Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on August 2, 2010 by Ms. Yang. Prior to the Reorganization, as set out in "History and Reorganization" in this prospectus, the entire issued share capital of our Company was held by Ms. Yang. Upon completion of the Reorganization, Ms. Yang, Mr. Yang (son of Ms. Yang) and a group of other minority shareholders owned approximately 60.67%, 28.29% and 11.04% of our issued share capital, respectively. Immediately after the completion of the Global Offering, Ms. Yang, Mr. Yang and the minority shareholders[(1)] will own approximately 42.7%, 23.2% and 9.1% of our issued share capital, respectively, if the Over-allotment Option is not exercised. Ms. Yang and Mr. Yang are our Controlling Shareholders. Each of Ms. Yang and Mr. Yang holds 60.67% and 28.29%, respectively, of the equity interest in Hanking Group.

Prior to the Reorganization of our Company, Hanking Group was primarily engaged in iron ore mining and processing, the production and sales of iron ore concentrates, iron and steel manufacturing, mining and processing of other minerals, operation of department stores and property management etc. In anticipation of the Global Offering, we underwent the Reorganization, which was aimed at providing a clear delineation between our Company's core business and Hanking Group's other businesses. Our core business refers to iron ore mining and processing and the production and sale of iron ore concentrates ("**Core Business**"). Pursuant to the Reorganization, our Controlling Shareholders transferred to us the interests in the entities engaged in the Core Business, save for those as set out in this section below. For details of the Reorganization, please refer to "History and Reorganization" in this prospectus.

Immediately following the Reorganization, we were strategically positioned to engage primarily in iron ore mining and processing as well as the production and sale of iron ore concentrates as our core business. The operation of some mining related entities has been suspended and such entities will not be included in our Group; certain iron-ores mining and processing related businesses which are in operation will be excluded from our Group and will be retained by our Controlling Shareholders ("**Excluded Businesses**"). The details of the Excluded Businesses and the iron ore mining related entities with suspended operation and iron ore mining business that may be held by the Controlling Shareholders in the future are as follows:

Business Name	Business Scope	Interests held by companies controlled by the Controlling Shareholders	Status
Excluded Businesses			
Fushun Shangma	Mining and processing of iron ore fines and iron ore concentrates	100%	We have the option to acquire the equity interests in these entities pursuant to the Non-Competition Agreement.

(1) The minority shareholders and their shareholdings in our Company upon completion of the Reorganization are Mr. Yang Xinhu (3.46%), Mr. Yang Xinhuan (3.07%), Ms. Yang Ying (1.71%), Mr. Wang Haibo (1.39%), Mr. Xia Zhuo (0.69%), Ms. Wang Ya'nan (0.25%), Ms. Yang Dongmei (0.24%) and Mr. Di Shujie (0.23%).

Business Name	Business Scope	Interests held by companies controlled by the Controlling Shareholders	Status
Benxi Iron Processing	Iron concentrating process	88.96%	We have the option to acquire the equity interests in these entities pursuant to the Non-Competition Agreement.
Iron Ore Mining Related Businesses with Suspended Operation			
Fushun Metallurgy	Sale of iron mine products, construction materials and metals	88.96%	Operation suspended in June 2010, and was dissolved in June 2011
Fushun Hanking Mining Co. Ltd.	Purchase and sale of machinery and electronic equipment, iron ore concentrates, steel, pig iron and molten iron	88.96%	Operation suspended in December 2008
Fushun Hailang	Processing and purchase of iron ores	100%	Operation suspended in April 2008, and was dissolved in June 2011
Fushun Bangze	Processing and sales of iron ores and iron ore concentrates	88.96%	Operation suspended in May 2009 and was dissolved in June 2011
Iron Ore Mining Business that may be held by the Controlling Shareholders in the Future			
Danjiangkou City Liujiagou Mineral Processing Plant (丹江口市六家溝選礦場)	Mining, processing and sales of iron ores	N/A	We have the option to acquire the equity interests in these entities pursuant to the Non-Competition Agreement.
Funshun Xinxin Mining Co., Ltd (撫順市欣鑫礦業有限公司)	Mining, processing and sales of iron ores	N/A	We have the option to acquire the equity interests in these entities pursuant to the Non-Competition Agreement.

Business Name	Business Scope	Interests held by companies controlled by the Controlling Shareholders	Status
Hanking Group			
Hanking Group	Holding company	88.96%	In operation

The Excluded Businesses are excluded from the Group upon Listing (but subject to the Group's option to acquire the Excluded Businesses as and when appropriate pursuant to the Non-Competition Agreement) for the reasons described under "Excluded Businesses" below.

(I) EXCLUDED BUSINESSES

Our Group expects that, for the reasons set forth below, our Controlling Shareholders will continue to own and/or operate the Excluded Businesses after completion of the Global Offering. In order to safeguard the interest of the Group, the Controlling Shareholders have entered into a Non-Competition Agreement dated June 16, 2011 in favour of our Company. Pursuant to the Non-Competition Agreement, our Group received the option to acquire the Excluded Businesses and a right of first refusal in respect to any potential business opportunities that may compete with the Group.

(A) Fushun Hanking Shangma Iron Mine (撫順罕王上馬鐵礦) ("Fushun Shangma")

Fushun Shangma was established in the PRC in October 2000. As at the Latest Practicable Date, it is a sole-proprietorship enterprise wholly-owned by Mr. Yang. Fushun Shangma is primarily engaged in the business of mining and processing of iron ore fines and iron ore concentrates. The current estimated iron ore reserves of Fushun Shangma is approximately 9.24 Mt. Fushun Shangma was excluded from our Group because the timing of obtaining the land use right certificate and the building ownership certificates for the mine in Shangma operated by Fushun Shangma ("**Shangma Mine**") is uncertain. The land on which the Shangma Mine is located comprises a parcel of rural collectively-owned land with an area of appropriately 925,397.96 sq.m. Fushun Shangma has not obtained the land use right certificate and the building ownership certificates for an area of 197,014.43 sq.m. (part of the land used for iron mining) ("**Shangma Mining Land**") and the land use right certificate and the building ownership certificates for an area of 186,587.6 sq.m. (part of land used for tailing pond) ("**Shangma Tailing Pond Land**").

As advised by Jingtian Gongcheng, our Company's legal advisers as to PRC law, according to PRC laws and regulations, the following steps are required to be taken for Fushun Shangma to obtain the relevant land use right certificate for the Shangma Mining Land:

- Fushun Shangma must negotiate with the local village committee (the representative organization of the occupants of the rural collectively owned land) to reach a compensation agreement regarding the Shangma Mining Land;

- Competent authorities must approve the conversion of agricultural land to construction land and the plan for land expropriation and authorities at and above the county level must make an announcement and organize the implementation of land expropriation;
- Fushun Shangma may submit an application together with the compensation agreement to the Fushun Planning Bureau (撫順市規劃局), which will issue an opinion on the location of the proposed construction project (建設項目選址意見書);
- Fushun Shangma may then submit the opinion on the land location and other related valuation reports with the application for the land use pre-approval (用地預審);
- Fushun Shangma may then submit an application to the land planning department for approval of the feasibility study report and an application to the environmental protection department for the approval of the environmental impact report, respectively;
- Fushun Shangma may then apply for a construction land planning permit (建設用地規劃許可證) from Fushun Planning Bureau;
- Fushun Shangma may then submit an application, with the construction land planning permit, to the Fushun State Land and Resources Bureau (撫順市國土資源局) to apply for construction land approval (建設用地批准書). The construction land approval may be issued after the payment of the land use right premium, including the compensation fee in accordance with the compensation agreement and the signing of a contract granting the right of use of State-owned land (國有土地使用權出讓合同);
- Fushun Shangma may then apply for the land use right certificate (國有土地使用證); and
- Subject to the fulfillment of the above, the Shangma Mining Land will be expropriated and converted into land for construction purposes and the Bureau of State Land and Resources (國土資源局) will grant the land use right certificate to Fushun Shangma.

As for the Shangma Mining Land, Fushun Shangma has been actively communicating and negotiating with the local village committee together with the local land authority in order to obtain the relevant land use right certificate for the Shangma Mining Land. On September 1, 2010, Fushun Shangma made its request to local occupants to acquire approximately 320,000 sq.m. (480 acres) of land. However, most of those requests were rejected and the compensation amounts haven't been agreed upon. Given that Fushun Shangma is not in a position to control the timing as to when the agreement with the villagers will be agreed upon, the expected dates for obtaining the land use right certificate for the Shangma Mining Land are uncertain.

The land to be used for the Shangma Tailing Pond is for agricultural use. Our legal advisers as to PRC law, Jingtian & Gongcheng, advises that pursuant to PRC laws, the land usage could be rectified by obtaining approval for the conversion of "agriculture land" (農業用地) into "construction land" (建設用地) (which includes usage for industrial purposes). Jingtian & Gongcheng further advises that the process can be commenced by an application for conversion by the on-site customer to acquire the land for construction/industrial purpose. Fushun Shangma has been actively communicating with the local government bureau and the boundary survey, and certain preliminary assessment have already been finished. However, the local government land bureau would need to undertake a series of internal procedures to issue the land certificate, which include: (i) securing a quota from the land bureau at the higher level for conversion of agricultural land into construction land as provided in the annual plan regarding land usage (土地利用年度計劃), (ii) the payment of compensation by the local government land bureau to the farmers or villagers which are entitled to use the land for agriculture purposes and (iii) the allocation of the conversion quota to the applicant for conversion of agricultural land into construction land. Given that the conversion process is primarily driven by the local government land bureau, Fushun Shangma is not in a position to control the timing as to when such conversion can be completed. Thus, the expected date for obtaining the land use right certificate for the Shangma Tailing Pond Land is currently uncertain.

Given that, as explained above, our Company is not in a position to control the timing of obtaining the land certificates relating to the Shangma Mining Land and Shangma Tailing Pond Land, our Directors consider that it is neither appropriate nor practicable to include such interest in the Group. Our Directors do not believe that the business of Fushun Shangma poses a competitive threat to our business for the following reasons: (i) the iron ore concentrates market is currently a seller's market so the iron ore concentrates sales of our Group will not be affected and (ii) Fushun Shangma has entered into a management service agreement with our Company, which provides that if Fushun Shangma and our Group enter into a contract with a production customer and such customer will procure the same products from our Group and Fushun Shangma, our Group has the priority for the sale of products to such customer and the customers may only procure from Fushun Shangma if our Group cannot fulfill the customer's needs. In other words, when Fushun Shangma receives a purchase request from its current or potential customers, Fushun Shangma is required to notify the Independent non-executive Directors of our Company in writing and provide related information which is necessary for the Independent non-executive Directors to consider whether or not to take up such purchase request or business opportunity. Fushun Shangma could only take up the purchase request if the Independent non-executive Directors do not raise any concerns within 48 hours after receipt of such notice. Otherwise, Fushun Shangma is obliged to transfer the purchase order to our Company. Please refer to "Connected Transactions" for details of such management service agreement; in addition, the amount of iron ore reserves at Fushun Shangma is relatively small, compared to the size of our Group.

According to the Non-Competition Agreement (as described below), if and when the land use right certificates of Shangma Mining Land and Shangma Tailing Pond Land are obtained, Fushun Shangma shall forthwith give notice to our Company and our Company has the right to purchase the interests of Fushun Shangma at a price determined by an independent valuer. Once the Company decides to exercise such right after obtaining the approval of the independent non-executive Directors and/or the independent shareholders, as the case may be, Mr. Yang, the owner of Fushun Shangma, is obliged to transfer his interests in Fushun Shangma, to the Company. Therefore, our Directors are of the view that the nature of Fushun Shangma, the implementation of the management service agreement described above and the implementation of the provisions of the Non-Competition Agreement can sufficiently safeguard our interests and Fushun Shangma will not be competing with us during the period before Fushun Shangma has obtained all the necessary land use right certificates and building ownership certificates.

(B) Benxi Iron Processing

Benxi Iron Processing was established in the PRC in July 2010. As at the Latest Practicable Date, it was 100% owned by Hanking Group. Benxi Iron Processing is engaged in the iron processing business only. The ore processing business engaged in by Benxi Iron Processing used to be operated under Benxi Hanking Mining Co. Ltd. (本溪罕王礦業有限公司) ("**Benxi Mining**"), our subsidiary. Benxi Iron Processing has been excluded from the Group because the timing of obtaining the land use rights relating to the land on which its business is operated is uncertain. The reasons for this uncertainty are: (i) according to the urban planning programme ("**城市規劃**", the "**Programme**") of Benxi City prepared by the government of Benxi City and approved by the government of Liaoning Province, the land of Benxi Iron Processing is preserved as the "green land" (綠化用地) under the Programme, and therefore cannot be granted for use for other purposes, unless the Programme is amended and the use of such land is not restricted to "green" uses, (ii) if the planned usage of the land is not altered in the Programme, then Benxi Iron Processing will not be able to apply for land use rights with the government authorities and (iii) according to applicable PRC laws, amendment of the Programme is subject to strict examination by government authorities at different levels (first by the government authorities of Benxi City and then finally approved by the government of Liaoning Province) and there is no set time limit within which such procedures would be completed. Therefore, Benxi Iron Processing and Hanking Group cannot control or predict the timing as to when or whether such land use right can be obtained. In the event Benxi Iron Processing is required to relocate as a result of the lack of land use right, it should be able to relocate to a suitable site in a timely manner.

The Controlling Shareholders have confirmed to us that Benxi Iron Processing has been excluded from the Group because the timing of obtaining the land use rights relating to the land on which its business is operated is uncertain. As at the Latest Practicable Date, the urban planning programme is under review by related authorities and Benxi Iron Processing will only be able to apply for the land use rights after the urban planning programme is altered. Benxi Iron Processing may not be able to obtain the land use rights in the next year or so.

Since the land use right certificate(s) relating to the land on which the iron processing business is operated have not been obtained and the timing of obtaining such certificates is uncertain, the iron processing business was then transferred from Benxi Mining and retained by Hanking Group. On June 16, 2011, Benxi Mining and Benxi Iron Processing entered into a processing agreement, pursuant to which, for a term of three years, Benxi Iron Processing will process the iron ores extracted by Benxi Mining and deliver the iron ore concentrates produced to Benxi Mining. While the Directors had considered a number of restructuring plans in connection with the proposed Listing, our Company chose not to transfer the land without proper title to Benxi Iron Processing during the Reorganization for a number of reasons. First, despite the fact that ownership of land can be separated from ownership of the operations, given the importance of use of such land to Benxi Iron Processing, the Directors believed that it would not be commercially appropriate to separate the ownership of land from the overall business operations of Benxi Iron Processing. Second, the defect in the land title exists regardless of whether the operation of Benxi Iron Processing is transferred to our Company and as such, so long as Benxi Iron Processing continues to use the land for its processing operations, any defect in the land title, if not rectified, would have a potentially adverse impact on the operations of Benxi Iron Processing. In addition, our Company would be required to enter into a property lease agreement with its Controlling Shareholders for the use of the said land if only the operations of Benxi Iron Processing were transferred to our Company, which would constitute a new continuing connected transaction for our Company after the Listing. In the view of the Directors, such transaction would not be in the best interest of the Shareholders because it would be difficult to assess and assign commercial value and derive the lease terms for the property being leased due to its inherent land title defect. In light of the above, and taking into account our Company's right to acquire Benxi Iron Processing after the Listing should it be considered appropriate, the Directors believe that the current arrangement with respect to Benxi Iron Processing is the most prudent and sensible approach. As Benxi Iron Processing is an associate of Hanking Group (as defined under the Listing Rules), the entering into of the processing agreement constitutes a continuing connected transaction of the Group. Please refer to the paragraph "Non-exempt Continuing Connected Transactions" under "Connected Transactions" in this prospectus for details of such processing agreement.

According to the Non-Competition Agreement (as described below), if and when the land use right certificate of Benxi Iron Processing is obtained, Benxi Iron Processing must promptly give notice to our Company and our Company has the right to purchase the interests of Benxi Iron Processing at a price determined by an independent valuer. Once the Company decides to exercise such right, after obtaining the approval of the independent non-executive Directors and/or the independent shareholders, as the case may be, Hanking Group, the owner of Benxi Iron Processing is obliged to transfer her interests in Benxi Iron Processing to the Company. Therefore, our Directors are of the view that the Non-Competition Agreement can sufficiently safeguard our interest and Fushun Shangma will not be competing with us during the period before Benxi Iron Processing has obtained the related land use right certificate.

Financial Information for the Excluded Businesses

To the best knowledge of the Directors and based on the information available to the Directors, the table below sets out the key financial information for the Excluded Businesses:

(All figures in the table are approximate figures in RMB (millions and are based on management accounts of Fushun Shangma and Benxi Iron Processing).

Iron Ore Mining Related Sectors	**Fushun Shangma**			**Benxi Iron Processing***		
	December 31,			**December 31,**		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**			**(Audited)**
Total assets	137.2	116.2	272.9	N/A	N/A	37.8
Total liabilities	63.5	50.1	190.6	N/A	N/A	32.1
Revenue	262.2	119.6	135.6	N/A	N/A	12.7
Total net profit/loss	49.4	(7.6)	16.2	N/A	N/A	0.7

* Benxi Iron Processing was established in July 2010. Prior to its establishment, the iron ore processing business engaged in by Benxi Iron Processing used to be operated under Benxi Mining.

(II) IRON ORE MINING RELATED BUSINESS WITH SUSPENDED OPERATIONS

(A) Fushun Hanking Metallurgical and Mining Co. Ltd. (撫順罕王冶金礦山有限責任公司) ("Fushun Metallurgy")

Fushun Metallurgy was established in the PRC in November 1998. Before its dissolution in June 2011, Fushun Metallurgy's shares were held by Hanking Group (15.38%) and Fushun Hanking (84.62%), and it was mainly engaged in the sale of iron ore related productions, construction materials, and metallic materials. Before April 2010, Fushun Metallurgy was responsible for the sales of iron ore concentrates of Benxi Mining and Liuhe Mine. In order to achieve the business integration of our Group, our Group has established sales departments and finance departments responsible for the sales of products and the financial management of our Company and the staff formerly engaged by Fushun Metallurgy have been transferred to the sales departments and finance departments of our Company. Fushun Metallurgy was no longer responsible for the concentrates sales, and its operations had been suspended, as of June 2010. Fushun Metallurgy was dissolved in June 2011.

(B) Fushun Hanking Mining Co. Ltd. (撫順罕王礦業有限公司) ("Fushun Hanking")

Fushun Hanking Mining Co. Ltd. was established in the PRC in May 1997. As at the Latest Practicable Date, 100% of equity interest in Fushun Hanking was held by Hanking Group. Fushun Hanking was mainly engaged in the purchase and sales of machinery and electronic equipment, iron ore concentrates, steel, pig iron and molten iron. Before January 2009, Fushun Hanking was responsible for the sales of iron ore concentrates and the financial management of Aoniu Mining, Maogong Mining, Jingjia Mine, Fushun Hailang, Fushun Bangze and Fushun Shangma. In order to achieve the business integration of our Group, our Group has established sales departments and financial departments responsible for sales of products and the financial management of our Company. The staff formerly engaged by Fushun Hanking have been transferred to the sales departments and finance departments of our Group. Fushun Hanking Mining Co. Ltd. was no longer responsible for the concentrates sales, and its operation has already been suspended. Fushun Hanking will not be dissolved at this stage, as no agreement has been reached between Fushun Hanking and its creditors yet regarding repayment of the amounts owed to them, and the negotiations are ongoing. Based on the above, our Directors believe that it is in the best interests of the Company to exclude Fushun Hanking from our Group.

(C) Fushun County Hailang Mineral Processing Plant (撫順縣海浪選礦廠) ("Fushun Hailang")

Fushun Hailang was established in the PRC in April 2004 as a sole-proprietorship enterprise wholly-owned by Ms. Yang. The operations of Fushun Hailang had already been suspended by the time the Reorganization took place and Fushun Hailang was dissolved in June 2011.

(D) Fushun Hanking Bangze Mining Co. Ltd. (撫順罕王邦澤礦業有限公司) ("Fushun Bangze")

Fushun Bangze was established in the PRC in April 2005. Before its dissolution in June 2011, 50% of Fushun Bangze's shares were held by Fushun Hanking and 50% of its shares were held by Hanking Group. Fushun Bangze was mainly engaged in the processing and sale of iron ores and concentrates. As the operations of Fushun Bangze had already been suspended in May 2009 and was dissolved in June 2011, our Directors believe that there is no competition between Fushun Bangze and our Group.

Our Directors believe that Fushun Hanking will not compete with our Group, as its business has been suspended and will not resume operation in the future.

To the best knowledge of the Directors and based on the information available to the Directors, the table below sets out the key financial information for Fushun Metallurgy and Fushun Hanking:

(All figures in the table are approximate figures in millions of RMB and are based on the audited accounts of Fushun Metallurgy and Fushun Hanking).

Iron Ore Mining Related Sectors	Fushun Metallurgy			Fushun Hanking		
	December 31,			December 31,		
	2008	2009	2010	2008	2009	2010
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Total assets	73	80	81	1,381	252	222
Total liabilities	13	15	13	1,278	168	118
Revenue	282	185	66	1,478	1	N/A
Total profit/loss	32	7	4	49	(19)	19

(III) IRON ORE MINING BUSINESS THAT MAY BE HELD BY THE CONTROLLING SHAREHOLDERS IN THE FUTURE

(A) Danjiangkou City Liujiagou Mineral Processing Plant (丹江口市六家溝選礦場) ("Danjiangkou Plant")

Danjiangkou Plant was established on October 9, 2008 and its estimated iron ore reserves are approximately 28.62 Mt. As at the Latest Practicable Date, Liaoning Hanking Investment Co., Ltd. (遼寧罕王投資有限公司)[(1)] and Mr. Li Maolin (李茂林) had established Shiyan Hanking Deshan Mining Co., Ltd. (十堰罕王德山礦業有限公司), holding 70% and 30% equity interests in Shiyan Hanking Deshan Mining Co., Ltd, respectively. Shiyan Hanking Deshan Mining Co., Ltd is planning to acquire the assets of Danjiangkou Plant, although the acquisition process has not been completed yet.

(1) Liaoning Hanking Investment Co., Ltd. was established in the PRC on August 12, 2008 and its equity interests are held by Ms. Yang (30%) and Mr. Yang (70%).

We decided not to be involved in the acquisition of Danjiangkou Plant because Danjiangkou Plant is currently involved in litigation and its assets have been retained and frozen by the court in connection with such litigation, and the operation of Danjiangkou Plant is suspended. The acquisition can only be completed after the litigation is settled and the assets are released by the court, further due diligence must be conducted to assess the iron ores reserves and quality and the compliance status of Danjiangkou Plant. Although we understand that Liaoning Hanking Investment Co., Ltd. believes Danjiangkou Plant has commercial value and potential, in light of the issues described above, our Directors are of the view that it is neither appropriate nor practicable for our Company to acquire Danjiangkou Plant at this stage.

In order to avoid any potential competition between our Group and Danjiangkou Plant after the completion of the said acquisition, according to the Non-Competition Agreement (as described below), once the litigation is settled and the acquisition of the assets of Danjiangkou Plant is completed by Liaoning Hanking Investment Co., Ltd., Liaoning Hanking Investment Co., Ltd. must forthwith give notice to our Company and our Company has agreed to take into consideration certain factors when deciding whether to purchase Danjiangkou Plant. Such primary criteria include but are not limited to: (i) reasonable estimated return on investment, (ii) status of land use rights and property ownership and material legal risks and (iii) exploration potential ("**Primary Criteria**"). Our Company has the right to purchase the interests in Danjiangkou Plant at a price determined by an independent valuer. If the Company decides to exercise such right, Liaoning Hanking Investment Co., Ltd. is obliged to transfer its interests in Danjiangkou Plant to the Company. In addition, in order to ensure that our Group will have sufficient levels of control and understanding over the affairs of Danjiangkou Plant before it becomes a member of our Group, the Controlling Shareholders have agreed to use their best endeavors to persuade Danjiangkou Plant to enter into a management services agreement with our Group if the acquisition of the 51% interest of Danjiangkou Plant is completed. The execution of such management service agreement will constitute a connected transaction of our Group upon Listing, and our Group will ensure compliance with the relevant requirements under Chapter 14A and Chapter 14 of the Listing Rules. Our Directors are of the view that the Non-Competition Agreement can sufficiently safeguard the interests of our Group.

(B) Fushun Xinxin Mining Co., Ltd. (撫順市欣鑫礦業有限公司) ("Xinxin Mining")

Xinxin Mining was established on September 13, 2004 with a registered capital of RMB1 million and estimated iron ore reserves of 0.68 Mt. As at the Latest Practicable Date, Hanking Group is planning to acquire a 72% interest in Xinxin Mining and is currently conducting due diligence. The acquisition process has not been completed yet. We decided not to be the entity to acquire Xinxin Mining for the following reasons: first, the land/forest land use right certificates, properties ownership certificates and mining certificates needed by Xinxin Mining in connection with its business have not been obtained. Xinxin Mining is now applying for the related certificates but as of the Latest Practicable Date, the timing to obtain such certificate was still uncertain. Second, Hanking Group is still at a preliminary stage in the acquisition process and only a limited number of due diligence documents have been provided to Hanking Group. It would be difficult to assess the risks associated with acquiring Xinxin Mining at this stage, thus our Directors consider that it is neither appropriate nor practicable for our Company to acquire Xinxin Mining at this stage.

In order to avoid any potential competition between our Group and Xinxin Mining after any completion of its acquisition, according to the Non-Competition Agreement (as described below), once the related certificates and licenses have been obtained and the acquisition of the 72% interest in Xinxin Mining is completed, Hanking Group must forthwith give notice to our Company and our Company will take into consideration the Primary Criteria when deciding whether to purchase Xinxin Mining. Our Company has the right to purchase the interest in Xinxin Mining at a price determined by an independent valuer. If the Company decides to exercise such right, Hanking Group is obliged to transfer its interests in Xinxin Mining to the Company. In addition, in order to ensure that our Group will have sufficient understanding and levels of control over the affairs of Xinxin Mining before it becomes a member of our Group, after the acquisition of the 72% interest in Xinxin Mining is completed, the Controlling Shareholders will use their best endeavors to procure Xinxin Mining to enter into a management services agreement with our Group. The execution of such management service agreement will constitute a connected transaction of our Group upon Listing, and our Group will ensure the compliance with the relevant requirements under Chapter 14A and Chapter 14 of the Listing Rules. Our Directors are of the view that the measures stated above can sufficiently safeguard the interests of our Group.

NON-IRON ORE MINING AND PROCESSING BUSINESSES HELD BY THE CONTROLLING SHAREHOLDERS

After the Reorganization, save for the Excluded Businesses mentioned above, our Controlling Shareholders also held non-iron ore mining and processing businesses, including exploration management and consulting, production and sale of direct-reduced iron and steel(1), department store operations, transportation, industry investment, property management, building materials manufacturing, and nickel ores mining business, steel manufacturing, casting and forging and commercial banking businesses. There is a clear delineation between our Core Businesses and these non-iron ore mining businesses and none of such companies carries on any business which is related to our Core Business, as a result of which none of the non-iron ore mining businesses would compete, or is expected to compete, directly or indirectly, with our Core Businesses. The businesses engaged in by Fushun D.R.I. (i.e., the sales of direct-reduced iron and steel) do not compete with the Group's iron ore businesses because the iron ore business and the direct-reduced iron and steel business can be clearly differentiated as (i) there is an upstream-downstream relationship between our Group and Fushun D.R.I., with Fushun D.R.I. operating in the downstream segment of the industry chain in which different kinds of products are manufactured using iron ore concentrates such as those produced by our Group (e.g., direct-reduced iron, pig iron) and (ii) the products of our Group and Fushun D.R.I. are intended to target different end-users and customers.

These non-iron ore mining and processing businesses were not injected into our Group as part of the Reorganization, nor will such businesses be acquired by us after the Reorganization as our Directors are of the view that such businesses neither form part of our Core Business nor are in line with our overall strategy to maintain and further strengthen our market position as a leading iron ore concentrates producer.

(1) Fushun D.R.I., a limited liability company established in the PRC on August 20, 2002, is a wholly-owned subsidiary of Hanking Group. It is mainly engaged in sales of direct-reduced iron and steel.

HANKING GROUP

Prior to the Reorganization, and through April 2010, Ms. Yang and Mr. Yang held 59.86% and 30% of the equity interests in Hanking Group, respectively. Hanking Group was mainly engaged in mining, metallurgy and department store operations, and it also acted as the holding company for the Controlling Shareholders to hold their interests in various businesses. Please refer to "Corporate Structure Prior to the Reorganization" under "Relationship with Controlling Shareholders" in this prospectus for details.

In mid-2010, the companies comprising our Group underwent a reorganization to rationalize the Group's structure and strengthen our business in preparation for the listing of the Shares. As a result, our Company became the holding company of our operating subsidiaries engaging in the Core Business. After the Reorganization and through August 2010, Ms. Yang and Mr. Yang held 60.67% and 28.29% of the equity interests in Hanking Group, respectively, and Hanking Group became a holding company of the Controlling Shareholders to hold their interests in other businesses, as follows: (i) Benxi Iron Processing: Hanking Group holds a 100% equity interest in Benxi Iron Processing, (ii) Iron ore mining related businesses with suspended operations: Hanking Group holds, through its wholly-owned subsidiary Fushun Hanking, a 100% equity interest in Fushun Metallurgy, a 100% equity interest in Fushun Hanking and a 50% equity interest in Fushun Bangze and (iii) Non-iron ore mining and processing related businesses, including Fushun Hanking Jingmao Mining Co., Ltd. (100%) which is mainly engaged in exploration management and consulting, Fushun D.R.I. (100%), Shengtai Management (30%) and Fushun Hanking Shopping Mall Co., Ltd. (30%).

NON-COMPETITION UNDERTAKINGS

Our Controlling Shareholders entered into a non-competition agreement ("**Non-Competition Agreement**") in favor of our Company on June 16, 2011. Pursuant to the Non-Competition Agreement, each of our Controlling Shareholders has undertaken to our Company (for itself and for the benefit of its subsidiaries) that, save and except as disclosed in this prospectus, he/she will not, and will procure that his/her associates (except any members of our Group) will not, during the restricted periods set out below, directly or indirectly, either on his/her own or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or hold interests in or engage in or acquire or hold construction, development, operation or management of any business or activity which competes or may compete with our Core Business. Our Controlling Shareholders also granted us an option and pre-emptive right to acquire certain interests in certain entities retained by the Controlling Shareholders following the Reorganization. The Non-Competition Agreement shall not restrict any of our Controlling Shareholders (or any of their respective affiliates (as defined in the agreement) other than the Group), either by itself or through any other person, from:

(a) holding any interest in the shares of any member of our Group;

(b) holding interests in the shares of a company other than our Group, listed on a recognized stock exchange, provided that:

  (i) any Excluded Businesses conducted or engaged in by such company (and assets relating thereto) accounts for less than 5% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or

(ii) the total number of shares held by our Controlling Shareholders and/or their respective associates in aggregate does not exceed 5% of the issued shares of that class of the company in question, and such Controlling Shareholders and/or their respective associates are not entitled to appoint a majority of the directors of that company; in addition, at any time there must exist at least another shareholder of that company whose shareholdings in that company are be more than the total number of shares held by our Controlling Shareholders and their respective associates in aggregate; or

(iii) our Controlling Shareholders and their respective associates do not control the board of such company; and

(c) holding any direct or indirect interests in the Excluded Businesses as set out in the prospectus.

The obligations of our Controlling Shareholders under the Non-Competition Agreement will cease (i) upon the cessation of listing of the Shares on the Stock Exchange (except suspension of listing of the Shares pursuant to the Listing Rules), (ii) regarding each of our Controlling Shareholders, when he/she (or his/her associates) ceases to hold any equity interest, whether directly or indirectly, in our Group or (iii) when our Controlling Shareholders jointly cease to be entitled to exercise or control the exercise of 30% or more (or such other percentage of shareholdings as stipulated in the Listing Rules to constitute a controlling shareholder) of the voting power at general meetings of our Company.

The undertakings contained in the Non-Competition Agreement are conditional upon, amongst other things, the Stock Exchange granting approval for the listing of, and permission to deal in, our Shares.

Option for New Business Opportunities

Our Controlling Shareholders have undertaken in the Non-Competition Agreement that:

(a) if our Controlling Shareholders become aware of a business opportunity which directly or indirectly competes, or may compete, with our Core Business, they will notify us in writing immediately upon becoming aware of such business opportunity and provide to us all information which is reasonably necessary for us to consider whether or not to take up such business opportunity ("**Offer Notice**"). We must reply to our Controlling Shareholders within six months (or such other period as may be agreed between the parties). Should we decide to take up such business opportunity, our Controlling Shareholders are obliged to refer the business opportunity to us upon terms that are fair and reasonable. Our Controlling Shareholders may take up the new business opportunity only if and when our Group decides not to accept such business opportunity; and

(b) our Controlling Shareholders shall procure that companies owned/controlled by them and their associates (other than our Group) first offer us any business opportunity which competes, or may compete, with our Core Business.

Our independent non-executive Directors will be responsible for reviewing and considering whether or not to take up a new business opportunity referred to us or our Group by our Controlling Shareholders.

Options for Acquisitions of Specific Business

Our Controlling Shareholders have undertaken to grant us the option, pursuant to relevant laws and regulations, to purchase any equity interest, assets or other interests which form part of:

(i) the Excluded Businesses;

(ii) Danjiangkou Plant; or

(iii) Xinxin Mining.

Our independent non-executive Directors will be responsible for reviewing and considering whether or not to take up the Excluded Businesses, Danjiangkou Plant or Xinxin Mining.

Pre-emptive Rights

Our Controlling Shareholders have undertaken that if they intend to transfer, sell, lease or license any of the following interests to a third party:

(i) the Excluded Businesses;

(ii) Danjiangkou Plant;

(iii) Xinxin Mining; or

(iv) any new business opportunity of our Controlling Shareholders referred to in the Non-Competition Agreement, which has been offered to, but has not been taken up by, our Company and has been retained by our Controlling Shareholders or any of their subsidiaries, which competes, or may lead to competition, directly or indirectly with our Core Business,

Our Group shall have a pre-emptive right over these interests, which can be exercised by our Group at any time so long as the Non-Competition Agreement remains effective. Our Controlling Shareholders must provide us written notice ("**Selling Notice**") as soon as possible in advance of any sale as described above. We must reply to our Controlling Shareholders within six months (or such other period as may be agreed between the parties) after receiving the Selling Notice from our Controlling Shareholders, in order to exercise our right. If our Company intends to exercise the right, the terms will be determined at fair market value. Our independent non-executive Directors will be responsible for reviewing and considering whether or not to exercise the pre-emptive right.

Excluded Businesses

In order to enable our Company to determine whether to exercise the options or pre-emptive rights, the Controlling Shareholders have undertaken that the management of the Excluded Businesses will report to the board of Directors of our Company at the board meeting, held at least four times a year, relating to the following matters: i) the business development of the Excluded Businesses, ii) the progress of related certificates application status of the Excluded Businesses and iii) the potential business opportunities that the Excluded Businesses may have, for our Company to acquire the Excluded Businesses or take advantage of such business opportunity. The Controlling Shareholders shall abstain from voting at the board meeting.

Danjiangkou Plant, Xinxin Mining and new business opportunity

Our Company appointed Mr. Xia Zhuo to collect the business operation and development information relating to Danjiangkou Plant and Xinxin Mining, or to engage a professional institution to do so, if necessary. Mr. Xia Zhuo may provide such operation and business development information to our board of Directors from time to time, for us to decide whether to exercise the options or pre-emptive rights. The Controlling Shareholders shall abstain from voting at such board meetings.

The Controlling Shareholders have also undertaken that they will report to the board of Directors of our Company at such board meetings in relation to the potential business opportunities they may have, for our Company to decide whether to take up such opportunities. The Controlling Shareholders shall abstain from voting at such board meetings.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to properly manage any potential or actual conflict of interest arising from any business competition between us and our Controlling Shareholders and to safeguard the interests of the Shareholders:

(i) our independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertaking by our Controlling Shareholders under the Non-Competition Agreement;

(ii) our Controlling Shareholders have undertaken to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement by the Company of the Non-Competition Agreement. Unless invited by a majority of the independent non-executive Directors, the executive and non-executive Directors shall excuse themselves from any meeting convened to consider any issues arising under the Non-Competition Agreement. Our independent non-executive Directors may engage professional advisers at our Company's cost for advice on matters relating to the Non-Competition Agreement;

(iii) our Company will disclose in the annual reports of our Company decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of the Controlling Shareholders under the Non-Competition Agreement;

(iv) our Controlling Shareholders will make an annual declaration on compliance with their undertaking under the Non-Competition Agreement in the annual report of our Company;

(v) to manage the conflicts of interest between the Company and the Controlling Shareholders, as well as to protect the minority Shareholders' rights, the Overlapping Directors undertake and our Articles of Association provides that all conflicted/over-lapping Directors shall absent themselves from participation and voting in meetings of the Board when matters in which they or their associates have a material interest are discussed, unless expressly requested to attend by a majority of the independent non-executive Directors, in which case, according to our Articles of Association, the independent non-executive Directors shall have the power to engage professional advisors at the Company's costs; and

(vi) In accordance with the Code Provisions set out in Appendix 14 of the Listing Rules, the Company will convene board meetings at least four times a year and, at each board meeting, our independent non-executive Directors will review the compliance of the continuing connected transactions entered and/or to be entered by our Company.

Independence from our Controlling Shareholders

Having considered the matters described above and the following factors, we believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective associates after the Global Offering.

Management Independence

Our Board consists of 11 members, comprising five executive Directors, three non-executive Directors and three independent non-executive Directors.

Other than Ms. Yang, being our Chairlady and one of our non-executive Directors, none of our other Directors holds any directorship or senior management role in the companies engaging in the Excluded Businesses.

There is no substantial overlap between our Directors and the directors and senior management of Hanking Group. Three members of our Board, namely, Ms. Yang, Mr. Yang and Mr. Xia Zhuo are also directors of Hanking Group. Ms. Yang is the Chairlady of the Board and a non-executive Director of our Company and also serves as a director of Hanking Group. She is principally responsible for the overall business strategies of our Group. Mr. Yang is a non-executive Director of our Company and also serves as the chairman of Hanking Group. He is responsible for the overall corporate and business strategies of our Group. As Hanking Group's chairman, Mr. Yang is responsible for its overall development and strategy. Ms. Yang and Mr. Yang will not be involved in the day-to-day management and operations of our Group and the day-to-day management of our Group will be vested in our other Directors. Mr. Xia Zhuo is an executive Director and Company Secretary of our Company and also serves as a director of Hanking Group. He is responsible for daily administrative matters of the Group.

In addition to the above, our Directors hold certain directorship and management positions in certain other non-iron ore mining and processing businesses held by our Controlling Shareholders. Ms. Yang and Mr. Yang hold directorships respectively in certain other non-iron ore mining and processing businesses held by our Controlling Shareholders. Mr. Mao Guosheng, a non-executive Director of our Company also serves as a director of Hanking Development and Yun'nan Guorui Mining Limited Company (雲南國瑞礦業有限公司), respectively. Mr. Zheng Xuezhi, an executive Director and Chief

Financial Officer of our Company, and Mr. Xia Zhuo, an executive Director of our Company, serve as directors of Liaoning Hanking Investment Co., Ltd. None of Hanking Development, Yun'nan Guorui Mining Limited Company or Liaoning Hanking Investment Co., Ltd. are engaged in iron ore mining or related businesses.

Following please find a table showing the positions our Directors will hold in the businesses held by the Controlling Shareholders upon Listing:

Business	Company	Executive Directors and Non-executive Directors							
		Ms. Yang	Mr. Yang	Mr. Pan Guocheng	Mr. Zheng Xuezhi	Mr. Lu Zengxiang	Mr. Xia Zhuo	Mr. Huang Jinfu	Mr. Mao Guosheng
Excluded Businesses	Fushun Shangma	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Benxi Iron Processing	director	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other Businesses held by the Controlling Shareholders	Hanking Group	director	chairman	N/A	N/A	N/A	director	N/A	N/A
	Iron ore mining related business with suspended operations[1] (four companies)	hold the position of director in three companies	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Other companies held by the Controlling Shareholders[2] (25 companies)	hold the position of director in ten companies and the position of supervisor in four companies	hold the position of director/ chairman in 12 companies and the position of general manager in one company	N/A	hold the position of director in one company	N/A	hold the position of director in one company	N/A	hold the position of director in one company

(1) For details for such iron ore mining related business with suspended operations, please refer to the paragraph under "Iron ore mining related business with suspended operations" in "Relationship with Controlling Shareholders" in this prospectus.

(2) None of these companies is engaged in iron ore mining or processing related business. For details for the businesses of such companies, please refer to the paragraph under "Non-iron ore mining and processing businesses held by the Controlling Shareholders" in the section headed "Relationship with Controlling Shareholders" in this prospectus. One of such companies was dissolved in June 2011, and four are expected to be dissolved by the end of 2011.

Ms. Yang and Mr. Yang assume directorships with the other businesses held by the Controlling Shareholders respectively, because they are exercising their rights as the controlling shareholders of such business to have representatives appointed to look after their own interests.

Following please find the list showing respective amounts of remuneration of the directors who hold directorships in our Company and the businesses held by our Controlling Shareholders ("**Overlapping Directors**") received from the Company and the Excluded Business:

	2008			2009			2010		
	Our Company	Excluded Businesses	Other Businesses held by the Controlling Shareholders	Our Company	Excluded Businesses	Other Businesses held by the Controlling Shareholders	Our Company	Excluded Businesses	Other Businesses held by the Controlling Shareholders
					(RMB)				
Ms. Yang	550,000	—	—	600,000	—	—	1,234,000	—	—
Mr. Yang	550,000	—	—	600,000	—	—	611,000	—	—
Mr. Pan Guocheng	550,000	—	—	1,146,000	—	—	4,194,000	—	—
Mr. Zheng Xuezhi	294,000	—	—	1,068,000	—	—	814,000	—	—
Mr. Xia Zhuo	293,000	—	—	1,068,000	—	—	800,000	—	—
Mr. Mao Guosheng	425,000	—	—	897,000	—	—	490,000	—	386,000
Mr. Lu Zengxiang	53,000	—	—	281,000	—	—	459,000	—	—
Mr. Huang Jinfu	167,000	—	—	1,749,000	—	—	1,227,000	—	—

Despite the fact that there are some Overlapping Directors, we are of the view that there are sufficient and effective control mechanisms to ensure that our Directors discharge their duties appropriately, avoid potential conflicts of interest and safeguard the interests of our Shareholders as a whole on the following grounds:

- All the Overlapping Directors (i.e., Ms. Yang, Mr. Yang, Mr. Pan Guocheng, Mr. Zheng Xuezhi, Mr. Xia Zhuo and Mr. Mao Guosheng) have confirmed and undertaken that, so long they remain as the Director of our Company, all positions held by them in the other businesses held by the Controlling Shareholders are, and will be non-executive nature;

- Each of our executive Directors has also entered into a service contract with our Company for a term of three years. Ms. Yang will serve as the Chairlady and non-executive Director of our Company. The three independent non-executive Directors have extensive experience in different areas or professions and have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions;

- None of the Excluded Businesses or other businesses held by the Controlling Shareholders competes, or is likely to compete, with our Core Business and therefore, the dual roles assumed by the Overlapping Directors in most cases will not affect the requisite degree of impartiality of our Directors in discharging their fiduciary duties owed to our Company;

- Even if there is any potential conflict of interest, each of our Directors is aware of his/her fiduciary duties as a Director of our Company which require, among other things, that he/she acts for the benefit and in the best interests of our Company and do not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest between our Group and our Directors or their respective associates, arising out of any transaction to be entered into, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently;

- All of our executive Directors will allocate substantially all their time to the management and operation of our Group and they will receive their remuneration, benefits and rewards only from our Group; and

- All of the Overlapping Directors will only receive remuneration from our Company after the Listing.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently and are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Global Offering.

Operational Independence

Our Directors are of the view that there is a delineation between the business of our Group and the businesses of the companies (other than the members of our Group) controlled by our Controlling Shareholders. We have established our own organizational structure made up of individual departments, each with specific areas of responsibility. We have also established a set of internal controls to facilitate the effective operation of our business. In addition, although our Controlling Shareholders may hold certain businesses that may have potential competition with our business as disclosed above, our Directors believe that the Non-Competition Agreement can sufficiently safeguard our Company's interests.

During the Track Record Period, certain companies (other than members of our Group) controlled by our Controlling Shareholders (including Dawei Casting, Fushun D.R.I., Mingcheng Transportation, Benxi Iron Processing and Shenyang Shengtai Properties Management Co., Ltd (瀋陽盛泰物業管理有限公司)) entered into related party transactions with our Group during our ordinary course of business, five of which are expected to continue after the Listing. Such related party transactions made by us during the Track Record Period are disclosed in Note 35 of the Accountants' Report set out in Appendix I to this prospectus. Our Directors confirmed that, save and except for the continuing connected transactions set out under "Non-exempt Continuing Connected Transactions" in "Connected Transactions" in this prospectus, these related party transactions will be discontinued after the Listing. Since our Directors (including the independent non-executive Directors) consider that the continuing connected transactions for our Company set out under the paragraph "Non-exempt Continuing Connected Transactions" have been entered into in the ordinary course of business of our Group and have been based on arm's length negotiation and on normal commercial terms that are fair and reasonable so far as the Shareholders are concerned, our Directors consider that our operations do not rely on such non-exempt continuing connected transactions.

Our business arrangements with companies controlled by our Controlling Shareholders outside of our Group

To optimize their various businesses and achieve their debt and equity financing plans, our Controlling Shareholders implemented a series of arrangements among us and certain other companies controlled by them in the past several years.

(i) *Sales and Distribution*

Prior to the termination of the centralized sales arrangement as described in the paragraph "Sales and Distribution" in "Business" in this prospectus, all of the iron ore concentrates produced by our Group (except Xingzhou Mining), the Excluded Businesses (except for Benxi Iron Processing) and the Disposed Businesses were sold through the centralized sales platform; thus the ultimate third party customers cannot be separately identified. After terminating the centralized sales arrangements during the period from September 2010 to December 2010, to the best of the Directors' knowledge, only Fushun New Steel was a common customer of our Group and Fushun Shangma. With respect to the Disposed Businesses, as the sales of iron ore concentrates from those businesses prior to their disposal were part of the centralized sales arrangement, our Company could not identify the common customers. After the disposal, as the Disposed Businesses are no longer owned and operated by the Controlling Shareholders, neither our Company nor the Controlling Shareholders are in a position to confirm whether there were or would be any common customer between our Group and the Disposed Business.

The table below sets out the respective amounts and percentage of iron ore concentrates sold to related parties and Independent Third Party customers, respectively during the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2008		2009		2010		2011	
	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB'000, except percentage data)							
Iron ore concentrates sold to related parties								
Fushun D.R.I.	—	—	142,903	17.2	305,291	24.2	165,435	22.2
Fushun Metallurgy	190,297	20.2	139,825	16.8	61,156	4.8	—	—
Fushun Hanking	589,249	62.6	—	—	—	—	—	—
Hanking Group	152,319	16.2	—	—	—	—	—	—
Subtotal	931,865	98.9	282,728	34.0	366,447	29.0	165,435	22.2
Iron ore concentrates sold to Independent Third Party customers	9,300	1.1	549,127	66.0	895,264	71.0	579,660	77.8
Total	941,165	100.0	831,855	100.0	1,261,711	100.0	745,095	100.0

The table below sets out the respective volumes of iron ore concentrates our Group resold for the companies controlled by the Controlling Shareholders that were not in our Group and iron ore concentrates sold to related parties during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2008	**2009**	**2010**	**2011**
Volume purchased from and then resold for the companies controlled by the Controlling Shareholders (Kt)	—	331	131	—
As a percentage of our total sales volume	—	*21.7%*	*9.4%*	—
Volume sold to the companies controlled by the Controlling Shareholders (Kt)	1,017	542	419	—
As percentage of our total sales volume	*99.1%*	*35.4%*	*30.0%*	—
Total sales volume of our Group (Kt)	1,026	1,529	1,399	—

The amount of raw materials our Group resold to companies controlled by the Controlling Shareholders during the Track Record Period was approximately nil, RMB15.56 million, RMB24.28 million and RMB6.84 million (with tax), respectively.

The following table sets out the amount of sales to Fushun New Steel from our Group and Fushun Shangma during the period from September to December 2010 as well as the six months ended June 30, 2011:

	September to December 2010	**Six months ended June 30, 2011**
Amount of sales to Fushun New Steel from our Group (RMB million)	199.6	380.6
Percentage to total sales of our Group (%)	45	50.1
Amount of sales to Fushun New Steel from Fushun Shangma (RMB million)	17.8	109.9[(1)]
Percentage to total sales of Fushun Shangma (%)	27	61.6[(1)]

(1) From January 2011, Fushun Shangma ceased direct sales to Fushun New Steel, meanwhile, Fushun Shangma engaged Fushun Deshan as the sales platform with respect to its iron ore concentrate product and Fushun Deshan sells such product together with iron ore concentrate product from other sources to Fushun New Steel. The figures set out above reflect the amount of sales to Fushun Deshan from Fushun Shangma.

(ii) *Procurement and Major Suppliers*

Our Company's major suppliers include suppliers of diesel fuel and auxiliary materials (including machinery and equipment, spare parts and other production-related materials). In 2008, Fushun Hanking and Fusen Parts served as the major centralized procurement channels for Fushun Shangma and the Disposed Businesses. From 2009 to June 2010, Fusen Parts and Aoniu Mining served as the major procurement channels for our Company, Fushun Shangma and the Disposed Businesses. After June 2010, the procurement arrangement with Fusen Parts was terminated, and our Company began to procure diesel fuels through Aoniu Mining and auxiliary materials from third parties directly. Aoniu Mining sold materials procured from third party suppliers to the companies controlled by the Controlling Shareholders in 2009 and 2010 when Aoniu Mining took over the centralised procurement function and the price was determined based on the purchase price of such supplies and there was no mark-up in the resale price. For details of such sales arrangement, please refer to the paragraph "Procurement and Major Suppliers" in "Business" in this prospectus. In the meantime, Fushun Shangma and Benxi Iron Processing also began to procure raw materials from third parties directly after their exclusion in 2010. Our Directors are of the view that we have a diversified base of suppliers for equipment, auxiliary materials and other supplies and the amount of purchases from each of these suppliers, as a percentage of total purchases of the Group during the Track Record Period, was relatively small.

As (i) our Group, the companies controlled by the Controlling Shareholders and the Disposed Businesses all have a large number of suppliers and (ii) we have our own independent access to suppliers and customers and do not share such information with our Controlling Shareholders (or any of their associates), it is impracticable for us to identify the complete list of common suppliers engaged by our Group who are, or were during the Track Record Period, also suppliers to the companies controlled by the Controlling Shareholders or the Disposed Businesses before their disposal. Nevertheless, based on the best knowledge of the Directors, three out of the Group's five largest suppliers also supplied products to companies controlled by our Controlling Shareholders during the year ended December 31, 2010 ("**Common Suppliers**"). Details of the purchases by the Group from such Common Suppliers in the year ended December 31, 2010 are set out below:

Name of the Common Suppliers	Percentage of the Group's purchases from Common Suppliers to its total purchases in 2010
Fusen Parts	11.3%
PetroChina Company Limited, Sales Branch of Fushun, Liaoning Province (中國石油天然氣股份有限公司遼寧撫順銷售分公司)	14.6%
Fushun County Industrial Explosive Engineering Service Co., Ltd (撫順縣民用爆破工程服務有限公司)	3.8%

The amount of materials procured by the Group from the Independent Third Parties was RMB63,376,000 and RMB107,048,000 in 2009 and 2010 respectively; the amount of materials sold to companies controlled by the Controlling Shareholders by the Common Suppliers was RMB11,357,252 and RMB19,257,825 in 2009 and 2010 respectively, as confirmed by our Controlling Shareholders.

Based on the above, our Directors believe that (i) our Company does not rely on any particular common supplier for our procurement and we are able to purchase from an alternative supplier with similar standards of quality in a timely manner if necessary, (ii) our Company has its own platform to source raw materials independently of our Controlling Shareholders, and does not rely on our Controlling Shareholders to negotiate the price or other terms with our suppliers and/or potential suppliers, and (iii) it is not uncommon to have overlapping suppliers in the industry in which our Company and the companies controlled by the Controlling Shareholders operate, and in particular, it is generally expected that suppliers such as PetroChina Company Limited have a number of customers including us, the entities controlled by our Controlling Shareholders and the Disposed Businesses. As a result, notwithstanding that there would be common suppliers among the companies controlled by the Controlling Shareholders, the Disposed Business and the Group, which is considered a common phenomenon in our industry, the existence of common suppliers does not have an impact on our operational independence from our Controlling Shareholders, nor does it give rise to any implication that we share a procurement platform with our Controlling shareholders or any of their associates.

The table below sets out the respective amounts and percentages (based on the total purchase of our Company) of iron ore concentrates, diesel fuel, auxiliary materials, and steel balls procured from certain suppliers (comprising companies controlled by the Controlling Shareholders and Independent Third Party suppliers) during the Track Record Period:

		Year ended December 31,						Six months ended June 30,	
		2008		2009		2010		2011	
	Product purchased	Amount	%	Amount	%	Amount	%	Amount	%
		(RMB'000, except percentage data)							
Procurement from related parties[1]									
Fushun Shangma	iron ore concentrates	—	—	119,592	39.8	66,684	26.5	—	—
Fushun Majuncheng[2]	iron ore concentrates	—	—	25,675	8.5	45,935	18.3	—	—
Fushun Metallurgy	iron ore concentrates	—	—	38,107	12.7	—	—	—	—
Dawei Casting	steel balls and auxiliary materials	27,862	26.5	1,826	0.6	3,337	1.4	2,335	3.4
Fushun Hanking	auxiliary materials	10,765	10.2	107	—	—	—	—	—
Fusen Parts	parts	8,678[3]	8.2	52,154	17.3	28,523	11.3	—	—
Fushun D.R.I.	auxiliary materials	2,443	2.4	—	—	—	—	—	—
Fushun Hanking Shopping Mall Co. Ltd. (撫順罕王商場有限公司)	appliances for labour protection	—	—	—	—	70	—	—	—
Subtotal		49,748	47.3	237,461	78.9	144,549	57.5	2,335	3.4
Procurement from Independent Third Party suppliers		55,374[3]	52.7	63,376	21.1	107,047	42.5	65,917	96.6
Total		105,122	100.0	300,837	100.0	251,596	100.0	68,252	100.0

1 Our Company ceased procuring from Fushun Shangma and Fushun Majuncheng in September 2010, from Fushun Metallurgy in December 2009, from Fushun Hanking in December 2009, from Fusen Parts in June 2010, Fushun D.R.I. in December 2008 and Fushun Hanking Shopping Mall Co., Ltd. in December 2010. Our Company is expected to continue procurement from Dawei Casting after Listing. For details of the transaction between our Company and Dawei Casting, please refer to "Connected Transaction" in this prospectus.

2 Hanking Development, the then sole shareholder of Fushun Majuncheng, transferred its 100% equity interest in Fushun Majuncheng to Fushun Deshan on November 4, 2010. Fushun Deshan is wholly-owned by Mr. He Baoxian (何寶賢), Mr. Yang's father-in-law. Fushun Majuncheng was disposed because it does not fit into our Group's strategy of operating mid-sized high-quality mines with a view to increasing high quality iron ore reserves as well as realizing significant economies of scale. For more details about the disposal of Fushun Majuncheng, please refer to "History, Development and Reorganization" in this prospectus.

3 Fusen Parts only became a company controlled by our Controlling Shareholder in August 2008 and it was an independent third party before then. The amount of purchase from Fusen Parts was RMB13,726,000 from January to August 2008.

There are many suppliers in the market. Therefore, we are confident that, in the event we no longer procure materials from those suppliers who are connected with our Controlling Shareholders, we will be able to identify and secure alternative sources of supply of materials with similar standards of quality and price in a timely manner. Such alternative suppliers include, among others, Chaoyang Heavy Machinery Co., Ltd. (朝陽重型機器設備有限公司), Yangzhou Hengxin Special Steel Pipe Co., Ltd. (揚州恒鑫特種鋼管有限公司) and Harbin Jiuzhou Electric Inc. (哈爾濱九洲電器股份有限公司).

(iii) *Pricing mechanism*

Before we substantially separated our business from other companies controlled by our Controlling Shareholders, we sold our iron ore concentrates to those companies at a discount to the reselling prices that they charged their customers. The average discount rates were approximately 12%, 5% and 7% in 2008, 2009 and 2010 (through May 2010), respectively. By contrast, acting as a centralized sales channel, Aoniu Mining did not receive any discount on its purchases of iron ore concentrates from companies controlled by our Controlling Shareholders that are not in our Group; instead, the purchase prices paid by Aoniu Mining were based on the average reselling prices which Aoniu Mining charged our customers each month during the Track Record Period.

As stated in (ii) above, Aoniu Mining sold materials procured from third party suppliers to companies controlled by the Controlling Shareholders in 2009 and 2010 and the price was determined based on the purchase price of such supplies and there was no mark-up in the resale price. From 2008 to 2010, Fusen Parts and Fushun Hanking acted as the centralized procurement channel for auxiliary materials and diesel fuel for our Group and some of the companies controlled by our Controlling Shareholders that are not in our Group. The amounts we paid to Fusen Parts were based on the purchase prices paid by Fusen Parts plus a markup primarily to cover Fusen Part's operating costs (including overheads such as staff and office costs) as well as applicable expenses, such as delivery expenses.

We believe that our Group is capable of carrying on its businesses independently of the Controlling Shareholders. In particular, our Group has direct access to customers and suppliers (as opposed to selling/purchasing through Fushun Hanking, Fushun Metallurgy and Fusen Parts) and this direct access has been in place since June 2010 when the centralized sales and procurement arrangement were terminated. In addition, the iron ore market in Liaoning Province has been a seller's market in recent time, primarily due to the local supply deficit that the market has experienced. As stated in "Industry Overview — Northeastern China and Liaoning Iron Ore Industry — Iron Ore Products Consumption" in this prospectus, Liaoning Province's BFI production in 2010 was 55Mt, while its iron ore product consumption for the same period was approximately 88Mt, representing a local supply deficit of approximately 33Mt and demand for our iron ore concentrate products has continued to be strong in the first half of 2011. For further details regarding the procurement and sales evolution model, please refer to "Business" of this prospectus.

Financial Independence

During the Track Record Period, Hanking Group was responsible for allocating capital resources among our Group and the other businesses operated by our Controlling Shareholders. As part of this arrangement, Hanking Group retained a substantial portion of the purchase prices due to us for the iron ore concentrates that we sold to Hanking Group, Fushun Hanking and Fushun Metallurgy in 2008, resulting in our trade receivables of RMB164.2 million as of December 31, 2008, which have since been paid. In addition, because Hanking Group served as the main financing vehicle for us in 2008, we had no outstanding bank borrowings as of December 31, 2008 and our finance cost amounted to only RMB0.2 million in the year. Aoniu Mining became the main financing vehicle for our Group and the Controlling Shareholders' other businesses in 2009. Primarily due to this change, our bank borrowings increased to RMB415.0 million as of December 31, 2009 and our finance cost increased to RMB22.4 million in 2009.

In addition, we have historically provided funding to our Controlling Shareholders' other businesses. As of December 31, 2008, 2009 and 2010, we had loans to related parties totalling RMB163.8 million, RMB848.1 million and RMB342.9 million, respectively, due to our provision of funding to companies controlled by the Controlling Shareholders that are not in our Group. Our loans to related parties increased significantly as of December 31, 2009 from December 31, 2008 because we provided increased funding to companies controlled by the Controlling Shareholders that are not in our Group as Aoniu Mining replaced Fushun Hanking as the main financing vehicle for our Group and the Controlling Shareholders' other businesses in 2009. See "Financial Information — Factors Affecting Results Of Operations And Financial Condition — Our business arrangements with companies controlled by our Controlling Shareholders outside of our Group — Financing arrangements". In connection with this change, Fushun Hanking transferred to Aoniu Mining certain outstanding loans owed by companies controlled by the Controlling Shareholders that are not in our Group in 2009 and, as a result, we became the creditor of these companies. Because we obtained the rights to be repaid these loans without paying any consideration to Fushun Hanking, we, correspondingly, recorded loans from a related party, namely, Hanking Group, of the same amount. As a result, our loans from related parties increased as of December 31, 2009 compared to December 31, 2008. As of the same dates, we had loans from related parties totalling RMB66.3 million, RMB72.2 million and RMB10.6 million, respectively.

Notwithstanding the above, our Group has an independent financial system and makes financial decisions according to our Group's own business needs. In addition, our Group is financially independent from our Controlling Shareholders. All guarantees and related parties' loans provided by our Controlling Shareholders to any member of our Group had been discharged in full as of June 30, 2011.

We also believe that we are capable of obtaining financing from Independent Third Parties, if necessary, without reliance on our Controlling Shareholders, any parties in any way related to our Controlling Shareholders, any guarantee from our Controlling Shareholders or any parties related to our Controlling Shareholders. For example, we obtained a bank facility of RMB500 million from Bank of China, Fushun Branch without guarantee from our Controlling Shareholders in April 2011. We have not utilized this bank facility as of the Latest Practicable Date. Therefore, there is no financial dependence on our Controlling Shareholders.