appendix I to this Prospectus.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

(C) THE LETTER FROM THE SOLE SPONSOR

The following is the text at a letter from the Sole Sponsor to our Directors, prepared for inclusion in this prospectus, in respect of the forecast of the consolidated profit attributable to the owners of our Company for the year ending December 31, 2009.

Citigroup Global Markets Asia Limited
50th Floor, Citibank Tower, Citibank Plaza
3 Garden Road
Central
Hong Kong

September 24, 2009

The Directors
China Vanadium Titano-Magnetite Mining Company Limited

Dear Sirs,

We refer to the forecast of the consolidated profit attributable to the owners of China Vanadium Titano-Magnetite Mining Company Limited (the "Company", together with its subsidiaries, the ''Group'') for the year ending December 31, 2009 (the "Profit Forecast") as set out in the section entitled "Financial Information — Profit Forecast" of the prospectus of the Company dated September 24, 2009 (the ''Prospectus'').

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited consolidated results of the Group for the six months ended June 30, 2009, the unaudited consolidated results based on management accounts for the one month ended July 31, 2009, and forecast of the consolidated results of the Group for the remaining five months of the financial year ending December 31, 2009.

We have discussed with you the bases made by the directors of the Company as set out in Appendix III to the Prospectus upon which the Profit Forecast has been made. We have also considered the letter dated September 24, 2009 addressed to yourselves and ourselves from Ernst & Young regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Ernst & Young, we are of the opinion that the Profit Forecast for which you as the directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Citigroup Global Markets Asia Limited
Richard Zhang
Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at June 30, 2009 of the property interests of the Group.

JONES LANG LASALLE® SALLMANNS

Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

September 24, 2009

The Board of Directors
China Vanadium Titano-Magnetite Mining Company Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Dear Sirs,

In accordance with your instructions to value the properties in which China Vanadium Titano-Magnetite Mining Company Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at June 30, 2009 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

Due to the nature of the buildings and structures of the properties in Group I and the particular locations in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interests have therefore been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization". It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have attributed no commercial value to the property interests in Group II, which were held by the Group for short-term mining operations in the PRC due to the short-term nature of the relevant land use rights.

We have attributed no commercial value to the property interests in Group III, which are rented by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisors – King & Wood, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties unless we have been otherwise instructed. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory.

A serious earthquake struck certain areas of Sichuan Province in the PRC on May 12, 2008 causing damage to many properties. Properties inspected after that date will have attention drawn to the fact that they lie in an earthquake zone and may have been affected by the quake. We are not structural engineers and are unable to give expert opinion whether or not properties are in satisfactory structural condition. Therefore in the course of our valuation, we have relied considerably on the advice given by the Huili County Housing Safety Appraisal Office, concerning the structural condition of the properties located in this area in the PRC, and have made appropriate adjustments to our valuation as a result.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 26 years' experience in the valuation of properties in the PRC and 29 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

GROUP I — PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Capital value in existing state as at June 30, 2009	Interest attributable to the Group	Capital value attributable to the Group as at June 30, 2009
		RMB		RMB
1.	3 parcels of land, various buildings and structures located at Xiaoheiqing and Ailang Town Huili County Liangshan Yi Autonomous Prefecture Sichuan Province The PRC	67,673,000	85.98%	58,185,000
2.	5 parcels of land, various buildings and structures located at Xiaoheiqing Town Huili County Liangshan Yi Autonomous Prefecture Sichuan Province The PRC	151,599,000	90.50%	137,197,000
3.	A parcel of land, various buildings and structures located at Lima River Village Guanhe Town Huili County Liangshan Yi Autonomous Prefecture Sichuan Province The PRC	16,760,000	90.50%	15,168,000
	Sub-total:	**236,032,000**		**210,550,000**

GROUP II — PROPERTY INTERESTS HELD BY THE GROUP FOR SHORT-TERM MINING OPERATIONS IN THE PRC

No.	Property	Capital value in existing state as at June 30, 2009	Interest attributable to the Group	Capital value attributable to the Group as at June 30, 2009
		RMB		RMB
4.	2 parcels of land located at Ailang and Xiaoheiqing Town Huili County Liangshan Yi Autonomous Prefecture Sichuan Province The PRC	No commercial value	85.98%	No commercial value
5.	5 parcels of land located at Xiaoheiqing Town Huili County Liangshan Yi Autonomous Prefecture Sichuan Province The PRC	No commercial value	90.50%	No commercial value
	Sub-total:	**Nil**		**Nil**

GROUP III — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Capital value in existing state as at June 30, 2009	Interest attributable to the Group	Capital value attributable to the Group as at June 30, 2009
		RMB		RMB
6.	Various office units on Levels 2 to 5 of a 5-storey office building located at Jianshe Road Huili County Liangshan Yi Autonomous Prefecture Sichuan Province The PRC	No commercial value	90.50%	No commercial value
7.	Various office units of Longwei Mansion No. 198 Longdu South Road Longquanyi District Chengdu City Sichuan Province The PRC	No commercial value	90.50%	No commercial value
	Sub-total:	**Nil**		**Nil**
	Grand total:	**236,032,000**		**210,550,000**

VALUATION CERTIFICATE

GROUP I — PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at June 30, 2009
				RMB
1.	3 parcels of land, various buildings and structures located at Xiaoheiqing and Ailang Town Huili County Liangshan Yi Autonomous Prefecture Sichuan Province The PRC	The property comprises 3 parcels of land with a total site area of approximately 203,790.73 sq.m. and 63 buildings and various ancillary structures erected thereon which were completed in various stages between 2000 and 2008. The buildings have a total gross floor area of approximately 10,184.36 sq.m. The buildings mainly include industrial buildings, dormitories, canteens and guard houses. The structures mainly include tailing reservoirs, tunnels, sheds, and conveyer facilities. The land use rights of the property have been granted for a term of 50 years expiring on November 12, 2058 for industrial use.	The property is currently occupied by the Group for production purpose.	67,673,000 85.98% interest attributable to the Group: RMB58,185,000

Notes:

1. The property is currently occupied by Huili County Xiushuihe Mining Co., Ltd. ("Xiushuihe Mining"), an 85.98% owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract dated November 12, 2008 entered into between the Huili County Land and Resources Bureau and Xiushuihe Mining, the land use rights of the property were contracted to be granted to Xiushuihe Mining for a term of 50 years expiring on November 12, 2058 for industrial use. The land premium was RMB17,118,530.

3. Pursuant to 3 State-owned Land Use Rights Certificates — Hui Guo Yong (2008) Di Nos. 50700010, 50700009 and 50800005, the land use rights of 3 parcels of land with a total site area of approximately 203,790.73 sq.m. have been granted to Xiushuihe Mining for a term of 50 years expiring on November 12, 2058 for industrial use.

4. Pursuant to 9 Building Ownership Certificates — Huili Fang Quan Zheng Huili Zi Di Nos. 0009697 to 0009705, 63 buildings with a total gross floor area of approximately 10,184.36 sq.m. are owned by Xiushuihe Mining.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. As confirmed by the directors of Xiushuihe Mining, the land premium of the property has been paid in full, and the land use rights of the property are not subject to mortgage;

   b. The land use rights of the property can be legally used, occupied, transferred, leased and mortgaged by Xiushuihe Mining in accordance with the valid term stipulated in the State-owned Land Use Rights Certificates; and

   c. The buildings of the property are legally owned by Xiushuihe Mining and can be legally used, occupied, transferred, leased, mortgaged or otherwise disposed of by Xiushuihe Mining.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at June 30, 2009
				RMB
2.	5 parcels of land, various buildings and structures located at Xiaoheiqing Town Huili County Liangshan Yi Autonomous Prefecture Sichuan Province The PRC	The property comprises 5 parcels of land with a total site area of approximately 249,257.51 sq.m. and 32 buildings and various ancillary structures erected thereon, which were completed in various stages between 1999 and 2008. The buildings have a total gross floor area of approximately 9,945.40 sq.m. The buildings mainly include industrial buildings, dormitory, canteens and guard house. The structures mainly include tailing reservoirs, tunnels, sheds and conveyer facilities. The land use rights of the property have been granted for a term of 50 years expiring on February 17, 2059 for industrial use.	The property is currently occupied by the Group for production purpose.	151,599,000 90.50% interest attributable to the Group: RMB137,197,000

Notes:

1. The property is currently occupied by Huili County Caitong Iron and Titanium Co., Ltd. ("Huili Caitong"), a 90.50% owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract dated February 17, 2009 entered into between the Huili County Land and Resources Bureau and Huili Caitong, the land use rights of the property were contracted to be granted to Huili Caitong for a term of 50 years commencing from February 17, 2009 for industrial use. The land premium was RMB20,937,693.

3. Pursuant to 5 State-owned Land Use Rights Certificates — Hui Guo Yong (2009) Di Nos. 50800007 to 50800011, the land use rights of 5 parcels of land with a total site area of approximately 249,257.51 sq.m. have been granted to Huili Caitong for a term of 50 years expiring on February 17, 2059 for industrial use.

4. Pursuant to 6 Building Ownership Certificates — Huili Fang Quan Zheng Huili Zi Di Nos. 0009687 to 0009691 and 0009841, 32 buildings with a total gross floor area of approximately 9,945.40 sq.m. are owned by Huili Caitong.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. As confirmed by the directors of Huili Caitong, the land premium of the property has been paid in full, and the land use rights of the property are not subject to mortgage;

   b. The land use rights of the property can be legally used, occupied, transferred, leased and mortgaged by Huili Caitong in accordance with the valid term stipulated in the State-owned Land Use Rights Certificates; and

   c. The buildings of the property are legally owned by Huili Caitong and can be legally used, occupied, transferred, leased, mortgaged or otherwise disposed of by Huili Caitong.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at June 30, 2009
				RMB
3.	A parcel of land, various buildings and structures located at Lima River Village Guanhe Town Huili County Liangshan Yi Autonomous Prefecture Sichuan Province The PRC	The property comprises a parcel of land with a site area of approximately 45,372.01 sq.m. and 25 buildings and various ancillary structures erected thereon which were completed in various stages between 2005 and 2008. The buildings have a total gross floor area of approximately 6,715.62 sq.m. The buildings mainly include industrial buildings and guard houses. The structures mainly include boundary fences, sheds, storerooms and conveyer facilities. The land use rights of the property have been granted for a term of 50 years expiring on May 28, 2058 for industrial use.	The property is currently occupied by the Group for production purpose.	16,760,000 90.50% interest attributable to the Group: RMB15,168,000

Notes:

1. The property is currently occupied by Huili County Caitong Iron and Titanium Co., Ltd. ("Huili Caitong"), a 90.50% owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract — 2008-004 dated June 2, 2008 entered into between the Huili County Land and Resource Bureau and Huili Caitong, the land use rights of the property were contracted to be granted to Huili Caitong for a term of 50 years for industrial use. The land premium was RMB5,217,781.15.

3. Pursuant to a State-owned Land Use Rights Certificate — Hui Guo Yong (2008) No. 30200048, the land use rights of a parcel of land with a site area of approximately 45,372.01 sq.m. have been granted to Huili Caitong for a term of 50 years expiring on May 28, 2058 for industrial use.

4. Pursuant to 5 Building Ownership Certificates — Huili Fang Quan Zheng Huili Zi Di Nos. 0009692 to 0009696, 25 buildings with a total gross floor area of approximately 6,715.62 sq.m. are owned by Huili Caitong.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. As confirmed by the directors of Huili Caitong, the land premium of the property has been paid in full, and the land use rights of the property are not subject to mortgage;

   b. The land use rights of the property can be legally used, occupied, transferred, leased and mortgaged by Huili Caitong in accordance with the valid term stipulated in the State-owned Land Use Rights Certificate; and

   c. The buildings of the property are legally owned by Huili Caitong and can be legally used, occupied, transferred, leased, mortgaged or otherwise disposed of by Huili Caitong.

VALUATION CERTIFICATE

Group II — PROPERTY INTERESTS HELD BY THE GROUP FOR SHORT-TERM MINING OPERATIONS IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at June 30, 2009
				RMB
4.	2 parcels of land located at Ailang and Xiaoheiqing Town Huili County Liangshan Yi Autonomous Prefecture Sichuan Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 131,694.02 sq.m., which is an open-pit mine site. The land use rights of the property refer to collectively-owned land. (refer to notes 2 to 4)	The property is currently occupied by the Group for short-term mining use.	No commercial value

Notes:

1. The property is currently occupied by Huili County Xiushuihe Mining Co., Ltd. ("Xiushuihe Mining"), an 85.98% owned subsidiary of the Company.

2. Pursuant to 2 Short-term Land Use Rights Approvals — Hui Guo Tu Zi Jian (2009)016 and (2009)017 both dated March 6, 2009 issued by the Huili County Land and Resource Bureau, Xiushuihe Mining has obtained a short-term land use rights of 2 parcels of land with a total site area of approximately 131,694.02 sq.m. for a term of one year commencing from January 1, 2009 and expiring on December 31, 2009 for short-term mining use.

3. In our valuation, we have attributed no commercial value to the property as the land use rights of the property refer to collectively-owned land which is temporarily occupied and used by Xiushuihe Mining.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. The land use rights of the property can be legally held by Xiushuihe Mining in accordance with the valid term and usages stipulated in the relevant Short-term Land Use Rights Approvals;

   b. As confirmed by the directors of Xiushuihe Mining, there are not any perpetual buildings or structures erected on the land; and

   c. Pursuant to a Mining Permit dated May 6, 2008 issued by the Land and Resource Bureau of Sichuan Province, the mining permit rights with a site area of approximately 0.5208 sq.km. are authorized to Xiushuihe Mining commencing from May 2008 and expiring in December 2027. After Xiushuihe Mining obtains the Short-term Land Use Rights Approvals issued by relevant Land and Resource Bureau and enters into relevant collective land use agreement, Xiushuihe Mining can use the land under the mining permit rights by stages in accordance with the mine development plan within the valid term and site area stipulated in the Mining Permit.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at June 30, 2009
				RMB
5.	5 parcels of land located at Xiaoheiqing Town Huili County Liangshan Yi Autonomous Prefecture Sichuan Province The PRC	The property comprises 5 parcels of land with a total site area of approximately 443,748.56 sq.m., which is an open-pit mine site. The land use rights of the property refer to collectively-owned land. (refer to notes 2 to 4)	The property is currently occupied by the Group for short-term mining use.	No commercial value

Notes:

1. The property is currently occupied by Huili County Caitong Iron and Titanium Co., Ltd. ("Huili Caitong"), a 90.50% owned subsidiary of the Company.

2. Pursuant to 5 Short-term Land Use Rights Approvals — Hui Guo Tu Zi Jian (2009)018 to (2009)022 all dated March 6, 2009 issued by the Huili County Land and Resource Bureau, Huili Caitong has obtained a short-term land use rights of 5 parcels of land with a total site area of approximately 443,748.56 sq.m. for a term of one year commencing from January 1, 2009 and expiring on December 31, 2009 for short-term mining use.

3. In our valuation, we have attributed no commercial value to the property as the land use rights of the property refer to collectively-owned land which is temporarily occupied and used by Huili Caitong.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. The land use rights of the property can be legally held by Huili Caitong in accordance with the valid term and usages stipulated in the relevant Short-term Land Use Rights Approvals;

   b. As confirmed by the directors of Huili Caitong, there are not any perpetual buildings or structures erected on the land; and

   c. Pursuant to a Mining Permit dated September 8, 2009 issued by the Land and Resource Bureau of Sichuan Province, the mining permit rights with a site area of approximately 1.8818 sq.km. are authorized to Huili Caitong commencing from September 8, 2009 and expiring on December 8, 2027. After Huili Caitong obtains the Short-term Land Use Rights Approvals issued by relevant Land and Resource Bureau and enters into relevant collective land use agreement, Huili Caitong can use the land under the mining permit rights by stages in accordance with the mine development plan within the valid term and site area stipulated in the Mining Permit.

VALUATION CERTIFICATE

GROUP III — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at June 30, 2009
				RMB
6.	Various office units on Levels 2 to 5 of a 5-storey office building located at Jianshe Road Huili County Liangshan Yi Autonomous Prefecture Sichuan Province The PRC	The property comprises various office units on Levels 2 to 5 of a 5-storey office building completed in about 2004. The property has a total lettable area of approximately 531.13 sq.m. The property is rented to Huili Caitong from an independent third party for a term of one year expiring on February 1, 2010, at an annual rent of RMB48,000.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. The property is currently occupied by Huili County Caitong Iron and Titanium Co., Ltd. ("Huili Caitong"), a 90.50% owned subsidiary of the Company.

2. Pursuant to a Tenancy Agreement, the property is rented to Huili Caitong (the "Lessee") from an independent third party (the "Lessor"), for a term of one year commencing from February 1, 2009 and expiring on February 1, 2010, at an annual rent of RMB48,000.

3. As advised by Huili Caitong, the total lettable area of the property is approximately 531.13 sq.m.

4. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. The Lessor has obtained the State-owned Land Use Rights Certificate and Building Ownership Certificate of the property;

   b. The validity of the Tenancy Agreement will not be affected due to the lack of registration of the Tenancy Agreement; and

   c. The Lessee can occupy and use the property during the lease term.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at June 30, 2009
				RMB
7.	Various office units of Longwei Mansion No. 198 Longdu South Road Longquanyi District Chengdu City Sichuan Province The PRC	The property comprises various office units on level 7 of a 16-storey building completed in about 1998. The property has a total lettable area of approximately 131 sq.m. The property is rented to Huili Caitong from a connected party for a term of two years and four months expiring on August 14, 2011, at a monthly rent of RMB8,122.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. The property is currently occupied by Huili County Caitong Iron and Titanium Co., Ltd. ("Huili Caitong"), a 90.50% owned subsidiary of the Company.

2. Pursuant to a Tenancy Agreement, the property with a total lettable area of approximately 131 sq.m. is rented to Huili Caitong (the "Lessee") from Sichuan Longwei Hotel Management Co., Ltd. ("Longwei Hotel", a connected party), for a term of two years and four months commencing from April 16, 2009 and expiring on August 14, 2011, at a monthly rent of RMB8,122, exclusive of management fees, water and electricity charges.

3. Pursuant to a Permission entered into between Longwei Hotel and Sichuan Jinli Property Development Co., Ltd. ("Jinli Company", the owner of the property), Longwei Hotel has the right to lease the property.

4. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   a. Jinli Company has obtained the State-owned Land Use Rights Certificate and Building Ownership Certificate of the property;

   b. The validity of the Tenancy Agreement will not be affected due to the lack of registration of the Tenancy Agreement; and

   c. The Lessee can occupy and use the property during the lease term.

BEHRE DOLBEAR
BEHRE DOLBEAR ASIA, INC.
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September 24, 2009

The Directors
China Vanadium Titano-Magnetite Mining Company Limited

and

Citigroup Global Markets Asia Limited
50/F, Citibank Tower, Citibank Plaza
3 Garden Road, Central
Hong Kong

Gentlemen,

Behre Dolbear Asia, Inc. ("BDASIA"), a wholly owned subsidiary of Behre Dolbear & Company, Inc. ("Behre Dolbear"), herewith submits a report on the Independent Technical Review of Iron Mining Properties of China Vanadium Titano-Magnetite Mining Company Limited (the "Company") in Huili County, Sichuan Province, the People's Republic of China. The address for BDASIA is noted above. This letter of transmittal is part of the report.

The review covers two operating open-pit iron mines, the Baicao iron mine and Xiushuihe iron mine, which are currently 90.5%-owned and 86.0%-owned by the Company indirectly through its subsidiaries, respectively, and one 90.5%-owned operating pellet plant. These mining properties constitute the primary mining assets of the Company. BDASIA's project team visited these mining properties in late April to early May 2008 and in June 2009.

The purpose of this report is to provide an independent technical assessment of the Company's iron mining properties to be included in the prospectus for the Company's initial public offering ("IPO") on the main board of The Stock Exchange of Hong Kong Limited ("SEHK"). This technical report has been prepared in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The reporting standard adopted by this report is the VALMIN Code and Guidelines for Technical Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports as adopted by the Australasian Institute of Mining and Metallurgy in 1995 and updated in 2005. Mineral resources and ore reserves defined at each property have been reviewed for conformity with the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in 1999 and revised in 2004.

The evidence upon which the estimated mineral resources and ore reserves are based includes the deposit geology, drilling and sampling information, project economics, and past production data. The basis upon which BDASIA forms its view on the mineral resource and ore reserve estimates includes the site visits of BDASIA's professionals to the subject mining properties, interviews with the Company's management, site personnel and consultants, analysis of the drilling and sampling database, procedures and parameters used for the estimates, and comparison with past production.

The BDASIA project team consisted of senior-level mining professionals from Behre Dolbear's Denver office in the United States, Sydney office in Australia, Toronto office in Canada, and London office in the United Kingdom. The scope of work conducted by BDASIA included site visits to the reviewed mining properties, technical analysis of the project geology, mineral resource and ore reserve estimates, and review of mining, processing, production, environmental management, occupational health and safety, operating costs, and capital costs.

BDASIA has not undertaken an audit of the Company's data, re-estimated the mineral resources, or reviewed the tenement status with respect to any legal or statutory issues.

BDASIA's report comprises an Introduction, followed by reviews of the technical aspects of Geology, Mineral Resources and Ore Reserves, Mining, Processing, Production, Pellet Plant, Operating and Capital Costs, Environmental Management, and Occupational Health and Safety issues, as well as a Risk Analysis of the mining properties. We trust that the report adequately and appropriately describes the technical aspects of the projects and addresses issues of significance and risk.

BDASIA is independent of the Company and all of its mining properties. Neither BDASIA nor any of its employees or associates involved in this project holds any share or has any direct or indirect pecuniary or contingent interests of any kind in the Company or its mining properties. BDASIA is to receive a fee for its services (the work product of which includes this report) at its normal commercial rate and customary payment schedules. The payment of our professional fee is not contingent on the outcome of this report.

This report documents the findings of BDASIA's review of the Company's iron mining properties completed to the date of this transmittal letter. The sole purpose of this report is for the use of the Directors of the Company and its sponsor and advisors in connection with the Company's IPO prospectus and should not be used or relied upon for any other purpose. Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document or used for any other purpose, without BDASIA's written consent to the form and context in which it appears. BDASIA consents to the inclusion of this report in the Company's IPO prospectus for the purpose of the IPO on the SEHK.

Yours faithfully,

BEHRE DOLBEAR ASIA, INC.
Qingping Deng, Ph.D., CPG
President

Behre Dolbear Project 08-008

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1.0 INTRODUCTION

China Vanadium Titano-Magnetite Mining Company Limited (the "Company") is a company registered in the Cayman Islands. Through its subsidiaries, the Company has one 90.5%-owned iron mine, one 86.0%-owned iron mine, and one 90.5%-owned pellet plant in Huili County, Sichuan Province of the People's Republic of China ("PRC" or "China") as shown in Figure 1.1.

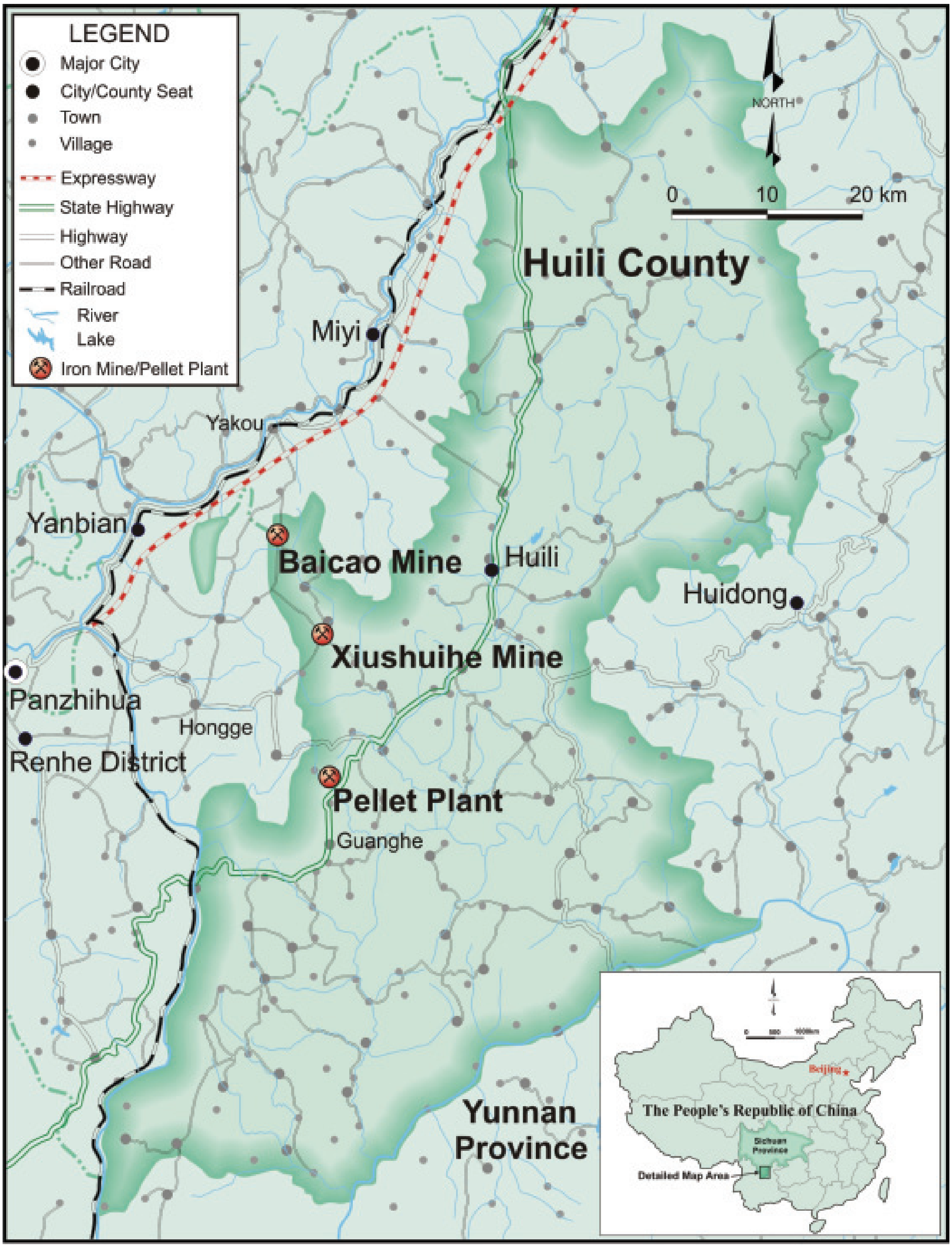

Figure 1.1 Location Map of the Company's Two Iron Mines and the Pellet Plant

The following properties constitute the primary mining assets of the Company.

- the Baicao iron mine (the "Baicao Mine"): The Baicao Mine is 90.5%-owned by the Company. It is an open-pit operation mining vanadium-bearing titanomagnetite ore and using magnetic separation method to produce iron concentrates and titanium concentrates. The mine (including the subcontractor's production) processed approximately 3.26 million tonnes ("Mt") of vanadium-bearing titanomagnetite ore and produced approximately 803,000 tonnes ("t") of iron concentrates with an average total iron grade of 55.24% and 151,000 t of medium-grade titanium concentrates with an average TiO_2 grade of 30.52% in 2008. The Baicao Mine is currently under expansion and upgrading; the medium-grade titanium concentrates with an average TiO_2 grade of from 27% to 40% produced previously will be upgraded to titanium concentrates with a TiO_2 grade of 46% by adding a flotation circuit following the magnetic separation circuit. The mine is expected to reach a mining capacity of approximately 4.3 million tonnes per annum ("Mtpa") of ore producing approximately 1.15 Mtpa of iron concentrates and 170,000 tonnes per annum ("tpa") of titanium concentrates in 2010. In addition, the Baicao Mine plans to purchase 470,000 t of iron ore from the Xiushuihe iron mine (the "Xiushuihe Mine") and produce 135,000 t of iron concentrates using another subcontractor's processing facilities in 2010. The purchased iron ore will increase to 627,000 tpa from 2011 to 2013, producing 180,000 tpa of iron concentrates;

- the Xiushuihe Mine: The Xiushuihe Mine is 86.0%-owned by the Company. It is an open-pit operation mining vanadium-bearing titanomagnetite ore and using magnetic and gravity separation methods to produce iron concentrates and titanium concentrates. The mine processed approximately 1.38 Mt of vanadium-bearing titanomagnetite ore and produced approximately 360,000 t of iron concentrates with an average total iron grade of 54.50% and 17,000 t of medium-grade titanium concentrates with an average TiO_2 grade of 38.75% in 2008. The Xiushuihe Mine is currently under expansion and upgrading. The ilmenite recovery circuit will be upgraded to a flotation system and titanium concentrates with a TiO_2 grade of 46% instead of medium-grade titanium concentrates with a TiO_2 grade of 37% to 42% will be produced from the mine. The mine is expected to reach a processing capacity of 2.6 Mtpa of ore producing 750,000 tpa of iron concentrates and 150,000 tpa of titanium concentrates in 2011; and

- the Pellet Plant: The plant is 90.5%-owned by the Company. It uses iron concentrates mostly produced by the Xiushuihe Mine to produce pellets. The plant has a designed production capacity of 400,000 tpa of pellets and it produced approximately 313,000 t of pellets with an average total iron grade of 52.98% in 2008. Starting in 2010, it is planned to have an annual pellet production of 358,000 t. In addition, the Company has contracts with two local pellet plants to produce pellets for the Company using the Company's iron concentrates starting in late 2008. Pellet production from these two subcontractors will increase from 13,000 t in 2008, to 448,000 t in 2011.

The Company proposes to prepare a prospectus to be issued in support of an initial public offering ("IPO") for a listing on the main board of The Stock Exchange of Hong Kong Limited ("SEHK") and to raise capital for exploration, project expansion and acquisition, and for construction of downstream processing facilities for titanium concentrates. Citigroup Global Markets Asia Limited ("Citigroup") is the Company's Sponsor for the IPO.

The Board of Directors of the Company engaged Behre Dolbear Asia, Inc. ("BDASIA"), a wholly owned subsidiary of Behre Dolbear & Company, Inc. ("Behre Dolbear"), as their independent technical advisor to undertake an independent technical review of the Company's two operating mines and the pellet plant and to prepare an independent technical report in connection with the Company's IPO. This BDASIA report is intended to be included in the Company's IPO prospectus.

BDASIA's project team for this technical review consists of senior-level professionals from Behre Dolbear's offices in Denver, Colorado in the United States, Sydney, Australia, and London in the United Kingdom. Behre Dolbear personnel contributing to the study and to this technical report include:

- **Dr. Qingping Deng (B.S., M.S. and Ph.D.) ,** president of BDASIA and global director of ore reserves and mine planning for Behre Dolbear, was BDASIA's **Project Manager** and **Project Geologist** for this technical review. Dr. Deng is a geologist with more than 25 years of professional experience in the areas of exploration, deposit modeling and mine planning, estimation of mineral resources and ore reserves, geostatistics, cash-flow analysis, project evaluation/valuation, and feasibility studies in North, Central and South America, Asia, Australia, Europe and Africa. Dr. Deng is a Certified Professional Geologist with the American Institute of Professional Geologists, a Qualified Professional Member of Mining and Metallurgical Society of America and a Registered Member of The Society of Mining, Metallurgy, Exploration, Inc. ("SME") and meets all the requirements for "Competent Person" as defined in the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("the JORC Code") and all the requirements for "Qualified Person" as defined in Canadian National Instrument 43-101. In recent years, he has managed a number of independent technical report studies for filling with SEHK and other securities exchanges. Dr. Deng is fluent in both English and Chinese.
- **Mr. Michael Martin (B.S. and M.A.),** a senior associate of Behre Dolbear's Denver, Colorado office, was BDASIA's **Project Mining Engineer** for this review. Mr. Martin has over 30 years of experience in the areas of engineering, operations, management, exploration, acquisitions, and development in the mineral industry, principally in the open pit mining of gold, copper, molybdenum and iron. He has had responsibility for capital and operating costs, infrastructure, and organization. He has been involved in many feasibility and due diligence studies, property evaluations, operational audits and optimizations, and mine equipment selection and costing. In addition, Mr. Martin has been responsible for all mining related items, including mine schedules, ore control, mine equipment, cash flow forecast reviews, and site management assessment. His consulting activities have included work in the United States and more than 17 foreign countries. Mr. Martin is a Qualified Professional Member of Mining and Metallurgical Society of America and a Member of SME.
- **Mr. Vuko Lepetic (B.S. and M.S.),** a senior associate of Behre Dolbear's London office, was BDASIA's **Project Metallurgist**. Mr. Lepetic has over 30 years of worldwide experience in mineral processing and metallurgy. He has worked with and has extensive knowledge of processes employed and products produced by the Company. Mr. Lepetic holds patents for stibnite and cassiterite flotation (both industrially employed) as well as records of invention for the processing of iron, lead and zinc oxide minerals, rare earths and phosphates.
- **Mr. Derek Rance (B.S. and MBA),** a senior associate of Behre Dolbear's Toronto office, was BDASIA's **Pelletizing Specialist**. Mr. Rance has over 30 years of worldwide

experience in the engineering, executive and senior management of mining operations. In particular he was the General Manager of the Carol Lake project of the Iron Ore Company of Canada, which annually produced 10 Mt of pellets and 8 Mt of sinter feed. He later became president and COO of that company. While consulting for Behre Dolbear, he has completed numerous iron ore assignments throughout the world, conducting due diligence assessments, valuations of iron ore properties, optimizations, rehabilitation of closed properties, product marketing and iron ore price forecasting. Mr. Rance is a Professional Engineer registered in Ontario, Canada and a Fellow of Canadian Institute of Mining, Metallurgy and Petroleum.

- **Ms. Janet Epps (B.S. and M.S.),** a senior associate of Behre Dolbear's Sydney, Australia office, was BDASIA's **Project Environmental and Occupational Health and Safety Specialist**. She has over 30 years experience in environmental and community issues management, sustainability, policy development and regulatory consultancy services. Ms. Epps has worked extensively with the private sector, government and the United Nations, the World Bank, the IFC and the Multilateral Investment Guarantee Agency ("MIGA"), as well as with the mining industry. She has provided policy advice to governments of developing countries on designated projects and contributed toward sustainable development and environmental management strategies. She has completed assignments in Australasia, the Pacific, Asia, the Middle East, the CIS countries, Africa, Eastern Europe, South America and the Caribbean. Ms. Epps is a Fellow of the Australasian Institute of Mining and Metallurgy.

- **Mr. Bernard J. Guarnera (B.S. and M.S.),** president and chairman of the Behre Dolbear Group Inc., the parent company of Behre Dolbear & Company, Inc., was BDASIA's **Project Advisor**. He is a Certified Mineral Appraiser, with extensive experience in the valuation of mineral properties and mining companies. He is a registered Professional Engineer, a Registered Professional Geologist and a Chartered Professional (Geology) of the Australasian Institute of Mining and Metallurgy. Mr. Guarnera has over 30 years of professional experience, and his career has included senior-level positions in exploration and development at a number of major U. S. natural resource companies. Mr. Guarnera meets all the requirements for "Competent Person" in Australia and "Qualified Person" in Canada.

BDASIA's project team, with the exception of Mr. Guarnera, traveled to China and visited the Company's iron mining properties in Huili, Sichuan that are reviewed in this report. Dr. Deng, Messrs Martin and Vuko, and Ms. Epps visited the two iron mines from April 27 to May 4, 2008. Dr. Deng and Mr. Rance visited the pellet plant and the two iron mines from June 10 to June 15, 2009. During BDASIA's visit, discussions were held with technical and managerial staff at the mine and plant sites and with technical and management personnel in the Company's local office in Huili County. Operating performance from 2006 to 2008 and production schedules, budgets and forecasts from 2009 to 2011 were reviewed, together with longer-term development plans.

This BDASIA report contains forecasts and projections prepared by BDASIA, based on information provided by the Company. BDASIA's assessment of the projected production schedules and capital and operating costs is based on technical reviews of project data and project site visits.

The metric system is used throughout this report. The currency used is the Chinese Yuan ("RMB") and/or the United States dollar ("US$"). The exchange rate used in the report is RMB6.83 for US$1.00, the rate of the People's Bank of China prevailing on June 30, 2009.

2.0 QUALIFICATIONS OF BEHRE DOLBEAR

Behre Dolbear & Company, Inc. is an international minerals industry advisory group which has operated continuously in North America and worldwide since 1911. Behre Dolbear and its parent, Behre Dolbear Group Inc., currently have offices in Beijing, Denver, Guadalajara, London, New York, Santiago, Sydney, Toronto, Vancouver, and Hong Kong.

The firm specializes in performing mineral industry studies for mining companies, financial institutions, and natural resource firms, including mineral resource/ore reserve compilations and audits, mineral property evaluations and valuations, due diligence studies and independent expert reviews for acquisition and financing purposes, project feasibility studies, assistance in negotiating mineral agreements, and market analyses. The firm has worked with a broad spectrum of commodities, including base and precious metals, coal, ferrous metals, and industrial minerals on a worldwide basis. Behre Dolbear has acted on behalf of numerous international banks, financial institutions and mining clients and is well regarded worldwide as an independent expert engineering consultant in the minerals industry. Behre Dolbear has prepared numerous independent technical reports for mining projects worldwide to support securities exchange filings of mining companies in Hong Kong, China, the United States, Canada, Australia, the United Kingdom, and other countries.

Most of Behre Dolbear's associates and consultants have occupied senior corporate management and operational roles and are thus well-experienced from an operational view point as well as being independent expert consultants.

BDASIA is a wholly owned subsidiary of Behre Dolbear established in 2004 to manage Behre Dolbear's projects in China and other Asian countries. Project teams of BDASIA commonly consist of senior-level professionals from Behre Dolbear's offices in Denver, Colorado of the United States, Sydney of Australia, London of the United Kingdom and other worldwide offices. Since its establishment, BDASIA has conducted over 40 technical studies for mining projects in China or mining projects located outside of China to be acquired by SEHK-listed Chinese companies, including preparing independent technical reports for the SEHK IPO prospectuses of Hunan Nonferrous Metals Corporation Limited, Zhaojin Mining Industry Company Limited, and Hidili Industry International Development Limited and for the Shanghai Stock Exchange ("SSE") IPO listing of Western Mining Company Limited. These four companies were successfully listed on the SEHK/SSE in 2006 and 2007.

3.0 DISCLAIMER

BDASIA has conducted an independent technical review of the Company's mining properties and holdings. A site visit was made to the project sites by BDASIA professionals involved in this study. BDASIA has exercised all due care in reviewing the supplied information and believes that the basic assumptions are factual and correct and the interpretations are reasonable. BDASIA has independently analyzed the Company's data, but the accuracy of the conclusions of the review largely relies on the accuracy of the supplied data.

4.0 PROPERTY DESCRIPTION

4.1 Location, Access and Infrastructure

The Company's two iron mines and the pellet plant are all located in Huili County (Figure 1.1), at the southern portion of the Sichuan Province in China. The county has a total area of 4,522 square kilometers ("km^2") and a population of approximately 420,000.

Both the Baicao Mine and the Xiushuihe Mine are located in the mid-western portion of Huili County. The Baicao Mine is located on an azimuth of 277° from the Huili county seat with a linear distance of 23 kilometers ("km") between the mine and the county seat. The road distance from the mine to the county seat, however, is approximately 109 km because of the mountainous terrain in the area. There is a 25-km unpaved road from the mine to the town of Yakao in Miyi County in the north, which connects the mine with the parallel Panzhihua-Miyi Highway and the Chengdu-Kunming Railroad in the west. The Company paved a section of the road of approximately 4 km with cement in 2008 and further improvement is also planned. The newly-constructed Panzhihua-Xichang Expressway parallel to the Chengdu-Kunming Railroad was completed at the end of 2008. The road distance is approximately 57 km from the Baicao Mine to the city of Panzhihua in the southwest.

The Xiushuihe Mine is located on an azimuth of 250° direction from the Huili county seat with a linear distance of 20 km between the mine and the county seat. The road distance from the mine to the county seat, however, is approximately 59 km. There is a 13-km unpaved road from the mine to the provincial 310 Highway in the south, which connects the mine to the Huili county seat in the northeast and the city of Panzhihua 58 km to the west. The linear distance between the two mines is only 10 km, but the road distance is approximately 23 km.

The Company's pellet plant is located approximately 35 km southwest of the Huili county seat. The plant is next to the 108 State Highway and has a designed production capacity of 400,000 tpa of pellets. Iron concentrates produced from the Xiushuihe Mine are mostly used by the Company's pellet plant for pellet production. Road distance from the Xiushuihe Mine to the pellet plant is approximately 36 km. Iron concentrates produced from the Baicao Mine and pellets produced by the pellet plant are sold to direct customers who are steel producers and/or distributors in the southwestern region of China. Iron concentrates transportation is by contracted trucks from the Xiushuihe Mine to the pellet plant, and by contracted trucks then by rail from the Baicao Mine to the direct customers. Pellets produced by the pellet plant are transported by contracted trucks then by rail to the customers.

Electricity supply in the Panzhihua-Huili area is generally in surplus at present. Electricity for the Baicao Mine is currently supplied by both the 35-kilovolts ("kV") Miyi County power grid and the 35-kV Huili County power grid; electricity for the Xiushuihe Mine and the pellet plant is supplied by the 35-kV Huili County power grid. A new 220-kV substation near the Xiushuihe Mine is being constructed and is expected to be completed in August 2009 by the Huili County power grid. Electricity for both mines can be supplied by this new substation late this year. Power supply is generally sufficient for current production as well as planned expansions for the two iron mines and the pellet plant.

Fresh water supply for the Baicao Mine is from Baicaogou, a semi-permanent creek located on the western side of the property. Water supply for the Xiushuihe Mine is from the Ailang River located 1.8 km southeast of the mine. These streams generally can provide sufficient water for the current production and planned expansion. However, during the last one or two months of the dry season in April and early May, they may run out of water causing production problems. To overcome the water shortage at the end of dry seasons, the Baicao Mine has recently constructed a reservoir with a capacity of approximately 1.0 million cubic meters ("Mm^3") near the Baicao Mine. Water from the tailings ponds in both mines is recycled for production. Water supply for the pellet plant comes from a nearby small river.

Given that the Company's two iron mines and the pellet plant are located in the same province of the major earthquake in Wenchuan on May 12, 2008, BDASIA confirms that the mines, plant, infrastructure and access remain undamaged. Huili County is at least 500 km south of the epicenter of the earthquake and remains unaffected.

4.2 Climate and Physiography

The Baicao Mine and the Xiushuihe Mine are located in a mountainous region. Local elevations in the Baicao mining right area range from 2,310 meter ("m") to 2,560 m, with an elevation difference of 250 m. The central portion of the area consists of a northeast-striking hill, with a relatively steeper western slope and a gentler eastern slope. There are two small creeks next to the mining right area, Baicaogou to the west and Daqinggou to the east. The Baicaogou flows from northeast to southwest into the Anning River and is the fresh water source for the Baicao Mine operation.

Local elevations in the Xiushuihe mining right area range from 2,280 m to 2,620 m, with an elevation difference of 340 m. The area is a monoclinic south-facing slope. Surface slope ranges from 8° to 12° in the north and 15° to 30° in the south. The Ailang River is located approximately 1.8 km southeast of the Xiushuihe Mine, and it is the fresh water source for the operation.

The climate in the western Huili county area is semi-arid subtropical with distinguishing dry and wet seasons. Annual precipitation generally ranges from 700 millimeters ("mm") to 1,200 mm, which mostly occurs as rains in the wet season from late May to early October. The average annual temperature is generally around 18°C, with a summer high of 39°C and winter low of -4°C.

The area is a rural agricultural district, and primary crops include corn and rice. Population in the area consists of Li minority and Han Chinese and the local economy is relatively underdeveloped.

4.3 Property Ownership

Under the "Mineral Resource Law of the PRC", all mineral resources in China are owned by the state. A mining or exploration enterprise may obtain a permit for the mining or exploration right for conducting mining or exploration activities in a specific area during a specified period of validity. The permits are generally extendable at the expiration of their period of validity. The renewal application should be submitted to the relevant state or provincial authorities at least 30 days before the expiration of a permit. To renew an exploration permit, all exploration permit fees must be paid and the minimum exploration expenditure should have been made for the area designated under the exploration permit. To renew a mining permit, all mining permit fees and resource compensation fees must be paid to the state for the area designated under the mining permit. A mining permit has both horizontal limits and elevation limits, but an exploration permit has only horizontal limits.

Details of the effective dates and geographic areas of the permits for mining rights relating to the Company's two iron mining properties reviewed in this technical report have been provided to BDASIA by the Company, as listed in Table 4.1. BDASIA has not undertaken a legal due diligence review of these permits as such work is outside the scope of BDASIA's technical review. BDASIA has relied upon the Company's advice as to the validity of these mining and exploration rights. BDASIA understands that the legal due diligence review of these mining and exploration rights has been undertaken by the Company's PRC legal advisers.

Table 4.1
Permits for Mining Right for the Company

Mine	Permit Name	Permit Type	Number	Area (km^2)	Elevation Range (m)	Term
Baicao	Baicao Iron Mine	Mining	C5100002009092120035281	1.8818	2,100 – 2,525	Sep 2009 – Dec 2027
Xiushuihe	Xiushuihe Iron Mine	Mining	5100000820241	0.5208	2,230 – 2,580	May 2008 – Dec 2027
	Xiushuihe Exploration	Exploration	T51520090702031514	1.73	–	Jul 2009 – Jul 2011

As shown in Table 4.1, the Baicao Mine holds a permit for a mining right of 1.8818 km^2 in area; the elevation range for the mining right is from 2,100 m to the current topographic surface. The Xiushuihe Mine has a permit for a mining right of 0.5208 km^2 in area, with an elevation range of 2,230 m to the current topographic surface. Both mining rights are valid until December 2027 and were issued by the Department of Land and Resources of Sichuan Province. All ore reserves reviewed by this report are entirely contained within the limits of the two mining rights.

In addition to the two mining rights, the Company has recently acquired a permit for an exploration right of 1.73 km^2 for area surrounding the Xiushuihe Mine mining right. The exploration permit is valid until July 2011 and is extendable. The Company is planning to conduct detailed exploration for the area west of the current Xiushuihe Mine mining right, and the mineral resources and ore reserves for the Xiushuihe Mine are expected to be increased significantly after the exploration work as well as related mining planning work.

4.4 The Baicao Mine

The Baicao Mine is currently 100%-owned and operated by Huili County Caitong Iron and Titanium Limited Liability Company ("Huili Caitong"). The Company currently holds an indirect 90.5% interest in Huili Caitong, which was acquired in 2006.

Vanadium-bearing titanomagnetite mineralization hosted by layered mafic-ultramafic intrusives at Baicao was discovered by state regional geological reconnaissance in 1958. Systematic exploration for the mineralization was conducted from 1980 to 1986 by the 106 Geological Team of the Sichuan Provincial Geology and Mineral Resource Bureau (the "106 Team"), and mineralization was delineated by surface trenches at a 100 meter ("m") spacing and diamond core drill holes at a spacing of 200 m by 100 m to 200 m. A geological report with mineral resource estimates was approved by Sichuan Provincial Geology and Mineral Resource Bureau in 1990. Further detailed production exploration for the current mining right area was conducted by the 106 Team in 2007 with infill drilling at a spacing of 100 m by 80 m to 100 m at the central portion of the deposit and infill surface trenching at a spacing of 50 m.

Initial construction for the Baicao Mine with a designed production capacity of 300,000 tpa of ore using the open-pit mining and magnetic separation processing methods started in 1999 and production in the mine started in 1998. With the strong demand of iron ores in China in recent years, production from the Baicao Mine has also increased. The mine processed approximately 3.26 Mt of vanadium-bearing titanomagnetite ore and produced approximately 803,000 t of iron concentrates with an average total iron grade of 55.24% and 151,000 t of medium-grade titanium concentrates with an average TiO_2 grade of 30.52% in 2008. The mine has an older operating concentrator with a production capacity of 200,000 tpa of iron concentrates. A new concentrator with a production capacity of 300,000 tpa of iron concentrates was constructed in June 2008. Trial production of the new concentrator initialized in July 2008 and full production capacity was reached in October 2008. Construction for an expansion of the new concentrator to a total production capacity of 500,000 tpa of iron concentrates started in October 2008 and the expansion was completed in early April 2009 with full production capacity reached at the end of May 2009. The Company also has a contract with a subcontractor's concentrator located approximately 12 km from the mine to process the ore produced from the mine to produce approximately 500,000 tpa of iron concentrates. The planned production for the Baicao Mine in 2010 is approximately 4.3 Mt of ore and 1.15 Mt of iron concentrates and 170,000 t of titanium concentrates. In addition, the Baicao Mine plans to purchase 470,000 t of iron ore from the Xiushuihe Mine and produce 135,000 t of iron concentrates using another subcontractor's processing facilities in 2010. The purchased iron ore will increase to 627,000 tpa from 2011 to 2013, producing 180,000 tpa of iron concentrates. The Baicao Mine currently has approximately 295 employees, and there are an additional 200 to 300 people working for the mining contractor on site.

4.5 The Xiushuihe Mine

The Xiushuihe Mine is currently 100%-owned and operated by Xiushuihe Mining Company Limited ("Xiushuihe Mining"). Huili Caitong currently holds a 95% interest in Xiushuihe Mining. Therefore, the Company's indirect interest in Xiushuihe is 86.0% as it holds an indirect 90.5% interest in Huili Caitong.

Vanadium-bearing titanomagnetite mineralization hosted by layered mafic-ultramafic intrusives at Xiushuihe was discovered by state geological reconnaissance following up on an airborne-magnetic anomaly first observed in 1966. Initial exploration for the mineralization was conducted from 1978 to 1981 by the 601 Geological Team and 603 Geological Team of the Sichuan Provincial Metallurgical Geology Exploration Corporation, and mineralization was delineated by surface trenches and diamond core drill holes at a 200 m by 200 m to 400 m spacing. A geological report with mineral resource estimates was approved by Sichuan Provincial Metallurgical Geology Exploration Corporation in 1981. Further detailed production exploration for the current mining right area was conducted by the 106 Team in 2006 and 2007 with an infill surface trench spacing of 100 m and an infill drill hole spacing of 100 m by 100 m to 200 m for the deposit.

Construction for the Xiushuihe Mine with a designed production capacity of 100,000 tpa of ore using the open-pit mining and magnetic separation processing methods started in 1999 and production in the mine started in 1999. With the strong demand for iron ores in China in recent years, production from the Xiushuihe Mine has increased. In 2008, the mine processed approximately 1.39 Mt of vanadium-bearing titanomagnetite ore and 360,000 t of iron concentrates with an average total iron grade of 54.50% and 17,000 t of medium-grade titanium concentrates with an average TiO_2 grade of 38.75%. The mine upgraded its two existing concentrators to a total production capacity of 500,000 tpa of iron concentrates at the end of 2007, and these two concentrators are currently in full production. The Xiushuihe Mine also has plans to construct a new 300,000 tpa concentrator in 2009. The planned production for 2011, when all upgrading is completed, for the mine is 2.6 Mt of ore and 750,000 t of iron concentrates and 150,000 t of titanium concentrates. In addition, the Xiushuihe Mine plans to sell 470,000 t of iron ore to the Baicao Mine for iron concentrate production in 2010, and to sell 627,000 tpa from 2011 to 2013. The Xiushuihe Mine currently has 242 employees and there are an additional 80 to 150 people working for the mining contractor on site.

Construction of mine upgrading and expansion work since 2007 for the Xiushuihe Mine was conducted by Sichuan Nanjiang Mining Group Company Limited ("Nanjiang"). Nanjiang also provides management and technical services to the operation of the upgraded and newly-constructed production systems for the Xiushuihe Mine and receives a management and technical service fee beginning in 2008.

4.6 The Pellet Plant

The pellet plant is currently 100%-owned and operated by Huili Caitong. Therefore, the Company's interest in the pellet plant is 90.5% as it owns 90.5% of Huili Caitong.

Construction of the pellet plant was completed in September 2005 on the original site of a bankrupt nickel smelter. The designed production capacity for the plant is 400,000 tpa of pellets. Actual production was increased gradually from 181,000 t in 2006 to 249,000 t in 2007 and 313,000 t in 2008. The planned long-term production rate is 358,000 tpa of pellets. The average total iron grade for the pellets produced is approximately 53.0%. The pellet plant currently has 312 employees.

5.0 GEOLOGY AND DATABASE

The Panzhihua-Xichang area is famous for vanadium-bearing titanomagnetite mineral resources hosted by layered mafic or mafic-ultramafic intrusive rocks in China. This type of mineral resources is the primary ore for the state-run Panzhihua Steel Group ("Pan Steel") in Panzhihua, the largest modern steel manufacturer in southwestern China. There are numerous other mining operations mining the vanadium-bearing titanomagnetite ore and producing iron concentrates and titanium concentrates in the area.

5.1 Geology

5.1.1 Geology of the Baicao Iron Deposit

Vanadium-bearing titanomagnetite mineralization at the Baicao deposit area is hosted by Early Hercynian (early Late Paleozoic) layered mafic-ultramafic intrusive rocks.

Stratigraphy outcropping in the area includes Pre-Cambrian-age Huili Group metamorphic rocks and Quaternary-age alluviums and colluviums. The Huili Group was intruded by Early Hercynian layered mafic-ultramafic intrusive rocks, which in turn was intruded by Permian Emeishan basalts. There are also some Late Permian and Mesozoic mafic and felsic dikes filling structures in the older rocks. Because of the late volcanic and igneous activities as well as structural movements in the area, the layered mafic-ultramafic intrusives only occur as isolated remnants within the basalts. The outcropping layered mafic-ultramafic body in the Baicao deposit area overall is approximately 3.1 km long in the north-northeast to north-south direction and 90 m to 780 m wide in the east-west direction with a total area of approximately 1.18 km^2. The intrusive body has a northwestern dip in the northern portion of the deposit area and a western dip to the south. The dip angle generally ranges from 35° to 45°.

The intrusive body was offset by some north-south faults and east-west faults in the deposit area. The north-south faults generally dip to the east with a dip angle of 40° to 65°; they are reverse faults generally with significant movement. The east-west faults dip to the south with a dip angle of 25° to 50°; they are lateral-reverse faults with less movement than the north-south faults. Both sets of faults have commonly been filled with late mafic or felsic dikes and they have intersected the mafic-ultramafic intrusive body.

The Early Hercynian mafic-ultramafic intrusives were well-differentiated with well-developed layered structure. From top to bottom, the intrusive rock type varies gradually from mafic to ultramafic; the mineral grain size varies from fine to coarse; the total iron content varies from low to high; and the concentration of other useful elements, such as titanium and vanadium, also increases gradually. The intrusive is divided into two facieses in general, an upper gabbro facies and a lower pyroxenite facies. The gabbro facies consists of mostly gabbro, but the pyroxenite facies consists of, in a descending order, feldspar-bearing pyroxenite, pyroxenite, olivine pyroxenite and peridotite. The rock-forming minerals for the gabbro facies include mafic feldspar (primary mineral), titanium-bearing augite (secondary mineral), titanium-bearing hornblende (minor mineral), apatite (trace) and olivine (trace), whereas the rock-forming minerals for the pyroxenite facies include titanium-bearing augite (primary mineral), titanium-bearing hornblende (secondary mineral) mafic feldspar (minor), and olivine (trace).

The vanadium-bearing titanomagnetite mineralization is hosted by the layered intrusive. The lower pyroxenite facies is referred to as the No.I mineralized layer, and the upper gabbro facies is referred to as the No.II mineralized layer. Metallic minerals disseminated in the layered intrusive rocks include vanadium-bearing titanomagnetite, ilmenite, spinel, magnetite and minor amounts of sulfide minerals, such as pyrrhotite, pyrite, chalcopyrite, pentlandite, siegenite, linnaeite, and cobaltite. These metallic minerals are disseminated throughout the intrusive rock. The dissemination is less dense in the No.II mineralized layer and denser in the No.I mineralized layer.

Based on the total iron ("TFe") content, the mineralization has been separated into higher-grade (TFe ≥ 20%) and lower-grade (TFe = 15% to 20%) zones. The higher-grade and, the lower-grade zones as well as the waste are gradational with no clear contact within the host rock.

The No.I mineralized layer is approximately 1,500 m long along strike, and 30 m to 90 m wide on the surface; it extends for 230 m to 660 m along the dip direction. The upper and middle portions of the No.I mineralized layer contain the highest grade mineralization. The mineralized bodies are generally stratiform and conform to the bandings in the intrusive rocks. Thickness of individual higher-grade zones generally ranges from 4 m to 18 m, with a minimum of 2 m and a maximum of 50 m; thickness of individual lower-grade zones generally ranges from 3 m to 8 m, with a maximum of 17 m; thickness of the waste zones (TFe < 15%) ranges from 2 m to 28 m. The accumulation thickness of all the higher-grade zones ranges from 2 m to 50 m with an average of 23.6 m; its average metal grades are 28.8% for TFe and 12.0% for TiO_2. The total thickness of the entire lower-grade zone ranges from 4 m to 28 m with an average of 11 m; its average metal grades are 16.5% for TFe and 6.7% for TiO_2. Within the No.I mineralized layer, approximately 54% of the volume is in the higher-grade zone, 18% is in the lower-grade zone, 20% is waste and 8% is post mineral dikes.

The No.II mineralized layer is approximately 1,940 m long along strike, and 65 m to 200 m wide on the surface; it extends for 50 m to 660 m along the dip direction. Mineralization in the No.II mineralized layer is lower-grade in nature. The mineralized bodies are generally lenticular or stratiform; they mostly occur in the middle and lower portions of the layer. The higher-grade, lower-grade and waste zones occur as interbeds. There are generally two to four higher-grade zones with a zone thickness of 2 m to 32 m and a total thickness of 3 m to 36 m, averaging 18.2 m. There are generally two to five lower-grade zones with a zone thickness of 2 m to 35 m and a total thickness of 4 m to 60 m.

Grades for selected components of selective samples from the lower-grade and higher-grade zones within the No.I and No.II mineralized layers are presented in Table 5.1.

Table 5.1
Grades for Selective Components of Mineralized Zones in Baicao Deposit

Sample Number	Sample Type	TFe (%)	Fe_2O_3 (%)	FeO (%)	TiO_2 (%)	V_2O_5 (%)	Cr_2O_5 (%)	Ga (%)	MnO (%)	Co (%)	Ni (%)	Cu (%)
The No.II Mineralized Layer												
Bai-E1	higher-grade	22.27	12.88	17.06	9.40	0.22	0.008	0.0024	0.284	0.009	0.001	0.050
Bai-E2	lower-grade	18.02	10.31	13.97	7.87	0.13	0.006	0.0026	0.220	0.011	0.001	0.004
The No.I Mineralized Layer												
Bai-E3	higher-grade	47.20	28.89	26.39	15.19	0.42	0.188	0.0026	0.297	0.023	0.084	0.056
Bai-E4	lower-grade	17.95	9.39	14.64	5.17	0.12	0.475	0.0006	0.252	0.014	0.090	0.052

Total iron in the mineralization at Baicao consists of magnetic iron ("mFe", generally including iron in magnetite, titanomagnetite, and maghematite), silicate iron ("siFe") and other iron (mostly in ilmenite). Based on mineral phase analysis of 32 higher-grade samples and 11 lower-grade samples collected during production exploration, the proportion of mFe within TFe ranges from 45.6% to 95.0% with an average of 64.2% for the higher-grade mineralization; the proportion of siFe ranges from 3.2% to 13.3% with an average of 8.4%; and the proportion of other iron ranges from 1.8% to 41.9% with an average of 27.4%. For the lower-grade mineralization, the proportion of mFe within TFe ranges from 34.3% to 59.6% with an average of 41.4%; the proportion of siFe ranges from 10.5% to 23.0% with an average of 14.6%; and the proportion of other iron ranges from 28.6% to 53.6% with an average of 44.0%. Titanium is present in the deposit mostly as ilmenite and titanomagnetite, and vanadium occurs mostly in titanomagnetite.

The near surface portion of the mineralized zone is generally oxidized for the Baicao deposit. The strongly-oxidized zone generally extends to a depth of around 30 m and the weakly-oxidized zone extends from below the strongly-oxidized zone to a depth of 80 m to 100 m. The oxidized zones are generally deeper along structures. In the strongly-oxidized zone, silicate minerals have generally been weathered and altered to clays, whereas iron-titanium oxide minerals (such as titanomagnetite) have been oxidized to titano-maghematite, hematite and limonite. Only a portion of the minerals have been oxidized or partially oxidized in the weakly-oxidized zone. The iron-titanium oxide minerals are generally more stable than the silicate minerals in the oxidation process, and they could have been relatively enriched when silicate minerals are weathered and sometimes leached out. The oxidation could reduce the magnetism of iron-titanium oxide minerals, resulting in a lower iron processing recovery. Concentrating practice at the mine, however, indicates that ore from the strongly-oxidized zone can still be processed by magnetic separation methods with only a slightly reduced concentrating recovery, indicating that most of the iron oxides in the strongly-oxidized zone are titano-maghematite. Oxidation also reduces the hardness of the ore, resulting in a reduced crushing and grinding costs. After a number of years of production, a significant portion of the strongly-oxidized zone has been mined, and current and future production will be mostly in the weakly-oxidized and primary zones.

Figure 5.1 is a geological plan map of the Baicao iron deposit showing the spatial distribution of the vanadium-bearing titanomagnetite mineralization, and Figure 5.2 is a cross section for Exploration Section Line P57 of the deposit showing the sectional view of the mineralized zones of the deposit.

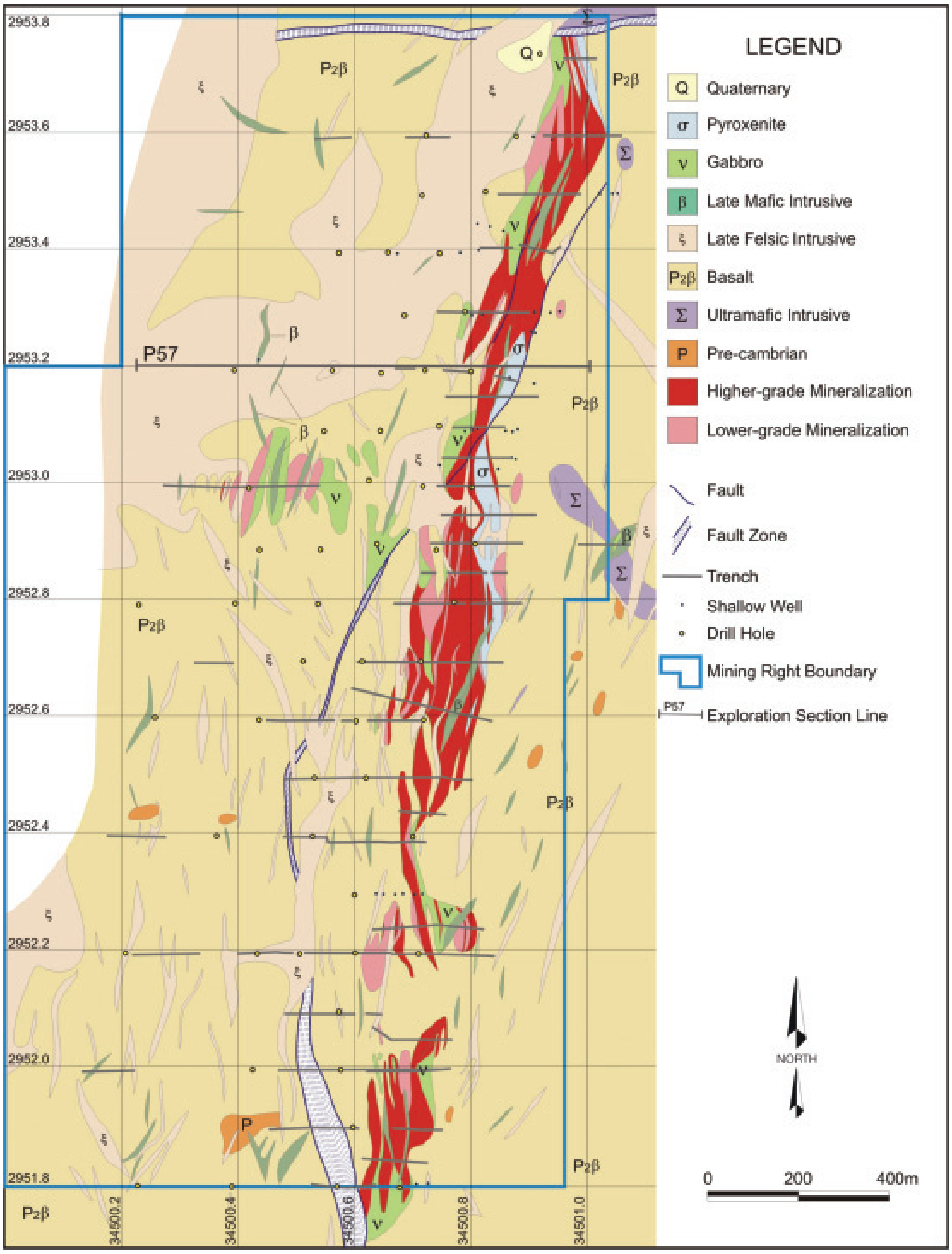

Figure 5.1 Geology Plan Map of the Baicao Iron Deposit

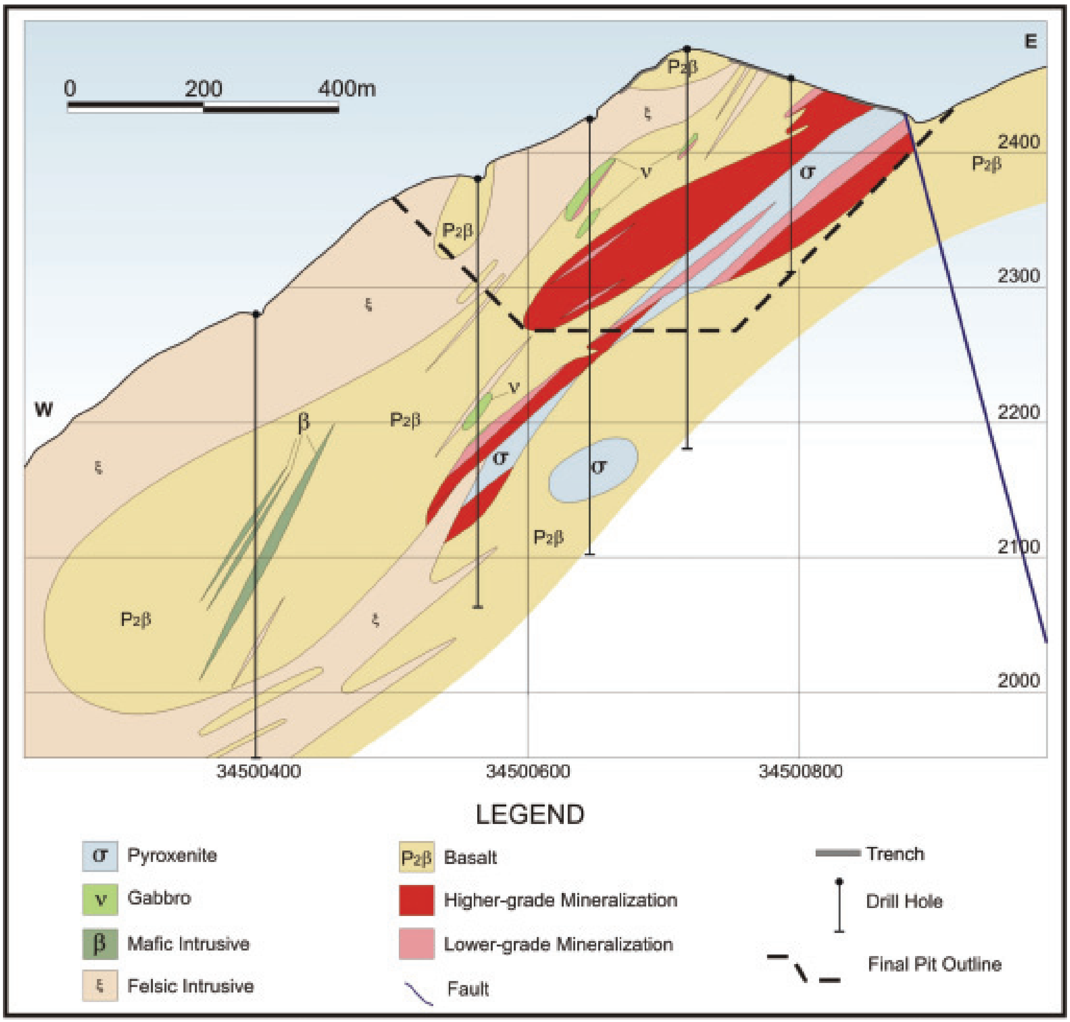

Figure 5.2 A Typical Cross Section of the Baicao Iron Deposit
(Location of the section is shown in Figure 5.1.)

5.1.2 Geology of the Xiushuihe Iron Deposit

Vanadium-bearing titanomagnetite mineralization at the Xiushuihe deposit area is also hosted by Early Hercynian layered mafic-ultramafic intrusive rocks.

Rocks outcropping in the Xiushuihe deposit area are all intrusives, including Early Hercynian layered mafic-ultramafic intrusive rocks, Late Hercynian (late Late Paleozoic) fine-grained gabbros and Indo-Chinese (Early Mesozoic) granites.

The layered mafic-ultramafic intrusive occurs as an irregular basin-shaped body; it is approximately 1.4 km long in the east-west direction and 250 m to 1,000 m wide in the north-south direction with an outcropping area of approximately 1 km^2. The intrusive body strikes east-west; its northern portion dips to the south at a dip angle of 10° to 45°, and its southern portion dips to the north at a dip angle of 20° to 55°. The intrusive body exposes at the surface generally with no cover by any other rocks. The Company's mining right covers only the east portion of the intrusive body. The footwall of the layered mafic-ultramafic intrusive body is occupied by a Late Hercynian fine-grained gabbro intrusive body, and this gabbro body also locally intruded into the layered mafic-ultramafic intrusives probably along structural zones. The Hercynian mafic-ultramafic intrusives were followed by the Indo-Chinese Ailanghe granite intrusion. This granite forms a batholith surrounding the Hercynian mafic-ultramafic intrusives and is also locally intruded into the earlier intrusives.

The Early Hercynian mafic-ultramafic intrusives are well-differentiated with well-developed layered structures. From top to bottom, the intrusive rock type varies gradually from a hornblende gabbro facies (mafic), a hornblende pyroxenite facies (ultramafic), to a peridotite facies (ultramafic).

The upper hornblende gabbro facies has been mostly eroded away by weathering, and its remaining portion is located in the north of the intrusive body with an outcropping length of 244 m along the east-west direction, a maximum width of 108 m and a maximum vertical thickness of 15 m. This facies contains 20% to 35% of titanomagnetite and ilmenite with a TFe grade of 15% to 30%.

The hornblende pyroxenite facies below the hornblende gabbro facies is located in the north and central portions of the intrusive body. Its outcrop is 1,190 m long along the east-west direction and 350 m to 795 m wide with a maximum vertical thickness of 95 m. The titanomagnetite/ilmenite contents range from 25% to 50% with a TFe grade of 20% to 44%.

The peridotite facies occurring at the bottom of the intrusive is located in the south of the intrusive body. Its outcropping length is 1,170 m in the east-west direction and its outcropping width ranges from 0 to 200 m with a maximum vertical thickness of 170 m. It contains 20% to 40% titanomagnetite and ilmenite with a TFe content of 11% to 30%.

Based on the grade range definitions for the higher-grade (TFe > 20%) and lower-grade (TFe = 15% to 20%) mineralization, most of the Xiushuihe intrusive is mineralized.

The upper gabbro facies is also referred to as the No.I mineralized body; it contains mostly higher grade mineralization (77.4% of the surface area) with some interbedded lower-grade material (18.4% of the surface area) and waste. The mineralized body is 230 m long along the east-west strike direction and 60 m to 110 m wide within the Company's Xiushuihe mining right; its elevation range is from 2,520 m to 2,570 m. The No.I mineralized body is the target for initial mining at Xiushuihe.

The central hornblende pyroxenite facies is referred to as the No.II mineralized body; it consists of interbedded higher-grade mineralization (58.5% of the surface area), low-grade material (23.3% of the surface area) and waste. This mineralized body is 200 m to 410 m long along the east-west strike direction and 200 m to 626 m wide inside the Xiushuihe mining right; its elevation range is from 2,300 m to 2,570 m.

The lower peridotite facies is referred to as the No.III mineralized body. Its TFe grade is lower than the two mineralized bodies above, and only the upper portion of the mineralized body contains significant interbedded higher-grade (23.6% of the surface area) and lower-grade (44.5% of the surface area) mineralization. The mineralized body is 225 m to 540 m long along the east-west strike direction and 40 m to 118 m wide within the mining right; its elevation range is from 2,220 m to 2,480 m.

Metallic minerals in the deposits are mostly vanadium-bearing titanomagnetite and ilmenite, with small amounts of pyrrhotite, pyrite, chalcopyrite, pentlandite, and spinel. These minerals are disseminated in the host rock with variable density. TFe grade of the mineralized material in the deposit ranges from 15% to 44% with an average of 26%; TiO_2 grade ranges from 4.1% to 18.4% with an average of 10.3%; V_2O_5 grade averages 0.22%. Table 5.2 lists analytic results of some selective composite samples in the deposit.

Table 5.2
Grades for Selective Components of Mineralized Zones in Xiushuihe Deposit

Sample Type	No of Analyses	TFe (%)	TiO_2 (%)	Cu (%)	Co (%)	Ni (%)	Cr_2O_5 (%)	S (%)	P_2O_5 (%)
lower-grade	3	17.40	5.60	0.026	0.009	0.056	0.27	0.16	0.21
higher-grade	4	26.87	10.33	0.032	0.011	0.061	0.09	0.13	0.18

As at the Baicao iron deposit, total iron in the mineralization at Xiushuihe consists of magnetic iron, silicate iron and other iron (mostly in ilmenite). Based on mineral phase analysis of 18 higher-grade samples and six lower-grade samples collected during production exploration, the proportion of mFe iron within TFe ranges from 49.3% to 77.4% with an average of 62.1% for the higher-grade mineralization; the proportion of siFe ranges from 5.4% to 9.9% with an average of 7.2%; the proportion of other iron ranges from 17.2% to 43.8% with an average of 30.6%. For the lower-grade mineralization, the proportion of mFe iron within TFe ranges from 17.7% to 56.0% with an average of 44.1%; the proportion of siFe ranges from 6.9% to 14.7% with an average of 10.4%; the proportion of other iron ranges from 33.6% to 71.0% with an average of 45.9%. Titanium is present in the deposit mostly as ilmenite and titanomagnetite, and vanadium occurs mostly in titanomagnetite.

Similar to the Baicao deposit, the near surface portion of the mineralized zone at Xiushuihe is also oxidized. The depths of the strongly-oxidized and weakly-oxidized zones as well as the mineralogy in the oxidized zones are also similar in the two deposits. Historical mining has removed a significant portion of the strongly-oxidized zone and current and future production will be mostly in the weakly-oxidized or primary zones for the Xiushuihe deposit.

Figure 5.3 is a geological plan map of the Xiushuihe iron deposit showing the spatial distribution of the vanadium-bearing titanomagnetite mineralization, and Figure 5.4 is a cross section for Exploration Section Line P4 of the deposit showing the section view of the mineralized zones of the deposit.

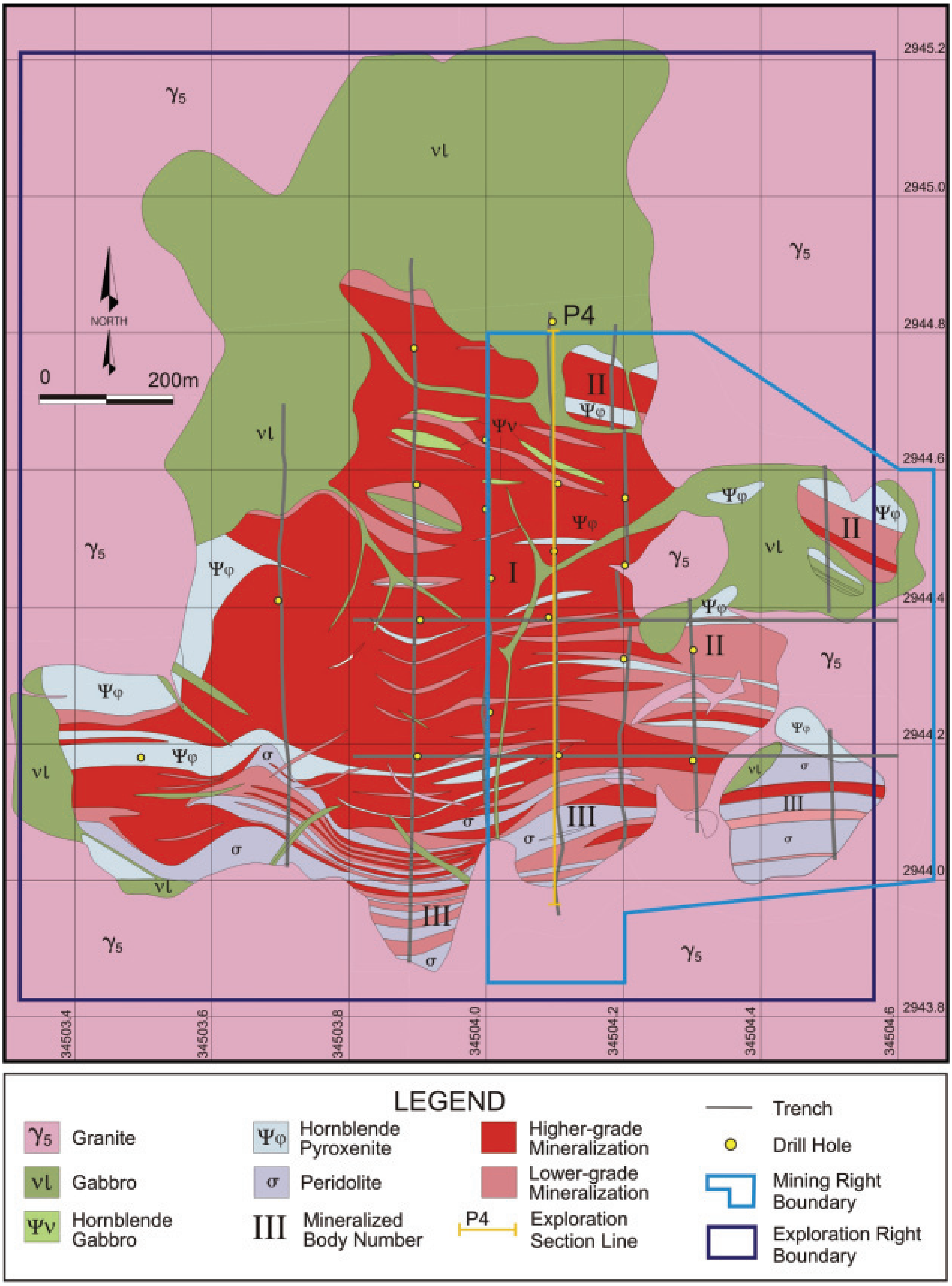

Figure 5.3 Geology Plan Map of the Xiushuihe Iron Deposit

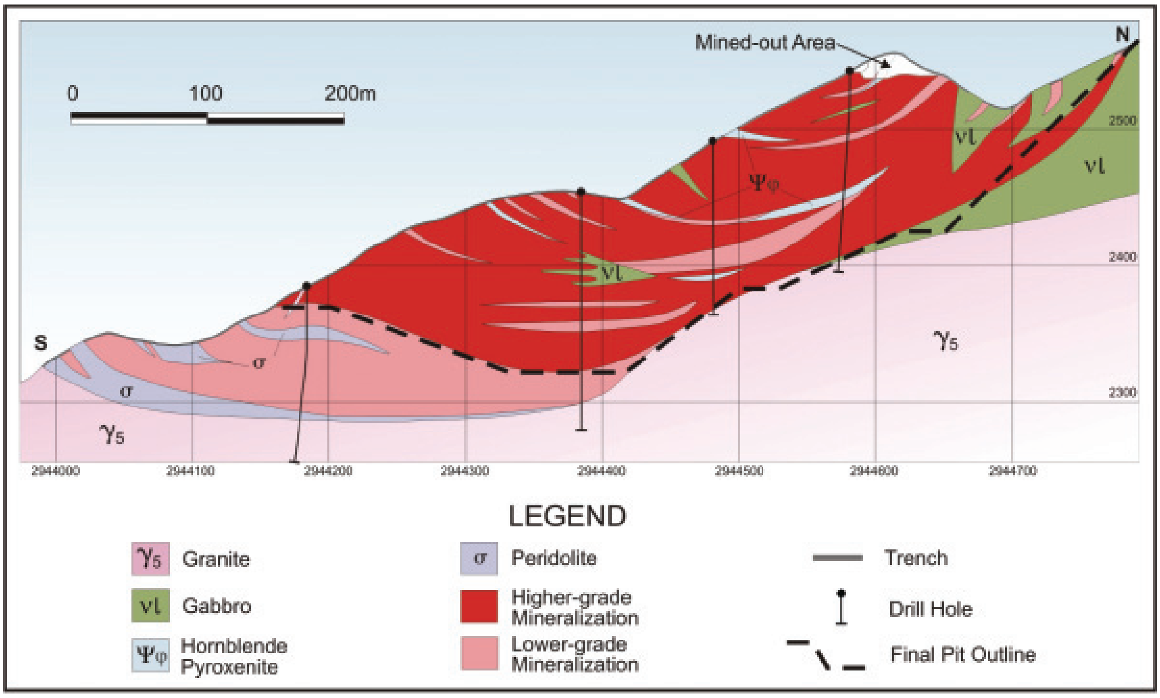

Figure 5.4 A Typical Cross Section of the Xiushuihe Iron Deposit
(Location of the section is shown in Figure 5.3.)

5.2 Geological Database

5.2.1 Database Used for Mineral Resource Estimates

Databases used for mineral resource estimation are generated by licensed exploration entities and/or by the mining companies themselves in China. Guidelines specifying the appropriate sampling, sample preparation and assaying techniques and procedures for different types of mineral deposits are issued by the relevant government authorities. The databases used for mineral resource estimation are generally produced following these set guidelines.

The principal sample types included in the assay database for the mining properties reviewed in this report comprise cores of drilling from the surface and surface trench channel sampling.

Table 5.3 summarizes the database used for the mineral resource estimation for the Company's two iron deposits reviewed in this report.

Table 5.3
Mineral Resource Database Statistics for the Company's Two Mining Properties

Sample Type	Baicao Mine	Xiushuihe Mine
Core Drilling		
Holes	59	14
Meters	13,632	1,807
Surface Trenching		
Cubic Meters	2,284	2,107
Assays		
Core Samples	1,745	331
Channel Samples	452	561
Density Measurements		
Core/Rock	250	107

5.2.2 Drilling, Logging and Survey

For the Company's two mining properties reviewed in this report, surface diamond core drilling is the principal exploration and sampling method. The Baicao iron deposit was drilled out on 100-m spaced east-west exploration lines; there are a total of 20 exploration lines for the deposit and drill hole spacing on each exploration line mostly ranges from 80 m to 150 m. The Xiushuihe iron deposit was drilled out on 100-m spaced north-south exploration lines; there are five exploration lines for the deposit inside the Xiushuihe mining right boundary and drill hole spacing on each exploration line ranges typically from 100 m to 200 m.

Drilling was conducted using Chinese-made drill rigs. Drill hole size was generally 108 mm at the top, reducing to 89 mm then 75 mm until the bottom of the hole. Core recovery was generally good, averaging around 90% for the mineralized intervals.

Drill hole collar locations were surveyed and down-hole deviation was generally measured using down hole survey techniques. Drill cores were logged in detail by a project geologist before sampling.

5.2.3 Sampling, Sample Preparation and Assaying

Generally, drill core was split by a diamond core saw along the central line of the core; half of the core was sent for assay, and the other half was retained for record and for metallurgical tests. Typically the core was sampled in 4-m lengths, although variation in intervals may occur to coincide with geological contacts. Generally, the entire layered mafic/ultramafic interval was sampled and assayed.

In addition to drilling, surface trenches have also been excavated on each exploration line to sample the layered mafic/ultramafic intrusives. For the Baicao deposit, there was an additional surface trench between two exploration lines, resulting in a surface trench spacing of 50 m. Trench channel samples were generally taken at the trench bottom and were cut 7 centimeters ("cm") wide and 3 cm deep. The sample length for surface trenches was generally 4 m to 5 m, but variable lengths may be used based on geological characteristics. Surface trench and sample locations were surveyed.

Sample preparation and analysis were mostly conducted by the assay laboratory of Xichang Geology and Mineral Analytic Center located in Xichang City of Sichuan Province.

Analytic methods adopted included wet chemical analyses, colorimetric analyses and atomic absorption spectrometry. TFe, TiO_2, and V_2O_5 grades were determined for each sample. In addition, Cu, Co, Ni, S, Cr_2O_5 or P_2O_5 grades were also determined for some composite samples to understand the distribution of these components in the two deposits. These analytical methods are widely used in the mining industry in China and generally produce reliable results if conducted correctly.

5.2.4 Quality Control and Quality Assurance

Assay quality control and quality assurance programs include internal check assays, external check assays, and analysis of assay standards. For samples analyzed in the two deposits, approximately 40% were subject to an internal check assay, and approximately 5% were sent for external check assays. The internal check assays were conducted by a different operator at the same laboratory and the external check assays were conducted by Chengdu Rock and Mineral Analytic Center, an unpaired assay laboratory, located in Chengdu City of Sichuan province. To determine the assay quality, check assay results were compared with the original assay results, and the variance was compared to permitted random error limits specified by government regulation for various grade ranges. It was reported that the internal and external checks assay results for the Company's two mining properties were all within the permitted range.

From analysis of sampling, sample preparation and analysis procedures and check assay results as well as the Company's production data, BDASIA concludes that the analytical methods used for the Company's two mining properties produce acceptable results with no material bias.

5.2.5 Bulk Density Measurements

Bulk density data was collected using core/rock samples. The bulk density of core or rock samples was generally measured using a wax-coated water immersion method. The number of bulk density measurements is 250 for the Baicao Mine and 107 for the Xiushuihe Mine.

The bulk density determined based on these measurements generally ranges from 3.2 to 4.0 tonnes per cubic meter ("t/m^3") for the Baicao iron deposit. As bulk density and the TFe grade have a strongly positive correlation in the Baicao deposit, regression formulas (Table 5.4) between the TFe grade and bulk density were developed for the higher-grade mineral resource and lower-grade resource, respectively, and bulk density used for mineral resource estimates were calculated from the average TFe grade using the formulas for each resource block.

Table 5.4
Regression Formulas for Bulk Density Calculation in Baicao Mine

Resource Type	Regress Formula
higher-grade	Bulk Density = 2.57731 + 0.03996 × TFe
lower-grade	Bulk Density = 2.73512 + 0.0335 × TFe

The bulk density determined for the Xiushuihe Mine averages 3.61 t/m^3 for the higher-grade resources and 3.26 t/m^3 for the lower-grade resources. These average bulk density values were used in mineral resource estimation for the deposit.

BDASIA considers that the ranges of bulk densities adopted are reasonable and appropriate, based on the mineral composition of the ore deposits.

6.0 MINERAL RESOURCES AND ORE RESERVES

6.1 Mineral Resource/Ore Reserve Classification System

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in September 1999 and revised in December 2004 ("the JORC Code") is a mineral resource/ore reserve classification system that has been widely used and is internationally recognized. It has also been used previously in independent technical reports for mineral resource and ore reserve statements for other Chinese companies reporting to SEHK. The JORC Code is used by BDASIA to report the mineral resources and ore reserves of the Company's two iron mining properties in this report.

A Mineral Resource is defined in the JORC Code as an identified in-situ mineral occurrence from which valuable or useful minerals may be recovered. Mineral Resources are classified as Measured, Indicated or Inferred according to the degree of confidence in the estimate:

- a Measured Resource is one which has been intersected and tested by drill holes or other sampling procedures at locations which are close enough to confirm continuity and where geoscientific data are reliably known;
- an Indicated Resource is one which has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity, but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability; and
- an Inferred Resource is one where geoscientific evidence from drill holes or other sampling procedures is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.

An Ore Reserve is defined in the JORC Code as that part of a Measured or Indicated Resource which could be mined and from which valuable or useful minerals could be recovered economically under conditions reasonably assumed at the time of reporting. Ore reserve figures incorporate mining dilution and allow for mining losses and are based on an appropriate level of mine planning, mine design and scheduling. Proved and Probable Ore Reserves are based on Measured and Indicated Mineral Resources, respectively. Under the JORC Code, Inferred Mineral Resources are deemed to be too poorly delineated to be transferred into an ore reserve category, and therefore no equivalent Possible Ore Reserve category is recognized or used.

The general relationships between exploration results, mineral resources and ore reserves under the JORC Code are summarized in Figure 6.1.

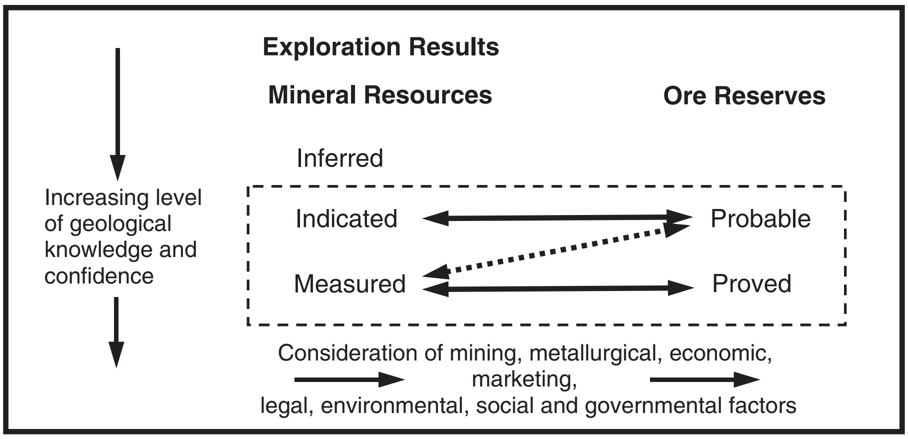

Figure 6.1 Schematic Mineral Resources and Their Conversion to Ore Reserves

Generally, ore reserves are quoted as comprising part of the total mineral resource rather than the mineral resources being additional to the ore reserves quoted. The JORC Code allows for either procedure, provided the system adopted is clearly specified. In this BDASIA report, all of the ore reserves are included within the mineral resource statements.

6.2 General Procedure and Parameters for the Company's Mineral Resource Estimation

The methods used to estimate mineral resources and the parameters used to categorize the mineral resources for a particular type of mineral deposit are generally prescribed by the relevant PRC government authorities. The mineral resource estimates are based on strictly defined parameters, which include minimum grades and minimum thicknesses. The mineral resources for a deposit are generally estimated by an independent engineering entity with a government-issued license.

In order to provide a consistent mineral resource base for the IPO, the Company retained the Northwestern Sichuan Geological Team (the "Northwestern Sichuan Team") of Sichuan Provincial Geology and Mineral Exploration and Development Bureau, an independent, licensed, government-owned exploration entity in China, to conduct independent mineral resource estimation in 2008 for the Company's two mining properties. The Northwestern Sichuan Team's address is 88 West Section of Jianmen Road, Peicheng District, Mianyang City of Sichuan Province, China. The mineral resource estimates generated by the Northwestern Sichuan Team for the Company's two mining properties were dated December 31, 2007.

The drill hole or channel sampling density required to define a certain class of mineral resource depends on the type of deposit. Based on the orebody size and complexity, a deposit is classified into certain exploration types before mineral resource estimation. The primary mineralization at the Company's two mining properties generally comprises large stratiform and lenticular mineralized bodies of hundreds to thousands of meters in dimension, with good continuity in both grade and thickness; however, these deposits have locally been offset by post-mineral structures and post-mineral dikes and volcanic rocks, resulting in a more complicated resource distribution. Therefore, these deposits were categorized as exploration types II to III.

For the purpose of mineral resource estimation, all drilling and sampling data, along with other relevant geological information, were digitized into the MAPGIS system by the Northwestern Sichuan Team. MAPGIS is a computer software system widely used in China for preparation of plans and sections for mineral resource estimation. Sections and plans used for the December 2007 mineral resource estimation were produced by MAPGIS.

The parallel section method, a polygonal method based on projected cross sections, was used for the mineral resource estimation of the Company's two operating iron mines by the Northwestern Sichuan Team. Based on information provided by the Northwestern Sichuan Team and discussions with the Northwestern Sichuan Team' technical personnel, the general procedures and parameters used in the mineral resource estimation are described as follows.

6.2.1 Determination of "Deposit Industrial Parameters"

The economic parameters for mineral resource estimation are referred to as "deposit industrial parameters" ("DIP") in Chinese literature or technical reports and are normally approved by government authorities for each deposit or based on the government's industry specification. These parameters generally include the cutoff grades (separated into boundary cutoff grade and block cutoff grade), minimum mining width, and minimum waste exclusion width. The DIP used for the mineral resource estimates of the Company's two mining properties reviewed in this report are exactly the same and are summarized in Table 6.1. The portion of the mineral resources with TFe grade at least 20% is considered as higher-grade mineral resource and the portion of the resources with TFe grade from 15% to 20% is considered as lower-grade mineral resources.

Table 6.1
Deposit Industrial Parameters for Mineral Resource Estimation

Resource Type	Metal	Boundary Cutoff Grade		Minimum Width	Minimum Waste Exclusion Width
		Low	High		
higher-grade	TFe	20%	—	2 m	2 m
lower-grade	TFe	15%	20%	2 m	2 m

BDASIA has reviewed the parameters under prevailing economic conditions and determined that only the higher-grade portion of the mineral resources shall be considered economic at this time. Therefore, only the higher-grade mineral resources are used to define ore reserves for the Company's two operating mines and the lower-grade mineral resources are treated as waste in mine planning and mining operations in this report.

6.2.2 Determination of Block Boundaries and Confidence Level

In the parallel section mineral resource estimation, the mineralized body on a cross section is separated into a number of blocks, with each block assigned a mineral resource confidence level based on the type, density and quality of available geological data. For the Baicao and Xiushuihe deposits, a Measured block is defined by surface drilling and surface trench channel sampling, with a data spacing of at least 100 m × 100 m. An Indicated block is defined by a drill hole/channel spacing of at least 100 m × 200 m. No extrapolation is allowed from a data point for the Measured and Indicated blocks. An Inferred block is generally defined by a wider drill holes spacing or extrapolated 50 m from the Measured/Indicated blocks. Figure 6.2 shows the resource classification for the No. I mineralized layer in the Baicao iron deposit.

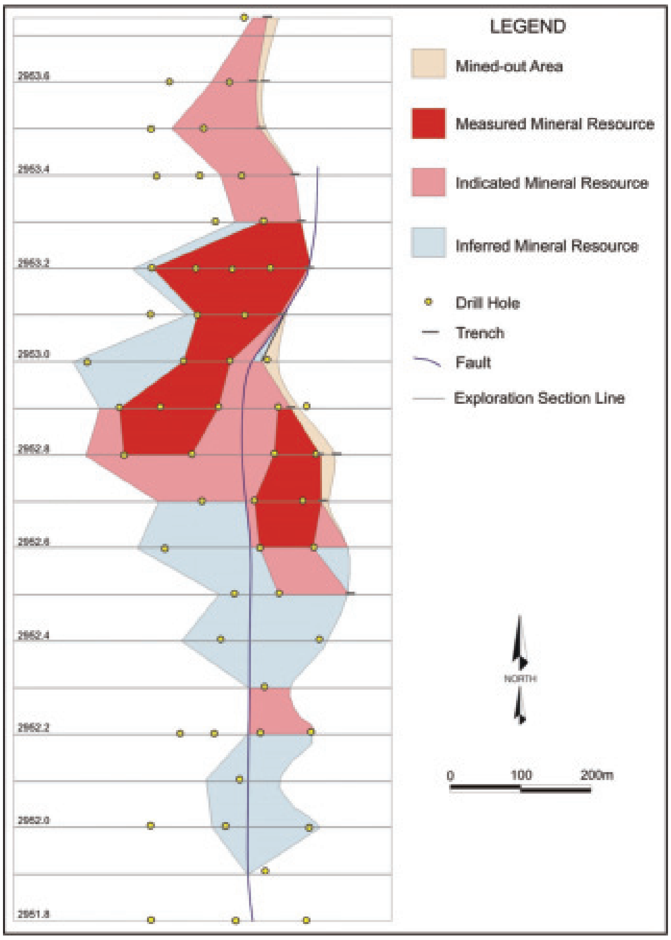

Figure 6.2 Block Mineral Resource Classification for the No.I Mineralized Layer at Baicao

6.2.3 Mineral Resource Estimation

In the mineral resource estimation process, the corresponding two-dimensional blocks on two neighboring parallel cross sections were used to define a three-dimensional block. The area of the three-dimensional block (S) is calculated from the areas of the two-dimensional blocks on cross sections (S_1 and S_2). When the area difference for the two blocks on cross sections is less than 40%, the following trapezoid formula is used for the three-dimensional block area calculation:

$$S = \frac{S_1 + S_2}{2}$$

When the area difference for the two blocks on cross sections is more than 40%, the following frustum formula is used for the three-dimensional block area calculation:

$$S = \frac{S_1 + S_2 + \sqrt{S_1 \times S_2}}{3}$$

When a block on a cross section pinches out, the three-dimensional block area is half the two-dimensional block area if the block pinches out to a line or one third of the two-dimensional block area if the block pinches out to a point.

The volume of the three-dimensional block is determined by multiplying the area (S) with the sectional distance (L). The block mineral resource tonnage is determined by multiplying the volume by the average bulk density of the type of the mineral resources in block, which is based on the bulk density measurements or calculated from TFe grade using the defined regression formulas. The orebody and deposit tonnages are based on the sum of the block tonnages.

Average drill hole or channel sample metal grades are calculated using the length-weighted average of all the drill hole or channel samples within the block boundary. The block average grade is calculated using the length-weighted average of all drill hole or channel intersections inside the block. The mineralized body grade is calculated using the tonnage-weighted average of all blocks inside the mineralized body. The deposit grade is calculated using the tonnage weighted average of all the mineralized bodies in the deposit.

6.2.4 Discussion

Based on our review, BDASIA considers the mineral resource estimation procedures and parameters applied by the Northwestern Sichuan Team to the Company's two iron mining properties to be generally reasonable and appropriate. The deposits are large mafic-ultramafic intrusive hosted stratiform or lenticular iron deposits generally with good spatial and grade continuity. The Measured blocks for the two deposits were defined by drill holes and surface trench channel samples at a data spacing of no more than 100 m × 100 m and have a high level of geological control. The Indicated category blocks were also reasonably defined based on drill holes and surface trench channel samples at a data spacing of no more than 100 m × 200 m. There was no extrapolation from data points for the Measured and Indicated category mineral resource blocks. The Inferred category blocks were defined by wider-spaced sampling or by limited extrapolation from Measured and Indicated resource blocks.

Historically, neither the Baicao Mine nor the Xiushuihe Mine has kept records of the detailed amounts of mineral resources consumed by mine production. Therefore, detailed production reconciliation for the mined areas cannot be conducted to validate the resource estimation. However, data has been maintained for historical concentrator feed grades and they are generally in line with the overall resource estimation after considering the mining dilution and mining losses. At BDASIA's recommendation, the Company has planned to implement a system for determining and recording consumed mineral resources at the mined areas from the two iron mines to allow future production reconciliation. Periodic comparison of the actual mine production and the consumed mineral resources can increase the confidence level of the resource estimation and also provide support for mining dilution and mining loss factors to be used in ore reserve estimation and mine planning.

Based on reviewing the deposit geology, drilling and sampling data, and procedures and parameters used for the estimation of mineral resources, BDASIA is of the opinion that the Measured, Indicated and Inferred mineral resources estimated under the 1999 Chinese mineral resource system for the Company's two mining properties by the Northwestern Sichuan Team also conform to the equivalent JORC mineral resource categories. The economic portion of the Measured and Indicated resources can accordingly be used to estimate Proved and Probable ore reserves, respectively.

6.3 Mineral Resource Statement

The mineral resource estimates under the JORC Code as of June 30, 2009 for the Company's two iron mining properties, as reviewed by BDASIA, are summarized in Table 6.2. The mineral resources estimated by the Northwestern Sichuan Team for the two mining properties were dated December 31, 2007. Mineral Resources consumed by production from January 1 to June 30, 2009 from the two mining properties have been subtracted from the mineral resource statement in the table. The mineral resource estimates are inclusive of mineralization comprising the ore reserves.

Table 6.2
The Company's Mineral Resource Summary — June 30, 2009

(The Company's attributable share of the following mineral resource is 90.5% for Baicao and 86.0% for Xiushuihe.)

JORC Mineral Resource Category		Tonnage (Mt)	Grades			Contained Metals		
			TFe %	TiO_2 %	V_2O_5 %	TFe kt	TiO_2 kt	V_2O_5 kt
Baicao								
Measured	higher-grade	26.98	27.7	11.9	0.23	7,480	3,210	62.8
	lower-grade	9.04	17.5	7.3	0.13	1,580	660	11.8
	subtotal	36.02	25.1	10.7	0.21	9,060	3,870	74.6
Indicated	higher-grade	41.06	26.6	11.0	0.23	10,940	4,530	92.4
	lower-grade	13.68	16.8	7.1	0.13	2,300	970	18.1
	subtotal	54.74	24.2	10.0	0.20	13,240	5,490	110.6
Subtotal	**higher-grade**	**68.05**	**27.1**	**11.4**	**0.23**	**18,410**	**7,730**	**155.2**
	lower-grade	**22.71**	**17.1**	**7.2**	**0.13**	**3,880**	**1,630**	**29.9**
	subtotal	**90.76**	**24.6**	**10.3**	**0.20**	**22,290**	**9,360**	**185.1**
Inferred	higher-grade	24.26	29.2	11.9	0.25	7,090	2,880	61.1
	lower-grade	7.06	17.8	7.8	0.14	1,260	550	10.1
	subtotal	31.32	26.6	10.9	0.23	8,340	3,430	71.1
Total	**higher-grade**	**92.31**	**27.6**	**11.5**	**0.23**	**25,500**	**10,610**	**216.3**
	lower-grade	**29.77**	**17.2**	**7.3**	**0.13**	**5,130**	**2,180**	**40.0**
	total	**122.08**	**25.1**	**10.5**	**0.21**	**30,630**	**12,790**	**256.3**

JORC Mineral Resource Category		Tonnage (Mt)	Grades TFe %	TiO$_2$ %	V$_2$O$_5$ %	Contained Metals TFe kt	TiO$_2$ kt	V$_2$O$_5$ kt
Xiushuihe								
Measured	higher-grade	13.44	29.9	12.5	0.27	4,020	1,680	36.2
	lower-grade	1.61	17.7	7.1	0.15	280	120	2.4
	subtotal	15.05	28.6	11.9	0.26	4,300	1,800	38.6
Indicated	higher-grade	12.10	27.7	10.9	0.23	3,350	1,320	28.3
	lower-grade	5.60	17.2	5.1	0.13	960	280	7.5
	subtotal	17.70	24.4	9.0	0.20	4,310	1,600	35.7
Subtotal	**higher-grade**	**25.54**	**28.8**	**11.7**	**0.25**	**7,360**	**3,000**	**64.4**
	lower-grade	**7.21**	**17.3**	**5.5**	**0.14**	**1,250**	**400**	**9.9**
	subtotal	**32.75**	**26.3**	**10.4**	**0.23**	**8,610**	**3,400**	**74.3**
Inferred	higher-grade	2.85	30.5	11.5	0.26	870	330	7..
	lower-grade	4.49	17.3	4.8	0.12	780	220	5.5
	subtotal	7.34	22.4	7.4	0.18	1,640	540	12.9
Total	**higher-grade**	**28.39**	**29.0**	**11.7**	**0.25**	**8,240**	**3,330**	**71.8**
	lower-grade	**11.70**	**17.3**	**5.2**	**0.13**	**2,020**	**610**	**15.4**
	total	**40.09**	**25.6**	**9.8**	**0.22**	**10,260**	**3,940**	**87.2**
Total								
Measured	higher-grade	40.42	28.4	12.1	0.24	11,500	4,890	99.0
	lower-grade	10.65	17.5	7.3	0.13	1,860	770	14.2
	subtotal	51.07	26.2	11.1	0.22	13,360	5,660	113.1
Indicated	higher-grade	53.16	26.9	11.0	0.23	14,290	5,840	120.7
	lower-grade	19.28	16.9	6.5	0.13	3,260	1,250	25.6
	subtotal	72.44	24.2	9.8	0.20	17,550	7,090	146.3
Subtotal	**higher-grade**	**93.59**	**27.6**	**11.5**	**0.23**	**25,780**	**10,730**	**219.7**
	lower-grade	**29.93**	**17.1**	**6.8**	**0.13**	**5,130**	**2,020**	**39.8**
	subtotal	**123.52**	**25.0**	**10.3**	**0.21**	**30,910**	**12,750**	**259.4**
Inferred	higher-grade	27.11	29.3	11.8	0.25	7,950	3,200	68.4
	lower-grade	11.55	17.6	6.7	0.14	2,030	770	15.6
	subtotal	38.66	25.8	10.3	0.22	9,990	3,970	84.0
Total	**higher-grade**	**120.70**	**28.0**	**11.6**	**0.24**	**33,740**	**13,940**	**288.1**
	lower-grade	**41.48**	**17.3**	**6.7**	**0.13**	**7,150**	**2,790**	**55.3**
	total	**162.18**	**25.2**	**10.3**	**0.21**	**40,890**	**16,730**	**343.4**

6.4 Procedure and Parameters for the Company's Ore Reserve Estimation

Ore reserves comprise that portion of the Measured and Indicated mineral resources that are planned to be mined economically and delivered to the concentrator for processing. Open pit mining has been carried out at the Baicao Mine and Xiushuihe Mine for a number of years to date as the mineralization consists of large stratiform or lenticular mineralized bodies exposed at the surface. In order to define the ore reserves under the newly-defined mineral resources for the Baicao Mine and the Xiushuihe Mine, the Company engaged Sichuan Provincial Metallurgical Engineering and Research Institute (the "Sichuan Institute") to conduct an updated final open-pit design.

The updated final pit limits were designed from the sectional mineral resource models produced by the Northwestern Sichuan Team discussed in the previous section using a manual method. The technical parameters used by the Sichuan Institute for the final open pit design are listed in Table 6.3. The higher-grade portion (TFe >= 20%) of the Measured and Indicated mineral resources within the designed final pits for the Baicao Mine and the Xiushuihe Mine is used to define the Proved and

Probable ore reserves for the two deposits. The lower-grade mineralization (TFe from 15% to 20%) was considered sub-economic and was treated as waste during final pit design and long-term production scheduling.

BDASIA reviewed the Sichuan Institute's final pit design for the Baicao Mine and the Xiushuihe Mine and considers that they have generally been conducted correctly and can be used as a basis for long term mine planning. BSASIA understands that more advanced computerized pit optimization and pit design software that are widely used in the West are generally not available to the domestic Chinese mining companies at this stage. BDASIA believes that using an advanced computerized pit optimization and pit design software for the final pit design of the Company's two iron deposits should further improve the economics of the project.

Table 6.3
Technical Parameter Assumptions Used for Final Open Pit Design of the Two Mines

Parameter	Baicao Mine	Xiushuihe Mine
Maximum Economic Strip Ratio (waste m^3/ore m^3)(1)	6.0	N/A
Dilution Factor (%)(2)	6.4	6.4
Mining Recovery Factor (%)	91.0	94.0
Bench Height (m)	12	12
Crest Elevation of the Top Pit Bench (m)	2,524	2,534
Toe Elevation of the Bottom Pit Bench (m)	2,260	2,306
Number of Benches	22	19
Final Pit Surface Outline Length (m)	2,100 (north-south)	800 (north-south)
Final Pit Surface Outline Width (m)	440 (east-west)	400 (east-west)
Bench Face Slope Angle (degree)	70	67
Maximum Overall Pit Slope Angle (degree)	26 – 44	19 – 46
One-way/Two-way Minimum Haul Road Width (m)	4.5/8.0	4.5/8.0
Maximum Haul Road Slope (%)	7.5	7.5
Minimum Pit Working Face Width (m)	35	35

Notes:

(1) The Baicao open pit is designed based on a maximum economic strip ratio of 6 as the deposit dips to the west at a moderate angle; The Xiushuihe open pit was designed without using a maximum economic strip ratio as the deposit is basin-shaped with limited overburden.

(2) Western mining dilution definition is used in this table and the diluting waste is assumed to have zero metal grades.

For the purpose of converting the economic Measured and Indicated mineral resources within the designed final open pits to ore reserves, the overall mining dilution factor and mining recovery factor between the in-situ mineral resources and the ore delivered to the concentrator for processing have to be determined as converting factors. Unfortunately, neither the Baicao Mine nor the Xiushuihe Mine has kept detailed records of the mineral resources consumed by mine production, and the overall mining dilution factors and mining recovery factors cannot be determined from production reconciliation at the mined areas. The mining dilution factors and mining recovery factors used for ore reserve estimation in this report are based on mine design parameters listed in Table 6.3. It was assumed that the diluting waste has a zero metal grade when calculating the mining dilution factor and mining recovery factor.

It should be noted that the definition of the mining dilution factor in China is different from that in most Western countries. The mining dilution factor in China is defined as the ratio of the waste tonnage in the concentrator feed to the total concentrator feed tonnage, but the mining dilution factor in the West is defined as the ratio of the waste tonnage in the concentrator feed to the ore tonnage in the concentrator feed. Therefore, when using the same data for calculation, the Western mining dilution factor is always higher than the Chinese mining dilution factor, with the difference getting larger when the dilution factor is higher. For example, the Chinese mining dilution factor of 6.0% is equivalent to a Western mining dilution factor of 6.4%, and the Chinese mining dilution factor of 9.0% is equivalent to a Western mining dilution factor of 9.9%. As the JORC Code is used for mineral resource/ore reserve reporting for this BDASIA report, the Western definition of the mining dilution factor is used throughout this report.

It should also be noted that it is assumed that the diluting waste has zero metal grades in mining dilution factor calculation. However, the higher-grade mineralization at Baicao and Xiushuihe is generally surrounded by lower-grade mineralization; the actual TFe grade for the diluting waste is likely to be only slightly lower than the average TFe grade of approximately 17.5% for the lower-grade mineralization. Assuming the diluting waste has a 12% TFe grade, then in order to achieve the dilution effect from a 27.0% TFe in-situ grade to a 25.4% TFe concentrator feed grade for the Baicao deposit, the mining dilution factor would be approximately 14.5% and the mining recovery factor would be approximately 84.6%. BDASIA considers that a dilution factor of 14.5% and a mining recovery factor of 84.6% are reasonable estimates for a stratiform/lenticular deposit like Baicao. Furthermore, historical concentrator feed grades also indicate that forecast metal grades based on the assumed mining dilution factor and mining recovery factor for the Baicao Mine are achievable. Consequently, BDASIA considers that the mining dilution factor and mining recovery factor used by the Sichuan Institute are reasonable for the Baicao and Xiushuihe Mines. These factors can be used to define the Proved and Probable ore reserves for the Baicao and Xiushuihe Mines.

BDASIA has confirmed that the Company plans to implement a system for determining and recording consumed mineral resources from the two mines to allow future production reconciliation between the in-situ mineral resources and the produced concentrator feed in the mined areas. Such data obtained will be very useful for future production planning.

6.5 Ore Reserve Statement

Ore reserve statements as of June 30, 2009 generated by BDASIA for the Company's two mining properties are summarized in Table 6.4. The ore reserve estimates include both Proved and Probable ore reserves, and the Probable ore reserves were estimated for the long-term future of the Company's three mining properties. The Proved and Probable ore reserves have been estimated from the Measured and Indicated mineral resources, respectively. Mining dilution factors and mining recovery factors for the ore reserve estimates are as shown in Table 6.3.

Table 6.4
The Company's Ore Reserve Summary — June 30, 2009

(The Company's attributable share of the following ore reserves is 90.5% for Baicao and 86.0% for Xiushuihe.)

JORC Ore Reserve Category	Tonnage (Mt)	Grades			Contained Metals		
		TFe %	TiO_2 %	V_2O_5 %	TFe kt	TiO_2 kt	V_2O_5 kt
Baicao							
Proved	25.49	25.0	10.5	0.22	6,360	2,670	57.1
Probable	34.46	25.9	10.2	0.22	8,930	3,520	77.0
Total	**59.95**	**25.5**	**10.3**	**0.22**	**15,290**	**6,190**	**134.1**
Waste	188.23						
Strip Ratio (waste t/ore t)(1)		3.14					
Xiushuihe							
Proved	9.54	28.1	11.9	0.25	2,680	1,130	24.0
Probable	9.17	26.0	10.2	0.22	2,390	940	19.8
Total	**18.71**	**27.1**	**11.1**	**0.23**	**5,070**	**2,070**	**43.8**
Waste	17.90						
Strip Ratio (waste t/ore t)		0.96					
Total							
Proved	35.03	25.8	10.9	0.23	9,040	3,800	81.1
Probable	43.63	25.9	10.2	0.22	11,320	4,450	96.8
Total	**78.66**	**25.9**	**10.5**	**0.23**	**20,360**	**8,250**	**177.9**
Waste	206.14						
Strip Ratio (waste t/ore t)(1)		2.62					

Note:

(1) The waste has a 2.7 t/m^3 average bulk density for the two mines. Therefore, the strip ratio when expressed as waste cubic meters over ore tonnes will be 1.24 for the Baicao Mine and 0.34 for the Xiushuihe Mine.

6.6 Mine Life Analysis

BDASIA has conducted a mine life analysis for the Company's two mining properties reviewed in this study based on June 30, 2009 ore reserve estimates and the long-term production rate at the full designed capacity (Table 6.5). It can be seen that the ore reserves are sufficient to support production at the anticipated long-term production level for 14.0 years for the Baicao Mine and 5.8 years for the Xiushuihe Mine. These ore reserve mine lives may change significantly in the future due to the following reasons:

- additional exploration and development of the mines could convert some of the Inferred mineral resources to Measured and Indicated mineral resources, which in turn might be converted to Proved and Probable ore reserves. These new ore reserves would increase the mine life, This factor is important for the Baicao Mine as there are significant Inferred mineral resources in the deposit;

- the additional mineralization located west of the Xiushuihe mine right area could be acquired by the Company from the government. This will increase Xiushuihe Mine's mineral resources and ore reserves significantly and substantially extends the mine's life; and
- changes in the production rate would also change the mine life. The mine life would be shortened if the production rate is increased to a level higher than the anticipated long-term production level.

Table 6.5
Mine Life Analysis

Mine	Long-Term Production Rate (Mtpa)	Ore Reserve Mine Life	
		Ore Reserve (Mt)	Mine Life (years)
Baicao	4.3	60.0	14.0
Xiushuihe	3.2	18.7	5.8

7.0 POTENTIAL FOR DEFINING ADDITIONAL MINERAL RESOURCES

The potential for defining additional mineral resources within the mining right boundaries for the Baicao Mine and the Xiushuihe Mine is limited as the strike and down-dip extensions of the mineralized zones within the mining right boundaries are reasonably well-defined by current drilling and sampling.

Finding or obtaining additional mineral resources is not a high priority for the Baicao Mine as the current ore reserve life at the anticipated long-term production level is 14.0 years, but it is important for the Xiushuihe Mine as the current ore reserve life is only around 5.8 years at the anticipated long-term production level.

The Company's Xiushuihe mining right covers only the eastern portion of the mineralized mafic-ultramafic intrusive body in the area. The mineralization present within the Xiushuihe mining right continues to the west. The initial exploration work conducted by the 601 and 603 Geological Teams of the Sichuan Provincial Metallurgical Exploration Corporation from 1978 to 1981 covers the entire deposit, including the current Xiushuihe mining right area and the area west of the current Xiushuihe mining right, which is planned by the Company to be the Xiushuihe Mine expansion area. The deposit was delineated by surface trenches and diamond core drill holes at a 200 m by 200 m to 400 m spacing. The mineral resources estimated based on the initial exploration work were approved by Sichuan Provincial Metallurgical Geology Exploration Corporation in 1981. BDASIA was not able to review these initial resource estimates in detail as only a portion of the geological report for the initial exploration work was available. However, the metal grades of the initial resource estimates for the entire Xiushuihe deposit are very similar to the metal grades of the current resource estimates within the current Xiushuihe mining right, which brings some comfort to the initial resource estimates. BDASIA conducted a site visit to the proposed Xiushuihe Mine expansion area and held discussions with the Company's management and technical staff as well as its outside consultants regarding the geology and further exploration work within the proposed expansion area in June 2009. Based on the sampling spacing, BDASIA considers that the initial mineral resource estimates should be classified as Inferred Resources under the Australasian JORC Code.

The initial Inferred Resources estimated in 1981 for the entire Xiushuihe deposit consist of a higher-grade resource of 90.3 Mt with average grades of 28.1% TFe, 11.1% TiO_2 and 0.25% V_2O_5 and a lower-grade resource of 22.5 Mt with average grades of 17.1% TFe, 5.1% TiO_2 and 0.14% V_2O_5; the total Inferred Resources are 112.8 Mt with average grades of 25.9% TFe, 10.4% TiO_2 and 0.23% V_2O_5. While it is not clear how much of the initial Inferred Resource estimates are located within the Xiushuihe Mine expansion area from the available 1981 601 and 603 Teams' geology report, additional information provided by the Company indicates that the initial Inferred Resources within the proposed Xiushuihe Mine expansion area are 78.2 Mt with average grades of 25.0% TFe and 9.8% TiO_2, consisting of 51.8 Mt of higher-grade resource with average grades of 28.7% TFe, 11.7% TiO_2 and 0.25% V_2O_5 and 26.4 Mt of lower-grade resource with average grades of 17.7% TFe and 6.1% TiO_2 (V_2O_5 grade for the lower-grade resource was not provided). BDASIA notes that the Measured+Indicated+Inferred Resources (including mineral resources consumed by mining to date) within the current Xiushuihe mining right estimated by the Northwestern Sichuan Team in 2008 based on detailed exploration work are 43.7 Mt with average grades of 25.8% TFe, 10.0% TiO_2 and 0.22% V_2O_5, consisting of a higher-grade resource of 31.9 Mt with average grades of 29.0% TFe, 11.7% TiO_2 and 0.25% V_2O_5 and a lower-grade resource of 11.8 Mt with average grades of 17.3% TFe, 5.3% TiO_2 and 0.13% V_2O_5. The above resource figures are summarized in Table 7.1.

Table 7.1
Mineral Resources for the Xiushuihe Deposit

Project Area	JORC Resource Category	Resource Type	Tonnage (Mt)	Grade (%) TFe	TiO_2	V_2O_5
Current Xiushuihe Mining Right Area(1)	Measured+	higher-grade	31.9	29.0	11.7	0.25
	Indicated+	lower-grade	11.8	17.3	5.3	0.13
	Inferred	total	43.7	25.8	10.0	0.22
Proposed Xiushuihe Mine Expansion Area(2)	Inferred	higher-grade	51.8	28.7	11.7	0.25
		lower-grade	26.4	17.7	6.1	—
		total	78.2	25.0	9.8	—
Total Xiushuihe Deposit(3)	**Inferred**	**higher-grade**	**90.3**	**28.1**	**11.1**	**0.25**
		lower-grade	**22.5**	**17.1**	**5.1**	**0.14**
		total	**112.8**	**25.9**	**10.4**	**0.23**

Notes:

(1) The resource figures are based on the 2008 Northwestern Sichuan Team report; they consist of Measured+Indicated+Inferred Resources as of December 31, 2007 and mineral resources consumed by mining to that date. BDASIA has reviewed this resource estimate in detail as discussed previously in this report.

(2) The resource figures are based on the 601 and 603 Teams' 1981 report as well as additional information provided by the Company. They are Inferred Resources only. BDASIA did not review the resource estimate in detail.

(3) The resource figures are based on the 601 and 603 Teams' 1981 report. They are Inferred Resources only and BDASIA did not review the resource estimate in detail. BDASIA notes that the total resources for the total Xiushuihe deposit are somewhat different from the sum of the resources in the Xiushuihe mining right area and the resources in the proposed Xiushuihe Mine expansion area as the two resource estimates were made based on different database and at different time.

Based on the mineralized zone distribution in the Xiushuihe deposit and the currently available information, BDASIA believes that mineral resource in the proposed Xiushuihe Mine expansion area could be larger than that within the current Xiushuihe mining right. The Inferred Resource figures for the proposed Xiushuihe Mine expansion area in Table 7.1 are good indication of the mineral resources to be defined by detailed exploration in the area. BDASIA notes that there are uncertainties with the Inferred Resource figures for the proposed Xiushuihe Mine expansion area in Table 7.1, thus recommends the Company to conduct detailed exploration work to increase the confidence level of the resource estimates in the proposed Xiushuihe Mine expansion area before conducting detailed mine planning and ore reserve estimation.

BDASIA was advised that the Company acquired an exploration right, which covers the proposed Xiushuihe Mine expansion area as well as most of the current Xiushuihe mining right area on July 8, 2009, in order to conduct detailed exploration for the additional vanadium-bearing titanomagnetite mineral resources in the Xiushuihe deposit. This exploration right covers an area of 1.73 km^2, and the current Xiushuihe mining right covers an area of 0.5208 km^2. The Company estimates that it will cost approximately RMB120.0 million to conduct the exploration work and acquire the mining right for the proposed Xiushuihe Mine expansion area. Acquiring these additional mineral resources will significantly extend the mine life of the Xiushuihe Mine and also benefit the mining operation as the final open pit limits will no longer be restricted by the current mining right boundary located in the middle of the mineralized zone.

8.0 MINING

Both the Baicao Mine and the Xiushuihe Mine are open pit mining operations as the orebodies lie at or close to the surface. Mining operations are being carried out by a mining contractor, who is supervised by the Company personnel. An updated open pit design and a long term production plan were developed in May 2008 by Sichuan Provincial Metallurgical Engineering and Research Institute based on the updated mineral resource estimates for the two mines, and future mining operations will be generally based on these long term plans.

Table 8.1 lists the historical and forecast waste stripping and ore production for the Baicao Mine and the Xiushuihe Mine for the period from 2006 to 2011.

Table 8.1
Historical and Forecast Mine Waste Stripping and Ore Production, 2006-2011

(The Company's attributable share of the following mine production is 90.5% for Baicao and 86.0% for Xiushuihe.)

	Historical Production				Forecast Production		
Item	2006	2007	2008	2009 Jan - Jun	2009 Jul - Dec	2010	2011
Waste Stripping							
Baicao Mine (Mt)	1.452	3.510	12.151	16.627	10.24	14.96	10.29
(Mm^3)	0.538	1.300	4.500	6.158	3.79	5.54	3.81
Xiushuihe Mine (Mt)	0.230	1.362	1.377	0.637	1.73	2.00	2.36
(Mm^3)	0.085	0.504	0.510	0.236	0.64	0.74	0.87
Ore Production (Mt)							
Baicao Mine	0.497	1.147	2.917	1.959	1.96	4.27	4.35
Xiushuihe Mine	0.449	0.605	1.854	1.037	1.20	2.39	3.23

8.1 The Baicao Mine

The deposit strikes approximately north-south and dips approximately west at 35º to 40º and continues down dip for up to 300 m from the surface. Individual ore zones vary in thickness from 10 m to as much as 50 m; they are sometimes separated by zones of lower-grade mineralization and occasionally by small intruded waste zones. The lower-grade material is currently being treated as waste in mining and sent to the waste dump.

BDASIA considers that the final pit design has generally been conducted correctly, but may warrant some modifications in the future for the prevailing higher or lower prices for iron ore. Site specific geotechnical data was used for final pit slopes and the width and gradient of the main haulage ramp out of the pit. Since all stripping and mining is currently being done by the mining contractor, haul road widths and gradients are chosen by the contractor. The contractor is required to deliver a specific grade and tonnage of material to the three primary crushers, two owned by the company and one at a nearby subcontractor's concentrator. The separation of ore and waste is done principally by blasthole assays augmented by gridded shallow bench assays, all as directed by the company grade-control technicians who work during the daylight hours.

Based on the final pit design at the end of 2007, the open pit mine would extract a total of 63.5 Mt of ore and 213.0 Mt of waste for an overall strip ratio of 3.35 t or 1.24 cubic meters (m^3) of waste over 1.00 t of ore. The planned ore production in 2010, after completion of the expansion now in progress, is 4.3 Mt.

The designed final pit uses a 12-m bench height, with 22 benches required to reach the bottom of the pit from the highest point at the surface, which has an elevation of approximately 2,524 m. At two locations, however, one at the northern pit extremity and the other on the west side, the pit bottom is only 40 m below the land surface, providing relatively easy exits for the trucks from the pit bottom.

The top of the final pit will measure approximately 2,100 m long and 440 m wide at its maximum point. The base of the final pit, at an elevation of 2,260 m, will measure 1,950 m long and 200 m wide at its widest point. The haul road in the final pit is designed to be 8-m wide with a maximum gradient of 7.5%, allowing for two-way traffic for the contractor's relatively small trucks. The final pit wall on the southern (steeper) side will have 8 m to 10 m wide catch benches every third level, with the two intermediate benches being 6 m wide. This configuration results in an inter-ramp slope angle of slightly over 45º on the hanging wall side; the inter-ramp slope on the footwall side is less than 45º as it conforms to the dip of the orebodies. Rock Quality Designation ("RQD") measurements of rock strength at different points around the pit, as well as past and current mining experience, were used to set the final pit slopes. BDASIA considers that these slope angles are on the conservative side.

The mining contractor utilizes 1.5-m^3 backhoes and 10-t to 20-t highway trucks, customarily overloaded by a factor of up to 50%, for both ore and waste mining. The terrain is quite rugged, most hauls are downhill and haulage ramps are narrow and very steep (up to 17%) in some areas. Waste hauls are short, but ore hauls from the pit to the three primary crushers are approximately 2.0 km, 2.3 km, and 12.5 km one-way, respectively. Elevations for the primary crushers are approximately 2,220 m, 2,300 m, and 1,900 m, respectively, whereas the current mining levels are at an elevation of approximately 2,500 m. It should be noted that the subcontractor's concentrator is responsible for maintaining the haul road from the mining area to the subcontractor's crusher, and that the trucks carrying the ore on this long and steep downhill haul also belong to, or are under the direction and control of the subcontractor's concentrator.

All of the loaded haulage trucks are weighed before reaching their destinations, and the scales are calibrated once a year by local government personnel. These weights, after deducting the moisture content, are the basis for payment to the mining contractor and the subcontractor's concentrator, as required.

The majority of the ore and waste requires blasting. The contractor has a professionally trained team for setting and carrying out blasts. The process utilizes self-propelled, tracked, wagon drills to drill 120-mm to 150-mm diameter blast holes at an angle of 70º. The blasting pattern is normally three rows deep, with a spacing of 3-m to 5-m between holes and a maximum of 20 holes per row. At the current production rate, only one blast per week is required, but this will increase as the new processing capacity comes on stream. The powder factor is 0.4 to 0.5 kilograms per tonne ("kg/t") for ore and 0.3 to 0.4 kg/t for waste.

Although pit dewatering is not currently required; it may be necessary at some stage in the future during the wet season (late May to early October) as the pit gets deeper, but the pumping head will be small. There is generally no groundwater at this high elevation.

The contractor does all maintenance on the mining equipment, so that no company mine maintenance facilities are required. An office for the company's mining staff (supervisors and geological ore control technicians) is provided in the concentrator building.

Contractor manpower for the mine is 130 to 140, but will increase as ore requirements increase when construction of the new concentrator is completed at the end of June 2008.

BDASIA believes that the planned production increases in ore and waste in 2009, 2010 and 2011 at the Baicao mine, as tabulated in Table 8.1, are readily achievable provided that the waste stripping is carried out as scheduled. Some improvement in the ore haul roads would be desirable to handle the increased truck traffic, but that would be at the discretion and cost of the mining contractor.

8.2 The Xiushuihe Mine

The principal deposit at the Xiushuihe area is approximately 1.05 km long east to west, varies from 130 m to 887 m wide from north to south, and the thickness ranges from 40 m to 130 m. The deposit covers an area of approximately 1 km^2. The Company currently has a mining right that covers only approximately the eastern one third of the deposit, and is thus mining up against a vertical boundary on the western side of the pit. The entire deposit is shaped like a basin with the northern rim dipping south on average at 10º to 20º and the south rim dipping north on average at 20º to 30º. The deposit generally outcrops at the surface and the overall strip ratio is low.

Final pit design parameters for the Xiushuihe Mine are very similar to those for the Baicao Mine, except that the design slopes on the west side are as steep as is safely possible in order to get as much of the ore lying within the mining lease boundaries as possible by open pit mining. Any ore left up against this west boundary will have to be mined by underground methods. The company is planning to get its mining right extended to the west by acquiring the remaining two thirds of the deposit from the government. The final pit layout is designed to mine out essentially all the rest of the ore lying within the Company mining right because of the basin shape of the deposit. The final pit daylights to surface on the south side allowing both easy egress from the pit and easy drainage during the wet season.

BDASIA found that the design for the final pit has generally been correctly conducted, and, unlike the Baicao Mine, is not likely to change as the price of iron ore changes.

As at Baicao, site specific geotechnical data was used for final pit slopes. Because the pit daylights on the south side, no main haulage ramp out of the final pit is needed. Stripping and mining are done by the same contractor as at Baicao; and haul road widths and gradients to the two primary crushers are again chosen by the contractor. Ore control procedures are essentially the same as at Baicao, except that the deposit is more massive and there is less dilution with lower grade mineralization and with waste and less mining losses as well.

From the designed final pit at the end of 2007, the mine would extract 21.4 Mt of ore and 19.5 Mt of waste for an overall strip ratio of 0.91 t or 0.34 m^3 of waste over 1.00 t of ore. The planned ore production in 2011 and the following years, after completion of the expansion now in progress as well as an additional concentrator, is 3.2 Mt.

The designed final pit uses a 12-m bench height, with 19 benches required to reach the bottom of the pit from the highest point at the surface which has an elevation of 2,534 m.

The top outline of the final pit will measure approximately 800 m long in the north-south direction by 400 m wide in the east-west direction at its maximum point. The base of the final pit at an elevation of 2,306 m will measure 350 m long by 200 m wide at its widest point. The final pit wall on the west (steepest) side will have 8 m to 10 m wide catch benches every third level, with the two intermediate benches being 6 m wide. This slope configuration results in an inter-ramp slope of slightly over 45º. On the other directions, the slope angle is less than 45º as it conforms to the dip of the orebody. As at Baicao, RQD measurements of rock strength at different points around the pit as well as past and current mining experience were used to set the final pit slopes, and BDASIA considers that they are also on the conservative side.

The bottom level of the final pit was set at 2,306 m elevation, as that represents the bottom of the deposit.

As at Baicao, the mining contractor utilizes 1.5-m^3 backhoes, but truck size is limited to 10-t capacity units, again overloaded by up to 50%. Waste hauls are short, with one-way ore haul distances to the old and new crushers of approximately 5.5 km and 2.5 km, respectively. Elevations of the two crushers are 2,180 m and 2,450 m, respectively, and the current mining level is at approximately 2,500 m in elevation. Approximately 80% of the forecast ore will be delivered to the new, higher, crusher, and only 20% to the lower, old crusher.

As at Baicao, the majority of the ore and waste requires blasting. Drilling and blasting practices are the same as at Baicao, except that blasting occurs less frequently because of the much smaller tonnages required to be moved.

There is no groundwater at the mine, and any water that is captured during the rainy season can readily exit the pit where it daylights.

Again, no company mine maintenance facilities are required, and an office for the company's mining staff (supervisors and geological ore control technicians) is provided in the concentrator building.

BDASIA considers that the planned production increases in ore and waste in 2009 and onwards at the Xiushuihe Mine, as tabulated in Table 8.1, are readily achievable. As at Baicao, some improvement in the ore haul roads would be desirable to handle the increased truck traffic, but that would again be at the discretion and cost of the mining contractor.

9.0 METALLURGICAL PROCESSING

9.1 The Baicao Mine

9.1.1 General

During BDASIA's site visit in April 2008, the Baicao Mine ore was processed in a plant built in 1999 that is referred herein as the old concentrator and in a nearby subcontractor's concentrator. The Company's old concentrator has the capacity to treat approximately 0.6 Mtpa of ore and produce approximately 200,000 tpa of iron concentrates. The subcontractor's concentrator treated 1.859 Mt of ore for the Company in 2008 and produced 461,000 t of iron concentrates.

The processing method for both the Company's old concentrator and the subcontractor's concentrator is similar. It involves wet, low-intensity magnetic separation to recover iron in vanadium-bearing titanomagnetite and wet, high-intensity magnetic separation to recover titanium in ilmenite. These concentrators produce two types of concentrates: an iron concentrate, assaying approximately 55% TFe and recovering approximately 57-59% of the TFe in ore and a medium-grade titanium concentrate, assaying 27% to 40% TiO_2 and extracting approximately 15-24% of the metal from the ore.

There was an ongoing expansion of the mine that has brought the total ore production to approximately 4.3 Mtpa in 2009. To accommodate the increased mine production construction of a new concentrator with a production capacity of 1.1 Mtpa of ore was completed in June 2008 and further expansion of the new concentrator to a production capacity of 1.8 Mtpa of ore was also completed in April 2009. This brings the total processing capacity, including the two company concentrators and the subcontractor's concentrator, to 4.3 Mtpa. The total production is expected to reach 1.15 Mt of iron concentrates and 170,000 t of titanium concentrates in 2010. About 58% to 59% of the iron is expected to be recovered into the iron concentrates assaying 55% TFe. The new Company concentrator will include a flotation circuit for titanium concentrates processing and similar flotation facilities are also to be installed for the Company's old concentrator and the subcontractor's concentrator. Therefore, titanium concentrates with TiO_2 grade of 46% instead of medium-grade titanium concentrates will be produced when the upgrading is completed. The titanium recovery to upgraded titanium concentrates is expected to be around 24% TiO_2 while its grade is estimated to be at 46% TiO_2.

In addition, the Baicao Mine plans to purchase 470,000 t of iron ore from the Xiushuihe Mine and produce 135,000 t of iron concentrates using another subcontractor's processing facilities in 2010. The purchased iron ore will be increased to 627,000 tpa and producing 180,000 tpa of iron concentrates from 2011 to 2013.

9.1.2 Concentrator Feed Description

The concentrator feed contains, on the average, 25.3% TFe and 10.6% TiO_2. The primary minerals of economic interest are vanadium-bearing titanomagnetite ($Fe_{3-x}Ti_xO_4$) and ilmenite ($FeTiO_3$). In addition, there is a small amount of magnetite. The titanomagnetite has been partially oxidized into titano-maghematite, hematite and limonite at or near the surface. There are small amounts of sulfide minerals in the unoxidized ore; they are mostly pyrrhotite followed by minor pyrite, chalcopyrite and pentlandite. The major gangue minerals are augite and plagioclase with minor hornblende, biotite, olivine, spinel and some secondary minerals such as chlorite, serpentine, sericite and kaolinite.

A majority of mineral particles are in the size larger than 200 mesh (or 0.074 mm): 88% for titanomagnetite, 87% for ilmenite, 84% for sulfides and 91% for gangue minerals. The finest examined size fraction of less than 0.040 mm contains only 4.1% titanomagnetite, 7.3% ilmenite, 9.1% sulfides and 2.5% gangue minerals. This indicates that liberation of minerals should not be difficult and that separation is expected to be good.

9.1.3 Processing

The two minerals of major economic importance in the deposit are both magnetic. Titanomagnetite is strongly magnetic while ilmenite is weakly but sufficiently magnetic. They are recovered by simple inexpensive and environmentally friendly magnetic separation methods. Titanomagnetite is readily recoverable by wet, low-intensity magnetic separation drums. Ilmenite requires wet, high-intensity magnetic separation, an efficient approach as well. Prior to employing the magnetic separation the ore is crushed and ground to an appropriate liberation size to allow for mineral grain separation and optimum concentrate grades and recoveries. The titanium concentrates from the magnetic separation are at present medium-grade (27% to 40% TiO_2). In the new concentrator it will be upgraded by a flotation circuit and its grade is expected to reach 46% TiO_2. This flotation circuit will also be installed for the old Company concentrator and the subcontractor's concentrator. Both iron and titanium concentrates are dewatered by filtration to 9% and 6% of moisture, respectively. The respective content of fines (minus 200 mesh or 0.074 mm) is 65% and 85%, respectively.

The ore processing flowsheet for the Company's new concentrator is simple and essentially very similar to that of the Company's old concentrator. The simplified processing flowsheet to be employed in the new concentrator is presented in Figure 9.1.

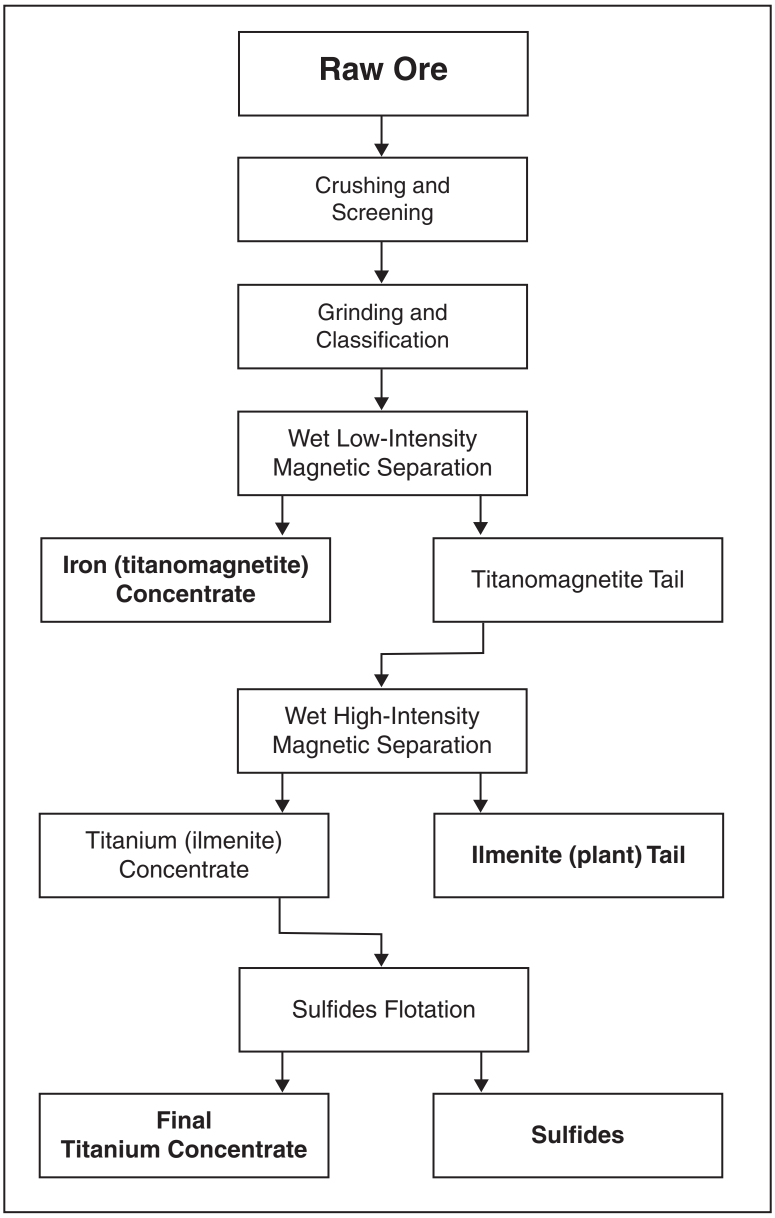

Figure 9.1 Simplified Ore Processing Flowsheet for the New Concentrator at Baicao

Briefly, the ore is crushed in three stages. The primary and secondary stages are open-circuit while the fine, tertiary crushing is in a closed circuit with a 20-mm screen. The grinding is in two stages, both in closed circuit with classifiers. In the primary grinding/classification stage the liberated titanomagnetite particles are magnetically separated from the ground ore. The tail from this primary titanomagnetite separation is then reground and sent for additional iron recovery, again by the use of low-intensity magnetic separation. The tail from this stage feeds high- intensity magnetic separators where ilmenite is recovered. The titanium concentrates are then subjected to sulfide flotation that removes impurities and thus upgrades the concentrates.

9.1.4 Plant and Equipment

The plant has three main sections:

- crushing and screening with ore stockpiles;
- grinding, classification and concentration with dewatering and iron concentrate stockpiles; and
- titanium magnetic concentration — flotation with dewatering and titanium concentrate stockpiles.

The equipment used in both old and the new plant is Chinese made. It is simple and sturdy. A C125 jaw crusher, a GP200SC cone crusher and a HP300 cone crusher are used for primary, secondary and tertiary crushing respectively. For the primary grinding, the MQG 2700×4000 ball mills are used. For the secondary grinding, the MQY 2400×3600 ball mills are selected. A double spiral 2FG and a single FC-24 spirals classify, respectively, the grinding mills' products. Permanent magnetic separator drums CTB 1050×2400 and CTB 1050×2100 separate the titanomagnetite from the ground ore. The iron concentrates are then filtered in GYW-12 drum filters. High-intensity magnetic separators with diameters of 1,750 mm and 1,500 mm are used to recover ilmenite. The titanium concentrates are upgraded by sulfides flotation in SF-20, SF-8 and SF-4 flotation cells. This titanium concentrates, i.e., the relatively low pulp density underflow of the sulfides flotation, are thickened in an 18-m thickener; the latter underflow is then filtered in a 60-m^2 ceramic filter. Plant tailings are thickened in a 56-m thickener, and the overflow is the recycled plant water and the underflow is the final plant tail sent to the tailings storage facility.

9.1.5 Test Work

In order to provide support necessary for production upgrading, the Company has engaged the Institute of Multipurpose Utilization of Mineral Resources of the Chinese Academy of Geological Sciences located in Chengdu, Sichuan to conduct new metallurgical test work. A test report titled "An Experimental Test Report on Iron and Titanium Separation for Baicao Vanadium-Bearing Titanomagnetite Ore" was issued in February 2008. The objective of the test work was to examine the mineralogy and characteristics of the ore, to evaluate the fineness of grinding required for adequate liberation of mineral grains and to determine the optimum conditions for magnetic concentration of the iron and titanium minerals followed by the upgrading of the concentrates where required and economically feasible. This comprehensive report stated that the following products are obtainable from an ore sample assaying 29.6% TFe and 13.2% TiO_2.

- iron concentrates at a weight yield of 33.3% with the TFe grade at 57.6% and the TiO_2 content of 11.9%. The TFe recovery rate was 64.9%; and
- titanium concentrates at a 14.3% weight yield with a grade of 48.1% TiO_2 and the TiO_2 recovery rate of 52.1%. All values are shown on the original ore feed.

The test work was well executed and its results are considered reliable and a sound basis for the planned modifications for the old concentrator and the subcontractor's concentrator as well as the construction of the new concentrator. BDASIA considers that the results outlined by the test work are achievable.

9.1.6 Conclusions

Based on the examination of the plants at Baicao, and historic information and close examination of the test work data, BDASIA considers that this operation can achieve the plan objectives and produce:

- iron concentrates assaying 55.0% TFe and 11.1% TiO_2 at the recovery of 58.4% of the TFe; and
- titanium concentrates assaying 46.0% TiO_2 at the recovery rate ranging from 16% to 18% TiO_2.

This concentrator feed is amenable to processing as proposed and the employed process, after an initial period of plant trials and adjustments, these concentrators should yield expected production results.

9.2 The Xiushuihe Mine

9.2.1 General

The Xiushuihe mine ore is processed by wet, low-intensity magnetic separation to recover iron in titanomagnetite and wet, high-intensity magnetic separation to recover titanium in ilmenite. Two concentrates are currently produced: an iron concentrates, assaying about 54.5% TFe with a TFe recovery of 54 to 58% and a medium-grade titanium concentrate, assaying 40% to 42% TiO_2 with a TiO_2 recovery of up to 15% from the ore.

There is an ongoing expansion of the mine that will bring the total ore production capacity to 3.1 Mtpa by the end of 2010. Ongoing modification and expansion of the concentrating facilities will bring up the total processing capacity to 2.7 Mtpa in 2011. The additional 470,000 tpa of produced iron ore will be sold to the Baicao Mine and processed by a contractor's concentrator. The total yearly production is expected to reach 770,000 t of iron concentrates and 120,000 t of titanium concentrates in 2011. About 58% of the iron is expected to be recovered into the iron concentrates assaying 54.5% TFe. The titanium recovery to upgraded titanium concentrates is expected to be approximately 24% while the concentrate grade is estimated to reach 46% TiO_2.

9.2.2 Concentrator Feed Description

On the average the concentrator feed assays 27.0% TFe and 11.0% TiO_2.

The two primary minerals of economic significance are vanadium-bearing titanomagnetite and ilmenite. Additional metallic minerals are magnetite, pyrrhotite and pyrite. There are also small amounts of chalcopyrite, pentlandite and limonite. Primary gangue minerals are augite, hornblende, olivine, and plagioclase with minor apatite. Some secondary minerals such as tremolite, chlorite, sericite, serpentine, talc epidote, anatase and leucoxene are present as well.

Titanomagnetite grains of generally 0.15 mm to 4.1 mm in size are usually attached to ilmenite with clearly defined boundaries. Ilmenite is evenly distributed through the ore and it is present as granular coarse and fine particles, as well as fine crystal wafers of 0.015 mm to 0.092 mm in size.

The sulfides occur in round granular shapes distributed in both iron and gangue minerals.

Liberation of particles does not appear to be unduly difficult and should not represent an obstacle to good separation.

9.2.3 Processing

The Xiushuihe ore is very similar to the Baicao ore. Therefore a rather similar process is employed. After crushing and grinding to the desired liberation size, the iron and titanium concentrates are produced by low and high, wet magnetic separation, respectively. The medium-grade titanium concentrates will be upgraded in the future from the current 40% to 42% TiO_2 to about 46% TiO_2 by additional magnetic and flotation separation.

The dewatering of concentrates is by drum filters to 8% to 10% moisture for both iron and titanium concentrates.

Due to the similarity to the Baicao ore, the upgraded processing flowsheets at Xiushuihe are the Baicao Mine (Figure 9.1).

The Xiushuihe ore is crushed in three stages, the primary and secondary in open circuit and the tertiary in closed circuit with a screen. The crushed ore is ground in two stages, both in the ball mill — screw classifier closed circuit. Titanomagnetite is recovered from the ground ore by wet, low-intensity magnetic separation. Ilmenite is recovered by the wet, high-intensity magnetic separation from the iron separation tails. The titanium concentrates are upgraded by sulfide flotation. Both iron and titanium concentrates are dewatered by thickening and filtration.

9.2.4 Plant and Equipment

The plant consists of three sections:

- crushing, comprising raw ore stockpile, and three stages of crushing;
- main section, comprising grinding, magnetic separation, filtration and concentrate stockpiles; and
- titanium upgrading and the concentrate stockpiles.

The crushing equipment includes a PEF 1200×1500 jaw crusher, PYB 3200 standard cone crusher and HP 500 hydrocone crusher with a 2YAg 2152 vibrating screen. Wet grinding ball mills are MQG 3200×4500 and MQY 2700×3600 which, with their respective spiral classifiers, provide ground ore to wet, low-intensity magnetic separation, i.e., the titanomagnetite concentration. These concentrates are separated after each primary and secondary grinding stage. The wet, low-intensity magnetic separators are permanent drums CTB 1050×3000 and CTB 1050×2400 units. The produced iron concentrates are filtered in a GP-60 disc filter. The tails from the titanomagnetite separation are the feed to wet, high-intensity magnetic Slon-1750 separators that recover ilmenite. After sulfide flotation upgrading the concentrates are thickened in a NXZ 38-m thickener and filtered in a 45-m^2 ceramic filter. The tails are thickened in a GZX-53DT thickener, whose overflow is the plant recycles water and the underflow is the final plant tail sent to a tailings disposal facility.

All plant equipment is Chinese made and sufficiently robust for their function.

9.2.5 Testwork

In order to provide support for production upgrading, the Company has engaged the Institute of Multipurpose Utilization of Mineral Resources of the Chinese Academy of Geological Sciences located in Chengdu, Sichuan to conduct new metallurgical test work. A test report titled "An Experimental Test Report on Iron and Titanium Separation for Baicao Vanadium-Bearing Titanomagnetite Ore" issued in April 2008 was the basis for the concepts used for the modernization and expansion of the ore processing facilities for the Xiushuihe operation. The test work included examination of the mineral composition and characteristics of the ore, evaluation of grinding, magnetic separation of each titanomagnetite and ilmenite as well as flotation of sulfides and flotation and gravity upgrading of ilmenite.

The results of the test work showed that, under laboratory conditions, from a feed sample assaying 28.2% TFe and 12.1% TiO_2 the following concentrates can be obtained:

- iron concentrates at a weight percentage yield rate of 31.6% assaying 57.0% TFe and 11.4% TiO_2 and with a processing recovery of 63.7% for TFe and 29.8% for TiO_2; and
- titanium concentrates with a weight percentage yield of 10.8% assaying 48.3% TiO_2 and with a processing recovery of 43.4% TiO_2.

The test work appears to have been well conducted. The processing flowsheet is adequate. The test work results should be obtainable in the industrial practice.

9.2.6 Conclusions

Titanomagnetite and ilmenite concentration from their ores utilizes worldwide-known and employed technologies. The Xiushuihe ore is relatively easy to process and is expected to yield satisfactory results.

Based on the actual plant results as well as the results of the test work on this ore, BDASIA considers that the proposed process modifications and plant modernization will result in an expansion of this operation capable of treating 2.6 Mtpa of ore and produce the iron and titanium concentrates assaying 54.5% TFe and 46% TiO_2, respectively. The respective recoveries will be 54% to 57% for TFe in the iron concentrates and 13% to 24% for TiO_2 in the titanium concentrates.

10.0 MINE PRODUCTION

10.1 The Baicao Mine

Historical milled ore, metallurgical recoveries and concentrate production from 2006 to the first half of 2009 and production forecasts for the second half of 2009 to 2011 for the Baicao Mine are summarized in Table 10.1. The forecast processed tonnage reflects the project expansion schedule, i.e., the newly-constructed concentrator with a production capacity of 300,000 tpa of iron concentrates was further expanded to a production capacity of 500,000 tpa of iron concentrates in May 2009. Full production capacity of approximately 4.3 Mtpa of ore and 1.15 Mtpa of iron concentrates will be reached in 2010. In addition, the forecast production in 2010 and 2011 also includes the 470,000 tpa and 627,000 tpa purchased ore from the Xiushuihe Mine and 135,000 tpa and 180,000 tpa iron concentrates produced by a subcontractor's concentrator, respectively. The ore grade is forecast to remain almost constant for the period 2009 and 2011 and is in line with the ore reserve estimates of the deposit. The forecast feed grades are generally 25.5% for TFe and 10.7% for TiO_2.

Table 10.1
Historical and Forecast Production for the Baicao Mine, 2006-2011

(The Company's attributable share of following production from the Baicao Mine is 90.5%.)

Item	Historical Production				Forecast Production		
	2006	2007	2008	2009 Jan - Jun	2009 Jul - Dec	2010	2011
Milled Iron Ore							
Tonnage (Mt)	0.510	1.374	3.263	1.922	2.26	4.74	4.98
Total Iron Grade (%)	28.05	26.52	23.52	24.40	25.5	25.5	25.6
TiO_2 Grade (%)	14.01	11.63	9.44	10.37	10.7	10.7	10.7
V_2O_5 Grade (%)	0.31	0.25	0.23	0.22	0.22	0.22	0.22
Total Iron Metal (kt)	143	364	767	469	576	1,208	1,271
Contained TiO_2 (kt)	71	160	308	199	241	505	531
Contained V_2O_5 (kt)	1.56	3.44	7.37	4.16	5.0	10.4	10.9
Concentrator Recovery							
Total Iron to Iron Concentrates (%)	57.28	59.26	57.84	57.35	58.4	58.4	58.4
TiO_2 to Medium-Grade Titanium Concentrates (%)	4.00	22.36	14.95	10.25	10.8	3.1	—
TiO_2 to Titanium Concentrates (%)	—	—	—	—	2.6	15.7	18.4
Final Products							
Iron Concentrates (kt)	149	392	803	489	613	1,284	1,351
Total Iron Grade (%)	55.00	55.00	55.24	54.96	54.9	55.0	54.9
TiO_2 Grade (%)	13.50	13.50	12.74	13.44	11.2	11.2	11.2
V_2O_5 Grade (%)	0.63	0.63	0.68	0.62	0.59	0.59	0.59
Total Iron Metal (kt)	82	216	444	269	337	706	742
Contained TiO_2 (kt)	20	53	102	66	69	143	151
Contained V_2O_5 (kt)	0.94	2.47	5.44	3.05	3.6	7.6	8.0
Medium-Grade Titanium Concentrates (kt)	7.1	112.6	150.8	61.2	81	59	—
TiO_2 Grade (%)	40.00	31.72	30.52	33.42	32.0	27.0	—
Contained TiO_2 (kt)	2.9	35.7	46.0	20.4	26	16	—
Titanium Concentrates (kt)	—	—	—	—	14	172	212
TiO_2 Grade (%)	—	—	—	—	46.0	46.0	46.0
Contained TiO_2 (kt)	—	—	—	—	6	79	98

Two concentrates are currently produced by the Baicao Mine, an iron concentrate and a medium-grade titanium concentrate. Forecast production for iron concentrates with an average TFe grade of 55% will increase from 803,000 t in 2008 to 1,351,000 t in 2011. The mine currently produces a medium-grade titanium concentrates with a TiO_2 grade of 31% to 40%. An ilmenite cleaning flotation circuit will be included in the newly-constructed concentrator and will also be installed for the existing concentrator as well as for the subcontractor's concentrator, and the production will be upgraded to a titanium concentrate with an average TiO_2 grade of 46%. Forecast titanium concentrates production will reach 172,000 t in 2010 and 212,000 t in 2011. The forecast average metallurgical recovery is 58.4% for TFe to iron concentrates and 18.4% to 19.1% (after 2011) for TiO_2 to titanium concentrates. The product quality and metallurgical recoveries are all in the range indicated by the recent metallurgical test work and in line with historical production data. BDASIA considers that the forecast production targets are achievable provided that the expansion of the new concentrator is completed on schedule.

10.2 The Xiushuihe Mine

Historical milled ore, metallurgical recoveries and concentrate production from 2006 to the first half of 2009 and forecast production from the second half of 2009 to 2011 for the Xiushuihe Mine are summarized in Table 10.2. The forecast processed tonnage will increase from 1.38 Mt in 2008 to 1.85 Mt in 2009, 2.22 Mt in 2010, and 2.62 Mt in 2011, reflecting the current upgrading of the two existing concentrators and planned construction of a new concentrator with a production capacity of 300,000 t of iron concentrates in late 2009 to 2010. The full production capacity of 2.62 Mtpa will be reached in 2011. The ore grade is forecast to remain constant for the period from 2009 to 2011 and is in line with the ore reserve estimates and historical production. The forecast average feed grade is 27.0% for TFe and 11.0% for TiO_2.

Table 10.2
Historical and Forecast Production for the Xiushuihe Mine, 2006-2011

(The Company's attributable share of the following production from the Xiushuihe Mine is 86.0%.)

Item	Historical Production				Forecast Production		
	2006	2007	2008	2009 Jan - Jun	2009 Jul - Dec	2010	2011
Milled Iron Ore							
Tonnage (Mt)	0.472	0.562	1.381	0.940	0.91	2.22	2.62
Total Iron Grade (%)	28.71	22.23	26.57	27.00	27.0	27.0	27.0
TiO_2 Grade (%)	11.93	10.02	10.28	10.75	11.0	11.0	11.0
V_2O_5 Grade (%)	0.25	0.21	0.23	0.23	0.24	0.24	0.24
Total Iron Metal (kt)	135	125	367	254	247	600	709
Contained TiO_2 (kt)	56	56	142	101	100	243	287
Contained V_2O_5 (kt)	1.18	1.18	3.15	2.18	2.2	5.3	6.3
Concentrator Recovery							
Total Iron to Iron Concentrates (%)	55.01	54.66	53.52	54.48	53.5	53.5	57.4
TiO_2 to Medium-Grade Titanium Concentrates (%)	13.00	15.35	4.57	0.54	4.0	2.2	—
TiO_2 to Titanium Concentrates (%)	—	—	—	—	—	13.0	24.2
Final Products							
Iron Concentrates (kt)	138	127	360	254	242	590	747
Total Iron Grade (%)	54.00	54.00	54.50	54.35	54.5	54.5	54.5
TiO_2 Grade (%)	13.29	14.39	17.87	14.64	12.2	12.2	12.2
V_2O_5 Grade (%)	0.65	0.69	0.84	0.66	0.68	0.68	0.63
Total Iron Metal (kt)	75	68	196	138	132	321	407
Contained TiO_2 (kt)	18	18	64	37	32	78	92
Contained V_2O_5 (kt)	0.90	0.88	3.04	1.69	1.6	4.0	4.7
Medium-Grade Titanium Concentrates (kt)	17	22	17	2	11	14	—
TiO_2 Grade (%)	42.00	40.00	38.75	36.06	37.0	37.0	—
Contained TiO_2 (kt)	7.3	8.7	6.5	0.5	4	5	—
Titanium Concentrates (kt)	—	—	—	—	—	69	151
TiO_2 Grade (%)	—	—	—	—	—	46.0	46.0
Contained TiO_2 (kt)	—	—	—	—	—	32	69

As at the Baicao Mine, two concentrates are currently produced by the Xiushuihe Mine, an iron concentrate and a medium-grade titanium concentrate. Forecast production for the iron concentrates with an average TFe grade of 54.5% will increase from 360,000 t in 2008, to 496,000 t in 2009, 590,000 t in 2010, and 747,000 t in 2011. The mine currently produces a medium-grade titanium concentrate with a TiO_2 grade of 39% to 42%. The ilmenite recovery circuit will be upgraded and a titanium concentrates with an average TiO_2 grade of 46% will be produced beginning in 2010. Forecast titanium concentrates production will be 69,000 t in 2010 and 151,000 t in 2011. The forecast metallurgical recovery is 53.5% to 57.4% for TFe to iron concentrates and 13.0% to 24.2% for TiO_2 to titanium concentrates. The product quality and metallurgical recoveries are all in the range indicated by the recent metallurgical test work and in line with historical production data. BDASIA believes that the forecast production targets are achievable provided that the upgrading of the two existing concentrators and construction of the planned new concentrator are completed on schedule.

10.3 Concentrates Sale

The Company sells its iron concentrates produced from the Baicao Mine to direct customers who are steel producers and/or distributors in the southwestern region of China. Iron concentrates produced from the Xiushuihe Mine are generally used by the Company's pellet plant in Huili County, where the concentrates are converted to pellets then sold to the direct customers who are steel producers and/or distributors in the southwestern region of China. Titanium concentrates produced from the two mines are generally sold locally for the downstream processing plants. The Company plans to develop its own downstream processing plants for titanium concentrates in the future.

Based on the sales agreements between the Company and the buyers, the iron concentrates and/ or pellets will be delivered to the nearby rail stations by contractor's trucks. The Company will cover the trucking cost. The buyers will cover the rail shipping cost from the nearby rail stations to the buyers' plants. The delivery location for the titanium concentrates is at the two mines and the buyers are responsible for all the shipping costs.

The concentrates are weighed at the mine or the nearby rail stations. A sample of the concentrates for sale is taken at the mine site or nearby rail stations by both the buyer and the seller, and is split into three sub-samples to determine the concentrate's metal grades as well as impurity and moisture contents by the buyer, the seller, and, if necessary, by an arbitrator.

The sale prices for metals contained in the concentrates are determined based on the market concentrates prices in the Panzhihua-Xichang area at the date of sale, adjusted by the concentrate's metal grades as well as impurity concentrations.

BDASIA is advised that the Company should not encounter any difficulties in selling all the concentrates produced by the Baicao Mine and Xiushuihe Mine and the pellets produced by the pellet plant.

11.0 PELLET PLANT

The Company owns a 90.5% interest on the pellet plant through its 90.5%-owned subsidiary, Huili County. The plant was constructed in September 2005 with a designed pellet production capacity of 400,000 tpa. In addition, the Company currently has contracts with two local pellet plants to produce pellets for the Company using the Company's iron concentrates starting in late 2008. The pelletizing process for the subcontractors are generally very similar to that of the Company's pellet plant, and will not be discussed further in this report.

11.1 The Pelletizing Process

Iron concentrate and bagged activated bentonite are trucked into the plant and placed in storage areas. The feedstock materials are then moved to surge bins with gravity feed disc feeders that strip proportion the concentrate, together with 8-kilogram ("kg") bentonite per tonne of concentrate, onto a conveyor that leads to a 2.5-m diameter rotary drying kiln that mixes and dries the feedstock to approximately 7% moisture. After leaving the kiln, the feedstock is fed to an annular discharge ball mill where it is ground, using a mixture of 60-, 70-, 80- and 90-mm balls, to 70% <200 mesh in size.

The feedstock is then conveyed to 3.6-m diameter rotating balling discs. Together with a misted water spray, the feed addition to the balling disc agglomerates onto the "seed" pellets that are circulating in the disc and gradually grow in size to 13-mm to 16-mm diameter "green balls". The green balls are then forced out of the balling disc by the underlying smaller balls and discharge over a static inclined rod screen, which screens out the undersize, onto a conveyor belt. The water content of the resulting green ball pellets is approximately 8%. At this stage the green balls, if properly formed, should be able to withstand four successive drops from a meter height onto a hard surface without breakage.

The green balls are transported to the pelletizing 5.2-m diameter vertical kilns and skip loaded into them. These kilns are bottom fired by gas (principally CO) provided by a gas generation furnace on site. The green ball pellets are processed as they slowly pass by gravity through the kiln. Induration of the pellet occurs at a temperature of approximately 1,300°C at the bottom of the kiln where the heat from this induration section rises up the kiln to preheat the pellet before induration. After preheating, the heat continues to rise up the kiln to dry the green ball pellets in the uppermost section of the kiln. After induration the pellets are manually withdrawn from the kiln from chutes that are emplaced around the bottom girth of the kiln and are transported in manually propelled barrows to the outside storage area to cool.

11.2 Coal Gasification

Gas production is gained from the gasification of anthracite, sourced from a local mine, by the following process:

The anthracite is mixed and ground together with water and chemical binder and then extruded in elongate cylinders through an extrusion machine. The resulting coal cylinders of approximately 25 mm in diameter are then dried in a horizontal drying machine. After aging for about 24 hours to allow for further solidification, the coal cylinders are fed into a gas generating furnace where they are transformed by heat into mainly a carbon monoxide gas. The off-gas is scrubbed and cooled by water sprays in a vertical counterflow tower. The entrapped coal dust from this unit is fed to a thickening pond where the settled coal dust is clam-shelled out and recycled. Before the gas is used in the pelletizing machine it is held in a pressurized storage vessel.

Figure 11.1 below is a simplified pellet plant flowsheet.

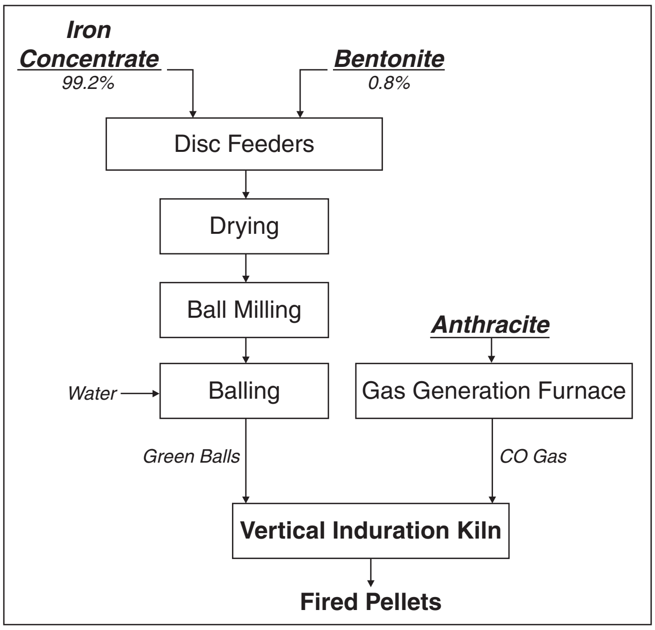

Figure 11.1 Simplified Pellet Plant Flowsheet

11.3 Plant Equipment

The pellet plant equipment is listed below in Table 11.1.

Table 11.1
Pellet Plant Equipment List

Equipment	Type	Number
Pellet Plant		
Disc Feeder	DK 800	4
Rotary Kiln	GZL - 07	1
Ball Mill	QM3562	1
Balling Disc		10
Vertical Induration Furnace		10
Electric Dust Precipitator	2DF3X45m-2X68-14S	1
Anthracite Gasifier		
Double Mixer	SLJ4025	1
Extruder	DLJ4020	2
Horizontal dryer	WGH3	1
Gas Generator Furnace		1
Cyclone Dust Filter	CCQ-03	2

The pellet plant design differs substantially from the more conventional Dravo-Luirgi traveling grate or the Allis-Chalmers grate-kiln pelletizing machines. In contrast to these machines, the Huili Caitong plant design, by its simplicity, requires a substantially lower capital expenditure and can be readily operated by an unskilled labor force. However, on the negative side, the design does not allow for flexibility of operation, close control of the pellet's physical specifications, nor for sizable operational tonnages. Also it is more energy wasteful, requires a higher labor input and greater bentonite usage.

Despite these disadvantages, the plant can readily produce pellets that meet the required contractual physical specifications of pellet size, fines allowance and compression strength. BDASIA has checked a number of analysis certificates against contractual specifications and is satisfied that the current plant output can readily meet these specifications without penalty.

11.4 Pellet Chemistry

The pellet production from this plant differs considerably from more conventional acid pellets in that the main diluent is titanium rather than silica. The silica content of the pellets averages approximately 3.5%, which is a sufficiently low amount. Also notably the undesirable FeO content of the pellet is very low, only approximately 0.4%. The TiO_2 content of the pellet is extremely high, averaging approximately 11%. Normally, a high titanium content ore cannot be smelted like more common iron ores in a conventional blast furnace as the presence of a large carbon excess, needed to reduce iron oxide, reduces the titanium dioxide content to titanium sequioxide, which then combines with the air blast to form titanium nitrides and carbides. This then results in the precipitation of a solid agglomeration that chokes the furnace blast passages and shuts down the furnace. The current sale contract does not specify a limitation on titanium content; it is understood that the pellets produced by this plant will be blended with other low-titanium pellets in steel production.

The concentrate feed to the pellet contains approximately 0.59-0.84% of V_2O_5. This results in a vanadium rich pellet, which is a desirable constituent as it is a steel hardener.

11.5 Quality Assurance

Most of the world's pellet plants operate under strict quality assurance guidelines. The Huili Caitong pellet plant is ISO 9001:2000 certified, which means that it has in place documented quality control assurance procedures and records and that it has documented means of inspection and corrective measure procedures.

11.6 Pellet Production

Historical iron concentrate consumption, pelletizing recoveries and iron pellet production from 2006 to the first half of 2009 and forecast production from the second half of 2009 to 2011 for the Company's iron pellet plant and the subcontractors are summarized in Table 11.2. Historical iron pellet production was gradually increased from 181,000 t in 2006 to 249,000 t in 2007 and 325,000 t in 2008, and the forecast iron pellet production will increase further to 594,000 t in 2009 and 760,000 t in 2010 and 2011. The total iron grade of the pellets is approximately 53.0%. The Company currently has no plans to further expand the iron pellet production beyond 2010.

Table 11.2
Historical and Forecast Production for the Pellet Plant, 2006-2011

(The Company's attributable share of the following production from the pellet plant is 90.50%.)

	Historical Production				Forecast Production		
Item	2006	2007	2008	2009 Jan - Jun	2009 Jul - Dec	2010	2011
Iron Concentrate Consumption							
Tonnage (kt)	183	253	331	316	290	770	770
Total Iron Grade (%)	54.01	53.03	54.33	54.64	54.9	54.8	54.8
Total Iron Metal (kt)	99	134	180	173	160	420	420
Pelletizing Recovery							
Total Iron (%)	97.36	98.37	95.97	96.40	95.2	96.1	96.1
Pellet Production							
Pellets (kt)	181	249	325	314	280	760	760
Total Iron Grade (%)	52.99	53.08	53.01	53.10	53.4	53.3	53.3
Total Iron Metal (kt)	96	132	172	167	150	400	400

12.0 OPERATING COSTS

Based on information provided by the Company, BDASIA has calculated historical unit mining, concentrating, G&A and others costs on a per tonne basis for ore milled during the period from 2006 to the first half of 2009, and developed forecast unit costs for the period from the second half of 2009 to 2011 for the Company's two production mines and the pellet plant. BDASIA has also calculated a unit product operating cash cost and total production cost for a tonne of concentrates or pellet for each operation.

The operating cash costs include mining costs, processing costs, G&A costs, selling costs, environmental protection costs, production taxes, resource compensation levy, interests on loans and other cash cost items. The total production costs comprise the operating cash costs, depreciation/ amortization costs and other non-cash cost items. These costs are expressed in Chinese currency with a unit of RMB. For the benefit of international investors, BDASIA has converted these costs into United States dollars ("US$").

12.1 The Baicao Mine

The unit operating costs for the Baicao Mine are shown in Table 12.1 for the period from 2006 to 2011. The 2006- the first half of 2009 historical mining costs of RMB15.93/t (US$2.33/t) to

RMB19.24/t (US$2.82/t) of milled ore and the second half of 2009-2011 forecast mining costs of RMB20.0-20.6/t (US$2.93-3.02/t) of milled ore reflects the mining contracts between the Company and the contracted miners; resource tax has also been included in the mining costs. The costs for waste stripping are generally capitalized and are not included in the operating costs. The historical concentrating costs range from RMB24.43/t (US$3.58/t) in 2006 to RMB41.22/t (US$6.03/t) in 2007 and the forecast concentrating costs range from RMB37.1/t (US$5.43/t) in the second half of 2009 to RMB42.9/t (US$6.28/t) in 2011, reflecting the selected magnetic separation-flotation processes and the gradual increase of labor and material costs. . The significant increase in the forecast concentrating cost starting in the second half of 2009 is mostly due to adding the ilmenite flotation circuit to the concentrators and the cost for iron ore purchase from the Xiushuihe Mine. The mine management and technical team are included in the G&A and others costs, which range from RMB7.29/t (US$1.07/t) to RMB51.70/t (US$7.57/t) of milled ore historically and RMB7.3/t (US$1.07/t) to RMB10.9/t (US$1.60/t) forecast. Historically, rail shipping costs (of approximately RMB120/t or US$17.6/t of iron concentrates) were paid by the Baicao Mine as part of the selling costs, but beginning in 2008, the rail shipping costs have been paid by the buyer. Therefore, the 2008 and first half 2009 actual and forecast G&A and others costs are significantly lower than the historical costs in previous years. Another reason for the decrease of unit G&A and others costs is that the total production has been increased significantly whereas the total G&A and others costs have not been increased as much proportionally.

The historical operating cash cost for a tonne of iron concentrates ranges from RMB196.2 (US$28.73) in 2008 to RMB311.1 (US$45.55) in 2006, and the forecast operating cash cost for a tonne of iron concentrates ranges from RMB207 (US$30.3) to RMB220 (US$32.2). The historical total production cost for a tonne of iron concentrates ranges from RMB251.7 (US$36.85) in 2008 to RMB368.6 (US$53.97) in 2006 and the forecast total production cost for a tonne of iron concentrates ranges from RMB258 (US$37.8) to RMB308 (US$45.2) in the second half of 2009. The decrease of the forecast total operating costs and total production costs for a tonne of iron concentrates over the historical costs mostly reflect the decrease on concentrate shipping costs and the increase in productivity for both iron concentrates and titanium concentrates. Historical and forecast operating cash costs and total production costs for a tonne of medium-grade titanium concentrates and titanium concentrates for the Baicao Mine are also summarized in Table 12.1.

Table 12.1
Historical and Forecast Unit Cost Analysis for the Baicao Mine, 2006-2011

	Historical				Forecast		
Cost Item	**2006**	**2007**	**2008**	**2009 Jan-Jun**	**2009 Jul-Dec**	**2010**	**2011**
Mining Cost (RMB/t of ore milled)	15.93	15.15	19.24	19.21	20.6	20.0	20.5
(US$/t of ore milled)	2.33	2.22	2.82	2.81	3.02	2.93	3.01
Concentrating Cost (RMB/t of ore milled)	24.43	41.22	30.36	32.19	37.1	39.7	42.9
(US$/t of ore milled)	3.58	6.03	4.44	4.71	5.43	5.82	6.28
G&A and Other Costs (RMB/t of ore milled)	51.70	30.90	7.29	9.05	10.9	10.5	7.3
(US$/t of ore milled)	7.57	4.52	1.07	1.32	1.60	1.53	1.07
Total Operating Cash Costs (RMB/t of ore milled)	**92.07**	**87.26**	**56.88**	**60.45**	**68.7**	**70.2**	**70.8**
(US$/t of ore milled)	**13.48**	**12.78**	**8.33**	**8.85**	**10.05**	**10.28**	**10.36**
Unit Product Operating Cash Cost							
Iron Concentrates (RMB/t)	311.1	264.1	196.2	215.5	220	209	207
(US$/t)	45.55	38.66	28.73	31.55	32.2	30.6	30.3
Medium-Grade Titanium Concentrates (RMB/t)	85.8	144.3	185.4	175.7	186	174	—
(US$/t)	12.56	21.13	27.14	25.72	27.2	25.5	—
Titanium Concentrates (RMB/t)	—	—	—	—	384	314	342
(US$/t)	—	—	—	—	56.3	46.0	50.1
Unit Product Total Production Cost							
Iron Concentrates (RMB/t)	368.6	285.3	251.7	292.3	308	277	258
(US$/t)	53.97	41.77	36.85	42.80	45.2	40.6	37.8
Medium-Grade Titanium Concentrates (RMB/t)	135.2	171.8	234.8	252.3	313	248	—
(US$/t)	19.80	25.15	34.37	36.94	45.9	36.3	—
Titanium Concentrates (RMB/t)	—	—	—	—	546	401	420
(US$/t)	—	—	—	—	80.0	58.8	61.4
Unit Product Total Production Cost without G&A and Other Costs							
Iron Concentrates (RMB/t)	192.7	182.5	227.1	258.1	271	240	233
(US$/t)	28.21	26.72	33.25	37.79	39.7	35.2	34.1
Medium-Grade Titanium Concentrates (RMB/t)	113.5	153.2	208.2	242.0	297	227	—
(US$/t)	16.62	22.42	30.48	35.43	43.5	33.2	—
Titanium Concentrates (RMB/t)	—	—	—		529	396	410
(US$/t)	—	—	—		77.5	58.0	60.0

12.2 The Xiushuihe Mine

The unit operating costs for the Xiushuihe Mine are shown in Table 12.2 for the period from 2006 to 2011. The 2006-first half 2009 historical mining costs from RMB16.15/t (US$2.36/t) to RMB22.06/t (US$3.23/t) of milled ore and the second half 2009-2011 forecast mining costs of RMB21.9-22.8/t (US$3.20-3.34/t) of milled ore reflects the mining contracts between the Company and the contracted miners. Resource tax has also been included in the mining costs. The costs for waste stripping are generally capitalized and are not included in the operating costs. The historical concentrating costs range from RMB22.19/t (US$3.25/t) in 2007 to RMB25.11/t (US$3.68/t) in 2008 and the forecast concentrating costs range from RMB23.3/t (US$3.41/t) in the second half of 2009 to RMB38.5/t (US$5.64/t) in 2011, reflecting the selected magnetic-flotation separation processes and the gradual increase of labor and material costs. BDASIA notes that adding the ilmenite flotation circuit in 2010 and 2011 will increase the concentrating cost significantly. Mine management and technical team are included in the G&A and others costs, which range from RMB4.63/t (US$0.68/t) to RMB10.48/t (US$1.53/t) of milled ore historically and RMB5.6/t (US$0.82/t) to RMB8.9/t (US$1.31/t) forecast.

Table 12.2
Historical and Forecast Unit Cost Analysis for the Xiushuihe Mine, 2006-2011

	Historical				Forecast		
Cost Item	**2006**	**2007**	**2008**	**2009 Jan-Jun**	**2009 Jul-Dec**	**2010**	**2011**
Mining Cost (RMB/t of ore milled)	16.15	19.19	20.21	22.06	21.9	22.1	22.8
(US$/t of ore milled)	2.36	2.81	2.96	3.23	3.20	3.24	3.34
Concentrating Cost (RMB/t of ore milled)	24.52	22.19	25.11	22.75	23.3	30.6	38.5
(US$/t of ore milled)	3.59	3.25	3.68	3.33	3.41	4.47	5.64
G&A and Other Costs (RMB/t of ore milled)	4.63	9.11	10.48	5.64	8.9	6.6	5.6
(US$/t of ore milled)	0.68	1.33	1.53	0.83	1.31	0.96	0.82
Total Operating Cash Costs (RMB/t of ore milled)	**45.30**	**50.48**	**55.80**	**50.45**	**54.1**	**59.2**	**66.9**
(US$/t of ore milled)	**6.63**	**7.39**	**8.17**	**7.39**	**7.92**	**8.67**	**9.80**
Unit Product Operating Cash Cost							
Iron Concentrates (RMB/t)	141.8	191.1	205.2	184.6	194	171	154
(US$/t)	20.75	27.98	30.04	27.03	28.4	25.0	22.6
Medium-Grade Titanium Concentrates (RMB/t)	104.0	194.6	187.5	296.9	216	184	—
(US$/t)	15.22	28.50	27.46	43.47	31.6	27.0	—
Titanium Concentrates (RMB/t)	—	—	—	—	—	411	399
(US$/t)	—	—	—	—	—	60.1	58.4
Unit Product Total Production Cost							
Iron Concentrates (RMB/t)	152.3	216.5	259.0	240.6	247	216	195
(US$/t)	22.30	31.70	37.91	35.23	36.2	31.7	28.6
Medium-Grade Titanium Concentrates (RMB/t)	110.1	220.7	232.7	396.5	263	228	—
(US$/t)	16.12	32.32	34.06	58.05	38.5	33.4	—
Titanium Concentrates (RMB/t)	—	—	—	—	—	477	461
(US$/t)	—	—	—	—	—	69.9	67.6
Unit Product Total Production Cost without G&A and Other Costs							
Iron Concentrates (RMB/t)	137.7	178.8	220.5	220.5	215	194	179
(US$/t)	20.16	26.18	32.28	32.29	31.5	28.5	26.2
Medium-Grade Titanium Concentrates (RMB/t)	100.6	204.5	196.2	278.2	231	207	—
(US$/t)	14.73	29.94	28.72	40.73	33.8	30.4	—
Titanium Concentrates (RMB/t)	—	—	—	—	—	456	445
(US$/t)	—	—	—	—	—	66.7	65.2

The historical operating cash cost for a tonne of iron concentrates ranges from RMB141.8 (US$20.75) to RMB205.2 (US$30.04) and the forecast operating cash cost for a tonne of iron concentrates ranges from RMB154 (US$22.6) to RMB194 (US$28.4). The historical total production cost for a tonne of iron concentrates ranges from RMB152.3 (US$22.30) to RMB259.0 (US$37.91) and the forecast total production cost for a tonne of iron concentrates ranges from RMB195 (US$28.6) to RMB247 (US$36.2). Historical and forecast operating cash costs and total production costs for a tonne of medium-grade titanium concentrates and titanium concentrates for the Xiushuihe Mine are also summarized in Table 12.2.

12.3 The Pellet Plant

The unit operating costs for the pellet plant are shown in Table 12.3 for the period from 2006 to 2011. The operating costs are divided into iron concentrate cost (representing the Company's iron concentrate production cost plus transportation cost), pelletizing cost and G&A and other cost for a tonne of pellet produced.

The historical iron concentrate cost ranged from RMB121.62/t (US$17.81/t) of pellet produced in 2006 to RMB261.62/t (US$38.30/t) in 2007, and the forecast iron concentrate cost ranges from RMB215/t (US$31.5/t) of pellet produced in 2011 to RMB242/t (US$35.4/t) in the second half of 2009. The historical pelletizing cost ranged from RMB134.17/t (US$19.64/t) of pellet produced in 2007 to RMB200.56/t (US$29.37/t) in the first half of 2009 and the forecast pelletizing cost ranges from RMB171/t (US$25.0/t) in the second half of 2009 to RMB180/t (US$26.4/t) in 2011. The historical G&A and other cost ranged from RMB9.15/t (US$1.34/t) of pellet produced in the first half of 2009 to RMB215.09/t (US$31.49/t) in 2007 and the forecast G&A and other cost ranges from RMB8/t (US$1.1/t) in 2010 to RMB8/t (US$1.2/t) in the second half of 2009 and 2011. The significant decrease in G&A and other cost in 2008 is that prior to 2008, rail shipping costs (of approximately RMB120/t or US$17.5/t of pellets) were paid by the pellet plant as part of the selling costs, but beginning in 2008, the rail shipping costs have been paid by the buyer. Therefore, the 2008 and the first half 2009 actual and forecast G&A and others costs are significantly lower than the historical costs in 2006 and 2007. The historical and forecast total operating costs, total production costs and total production costs without the G&A and other cost for a tonne of pellet produced are also summarized in Table 12.3.

Table 12.3
Historical and Forecast Unit Cost Analysis for the Pellet Plant, 2006-2011

	Historical				Forecast		
Cost Item	**2006**	**2007**	**2008**	**2009 Jan-Jun**	**2009 Jul-Dec**	**2010**	**2011**
Iron Concentrate Cost (RMB/t of pellet)	121.62	261.62	261.14	203.35	242	223	215
(US$/t of pellet)	17.81	38.30	38.23	29.77	35.4	32.7	31.5
Pelletizing Cost (RMB/t of pellet)	156.78	134.17	157.61	200.56	171	177	180
(US$/t of pellet)	22.95	19.64	23.08	29.37	25.0	25.9	26.4
G&A and Other Costs (RMB/t of pellet)	175.05	215.09	56.28	9.15	8	8	8
(US$/t of pellet)	25.63	31.49	8.24	1.34	1.2	1.1	1.2
Total Operating Cash Costs (RMB/t of pellet)	**453.45**	**610.88**	**475.03**	**413.06**	**421**	**408**	**403**
(US$/t of pellet)	**66.39**	**89.44**	**69.55**	**60.48**	**61.6**	**59.7**	**59.0**
Depreciation and Amortization Cost (RMB/t of pellet)	30.16	22.42	34.85	19.52	10	8	8
(US$/t of pellet)	4.42	3.28	5.10	2.86	1.5	1.1	1.1
Total Production Costs (RMB/t of pellet)	**483.61**	**633.30**	**509.88**	**432.58**	**431**	**416**	**411**
(US$/t of pellet)	**70.81**	**92.72**	**74.65**	**63.34**	**63.1**	**60.9**	**60.1**
Total Production Cost without G&A and Other Costs (RMB/t of pellet)	**308.56**	**418.21**	**453.61**	**423.43**	**423**	**408**	**403**
(US$/t of pellet)	**45.18**	**61.23**	**66.41**	**62.00**	**61.9**	**59.7**	**59.0**

12.4 Discussion

Based on our review, BDASIA believes that the Company's forecast for the operating costs for the two operating mines and the pellet plant are reasonable as they generally reflect the future cost increase caused by labor and material and also unit cost savings as the result of the productivity increase. Therefore, these forecasts are generally considered achievable.

13.0 CAPITAL COSTS

13.1 The Baicao Mine

Historical and forecast capital costs for the Baicao Mine are shown in Table 13.1 for the period from 2006 to 2011. The mine capital costs consist of waste stripping cost. Costs for mining equipment are the responsibility of mining contractors. It can be seem that significant mining capital investment is needed for the next three years as waste stripping is very high in these years. The 2008 actual and forecast concentrator cost of RMB339.8 Million (US$49.8 million) is for the newly-constructed concentrator and its expansion with a total production capacity of 500,000 tpa of iron concentrates and related supporting facilities.

Table 13.1
Historical and Forecast Capital Costs for the Baicao Mine, 2006-2011

(The Company's attributable share of the following capital costs for the Baicao Mine is 90.5%.)

	Historical				Forecast		
Item	**2006**	**2007**	**2008**	**2009 Jan-Jun**	**2009 Jul-Dec**	**2010**	**2011**
Capital Cost in RMB×10³							
Mine	6,186	14,950	73,358	84,980	52,300	76,500	52,600
Concentrator	—	—	198,977	99,539	26,300	15,000	—
Admin	—	—	—	—	—	—	—
Tailings	—	10,000	—	6,280	29,700	—	—
Exploration	—	—	—	—	—	—	—
Land	—	—	8,475	20,747	—	—	—
Closing	—	—	—	—	—	—	—
Property Acquisition	—	15,574	76,749	1,250	1,300	—	—
Total	**6,186**	**40,524**	**357,559**	**212,796**	**109,600**	**91,500**	**52,600**
Capital Cost in US$×10³							
Total	**905**	**5,933**	**52,351**	**31,156**	**16,040**	**13,390**	**7,700**

13.2 The Xiushuihe Mine

Historical and forecast capital costs for the Xiushuihe Mine are shown in Table 13.2 for the period from 2006 to 2011. The mine capital costs consist of waste stripping cost. Costs for mining equipment are the responsibility of mining contractors. It can be seen that mining capital investment for the Xiushuihe Mine is much lower than that for the Baicao Mine as the strip ratio for the final Xiushuihe open pit is much lower than that for the final Baicao open pit. The total concentrator capital cost of approximately RMB196.8 Million (US$28.8 million) from 2009 to 2010 is for the upgrading of the two existing concentrators and construction of a new concentrator with a production capacity of 300,000 tpa of iron concentrates and related supporting facilities. The total exploration cost and mining license acquisition cost of approximately RMB120.0 million (US$17.6 million) from the second half of 2009 to 2011 represents the cost of exploration and resource acquisition in the Xiushuihe Mine expansion area.

Table 13.2
Historical and Forecast Capital Costs for the Xiushuihe Mine, 2006-2011

(The Company's attributable share of the following capital cost for the Xiushuihe Mine is 86.0%.)

	Historical				Forecast		
Item	**2006**	**2007**	**2008**	**2009 Jan-Jun**	**2009 Jul-Dec**	**2010**	**2011**
Capital Cost in RMB×10^3							
Mine	978	5,799	10,965	4,838	13,100	15,200	17,900
Concentrator	—	66,560	500	2,380	27,600	166,800	—
Admin	—	—	—	—	—	—	—
Tailings	—	—	—	—	—	—	—
Exploration	—	—	—	—	6,000	14,000	—
Land	—	—	17,868	2,821	—	—	—
Closing	—	—	—		—	—	—
Property Acquisition	—	9,165	42,666	500	6,500	—	93,000
Total	**978**	**81,525**	**71,998**	**10,540**	**53,200**	**196,000**	**110,900**
Capital Cost in US$×$10^3$							
Total	**143**	**11,936**	**10,542**	**1,543**	**7,800**	**28,690**	**16,240**

13.3 The Pellet Plant

Historical capital costs for the pellet plant are shown in Table 13.3 for the period from 2005 to 2008. The pelletizing capital costs reflect the very simple technology of the plant. No capital costs are forecasted as the Company currently has no plan for any plant upgrade or modification.

Table 13.3
Historical and Forecast Capital Costs for the Pellet Plant, 2005-2011

(The Company's attributable share of the following capital costs for the pellet plant is 90.5%.)

	Historical					Forecast		
Item	2005	2006	2007	2008	2009 Jan-Jun	2009 Jul-Dec	2010	2011
Capital Cost in RMB×103								
Pelletizing	47,363	850	13,886	4,993	—	—	—	—
Admin	—	—	—	—	—	—	—	—
Land	—	—	—	5,270	—	—	—	—
Total	**47,363**	**850**	**13,886**	**10,263**	—	—	—	—
Capital Cost in US$×103								
Total	**6,934**	**125**	**2,033**	**1,503**	—	—	—	—

13.4 Discussion

BDASIA notes that no sustaining capital was budgeted in the forecast capital expenditures and suggests that equipment replacement costs of approximately 2% of the total equipment costs for the concentrator and pellet plant be budgeted for each year following the completion of the construction.

14.0 ENVIRONMENTAL MANAGEMENT

The Baicao and Xiushuihe Mines as well as the pellet plant have all had Environmental Impact Statements approved and subsequently obtained environmental permits from the Huili County Environment Protection Bureau ("EPB"), for mining and processing activities at current production levels. The Baicao Mine Environment Permit is valid to January 2010, the Xiushuihe Mine Environment Permit is valid until May 2010, and the pellet plant Environment Permit is valid until January 2010. These permits are extendable at the expiration of their period of validity. Environmental measures to be implemented at the upgraded operations comprise:

- Dust mitigation: including the use of dust collectors, exhaust fans, water sprays and enclosure of dust generating activity. Personal protection devices ("PPE") to provide additional personal protection from dust are also provided to workers. Use of water trucks and wet drilling procedures reduce dust generated from mining and drilling activities;
- Waste water treatment: the sites are being designed as zero discharge sites, with an expectation of recycling up to 85% of used water in processing. Used water (including tailings effluent) is being recycled to the process plants for use in mineral processing or is used for dust suppression. Top up and domestic water is taken from nearby springs and streams, which can provide a good supply;
- Solid waste: a small amount of waste rock from the open pits is used for construction purposes, but mostly it is placed in the waste rock dumps. Tailings from the processing plants are stored in engineered tailings storage facilities ("TSF", Tables 14.1 and 14.2);

- Noise control: methods of noise control include use of silencers, noise and vibration dampening and absorbing materials, isolation and enclosure of noisy equipment, and regular equipment maintenance. Company policy requires PPE use, such as ear muffs or ear plugs, for noise-affected workers;
- Environmental monitoring: the mines undertake schedules for regular noise, water and air quality monitoring. Monitoring results are regularly submitted to the County EPB; and
- Rehabilitation: a rehabilitation and re-planting program for disturbed areas and for forest replacement is ongoing. TSFs and waste rock dumps are to be properly rehabilitated upon mine closure.

Table 14.1
Tailings Storage Facility of the Baicao Mine

Design Capacity and Estimated life	Comments
The TSF is constructed to meet the requirements of the concentrator over its designed mine life (at least 18 years remaining), with a capacity of approximately 8.6 Mm^3 still available.	The TSF is constructed in the valley adjacent to the concentrator site. Tailings are gravity fed to the TSF from the process plant at a density of 50% solids (by weight), and the supernatant water, together with rainwater, returned to the process plant for recycling. The TSF emplacement is designed with a 1 in 500 year flood design factor. This includes an underdrain, connected to several downpipes, which will permanently drain the emplacement. The TSF is designed to accommodate a local seismic risk factor of 7 (on the Chinese Richter scale equivalent). The TSF will be topsoiled and grassed upon closure.

Table 14.2
Tailings Storage Facility of the Xiushuihe Mine

Design Capacity and Estimated life	Comments
The TSF has been constructed to meet the requirements of the concentrators over a 3.5 year period at the expanded production rate, with a capacity of approximately 3.11 Mm^3 still available.	The TSF has been constructed in a valley adjacent to the concentrator site and will provide storage of tailings over a period of approximately 3.5 years, after which one of several available sites nearby will be utilized for ongoing storage. Tailings are gravity fed to the TSF from the process plant at a density of 50% solids (by weight), and the supernatant water, together with any collected rainwater, returned to the process plant for recycling. The TSF emplacement is designed with a 1 in 100 year flood design factor, which includes the provision of a clean water diversion channel, and an underdrain, connected to several downpipes, which will permanently drain the emplacement. The TSF is designed to accommodate a local seismic risk factor of 7 (on the Chinese Richter scale equivalent). The TSF will be topsoiled and grassed upon closure. An old TSF is located next to the concentrator, which contains a small amount of tailings that may be reprocessed at some future time. If they are not reprocessed, the site will be rehabilitated.

15.0 OCCUPATIONAL HEALTH AND SAFETY

The Company implements a corporate safety policy which incorporates national safety standards and applies to contractors as well as to company employees. Safety permits are the responsibility of the mining contractor; however, the Company holds current permits for the safety of the TSFs.

The Company conducts its operations in accordance with the relevant national laws and regulations covering occupational health and safety ("OH&S") in mining, production, blasting and explosives handling, mineral processing, TSF design, environmental noise, emergency response, construction, fire protection and fire extinguishment, sanitary provision, power provision, labor and supervision. Regular reports are submitted to the County Safety Bureau, who also conducts random inspections, as required by law.

BDASIA has confirmed with the Company that no fatality has been recorded at either Baicao or Xiushuihe or the pellet plant during the period of the Company's ownership and management.

16.0 RISK ANALYSIS

When compared with many industrial and commercial operations, mining is a relatively high risk business. Each orebody is unique. The nature of the orebody, the occurrence and grade of the ore, and its behavior during mining and processing can never be wholly predicted.

Estimations of the tonnes, grade and overall metal content of a deposit are not precise calculations but are based on interpretation and on samples from drilling or channel sampling, which, even at close sample spacing, remain very small samples of the whole orebody. There is always a potential error in the projection of sampling data when estimating the tonnes and grade of the surrounding rock, and significant variations may occur. Reconciliations of past production and ore reserves can confirm the reasonableness of past estimates but cannot categorically confirm the accuracy of future predictions.

Estimations of project capital and operating costs are rarely more accurate than ±10% and will be at least ±15% for projects in the planning stages. Mining project revenues are subject to variations in metal prices and exchange rates, though some of this uncertainty can be removed with hedging programs and long-term contracts.

The Company's two iron mining projects reviewed in this report have been in operation for a number of years and the risks are reduced by the knowledge and experience gained from the ongoing operations. The second half 2009-2011 projections are largely based on recent production and planned upgrading. Forecast cost parameters are considered generally reasonable.

In reviewing the Company's two mining properties, BDASIA has considered areas where there is perceived technical risk to the operation, particularly where the risk component could materially impact the projected production and resulting cashflows. The assessment is necessarily subjective and qualitative. Risk has been classified as low, moderate, or high based on the following definitions:

- High Risk: the factor poses an immediate danger of a failure, which if uncorrected, could have a material impact (>15%) on the project cash flow and performance and could potentially lead to project failure.
- Moderate Risk: the factor, if uncorrected, could have a significant impact (>10%) on the project cash flow and performance unless mitigated by some corrective action.

- Low Risk: the factor, if uncorrected, could have little or no effect on project cash flow and performance.

Risk Component	Comments
Mineral Resources *Low to Moderate Risk*	The layered mafic-ultramafic intrusive-hosted vanadium-bearing titanomagnetite mineralization at the Baicao and Xiushuihe Mines generally consists of large stratiform or lenticular mineralized bodies of hundreds to thousands of meters in dimension along the strike and dip directions and with good continuity in both grade and thickness. However, these mineralized bodies have been offset and/or interrupted by post-mineral faulting and igneous activities. BDASIA considers that these mineralized bodies have generally been defined by reasonably close-spaced drilling and surface trenching. But further drilling will be needed to increase the geological confidence level of the mineralization in the down-dip direction, especially for the Baicao Mine. Resource estimation for the two deposits followed set processes and procedures which in general have been diligently carried out. The Measured and Indicated category resources are based on drill hole and surface trenching sampling at a maximum spacing of 100 m × 100 m or 100 m × 200 m, respectively; there was generally no extrapolation from any data point for the Measured and Indicated mineral resources. The Inferred category resources were also reasonably estimated by limited extrapolation from the Measured and Indicated resource blocks or based on sampling data spaced more than 200 m apart.
Ore Reserves *Low to Moderate Risk*	The Proved and Probable ore reserves for the Baicao and Xiushuihe Mines were estimated from the higher-grade Measured and Indicated mineral resources within the designed final open pit limits. Although historical reconciliation data is not available to calculate actual mining dilution factor and mining recovery factor, BDASIA considers that the mining dilution factor and mining recovery factor used for mine planning are reasonable for the type of deposit. Final pit design was based on a manual method and it might not be optimized. BDASIA believes that a computerized pit optimization and final pit design should further improve the economics and lower any risk at the projects.
Open Pit Mining *Low Risk*	At both mines all mining is done by a contractor with relatively small equipment, which can readily be augmented as required. Mining operations are ongoing and pit planning for the future has been done competently. No significant problems are foreseen by BDASIA.

Risk Component	Comments
Concentrating *Low Risk*	Both Baicao and Xiushuihe ores are amenable to concentration and upgrading by conventional and widely used separation methods. These methods are magnetic and sulfide flotation. The future results are in line with the past production parameters. Also, ore samples from the two mines were competently tested recently and the obtained results were well within achievable boundaries. Therefore, there is minimal, if any, risk that the anticipated metallurgical results cannot be obtained provided that the ore characteristics remain unchanged.
Pelletizing *Low to Moderate Risk*	The present plant as it now stands represents a low risk operation as it is mechanically simple, has more than adequate capacity to meet required production levels, does not require the use of skilled operators and is easy to maintain. The main risk is that it has a comparatively high operating cost that cannot be readily diminished, without major capital expenditures in order to implement changes to its design and flowsheet. Also, because of the extreme titanium content of its pellets, its product sales can only be made into a very restricted marketplace. A further risk is that the plant operations are dependent on trucking operations, which, should these be disrupted, plant output will inevitably be lessened.
Infrastructure *Low to Moderate Risk*	Sufficient electricity is generally available for mine production at the Huili County. Access roads are rugged near the mines but the Company has plans to upgrade them now or in the near future. Water supply is generally sufficient but could be a problem at the end of the dry season in April and early May. To overcome the water shortage problem at the end of the dry season, a reservoir is being constructed for the Baicao Mine; lower production levels with scheduled maintenance work have been planned in April and early May for the Xiushuihe Mine.
Production Targets *Low to Moderate Risk*	The increased mine tonnage can readily be achieved by the addition of additional drilling, loading and hauling units by the mine contractor. The mine head grade should also not be a problem because of the good continuity and uniformity of the orebodies, provided that the current good ore control practices are continued. Both Baicao and Xiushuihe processing facilities will meet production targets provided that the waste stripping is carried out as planned for the Baicao Mine and construction of new concentrators and upgrading of existing concentrators are completed on schedule.

Risk Component	Comments
Operating Cost *Low to Moderate Risk*	Forecast mine costs from the second half of 2009 to 2011 at both mines are based on a new contract. The operating cost for concentrating will depend on the prices of supplies, power and materials. Consideration has been given to inflation in the forecast costs from the second half of 2009 to 2011. Forecast unit G&A and other cost is lower than the historical numbers as planned production increase will reduce the unit cost as the total G&A and other costs will not increase as much proportionally as the production.
Capital Cost *Low Risk*	Because the contract miner is responsible for any required increases in mining equipment, the only capital needed by the Company is for capitalized stripping. Since both the amount and the unit cost of the stripping are known, the chance of a cost overrun is low. Most of the processing facilities are nearing completion and major equipment has already been purchased. Therefore, the risk for cost overrun is low. BDASIA notes that no sustaining capital was budgeted in the forecast capital expenditures and suggests that equipment replacement costs of approximately 2% of the total equipment costs for the concentrator are budgeted for each year following the completion of the construction.
Environment *Low Risk*	Mitigation measures are being put in place to ensure environmental risks are minimized and regulatory environmental requirements are satisfied. The TSFs are designed to withstand potential flood and seismic impact. An Environmental Management Program is being implemented.
Occupational Health and Safety *Low Risk*	The Company seeks to conduct its operations in accordance with national safety regulations and has a Safety Management system in place. The two mines have maintained a good safety record for their employees over the period 2006-2008.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Companies Law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on April 28, 2008 under the Cayman Companies Law. The Memorandum and the Articles comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on September 4, 2009. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Cayman Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any shares may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Cayman Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Cayman Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all traveling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Cayman Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Cayman Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Cayman Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Cayman Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case that such members are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five (95) per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Cayman Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting.

A copy of every statement of financial position and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and at least ten (10) clear business days. All other extraordinary general meeting shall be called by notice of at least fourteen (14) clear days and at least ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Any Notice or document, whether or not, to be given or issued under the Articles from the Company to a member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such Notice and document may be served or delivered by the Company on or to any member either personally or by sending it through the post in a prepaid envelope addressed to such member at his registered address as appearing in the register of members or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for the giving of Notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the Notice being duly received by the member or may also be served by advertisement in appropriate newspapers in accordance with the requirements of the Designated Stock Exchange (as defined in the Articles) or, to the extent permitted by the applicable laws, by placing it on the Company's website or the website of the Designated Stock Exchange (as defined in the Articles), and giving to the member a notice stating that the notice or other document is available there (a "notice of availability"). The notice of availability may be given to the member by any of the means set out above. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the register and notices so given shall be deemed a sufficient service or delivery to all the joint holders.

Notwithstanding the foregoing and subject to the notice of availability and the Articles, the Company may deem consent on the part of a member to a corporate communication being made available to him on the Company's website if such deemed consent is permitted by the rules of the Designated Stock Exchange and the Company complies with any procedure that may be required by the Designated Stock Exchange.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95) per cent in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividend;

(bb) the consideration and adoption of the accounts and statement of financial position and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty (20) per cent in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Cayman Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(m) Dividend and other methods of distribution

Subject to the Cayman Companies Law, the Company in general meeting may declare dividend in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividend may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividend may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Companies Law.

Except in so far as the rights attaching to, or the terms of issue of any share may otherwise provide, (i) all dividend shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividend shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividend or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividend or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividend or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty (20) per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividend and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty (20) per cent. per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Cayman Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarized in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividend of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Cayman Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividend to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Cayman Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividend and distributions

With the exception of section 34 of the Cayman Companies Law, there is no statutory provisions relating to the payment of dividend. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividend may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividend and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Cayman Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from May 6, 2008.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Cayman Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up by either an order of the Court or by a special resolution of its members. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice (as defined in the Cayman Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five (75) per cent. in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than ninety (90) per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VIII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on April 28, 2008. At the time of incorporation, our name was China Vanadium Titano-Magnetite Mining Co. Ltd. On May 28, 2008, our name was changed to China Vanadium Titano-Magnetite Mining Company Limited 中國釩鈦磁鐵礦業有限公司. We have established a principal place of business in Hong Kong at Room 2201, 22/F, Wheelock House, 20 Pedder Street, Central, Hong Kong and registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance on September 26, 2008. Mr. KONG Chi Mo has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, our corporate structure and our constitutional documents are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our constitutional documents and certain relevant aspects of Cayman Companies Law is set out in Appendix VI to this prospectus.

2. Changes in share capital

On the date of our incorporation on April 28, 2008, our authorized share capital was HK$380,000 divided into 3,800,000 Shares of HK$0.10 each. The following sets out the changes in our share capital since the date of our incorporation:

(a) on April 28, 2008, one Share was allotted and issued to the initial subscriber for cash at par and was then transferred to Trisonic International on the same date;

(b) on May 22, 2008, 7,955 new Shares of our Company were allotted and issued to Trisonic International for one share of Powerside held by Trisonic International, and Powerside became our wholly owned subsidiary;

(c) on July 21, 2008, 2,044 new Shares of our Company were allotted and issued to Green Globe for two shares of First China held by Green Globe, and First China became our wholly owned subsidiary;

(d) pursuant to the resolutions in writing of our Shareholders passed on September 4, 2009, the authorized share capital of our Company was increased from HK$380,000 to HK$1,000,000,000 by the creation of an additional 9,996,200,000 Shares of HK$0.10 each; and

(e) immediately following completion of the Global Offering but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK$200,000,000 divided into 2,000,000,000 Shares, all fully paid or credited as fully paid and 8,000,000,000 Shares will remain unissued.

Save as disclosed herein, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Resolutions of our Shareholders

On September 4, 2009, written resolutions of all our Shareholders were passed pursuant to which, *inter alia*:

(a) our Company approved and adopted the Articles;

(b) the authorized share capital of our Company was increased from HK$380,000 to HK$1,000,000,000 by the creation of an additional 9,996,200,000 Shares of HK$0.10 each in the capital of our Company to rank pari passu in all respects with the existing issued Shares;

(c) conditional on the fulfillment of all conditions set out in the "Structure of the Global Offering" section in this prospectus:

(i) the Global Offering was approved and our Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering;

(ii) the Over-allotment Option was approved and our Directors were authorized to allot and issue any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option;

(iii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme; and

(iv) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors were authorized to capitalize HK$149,999,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 1,499,990,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on September 4, 2009 (or as they may direct) in proportion (as nearly as possible without involving the issue of fractions of Shares) to their respective existing shareholdings in our Company and our Directors were authorized to allot and issue such Shares as aforesaid and to give effect to the Capitalization Issue and the Shares to be allotted and issued shall rank pari passu with all Shares in issue.

(d) a general unconditional mandate was given to our Directors to allot, issue and deal with (otherwise than by way of rights issues, scrip dividend schemes or other similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or in issue prior to the date of the passing of the relevant resolution or pursuant to the exercise of options which may be granted under the Share Option Scheme or other similar arrangement or under the Global Offering or the Capitalization Issue or a specific authority granted by the Shareholders in a general meeting), on behalf of our Company, unissued Shares and to make an offer or agreement or to grant an option which would or might require such Shares to be allotted and issued subject to the requirements that the aggregate nominal value of the Shares so allotted or issued or agreed conditionally or unconditionally to be allotted and issued shall not exceed the sum of: (1) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and the Capitalization Issue; and (2) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (f) below, such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;

(e) a general unconditional mandate was given to our Directors to exercise all the powers of and on behalf of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and the Capitalization Issue, such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate; and

(f) the extension of the unconditional general mandate mentioned in sub-paragraph (d) above to include the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above was approved provided that such extended amount shall not exceed 10% of the total nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and the Capitalization Issue.

4. Changes in share capital of the subsidiaries of our Company

Our subsidiaries are referred to in the Accountants' Report attached as Appendix I to this prospectus. The following alterations in the share capital (or registered capital, as the case maybe) of our subsidiaries have taken place within the two years preceding the date of this prospectus:

(a) Simply Rise

On January 2, 2008, Simply Rise was incorporated in Hong Kong with an authorized share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 per share.

On January 2, 2008, one share was allotted and issued at par to Harefield Limited.

On March 5, 2008, Harefield Limited transferred its one share at par to Powerside.

(b) Powerside

On January 8, 2008, Powerside was incorporated in the BVI. Powerside is authorized to issue a maximum of 50,000 shares of US$1.00 per share.

On March 5, 2008, one share was allotted and issued at par to Trisonic International.

On May 22, 2008, Trisonic International transferred its one share of Powerside to our Company by the allotment and issue of 7,955 Shares to Trisonic International.

(c) First China

On March 5, 2008, First China was incorporated in Hong Kong with an authorized share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 per share.

On March 5, 2008, one share was allotted and issued at par to Bosco Nominees Limited.

On April 24, 2008, Bosco Nominees Limited transferred its one share at par to Green Globe.

On May 25, 2008, Green Globe entered into a share sale and purchase agreement with our Company, Trisonic International and Mr. WANG Jin to transfer its entire issued share capital of First China to our Company at a consideration of US$90 million by way of allotment and issue of 2,044 Shares to Green Globe.

On July 14, 2008, one share was allotted and issued at a consideration of US$90 million to Green Globe.

With respect to the change in the equity interest of our PRC subsidiaries, please refer to the "History, Reorganization and Group Structure — Change of Equity Interest in our PRC Operating Subsidiaries" section in this prospectus.

5. The Reorganization

For information with regard to our corporate Reorganization, please refer to the "History, Reorganization and Group Structure — Reorganization" section in this prospectus.

6. Repurchases by our Company of our Shares

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up) by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders of such company in general meeting, either by way of general mandate to the directors of such company or by way of specific approval in relation to a particular transaction.

Note: Pursuant to the written resolutions passed by our Shareholders dated September 4, 2009, a general unconditional mandate (the "Repurchase Mandate") was granted to our Directors authorizing the repurchase by our Company on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and the Capitalization Issue, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the applicable laws of the Cayman Islands or our Articles to be held or the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate, whichever shall first occur.

(ii) Source of funds

Repurchases of shares by a company must be funded out of funds legally available for such purposes in accordance with its memorandum and articles of association, the Listing Rules and the applicable law of the jurisdiction in which such company is incorporated or otherwise established. A company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, any repurchases by our Company may be made out of profits of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

(iii) Trading restrictions

The total number of securities which a company is authorized to repurchase on the Stock Exchange must not exceed 10% of its issued share capital as of the date of the ordinary resolution granting the mandate to repurchase shares.

A company whose primary listing is on the Stock Exchange may not make a new issue or announce a proposed new issue of securities of the type that has been repurchased for a period of 30 days immediately following a repurchase of securities (whether on the Stock Exchange or otherwise), other than an issue of securities pursuant to the exercise of warrants, share options or other similar instruments requiring such company to issue securities which were outstanding prior to such repurchase, without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5.0% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange from time to time.

A company shall procure that any broker appointed by it to effect the purchase of its own securities shall disclose to the Stock Exchange such information with respect to purchases made on behalf of such company as the Stock Exchange may request.

(iv) Status of repurchased securities

The Listing Rules provide that the listing of repurchased securities shall be automatically cancelled upon repurchase and that the relevant share certificates must be cancelled and destroyed as soon as reasonably practicable. Under Cayman Islands law, any securities repurchased shall be treated as cancelled on repurchase and the amount of such company's issued share capital shall be reduced by the nominal amount of the repurchased securities accordingly, although the authorized share capital of such company will not be reduced as a result of the repurchase.

(v) Suspension of repurchases

The Listing Rules prohibit any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); or (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit any repurchase of securities by a company on the Stock Exchange if such company has breached the Listing Rules.

(vi) Reporting requirements

Under the Listing Rules, a company shall report repurchases of its securities (whether on the Stock Exchange or otherwise) to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the trading day immediately following the date of repurchase. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on the Stock Exchange or otherwise), the repurchase price per share or the highest and lowest prices paid by such company for all such repurchases and the aggregate prices paid by such company for such repurchases. The directors' report of a company is also required to contain reference to the securities repurchases made during the year and the directors' reasons for making such repurchases.

(vii) Connected persons

Listing Rules prohibit a company from knowingly repurchasing its securities on the Stock Exchange from a "connected person", which term includes, a director, chief executive, substantial shareholder of such company or any of its subsidiaries or any of their respective associates. A connected person of a company is prohibited from knowingly selling his securities to such company.

(viii) Shares to be repurchased

The Listing Rules provide that the shares to be repurchased by a company must be fully paid up.

b) Reasons for repurchases

Our Directors believe it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe such repurchases will benefit our Company and our Shareholders. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net assets value of our Company and/or its earnings per Share.

c) Funding of repurchases

Repurchases pursuant to the Repurchase Mandate would be financed out of our Company's legally available funds in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors consider that the exercise in full of the Repurchase Mandate may have a material adverse impact on the working capital or gearing position of our Company as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent that would have any material adverse effect on the working capital or gearing position of our Company according to the opinion of our Directors as appropriate for our Company from time to time.

(d) Exercise of the Repurchase Mandate

The exercise in full of the Repurchase Mandate, on the basis of 2,000,000,000 Shares in issue after completion of the Global Offering (and on the assumption that the Over-allotment Option is not exercised and taking no account of any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme), would result in up to 200,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) Disclosure of interests

None of our Directors nor, to the best of their knowledge and having made all reasonable enquiries, any of their respective associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company.

No connected persons (as defined in the Listing Rules) have notified our Company that they have any present intention to sell Shares to our Company or have undertaken not to sell any Shares held by them to our Company if the Repurchase Mandate is exercised.

(f) Directors' undertakings

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable laws of the Cayman Islands.

(g) Takeovers Code consequences

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code) could, depending on the level of increase in such Shareholder's or Shareholders' interests, obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as disclosed in this prospectus, our Directors are not aware of any events which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years immediately preceding the date of this prospectus and are or may be material:

(a) an equity transfer agreement dated March 6, 2008 entered into between Trisonic International and Simply Rise, pursuant to which Simply Rise agreed to purchase from Trisonic International the 72.0% equity interest in Huili Caitong at a consideration of US$18.0 million;

(b) a joint venture contract dated March 6, 2008 entered into among Xichang Vanadium, Sichuan Xingchuancheng and Simply Rise, pursuant to which Xichang Vanadium, Sichuan Xingchuancheng and Simply Rise agreed to contribute to 27.1%, 0.9% and 72% of the registered capital of Huili Caitong, respectively;

(c) an agreement relating to transfer of shares in the capital of Powerside dated May 22, 2008 entered into between Trisonic International and our Company, pursuant to which Trisonic International transferred its one share in Powerside to our Company in consideration of the allotment and issue of 7,955 Shares to Trisonic International;

(d) an equity transfer agreement dated May 25, 2008 entered into among Xichang Vanadium, Sichuan Xingchuancheng, First China and Green Globe, pursuant to which First China agreed to purchase from Xichang Vanadium and Sichuan Xingchuancheng the 17.6% and 0.9% equity interest in Huili Caitong, respectively, at a total consideration of US$90.0 million;

(e) a share sale and purchase agreement relating to First China dated May 25, 2008 entered into among Green Globe, our Company, Trisonic International and Mr. WANG Jin, pursuant to which our Company agreed to purchase the entire issued share capital of First China owned by Green Globe at a consideration of US$90.0 million by way of allotment and issue of 2,044 Shares to Green Globe;

(f) a master agreement dated May 25, 2008 entered into among First China, Green Globe, Xichang Vanadium Co., Ltd., Sichuan Xing Chuan Cheng Cement Co., Ltd., Trisonic International, Hui Li County Cai Tong Iron and Titanium Co., Ltd., Simply Rise, our Company, Powerside and Kingston Grand;

(g) a shareholders agreement dated May 25, 2008 entered into among Trisonic International, Green Globe and our Company;

(h) a supplementary deed to shareholders agreement dated July 23, 2008 entered into among Trisonic International, Green Globe and our Company;

(i) a letter of intent regarding the transfer of mining rights dated April 22, 2009 entered into between Huili Caitong and Sichuan Dayi Mining Co., Ltd. ("Sichuan Dayi") (四川大益礦業有限公司) pursuant to which Sichuan Dayi agreed, inter alia, to grant Huili Caitong an option to acquire the mining rights and related assets of Huili County Lüwan mine (會理縣綠灣鐵礦);

(j) an option agreement dated June 18, 2009 entered into between Huili Caitong and Panzhihua Jingzhi pursuant to which Panzhihua Jingzhi agreed, inter alia, to grant Huili Caitong an option to acquire the mining rights and related assets of Xiaoheiqing Jingzhi mine (小黑箐經質鐵礦);

(k) the Non-Competition Deed;

(l) a deed of indemnity dated September 23, 2009 entered into by our Controlling Shareholders with and in favor of our Company; and

(m) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

As of the Latest Practicable Date, our Group has registered/applied for the registration of the intellectual property rights as listed below.

A. Trademarks

(a) Registered trademarks owned by our Group

As of the Latest Practicable Date, our Group is the owner of certain registered trademarks, details of which are as follows:

Trademark	Name of registered owner	Place of registration	Class	Registration number	Next renewal date
A. B.	China Vanadium Titano-Magnetite Mining Company Limited	Hong Kong	1, 6, 37, 39, 40	301185101	August 18, 2018
A. 中國鐵鈦 CHINA VTM MINING B. 中国铁钛 CHINA VTM MINING	China Vanadium Titano-Magnetite Mining Company Limited	Hong Kong	1, 6, 37, 39, 40	301194057	September 2, 2018

(b) Trademarks applied for registration by our Group

As of the Latest Practicable Date, we have applied for registration of certain trademarks which are pending registration, details of which are as follows:

Trademarks applied for registration in the PRC

Trademark	Application number	Application date	Class
财通 CAI TONG	6637267	April 3, 2008(*Note*)	6
财通 CAI TONG	6637268	April 3, 2008(*Note*)	1

Note: Such application is still pending approval for registration by the relevant trademark office in the PRC. As advised by our PRC legal advisors, such application may take up to two years.

B. Domain names

As of the Latest Practicable Date, we have registered the following domain names:

Registrant	Domain name	Registration date	Expiry date
China Vanadium Titano-Magnetite Mining Co. Ltd.	www.chinavtmmining.com	August 11, 2008	August 24, 2010

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT AND STAFF

1. Disclosure of Interests

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), the interests of our Directors and chief executive of our Company in the equity or debt securities of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once the Shares are listed, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange once the Shares are listed will be as follows:

Name of Shareholder	Name of corporation	Nature of interest	Number and class of securities(Note 1)	Approximate percentage of interest in such corporation immediately after the Global Offering(Note 2)
Mr. WANG Jin	Our Company	Interest of controlled corporation	1,194,000,000 ordinary (L)	59.7%

Notes:

1. The letter 'L' denotes a Shareholder's long position in such Shares.
2. Assuming the Over-allotment Option is not exercised.

2. Substantial Shareholders

So far as our Directors are aware, immediately following completion of the Global Offering (assuming the Over-allotment Option and the options under the Share Option Scheme are not exercised), the following persons (who are neither Directors nor our chief executive) will have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Nature of interest	Class of securities(Note 1)	Number of Shares	Approximate percentage of interest in such corporation immediately after the Global Offering(Note 2)
Trisonic International(Note 3)	Beneficial owner	Ordinary (L)	1,194,000,000	59.7%
Mr. WANG Jin(Note 3)(Note 4)	Interest of controlled corporation	Ordinary (L)	1,194,000,000	59.7%
Kingston Grand(Note 3)	Interest of controlled corporation	Ordinary (L)	1,194,000,000	59.7%
Mr. YANG Xianlu(Note 3)	Interest of controlled corporation	Ordinary (L)	1,194,000,000	59.7%
Mr. WU Wendong(Note 3)	Interest of controlled corporation	Ordinary (L)	1,194,000,000	59.7%
Mr. LI Hesheng(Note 3)	Interest of controlled corporation	Ordinary (L)	1,194,000,000	59.7%
Mr. SHI Yinjun(Note 3)	Interest of controlled corporation	Ordinary (L)	1,194,000,000	59.7%
Mr. ZHANG Yuangui(Note 3)	Interest of controlled corporation	Ordinary (L)	1,194,000,000	59.7%
Sapphire Corporation Limited(Note 4)	Interest of controlled corporation	Ordinary (L)	1,194,000,000	59.7%
Green Globe(Note 5)	Beneficial owner	Ordinary (L)	217,800,000	10.9%
AL Safat Asia Resources I Limited(Note 5)	Interest of controlled corporation	Ordinary (L)	217,800,000	10.9%
AL Safat Investment Company K.S.C.C.(Note 6)	Interest of controlled corporation	Ordinary (L)	217,800,000	10.9%

Notes:

1. The letter 'L' denotes the person's long position in such Shares.
2. Assuming the Over-allotment Option is not exercised.
3. The issued share capital of Trisonic International is owned as to 6.0% by Mr. YANG Xianlu; 6.0% by Mr. WU Wendong, 3.0% by Mr. LI Hesheng, 30.6% by Mr. WANG Jin, 7.2% by Mr. SHI Yinjin and 7.2% by Mr. ZHANG Yuangui; and 40% by Kingston Grand. Both our Founders and Kingston Grand are deemed under SFO to be interested in 1,194,000,000 Shares held by Trisonic International .
4. The issued share capital of Kingston Grand is owned as to 60.0% by Mr. WANG Jin and 40.0% by Sapphire Corporation Limited. Mr. WANG Jin and Sapphire Corporation Limited are deemed under SFO to be interested in 716,040,000 Shares held by Kingston Grand.
5. The issued share capital of Green Globe is owned as to 100.0% by AL Safat Asia Resources I Limited. AL Safat Asia Resources I Limited is deemed under SFO to be interested in 217,800,000 Shares held by Green Globe.
6. The issued share capital of AL Safat Asia Resources I Limited is owned as to 100.0% by AL Safat Investment Company K.S.C.C. AL Safat Investment Company K.S.C.C. is deemed under SFO to be interested in 217,800,000 Shares held by Green Globe.

3. Particulars of Directors' service contracts

Each of our executive Directors has entered into a service contract with our Company for an initial term of two years commencing from the Listing Date, until terminated by not less than three months' prior notice in writing served by either party. Pursuant to the service contracts, the maximum aggregate annual salary of the four executive Directors is approximately HK$1.9 million.

Each of our non-executive Directors and independent non-executive Directors has entered into a letter of appointment with our Company. Each letter of appointment is for an initial term of two years commencing from the Listing Date. The aggregate annual fees payable to our non-executive Directors and our independent non-executive Directors under the letters of appointment are HK$0.5 million and HK$0.5 million, respectively.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation).

4. Directors' remuneration

The aggregate amount of fees, salaries, housing allowances, other allowances, benefits in kind (including our contribution to the pension scheme on behalf of our Directors) or any bonuses to our Directors during each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 was approximately RMB176,000, RMB281,000 and RMB1,195,000, respectively.

It is estimated that remuneration and benefits in kind equivalent to approximately HK$2.6 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2009 under arrangements in force at the date of this prospectus.

5. Fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

6. Related party transactions

Same as disclosed in the Accountants' Report attached as Appendix I to this prospectus and other parts of this prospectus, we have not engaged in any dealings with our Directors and their associates within the two years immediately preceding the date of this prospectus.

D. DISCLAIMERS

Save as disclosed in this prospectus:

(a) none of our Directors or chief executive of our Company has any interests and/or short positions in the Shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to us and the Stock Exchange once our Shares are listed;

(b) none of our Directors nor any of the parties listed in the "Other Information — Consents" of this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors nor any of the parties listed in the "Other Information — Consents" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(d) save for the Underwriting Agreements, none of the parties listed in the "Other Information — Consents" of this Appendix:

  (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or

  (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities;

(e) within the two years preceding the date of this prospectus, we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(f) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(g) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(h) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(i) we have no outstanding convertible debt securities;

(j) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special items have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(k) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;

(l) no cash, securities or benefit has been paid or allotted or given within the two years preceding the date of this prospectus to any of our promoters nor is any such cash, securities or benefit intended to be paid or allotted or given on the basis of the Global Offering or related transactions as mentioned in this prospectus; and

(m) none of our Directors or their associates or any Shareholder (which to the knowledge of our Directors owns 5.0% or more of our Company's issued share capital) has any interest in our five largest suppliers or five largest customers.

E. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme which, in compliance with Chapter 17 of the Listing Rules, was approved by the written resolutions of our Shareholders passed on September 4, 2009.

(a) Purpose

The purpose of the Share Option Scheme is to provide incentive or reward to Eligible Persons (as defined in paragraph (b) below) for their contribution to, and continuing efforts to promote the interests of, our Company and to enable our Group to recruit and retain high calibre employees.

(b) Who may join

The Board may, at its discretion, offer full time or part time employees or directors of any member of our Group (the "Eligible Persons") a right to subscribe for such number of Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below.

(c) Maximum number of Shares

(i) The maximum aggregate number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Company must not in aggregate exceed 30% of our issued share capital from time to time. No options may be granted under any schemes of our Company (or any subsidiary of our Company) if such grant may result in the number of Shares which may be granted to exceed such maximum.

(ii) The aggregate number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme to be granted under the Share Option Scheme and any other existing share option scheme of our Company) must not in aggregate exceed 200,000,000 Shares, being 10% of the total number of Shares in issue immediately following completion of the Global Offering (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option) ("General Mandate Limit"). Subject to the foregoing, when our Company grants options under the Share Option Scheme for the first time, the total number of Shares which may be issued upon exercise of such options granted at that time shall not exceed 3% of the Shares in issue immediately following completion of the Global Offering.

(iii) Subject to (i) above and without prejudice to (iv) below, we may seek the approval of our Shareholders in general meeting to refresh the General Mandate Limit. However, the total number of Shares which may be issued upon exercise of all outstanding options to be granted under the Share Option Scheme and any other share option scheme of our Company under the limit as "refreshed" must not exceed 10% of the Shares in issue as of the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option scheme of our Company (including those outstanding, cancelled or lapsed in accordance with the Share Option Scheme or other share option scheme of our Company or exercised options) will not be counted for the purpose of calculating the limit as "refreshed". We will send a circular to our Shareholders in compliance with the relevant provisions of Chapter 17 of the Listing Rules and/or such other requirements as prescribed in the Listing Rules.

(iv) Subject to (i) above and without prejudice to (iii) above, we may seek the separate approval of our Shareholders in general meeting for granting options beyond the General Mandate Limit provided the options in excess of the limit are granted only to participants specifically identified by us before such approval is sought. We will issue a circular to our Shareholders in compliance with the relevant provisions of Chapter 17 of the Listing Rules and/or such other requirements as prescribed in the Listing Rules.

(d) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted and to be granted under the Share Option Scheme and any other share option scheme(s) of our Company (including exercised, cancelled and outstanding options) to each Eligible Person, in any 12 months up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant.

Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting with such Eligible Persons and his associates abstaining from voting and other requirements prescribed under the Listing Rules from time to time.

(e) Grant of options to connected persons

Any grant of options to a Director, chief executive of our Company or to a substantial Shareholder or any of their respective associates is required to be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the grantee of the options). Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12 months up to and including the date of the offer of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue on the date of the offer; and

(ii) having an aggregate value in excess of HK$5 million, based on the closing price of the Shares as quoted on the Stock Exchange at the date of such grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which all connected persons of our Company shall abstain from voting in favor at such meeting and other requirements prescribed under the Listing Rules from time to time.

(f) Subscription price for the Shares

The subscription price of a Share in respect of any option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, provided that such price shall not be less than the highest of (i) the nominal value of our Shares; (ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the date of grant of the option; and (iii) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a Business Day). A consideration of HK$1.00 is payable on acceptance of the offer of the grant of an option.

(g) Restrictions on the time of grant of options

An offer to grant an option may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, during the periods or times in which Directors are prohibited from dealing in Shares pursuant to Appendix 10 of the Listing Rules or any other corresponding code or securities dealings restrictions on our Company, no options may be granted.

(h) Rights are personal to grantee

An option is personal to the grantee and shall not be assignable or transferable, and the grantee may not in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any option.

(i) Time of exercise of option

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its absolute discretion any such minimum period at the time of grant of any particular option.

Upon acceptance, the date of grant of any particular option is deemed to have taken effect from the date on which an offer is made. An option may be exercised according to the terms of the Share Option Scheme and the offer in whole or in part by the grantee (or his personal representatives) before its expiry giving notice in writing to our Company stating that the option is to be exercised and the number of Shares in respect of which it is exercised. Such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than ten years from the date of grant. No option may be granted more than ten years after the date of approval of the Share Option Scheme. Subject to earlier termination in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption of the Share Option Scheme by our Shareholders.

(j) Minimum period of holding an option and performance target

The Board may, at its absolute discretion, specify (A) any minimum period in respect of which an option granted under the Share Option Scheme must be held; (B) any performance targets that must be achieved; and (C) any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to an Eligible Person.

(k) Rights on ceasing to be an Eligible Person

In the event of the grantee ceasing to be an Eligible Person for any reason other than (1) by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangement or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty; or (2) by death, the option may be exercised within one month after the date of such cessation, which date shall be (i) if he is an employee of any member of our Group, his last actual working day with such member of our Group whether salary is paid in lieu of notice or not; or (iii) if he is not an employee of any member of our Group, the date on which the relationship constituting him an Eligible Person ceases.

(l) Rights on death

In the event that the grantee of an outstanding option dies before exercising the option in full or at all, the option may be exercised up to the entitlement of such grantee or, if appropriate, in the circumstances described in (n), (o), (p) and (q), an election made by his personal representatives within twelve months after the date of his death.

(m) Lapse of option on misconduct, bankruptcy or dismissal

If a grantee ceases to be an Eligible Person by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangement or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty, the right to exercise the option (to the extent not already exercised) shall terminate immediately.

(n) Rights on general offer by way of a take-over

If a general offer by way of a take-over is made to all of our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror) and such offer becomes or is declared unconditional, the grantee (or his personal representatives) may by notice in writing to our Company within 21 days of such offer becoming or being declared unconditional exercise the option to its full extent or to the extent specified in such notice.

(o) Rights on general offer by way of a scheme of arrangement

If a general offer by way of a scheme of arrangement is made to all of our Shareholders and the scheme has been approved by the necessary number of Shareholders at the requisite meetings, the grantee (or his personal representatives) may thereafter (but before such time as shall be notified by our Company) by notice in writing to our Company exercise the option to its full extent or to the extent specified in such notice.

(p) Rights on a compromise or arrangement

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the grantee (together with a notice of the existence of the provisions of this paragraph) on the same date or soon after it dispatches the notice to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representatives) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of two months thereafter and the date on which such compromise or arrangement is sanctioned by the court of competent jurisdiction, exercise any of his options whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the grantee (or his personal representatives) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(q) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid.

(r) Lapse of the options

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of:

(i) the expiry of the period the options may be exercised;

(ii) the expiry of any of the periods referred to in paragraph (k), (l) or (n);

(iii) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (o);

(iv) the date upon the compromise or arrangement becoming effective referred to in paragraph (p);

(v) the date on which the grantee ceases to be an Eligible Person by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangement or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty;

(vi) subject to paragraph (q), the date of the commencement of the voluntary winding-up of our Company;

(vii) the date on which the grantee commits a breach of paragraph (h); or

(viii) the date on which the option is cancelled by the Board as provided in paragraph (w).

Our Company shall owe no liability to any grantee for the lapse of any option under this paragraph (r).

(s) Ranking of Shares

The Shares to be allotted upon the exercise of an option shall be subject to the Articles for the time being in force and shall rank pari passu in all respects with fully-paid Shares in issue as of the date of allotment and will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the date of allotment.

(t) Effect of alterations to share capital

In the event of any alteration to the capital structure of our Company arising from capitalization of profits or reserves, a rights issue, consolidation, subdivision or reduction of the share capital of our Company in accordance with legal requirements and requirements of the Stock Exchange other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party, the following adjustment (if necessary) shall be made to the options which remains exerciseable:

(i) the number or nominal amount of Shares subject to the option so far as unexercised; and/or

(ii) the subscription price for the Shares subject to the option so far as unexercised;

or any combination thereof as the auditors or the independent financial adviser to our Company shall at the request of our Company certify in writing to the Board either generally or as regards any particular grantee that the adjustments are in compliance with Rules 17.03(13) of the Listing Rules and the notes thereto.

Any such adjustments must give a grantee the same proportion of the equity capital of our Company as to which that grantee was previously entitled, and any adjustments so made shall be in compliance with the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the "Supplemental Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the Note immediately after the Rule" attached to the letter of the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes) but no such alterations shall be made the effect of which would result in a Share being issued at less than its nominal value. The capacity of the auditors or the independent financial adviser to our Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the grantees.

(u) Alteration of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Share Option Scheme as to:

(i) the definition of "Eligible Person" and "grantee" in the Share Option Scheme; and

(ii) the provisions relating to the matters set out in Rule 17.03 of the Listing Rules,

shall not be altered to the advantage of grantees or prospective grantees except with the prior approval of our Shareholders in general meeting (with participants and their respective associates abstaining from voting). No such alterations shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction in writing of such majority of the grantees as would be required of our Shareholders under the Articles for a variation of the rights attached to the Shares.

Any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

Any alteration to the provisions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Shareholders in general meeting except where the alterations take effect automatically under the existing provisions of the Share Option Scheme.

(v) Cancellation of options granted

The Board may cancel an option granted but not exercised with the approval of the grantee of such option.

No options may be granted to an Eligible Person in place of his cancelled options unless there are available unissued options (excluding the cancelled options) within the limits set out in paragraph (c) above from time to time.

(w) Termination of the Share Option Scheme

Our Company may by resolution in a general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(x) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon:

(i) the passing of the necessary resolution to adopt the Share Option Scheme by our Shareholders;

(ii) no objection having been received by our Company from the Listing Committee prior to the Listing in relation to the adoption of any of the terms of the Share Option Scheme;

(iii) the Listing Committee granting approval of the Listing and permission to deal in the Shares which may fall to be issued pursuant to the exercise of any such options; and

(iv) the commencement of dealings in the Shares on the Stock Exchange.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period, vesting period and a valuation of options granted during the financial year/period (if appropriate) and any other information required under and in accordance with the Listing Rules in force from time to time.

(z) Present status of the Share Option Scheme

As of the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Listing Committee of the Stock Exchange for the Listing and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

F. OTHER INFORMATION

1. Tax and other indemnity

Our Controlling Shareholders have entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for its subsidiaries) to provide indemnities in respect of, among other matters, (a) any liability for estate duty under the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or legislation similar thereto in Hong Kong or any part of the world which might be incurred by any member of our Group on or before the date on which the Global Offering becomes unconditional; (b) any claim or demand for Taxation (as defined therein) which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the Global Offering becomes unconditional, other than any taxation chargeable in respect of profits or gains made in the ordinary course of business of members of our Group after June 30, 2009; (c) any claim which might be payable by any member of our Group by reason of any non-compliance of our Group to obtain all licenses, permits and certificates (including without limitation the mining permit, exploration permit, production safety permit, land use rights certificate and building ownership certificate from the relevant governmental bodies to conduct its operations on or before the Global Offering becomes unconditional, save and except (i) where provision or reserve has been made for such taxation in the audited accounts of any member of our Group for the six months ended June 30, 2009; or (ii) in respect of Taxation (as defined therein) or liability which would not have arisen but for any act, transaction, omission or delay by any of the members of our Group voluntarily effected without the prior written consent or agreement of our Controlling Shareholders otherwise than in the ordinary course of business after the date on which the Global Offering become unconditional; or (iii) in respect of over-provision or excessive reserve for any Taxation (as defined therein) in the audited accounts of any member of our Group for the six months ended June 30, 2009; (iv) where the taxation claim arises or is incurred as a result of a retrospective change in law or practice coming into force after June 30, 2009 or to the extent the taxation claim arises or is increased by an increase in rates or Taxation (as defined therein) after the date on which the Global Offering become unconditional with retrospective effect; or (v) where any member of our Group is primarily liable as a result of transactions entered into the ordinary course of business after the date on which the Global Offering become unconditional.

In addition, pursuant to the deed of indemnity, our Controlling Shareholders agree to indemnify us against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by us in connection with diminution, depletion in value, forfeiture, resumption of any of the properties owned and occupied by us referred to as Group I of the property valuation report in Appendix IV to this prospectus regarding any title defect of any of such properties.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Cayman Islands, Hong Kong, the British Virgin Islands or the PRC.

2. Litigation

As of the Latest Practicable Date, we are not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us.

3. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus, including any Shares falling to be issued pursuant to the exercise of any options which many be granted under the Share option Scheme.

4. Preliminary expenses

Our estimated preliminary expenses are approximately HK$30,000.00 and are payable by us.

5. Promoter

Our Company has no promoter.

6. Qualifications of experts

The qualifications of the experts which have given their opinions or advice contained in, or referred to in, this prospectus are as follows:

Name	Qualifications
Citi	Licensed under the SFO for types 1, 4, 6 and 7 as defined therein
Ernst & Young	Certified public accountants
Jones Lang LaSalle Sallmanns Limited	Chartered surveyors and valuers
King & Wood	PRC legal advisors
Conyers Dill & Pearman	Cayman Islands legal advisors
Behre Dolbear Asia, Inc.	Independent technical advisor

7. Consents

Each of Citi, Ernst & Young, Jones Lang LaSalle Sallmanns Limited, King & Wood, Conyers Dill & Pearman and Behre Dolbear Asia, Inc, has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its reports and/or letters and/or valuation certificates and/or opinion (as the case may be) and/or the references to its name included herein in the form and context in which such are, respectively, included.

None of the experts named above has any shareholding interests in any of our members or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any of our members.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance in so far as applicable.

9. Particulars of the Selling Shareholder

Particulars of the Selling Shareholder are set out as follows:

	Description	Registered Office	Number of Sale Shares
Green Globe	A company incorporated in the BVI	Trinity Chambers, P.O. Box 4301, Road Town, Tortola, British Virgin Islands	88,800,000

10. Compliance Adviser

We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Hong Kong Listing Rules. The term of the appointment shall commence on the Listing Date and end on the date on which we, as required under Rule 13.46 of the Listing Rules, distribute our annual report with respect to our financial results for the first full financial year commencing after the Listing Date.

11. Register of members

The principal register of members of our Company will be maintained in the Cayman Islands by Butterfield Fulcrum Group (Cayman) Limited and a register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfers and other documents of title of Shares for the purpose of trading on the Stock Exchange must be lodged for registration with and registered by, our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. Miscellaneous

(a) Save as disclosed in this prospectus:

(i) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or agreed conditionally or unconditionally to be put under option;

(iii) no founder, management or deferred Shares or shares of any of our Company's subsidiaries have been issued or agreed to be issued;

(iv) our Directors confirm that since June 30, 2009, there has been no material adverse change in the financial or trading position or prospects of our Group; and

(v) within the two years immediately preceding the date of this prospectus, no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries.

(b) No member of our Group is presently listed on any stock exchange or traded on any trading system.

(c) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.

(d) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were copies of the **white**, **yellow** and **green** Application Forms, the written consents referred to under the paragraph headed "Consents" in Appendix VII to this prospectus, copies of each of the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix VII to this prospectus and a statement of the name, description and address of the Selling Shareholder referred to under the paragraph headed "Particulars of the Selling Shareholder" in Appendix VII to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Hogan & Hartson at Suite 2101, Two Pacific Place, 88 Queensway, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles;

(b) the Accountants' Report prepared by Ernst & Young, the texts of which are set out in Appendix I to this prospectus;

(c) the audited financial statements as have been prepared for the companies comprising our Group for the years ended December 31, 2006, 2007 and 2008, except for companies whose places of incorporation or establishment do not have statutory audit requirements;

(d) the letter in relation to the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(e) the letters relating to the profit forecast, the texts of which are set out in Appendix III to this prospectus;

(f) the letter, summary of valuation and valuation certificates relating to our property interests prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix IV to this prospectus;

(g) the report prepared by the independent technical adviser, Behre Dolbear Asia, Inc., the text of which is set out in Appendix V to this prospectus;

(h) the PRC legal opinions issued by King & Wood, our legal advisors on PRC law;

(i) the letter of advice prepared by Conyers Dill & Pearman, our legal advisors on Cayman Islands laws, summarizing certain aspects of Cayman Companies law referred to in Appendix VI to this prospectus;

(j) the Cayman Companies Law;

(k) the material contracts referred to under the paragraph headed "Summary of material contracts" in Appendix VII to this prospectus;

(l) the written consents referred to under the paragraph headed "Consents" in Appendix VII to this prospectus;

(m) the service contracts and letters of appointment referred to under the paragraph headed "Particulars of Directors' Service Contracts" in Appendix VII to this prospectus;

(n) the rules of the Share Option Scheme; and

(o) the statement of particulars of the Selling Shareholder including its name, address and description.

中國釩鈦磁鐵礦業有限公司
China Vanadium Titano-Magnetite Mining Company Limited