
HISTORY, DEVELOPMENT AND REORGANIZATION

HISTORY AND DEVELOPMENT

Our Company

Our Company was originally incorporated in the BVI on January 14, 2011. In anticipation of the listing of its Shares on the Stock Exchange, our Company re-domiciled from the BVI to the Cayman Islands on May 23, 2013. As of the Latest Practicable Date, our Company had an authorized share capital of HK\$1,000,000 divided into 10,000,000,000 Shares of HK\$0.0001 each, of which 1,125,000,000 shares had been issued and outstanding and were indirectly owned as to 97% and 3% by the Family Trust and the Management Trust, respectively.

Our Business Milestones

The key milestones of the development of our Group are as follows:

Year	Events
2004	Mr. Li Yanjun established Xinxin Mining
2009	Aowei Group acquired 100% equity interest of Jingyuancheng Mining
2010	Mr. Li Yanjun, through Jiantou Mining and Xinrui Mining, established Jiheng Mining Jingyuancheng Mining consolidated Laiyuan County Guangyuan Mining Co., Ltd. and Baoding Longmao Mining Co., Ltd.
2011	Our Company was originally incorporated in the BVI
2011	Jingyuancheng Mining consolidated Weihe Mining and Xinda Mining
2012	Jiheng Mining became a 90% owned subsidiary of our Company after a series of reorganization Jiheng Mining obtained the consolidated mining right certificate for Zhijiazhuang Mine
2013	Jingyuancheng Mining obtained mining right certificates for Wang'ergou Mine and Shuanmazhuang Mine after the consolidation

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Year	Events
	Zhijiazhuang Mine commenced commercial production in April 2013
	Wang'ergou Mine and Shuanmazhuang Mine commenced trial production in May 2013 after obtaining the consolidated mining right certificate
	Xinxin Mining obtained consolidated mining right certificate of Gufen Mine after the consolidation
	Gufen Mine commenced trial production in May 2013 after obtaining the consolidated mining right certificate
	Our Company re-domiciled from the BVI to the Cayman Islands on May 23, 2013
	Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine commenced commercial production in October 2013

Our Corporate History

Mr. Li Yanjun first started his iron ore business by engaging in the trading of iron ore, iron ore concentrates and iron and steel products in December 1996. Since December 1996, Mr. Li Yanjun has gained knowledge of the mining and steel business and attained additional financial resources. To expand his business and capitalize on his experience and expertise in the mining and steel business, Mr. Li Yanjun established Aoyu Steel in July 2001, which engaged in the production and sale of steel products. After working in both the trading and production aspects of steel, Mr. Li Yanjun saw the potential in the upstream iron ore mining business and subsequently expanded his business to include the exploration, mining and production of iron ore and iron ore concentrates. In 2004, Mr. Li Yanjun established Xinxin Mining, then acquired Jingyuancheng Mining in 2009 and indirectly established Jiheng Mining in 2010. Xinxin Mining, Jingyuancheng Mining and Jiheng Mining were acquired by our Group through the onshore reorganization as set out below in the subsection headed "Onshore Reorganization." In order to focus on the upstream iron ore mining business, Mr. Li Yanjun gradually reduced his involvement in the iron ore, iron ores concentrates, iron and steel trading business since 2006. In March 2012, Mr. Li Yanjun sold 80% of the equity interest in Aoyu Steel to Delong at a consideration of RMB264 million, which was determined based on the net asset value of Aoyu Steel on the effective date of the equity transfer agreement plus the net profit/minus the net loss of Aoyu Steel from such effective date to the completion date of the transaction. Upon the completion of the disposal, Mr. Li Yanjun indirectly holds a minority interest of 20% in Aoyu Steel. Within three years from March 2012, Delong is under an obligation to acquire the remaining 20% of the equity interest in Aoyu Steel from Mr. Li Yanjun pursuant to the equity acquisition agreement between the two parties. According to the annual report of Delong Holdings Limited for 2012, Aoyu Steel is principally engaged in the manufacture and sale of pig iron, steel billets and trading of steel materials, with production capacity of 1.2 Mtpa. The main customers of Aoyu Steel are located in the Tianjin Municipality and Hebei Province areas.

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Concert Party Arrangements

Pursuant to a confirmation letter dated March 4, 2013 and a supplemental confirmation letter dated June 27, 2013 (“Confirmation Letters”), each jointly issued by Mr. Li Ziwei, the settlor, protector and a beneficiary of the Family Trust and the Management Trust, and Mr. Li Yanjun, the father of Mr. Li Ziwei, Mr. Li Ziwei and Mr. Li Yanjun confirmed that (1) they had been acting in concert in respect of the management and operations of the business of our Group prior to the establishment of the Family Trust and the Management Trust and throughout the Track Record Period; (2) the shareholder decisions in respect of our Group made by Mr. Li Ziwei prior to the establishment of the Family Trust and the Management Trust had been deemed decisions jointly made by Mr. Li Ziwei and Mr. Li Yanjun in consensus; (3) after the establishment of the Family Trust and the Management Trust, Mr. Li Ziwei and Mr. Li Yanjun will continue to act in concert to make decisions and exercise discretions in respect of the matters of the Family Trust and the Management Trust and exercise all voting rights attached to the shares of Hengshi Investments and Aowei Developments, respectively; and (4) whether the Group was indirectly held by Mr. Li Yanjun prior to the reorganization of the Company or was indirectly held by Mr. Li Ziwei following the reorganization of the Company, the shareholder interests in respect of the Group had been, and will continue to be, deemed to be jointly entitled to by Mr. Li Yanjun and Mr. Li Ziwei. Mr. Li Yanjun has been intending to hand over the family business to the next generation. To formalise such arrangement, he transferred the interest in the Group to his only son, Mr. Li Ziwei, and ceased to hold any direct interest in the Group upon the completion of the reorganization. Throughout the development of the Group, Mr. Li Yanjun (i) has had a long-standing business presence in Laiyuan County; (ii) possesses extensive experience in the iron ore and steel production business; (iii) has deep understanding of the Group’s operations; and (iv) is recognized and trusted upon by his business partners and the relevant industry groups as the head of the Group from years of working and developing the relationship with the Group’s customers, suppliers and local government authorities. Therefore, in order to ensure a smooth handover process, and to guide Mr. Li Ziwei to gradually (i) take full control of the Group, and (ii) build up business networks and establish his reputation in the business community, Mr. Li Yanjun continues to maintain joint control in the Group through the concert party arrangements and participates in the management of the Group. Both Mr. Li Yanjun and Mr. Li Ziwei believe that such arrangements would ensure minimal disruption to the management of the Group and would greatly contribute to the Group’s future growth in a steady, smooth and sustainable manner. As a result, notwithstanding that Mr. Li Ziwei was the sole registered holder of shares of Hengshi Holdings (which currently indirectly holds 97% of our Company) and the indirect sole shareholder of Aowei Developments before the establishment of the two trusts, and is the sole protector, settlor and a beneficiary of each of the Family Trust and the Management Trust, Mr. Li Ziwei and Mr. Li Yanjun have been, throughout the Track Record Period, and will continue going forward to be acting in concert in respect of all voting rights attached to the shares of our Company indirectly held by the Family Trust and the Management Trust. As a result, both Mr. Li Ziwei and Mr. Li Yanjun are our ultimate controlling shareholders. See “Relationship with Controlling Shareholders.”

Historical Development of Our Mines

From 2004 to the date of the consolidation as set out below, our iron ore mines were originally owned by different entities and operated separately. Prior to the consolidation, each of the iron ore mines operated under its original mining right certificates, governmental approvals or development agreements entered into with the relevant local governments. Since 2005, to improve

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the efficiency of the mining industry and to address various irregularities in the operation of the small-scale mines, the PRC Government has issued various guidance and policies to promote large-scale iron ore mine operators to consolidate adjacent small-scale iron ore mines.

Our Company is designated by the local government as a consolidating principal to consolidate adjacent small-scale iron ore mines because of the following: (i) Aowei Group and Mr. Li Yanjun have maintained a presence in Laiyuan County and extensive experience in the trading and manufacturing of iron and steel products; (ii) there has been a proven track record of successful management, operation, internal control, production safety and environmental protection at Gufen Mine, Wang'erguo Mine and Shuanmazhuang Mine; and (iii) Xinxin Mining and Jingyuancheng Mining have made significant contributions to the incomes of Laiyuan County and Baoding City while promoting local employment.

The general background of our consolidation principal status was introduced in the *Meeting Minutes for Special Discussion of the Provincial Government (No. 49)* issued by the General Office of the People's Government of Hebei Province on March 4, 2009. Our consolidation principal status for the consolidation of iron ore resources in the Dushancheng and Zhijiazhuang mining areas was evidenced by the *Meeting Minutes for Special Discussion of the Provincial Government (No. 88)* issued by the same government authority on July 9, 2010. There are other government documents or notifications issued by the relevant local governments in relation to the "consolidation principal" status of the Group for the consolidating iron ore sources in the Dushancheng and Zhijiazhuang mining areas. These documents are correspondences between lower government authorities and their corresponding superior authorities for nomination and seeking final approval regarding the consolidation principal status approved at the provincial level.

The consolidation principal status is in itself a privilege, as no parties other than the designated consolidation principals is allowed to acquire or consolidate mines in the Dushancheng and Zhijianzhuang mining areas.

Since 2008, to consolidate the relevant small-scale iron ore mines and apply for new mining permits, we have conducted feasibility studies on the newly consolidated resources, re-evaluated the reserves, redesigned the mining plan to exploit the resources more efficiently, revamped or disposed of infrastructure construction and rehabilitated and restored the surrounding environment. By leveraging our expertise and experience, we strategically acquired and integrated various adjacent small-scale iron ore mines to expand our mine zone and improved production capacity. Xinxin Mining consolidated the business of Laiyuan Xinghuo Mining Co., Ltd. (涇源縣星火礦業有限公司). In January 2013, Xinxin obtained the mining rights of Gufen Mine. Jingyuancheng Mining acquired the mining assets and interest in Laiyuan County Guangyuan Mining Co., Ltd. (涇源縣廣源礦業有限責任公司), Xinda Mining, Baoding Longmao Mining Co., Ltd. (保定隆茂礦業有限公司) and Weihe Mining by the end of 2011. Jiheng Mining acquired the mining rights of Zhijiazhuang Mine from Laiyuan Steel Plant (涇源鋼鐵廠) in September 2010. To consolidate these mines and associated processing facilities and to avoid risks arising out of previous disorderly mining operation, we conducted a series of correction work, including but not limited to, slope correction, waste rock stripping and revamping and disposing of outdated processing facilities. The consolidation and integration was completed by early 2013 and each of our three principal operating subsidiaries, namely Jiheng Mining, Jingyuancheng Mining and Xinxin Mining, was granted new mining right certificates in April 2012, January 2013 and January 2013, respectively. For details of the consolidation and correction work at the relevant mines, see "Business – Mines, Mineral Resources and Mining Rights – Consolidation and Correction Work at Our Mines."

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OFFSHORE REORGANIZATION

From January 2011 to May 2013, a number of offshore entities were incorporated and certain intra-group offshore restructuring steps were taken in order to establish our offshore shareholding structure.

Incorporation of Hengshi Holdings

On January 14, 2011, Hengshi Holdings was incorporated in the BVI as a limited liability company authorized to issue a maximum of 50,000 shares of US\$1.00 each, of which 100 shares had been issued to Mr. Li Ziwei on January 18, 2011 and had been fully paid up. Since its establishment, Hengshi Holdings had been wholly owned by Mr. Li Ziwei. Since the establishment of the Family Trust, Hengshi Holdings has been wholly owned by Chak Limited, which was incorporated in Guernsey and is held by the trustee of the Family Trust. Hengshi Holdings is principally engaged in investment holding.

Incorporation of Hengshi Investments

On January 14, 2011, Hengshi Investments was incorporated in the BVI as a limited liability company authorized to issue a maximum of 50,000 Shares of US\$1.00 each, of which, 100 Shares had been issued to Hengshi Holdings on January 18, 2011 and fully paid. Since its establishment, Hengshi Investments has been wholly owned by Hengshi Holdings. Hengshi Investments is principally engaged in investment holding.

Incorporation of Our Company

Our Company was originally incorporated in the BVI on January 14, 2011 as a limited liability company authorized to issue a maximum of 50,000 shares of US\$1.00 each, of which 100 shares had been issued to Hengshi Investments on January 18, 2011 and had been fully paid up. In anticipation of the listing of its Shares on the Stock Exchange, our Company re-domiciled from the BVI to the Cayman Islands on May 23, 2013. In anticipation of setting up the Management Trust (details of which are set out below), on August 20, 2013, Hengshi Investments transferred three Shares in our Company to Aowei Developments.

Incorporation of Aowei Developments

On September 21, 2012, Aowei Developments was incorporated in the BVI as a limited liability company authorized to issue a maximum of 50,000 shares of US\$1.00 each, of which one share had been issued to Aowei Investments on September 25, 2012 and fully paid up. As at its incorporation, Aowei Developments was indirectly wholly owned by Mr. Li Ziwei. In anticipation of setting up the Management Trust (details of which are set out below), Aowei Investments transferred the entire equity interest in Aowei Developments to Mr. Li Ziwei. On August 19, 2013, Mr. Li Ziwei transferred its entire equity interest in Aowei Developments to Seven Limited, which was incorporated in Guernsey and is held by the trustee of the Management Trust. Aowei Developments is principally engaged in investment holding.

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Incorporation of Hengshi HK

On February 2, 2011, Hengshi HK was incorporated in Hong Kong as a limited liability company with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which 100 shares had been issued to our Company on February 2, 2011 and fully paid up. Since its establishment, Hengshi HK has been wholly owned by our Company. Hengshi HK is principally engaged in investment holding.

Establishment of the Family Trust

On August 13, 2013, Mr. Li Ziwei, as the settlor, established the Family Trust, which is a revocable discretionary trust with Credit Suisse Trust Limited as the trustee, and transferred his entire interests in Hengshi Holdings to Chak Limited, an entity incorporated in Guernsey and held by Credit Suisse Trust Limited, the trustee of the Family Trusts, for the benefit of Mr. Li Ziwei and his children. As of the Latest Practicable Date, Credit Suisse Trust Limited acts as the trustee and has the powers customary granted to a trustee, including:

- (i) applying all or any part of the trust fund and the income thereof to and for the maintenance, education, advancement or otherwise for the benefit of any of the beneficiaries;
- (ii) paying out of or transferring from the trust fund and the income thereof to the trustees of any other trust for the benefit of the beneficiaries; and
- (iii) holding the trust fund and the income for the benefit of the beneficiaries.

The proper law of the Family Trust is the law of Guernsey and the provisions of the Family Trust are subject to, and enforceable under, the laws of Guernsey. Under the Family Trust, certain discretions of the trustee are only exercisable by the trustee with the consent of the protector, Mr. Li Ziwei, and such discretions includes: (i) determining the date of termination of the Family Trust; (ii) changing the proper law of the Family Trust; (iii) application of income to beneficiaries; (iv) application of capital and income to beneficiaries on termination of the Family Trust; (v) general powers of appointment and advancement; (vi) removal or exclusion of beneficiaries; (vii) addition of beneficiaries; (viii) variation of the trust powers and provisions of the Family Trust; and (ix) appointment of new or additional trustees.

In addition, so long as the settlor is and, after the death of the settlor, the protector is in office, the trustee shall not interfere in the management of the business of Hengshi Holdings and the voting rights attached to the shares of Hengshi Holdings. The protector also has the power to appoint or remove trustees.

Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that such trust arrangement does not violate PRC laws or regulations.

Establishment of the Management Trust

On August 13, 2013, Mr. Li Ziwei, as the settlor, established the Management Trust, which is a revocable discretionary trust with Credit Suisse Trust Limited as the trustee, for the purposes of recognizing and rewarding the contributions of certain executive Directors and senior management of our Group.

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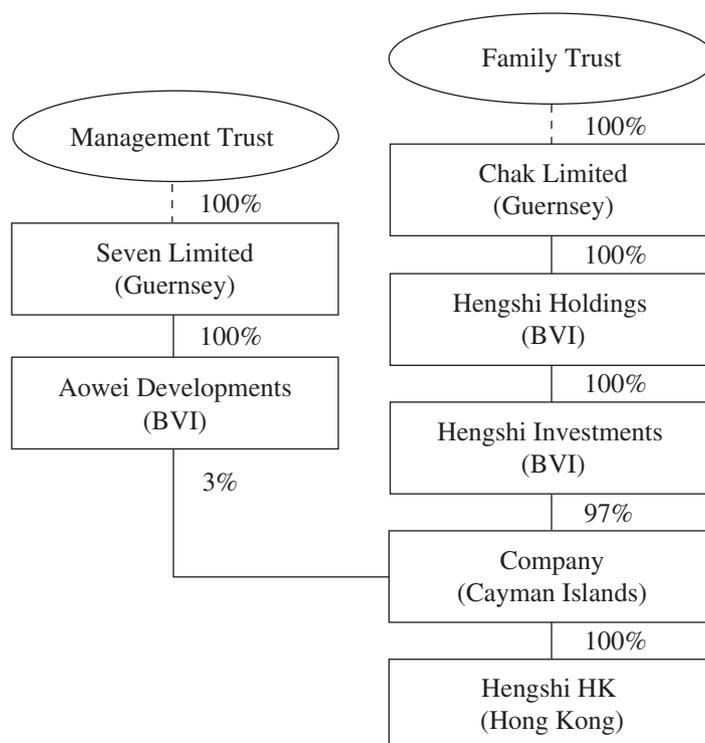
On August 20, 2013, Hengshi Investments transferred three Shares in our Company, representing approximately 3% of the issued share capital of our Company at the time of transfer, to Awei Developments, which was directly held by Seven Limited, an entity incorporated in Guernsey and held by Credit Suisse Trust Limited, the trustee of the Management Trust. The Management Trust beneficiaries might be one or more members of the executive Directors, namely Mr. Li Yanjun, Mr. Li Ziwei, Mr. Xia Guoan, Mr. Sun Jianhua, Mr. Huang Kai and Mr. Tu Quanping and senior management members of our Group. The executive Directors and the senior management may hold up to approximately 2.25% of the issued share capital of our Company after the Listing (on a fully diluted basis assuming no exercise of Over-allotment Option). As of the Latest Practicable Date, none of the executive Directors and members of the senior manager had become a beneficiary of the Management Trust and none had made a filing with SAFE in this regard. However, if any of the executive Directors and members of the senior management becomes a beneficiary of the Management Trust pursuant to the terms of the Management Trust and has an obligation to make a filing with SAFE by virtue of his PRC citizenship, he will be required to fully comply with the relevant requirement for SAFE registration.

The proper law of the Management Trust is the law of Guernsey and the provisions of the Management Trust are subject to, and enforceable under, the laws of Guernsey.

As of the Latest Practicable Date, no decision has been made by Mr. Li Ziwei or the trustee with respect to any distribution by the Management Trust. There is currently no plan to make any distribution to the beneficiaries of the management trust prior to the Listing.

Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that such trust arrangement does not violate PRC laws or regulations, and if any of the executive Directors and the senior management actually becomes the beneficiaries of the Management Trust, he/she should duly register with the SAFE in this regard.

Our offshore shareholding structure immediately after the incorporation of our offshore entities is set out below:



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ONSHORE REORGANIZATION

We conduct our business primarily through our PRC operating subsidiaries, namely Jingyuancheng Mining, Xinxin Mining and Jiheng Mining. Prior to our reorganization, our PRC operating subsidiaries and PRC intermediate holding companies were held by Aowei Group, which was founded and controlled by Mr. Li Yanjun, one of our Controlling Shareholders and our founder. In preparation for the Global Offering, our Company acquired the PRC intermediate holding companies and the PRC operating subsidiaries from Aowei Group. See “Relationship with Controlling Shareholders.”

Acquisition of Our PRC Intermediate Holding Companies

We hold our PRC operating subsidiaries through our PRC intermediate holding companies, namely Sichuan Panshi, Sichuan Hengwen and Aowei Mining as detailed below.

Sichuan Panshi

Sichuan Panshi was established in the PRC in June 2011 with a registered capital of RMB120 million. Upon its establishment, Sichuan Panshi was wholly owned by Aowei Group.

In preparation for the Global Offering and pursuant to an equity transfer agreement dated June 15, 2011, Aowei Group transferred its entire equity interest in Sichuan Panshi to Hengshi HK at a consideration of RMB120 million, which was determined with reference to an assets appraisal report issued by Hebei Hengyu Assets Appraisal Co., Ltd., an Independent Third Party. The consideration has been paid in full. After such share transfer, Sichuan Panshi became wholly owned by Hengshi HK, which in turn was wholly owned by our Company. At the time of the share transfer, Sichuan Panshi indirectly held the entire equity interest in Jingyuancheng Mining and Xinxin Mining, and 50% equity interest in Jiheng Mining. Upon the completion of such share transfer, Mr. Li Ziwei indirectly held 100%, 100% and 50% equity interest in Jingyuancheng Mining, Xinxin Mining and Jiheng Mining, respectively.

Sichuan Panshi is principally a holding company. In September 2011, Hengshi HK increased the registered capital of Sichuan Panshi from RMB120 million to RMB150 million.

Sichuan Hengwen

Sichuan Hengwen was established in the PRC in June 2011 with a registered capital of RMB120 million. Upon its establishment, Sichuan Hengwen was wholly owned by Aowei Group.

In preparation for the Global Offering and pursuant to an equity transfer agreement dated June 12, 2011, Aowei Group transferred its entire equity interest in Sichuan Hengwen to Sichuan Panshi at a consideration of RMB120 million, which was determined with reference to the registered capital at the time. The consideration has been fully paid up. After such share transfer, Sichuan Hengwen became wholly owned by Sichuan Panshi, which was in turn indirectly wholly owned by our Company through Hengshi HK and Sichuan Panshi.

Sichuan Hengwen is principally a holding company.

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Aowei Mining

Aowei Mining was established in the PRC in June 2011 with a registered capital of RMB120 million. Upon its establishment, Aowei Mining was wholly owned by Aowei Group.

In preparation for the Global Offering and pursuant to an equity transfer agreement dated June 9, 2011, Aowei Group transferred its entire equity interest in Aowei Mining to Sichuan Hengwen at a consideration of RMB120 million, which was determined with reference to the registered capital at the time. The consideration has been paid in full. After such share transfer, Aowei Mining became wholly owned by Sichuan Hengwen, which was in turn indirectly wholly owned by our Company through Hengshi HK, Sichuan Panshi and Sichuan Hengwen.

Aowei Mining is principally engaged in holding and managing Jingyuancheng Mining, Xinxin Mining and Jiheng Mining.

The original company name of Aowei Mining was Rongcheng County Jiuhengjiye Technology Co., Ltd. (容城縣久恒基業科技有限公司) since its incorporation. On April 12, 2012, the company name was changed to Laiyuan County Jiuhengjiye Technology Co., Ltd. (涑源縣久恒基業科技有限公司) due to change of registered address. On June 12, 2012, Aowei Mining was renamed to its current name which is Laiyuan County Aowei Mining Investments Co., Ltd. (涑源縣奧威礦業投資有限公司) and remained unchanged.

Acquisition of Our PRC Operating Subsidiaries

Jingyuancheng Mining

Jingyuancheng Mining was established in the PRC in October 2001 with a registered capital of RMB0.5 million. Upon its establishment, 70%, 25% and 5% of Jianyuancheng Mining was owned as to by Mr. Ding Hui, Mr. Shi Gui and Mr. Sun Haitao, respectively, who were and remain to be Independent Third Parties.

Jingyuancheng Mining experienced a series of changes in the shareholding structure after its establishment. In November 2009, the then four individual shareholders of Jingyuancheng Mining sold in aggregate 100% of the equity interest in Jingyuancheng Mining to Aowei Group based on arm's length negotiations. Although the four individuals transferred the 100% of the equity interest in Jingyuancheng Mining to Aowei Group, and Aowei Group paid the consideration in full in November 2009, the parties did not complete the registration of the change of shareholders with the relevant authorities until June 1, 2011. Since the local industrial and commerce authority did not accept the registration application for the change of Jingyuancheng Mining's shareholding due to the local resource consolidation arrangement, the four individuals held the equity interest in Jingyuancheng Mining on trust for Aowei Group until the relevant change of registration was completed. Our PRC legal counsel, Commerce & Finance Law Offices, is of the view that the trust arrangements are not in violation of the PRC laws or regulations. After the change of registration, Jingyuancheng Mining became wholly owned by Aowei Group.

In preparation for the Global Offering and pursuant to an equity transfer agreement dated June 9, 2011, Aowei Group transferred its entire equity interest in Jingyuancheng Mining to Aowei Mining at a consideration of RMB65 million, which was determined based on arm's length

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negotiations with reference to the net assets of Jingyuancheng Mining at the end of 2010. The consideration has been fully paid up. After such share transfer, Jingyuancheng Mining became wholly owned by Aowei Mining, which was then and remains to be indirectly wholly owned by our Company through Hengshi HK and the PRC intermediate holding entities.

Jingyuancheng Mining is principally engaged in iron ore mining, processing and production of iron ore and iron ore concentrates. In May 2012, Aowei Mining increased the registered capital of Jingyuancheng Mining from RMB15 million to RMB80 million.

Xinxin Mining

Xinxin Mining was established in the PRC in April 2004 with a registered capital of RMB3 million. Upon its establishment, 80%, 10% and 10% of Xinxin Mining was owned by Aowei Group, Mr. Wang Jianjun and Mr. Zhang Fuqing, respectively. Mr. Wang Jianjun is a manager of Xinxin Mining, and Mr. Zhang Fuqing is a director of Xinxin Mining. Aowei Group entered into an agreement with Mr. Wang Jianjun and Mr. Zhang Fuqing dated April 24, 2004, pursuant to which Mr. Wang Jianjun and Mr. Zhang Fuqing held the 20% equity interest in Xinxin Mining under their names on trust for Aowei Group since the establishment of Xinxin Mining, to facilitate the management of Xinxin Mining and the application of relevant government formalities. Commerce & Finance Law Offices, our PRC legal counsel, is of the view that the trust arrangement is not in violation of the PRC laws and regulations.

In June 2011, Mr. Wang Jianjun and Mr. Zhang Fuqing each transferred 10% of the equity interest in Xinxin Mining to Aowei Group at nil consideration. After such share transfer, Xinxin Mining became wholly owned by Aowei Group.

In preparation for the Global Offering and pursuant to an equity transfer agreement dated June 9, 2011, Aowei Group transferred its entire equity interest in Xinxin Mining to Aowei Mining at a consideration of RMB55 million, which was determined based on arm's length negotiations with reference to the amount of iron ore advised by Hebei Baoding Institute of Geological and Prospecting Engineering (河北保定地質工程勘察院). The consideration has been paid in full. After such share transfer, Xinxin Mining became wholly owned by Aowei Mining, which in turn was and remains to be indirectly wholly owned by our Company through Hengshi HK and the PRC intermediate holding entities.

Xinxin Mining is principally engaged in iron ore mining, processing and production of iron ore and iron ore concentrates. In May 2012, Aowei Mining increased the registered capital of Xinxin Mining from RMB3 million to RMB50 million.

Jiheng Mining

Jiheng Mining was established in the PRC in August 2010 with a registered capital of RMB50 million. Upon its establishment, 50%, 30% and 20% of Jiheng Mining was owned by Jiantou Mining, Laiyuan Nonferrous Metal and Xinrui Mining, respectively. Upon the establishment of Jiheng Mining, 72% of Jiantou Mining and 70% of Xinrui Mining were indirectly owned by Aowei Group, and the remaining 28% and 30% of Jiantou Mining and Xinrui Mining were held by Independent Third Parties. Aowei Group subsequently acquired the remaining 30% of Xinrui Mining from the Independent Third Parties in August 2011. Laiyuan Nonferrous Metal was and remains an Independent Third Party.

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In July 2011, Jiantou Mining transferred its 50% equity interest in Jiheng Mining to Aowei Mining at a consideration of approximately RMB40.71 million. The amount of the consideration was determined on the basis of an independent valuation report prepared by Hebei Hengyu Assets Valuation Limited Company, an independent professional assets valuation firm. Through reorganizations between Aowei Group and us in December 2011, we effectively obtained 20% equity interest in Jiheng Mining at a consideration of RMB90 million from Xinrui Mining. The consideration of RMB90 million was orally determined by the parties and not provided for in any written agreement, and the consideration was fully paid by Aowei Mining pursuant to such oral agreement. Upon the completion of the reorganizations, Xinrui Mining remained a wholly owned subsidiary of Aowei Group. After such transfers, Jiantou Mining and Xinrui Mining ceased to be shareholders of Jiheng Mining. Jiheng Mining was then owned as to 70% and 30% by Aowei Mining and Laiyuan Nonferrous Metal, respectively.

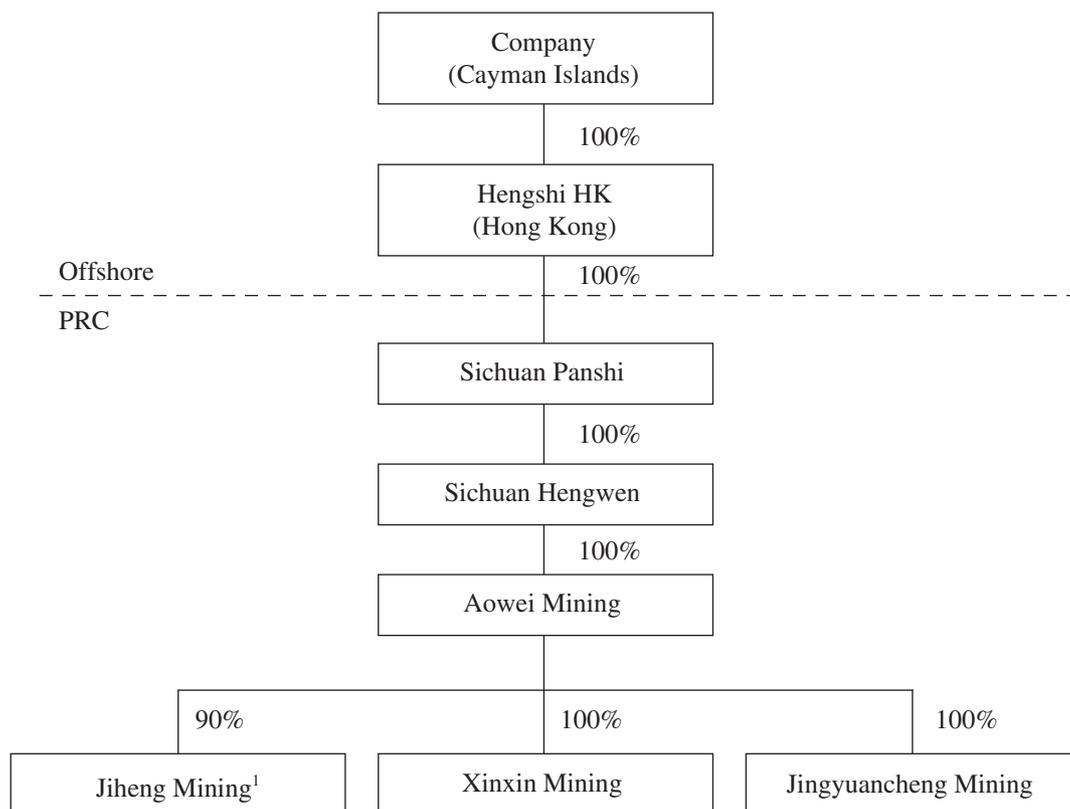
In January 2012, Laiyuan Nonferrous Metal transferred its 20% equity interest in Jiheng Mining to Laiyuan Jiantou at a consideration of RMB80 million. In April 2012, Laiyuan Jiantou transferred its 20% equity interest in Jiheng Mining to Aowei Mining at a consideration of RMB80 million. The amount of the consideration was determined with reference to an independent valuation report prepared by Hebei Hengyu Assets Valuation Limited Company, an independent professional assets valuation firm. The consideration has been paid in full. After such transfer, Laiyuan Jiantou ceased to be a shareholder of Jiheng Mining, Aowei Mining's equity interest in Jiheng Mining increased from 70% to 90% and Laiyuan Nonferrous Metal held the remaining 10% equity interest in Jiheng Mining.

Jiheng Mining is principally engaged in iron ore mining, processing and production of iron ore and iron ore concentrates.

Our PRC legal counsel, Commerce & Finance Law Offices, has confirmed that we have obtained the relevant PRC approvals for our reorganizations in accordance with the M&A Rules and other relevant PRC Laws, and there are no other approvals required under the PRC laws and regulations for our reorganizations. Our PRC legal counsel has also advised us that Hengshi HK is not a company established or controlled by a "domestic individual" under Article 11 of the M&A Rules, and the acquisition of Sichuan Panshi by Hengshi HK should not be governed by Article 11 of the M&A Rules, on the basis that when Aowei Group transferred its entire equity interest in Sichuan Panshi to Hengshi HK, (i) Mr. Li Ziwei held a Dominican passport, and (ii) Mr. Li Yanjun did not hold any equity interest in Hengshi HK, despite that he acted in concert with Mr. Li Ziwei.

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Our shareholding structure immediately after the preceding onshore reorganizations is set out below:

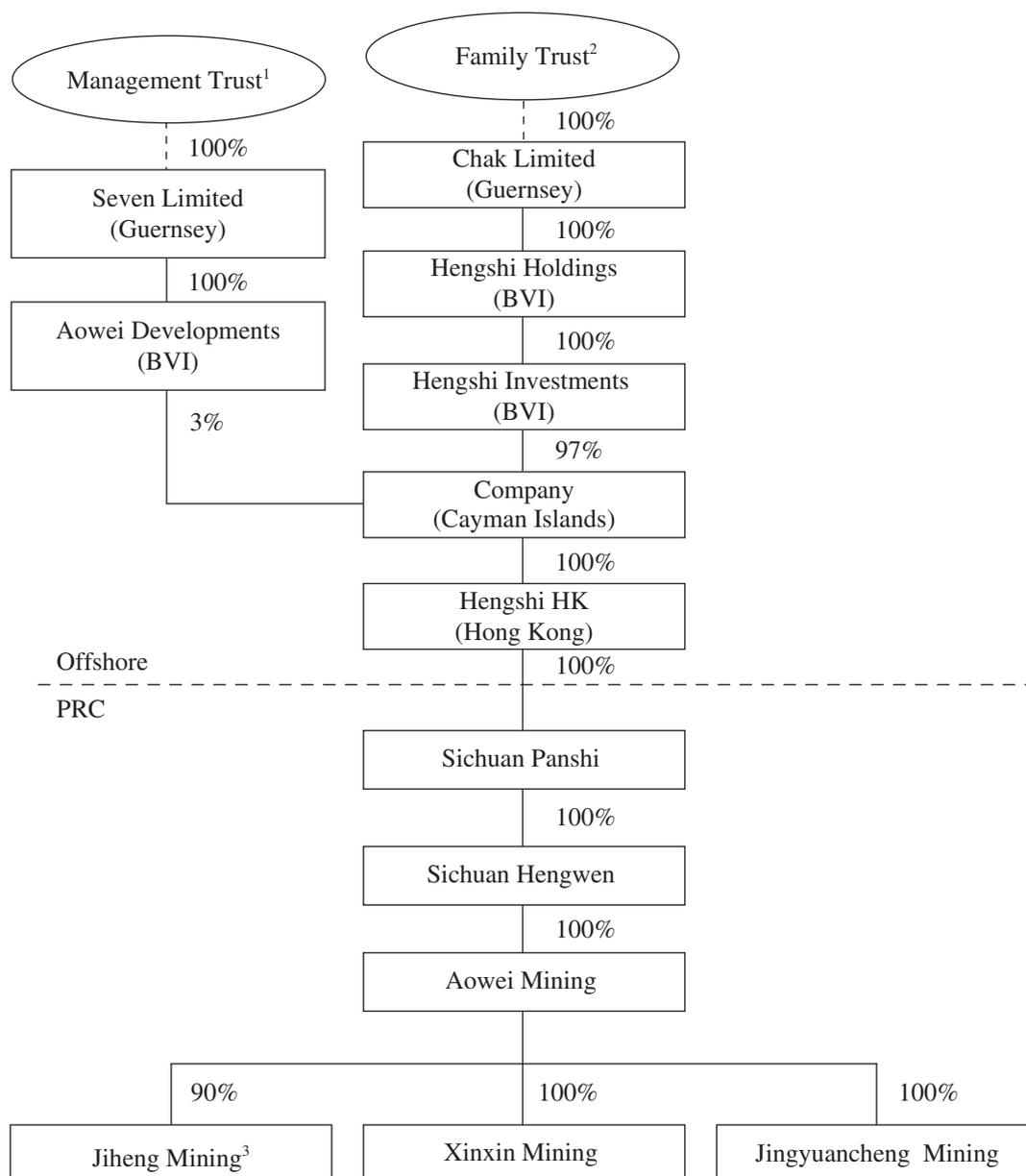


¹ The remaining 10% equity interest is held by Laiyuan Nonferrous Metal, an Independent Third Party.

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CORPORATE STRUCTURE

The following chart sets out our corporate structure immediately before the Global Offering:



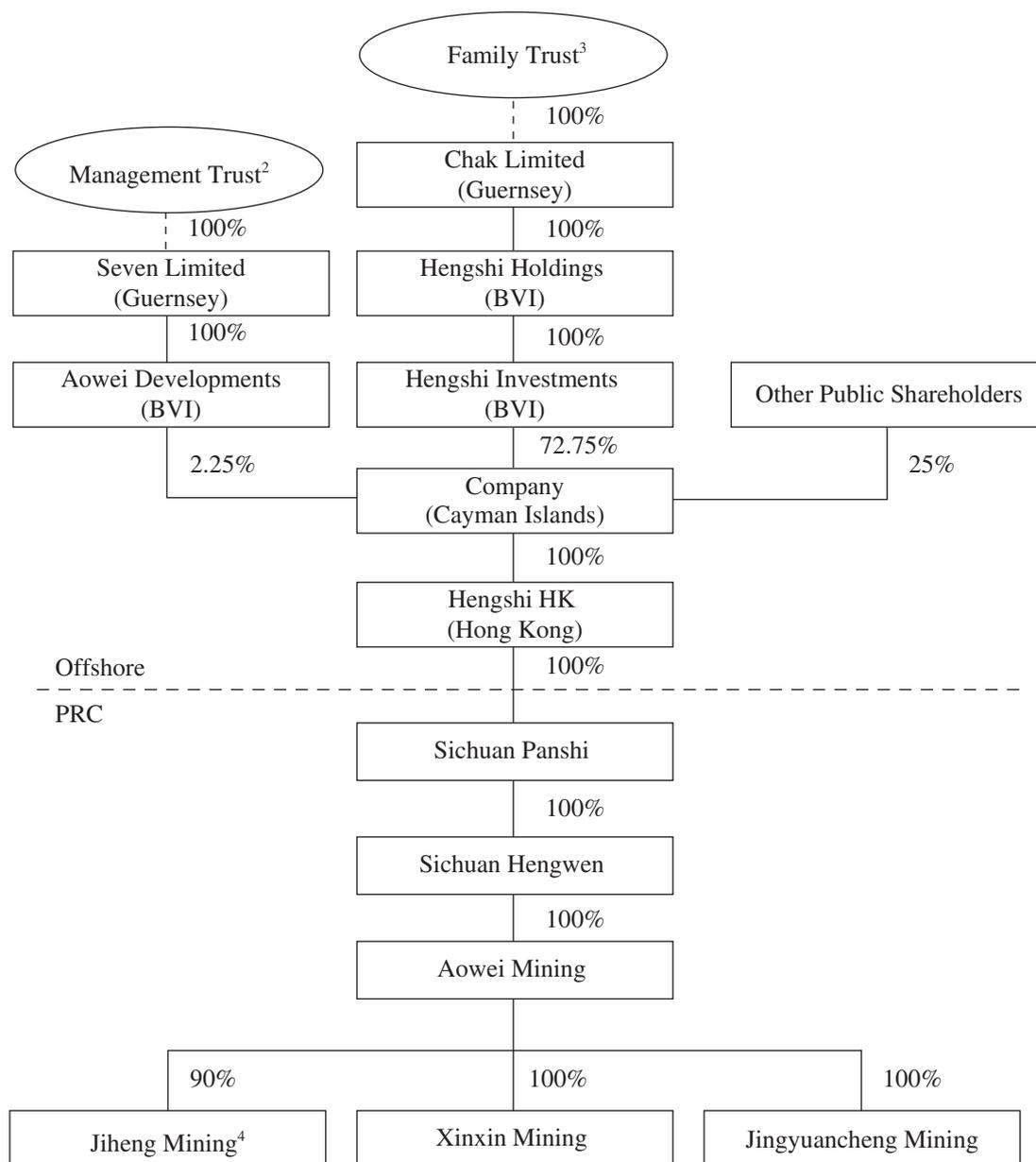
¹ The Management Trust is a revocable discretionary trust established by Mr. Li Ziwei as the settlor and protector of the trust, with Credit Suisse Trust Limited as the trustee, for the purposes of recognizing and rewarding the contributions of certain executive Directors and the senior management. See “– Onshore Reorganization – Establishment of the Management Trust.”

² The Family Trust is a revocable discretionary trust established by Mr. Li Ziwei as the settlor and protector of the trust, with Credit Suisse Trust Limited as the trustee, for the benefits of Mr. Li Ziwei and his children. See “– Onshore Reorganization – Establishment of the Family Trust.”

³ The remaining 10% equity interest is held by Laiyuan Nonferrous Metal, an Independent Third Party.

HISTORY, DEVELOPMENT AND REORGANIZATION

The following chart sets out our corporate structure immediately after the Global Offering (assuming the Over-allotment Option is not exercised¹):



¹ In the event that the Over-allotment Option is exercised in full, the shareholding of Hengshi Investments and public Shareholders will be 70.12% and 2.17%, respectively.

² The Management Trust is a revocable discretionary trust established by Mr. Li Ziwei as the settlor and the protector of the trust, with Credit Suisse Trust Limited as the trustee, for the purposes of recognizing and rewarding the contributions of certain executive Directors and the senior management. See “– Onshore Reorganization – Establishment of the Management Trust.”

³ The Family Trust is a revocable discretionary trust established by Mr. Li Ziwei as the settlor and the protector of the trust, with Credit Suisse Trust Limited as the trustee, for the benefits of himself and his children. See “– Onshore Reorganization – Establishment of the Family Trust.”

⁴ The remaining 10% equity interest is held by Laiyuan Nonferrous Metal, an Independent Third Party.