
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Our Business Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering, after the deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, will be approximately HK\$816.7 million, assuming an Offer Price of HK\$2.72 per Share, being the mid-point of the indicative range of the Offer Price of HK\$2.51 to HK\$2.93 per Share, and assuming that the Over-allotment Option is not exercised.

We intend to use the net proceeds from the Global Offering as follows:

- (1) HK\$702.3 million (equivalent to US\$90 million), or approximately 86.0% of the net proceeds, solely to repay our outstanding loan due to the Facility Lenders. Primarily to finance certain steps of the Reorganization, on January 25, 2011, we drew down the Facility Loan in a principal amount of US\$120 million from the Facility Lenders pursuant to the Facility Agreement. Interest is payable on amounts borrowed under the Facility Agreement at an annual rate of 8%. See “History, Development and Reorganization — Facility Loan Provided to Our Company” in this prospectus for more details. We intend to settle the remaining balance of the loan with cash generated from our operations;
- (2) HK\$68.6 million, or approximately 8.4% of the net proceeds, to finance the expansion and upgrading of our mines and production facilities. See “Business — Our Production Operations and Facilities — Production expansion plans” in this prospectus for more information; and
- (3) HK\$45.8 million, or approximately 5.6% of the net proceeds, to acquire new mines and related production facilities. See “Business — Our Business Strategies — Increase our iron ore reserves” in this prospectus. As of the Latest Practicable Date, we have not entered into any agreement, nor do we have any definite plans, in relation to any potential acquisition of iron ore reserves.

If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Global Offering (excluding the net proceeds from the sale of the Sale Shares by the Selling Shareholder and assuming that the Over-allotment Option is not exercised) will increase by approximately HK\$66.5 million or decrease by approximately HK\$66.5 million. If the Offer Price is set above or below the mid-point, we will adjust our allocation of the net proceeds for item (2) and (3), and the amount allocated to item (1) will remain unaltered at HK\$702.3 million. In the event that the Over-allotment Option is exercised, we will apply the additional net proceeds of approximately HK\$179.8 million (assuming the Offer Price is determined at the mid-point of the indicative range of the Offer Price) to items (2) and (3) above as we deem fit.

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We estimate that the net proceeds to be received by the Selling Shareholder from the Global Offering will range from approximately HK\$310.8 million (assuming an Offer Price of HK\$2.51 per Share, being the low end of the proposed Offer Price range) to approximately HK\$362.9 million (assuming an Offer Price of HK\$2.93 per Share, being the high end of the proposed Offer Price range), after deducting the underwriting fees and commission (including any discretionary incentive fee which may be payable by us to the Joint Global Coordinators) as payable by the Selling Shareholder in relation to the Global Offering. The net proceeds received by the Selling Shareholder will be used to repay the cash compensation in relation to the cancellation of Warrant A and Warrant B upon the Listing. Details of the cash compensation are set out in “History, Development and Reorganization — Facility loan provided to our Company — Warrant Cancellation Payment” in this prospectus.