
HISTORY, REORGANIZATION AND GROUP STRUCTURE

HISTORY AND DEVELOPMENT

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

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

Incorporation of our Company

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

Shareholding arrangements in Trisonic International

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

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

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

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

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

Through the injection of approximately RMB128.6 million to the registered capital of Huili Caitong on September 22, 2006, Trisonic International held 72.0% equity interest in Huili Caitong.

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Details of the transaction between Trisonic International and Huili Caitong are set forth in this section. As a result of the investment from Trisonic International, Huili Caitong was converted into a Sino-foreign equity joint venture company.

Change of equity interest in our PRC operating subsidiaries

Huili Caitong

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Xiushuihe Mining

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pre-[●] investment

Information on shareholders

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

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

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

Our corporate investor

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

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

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

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

Green Globe is a limited company incorporated on January 28, 2008 in the BVI. It is an investment holding company. It is a wholly owned subsidiary of AL Safat Asia Resources I Limited, a limited liability company incorporated in the BVI that engages in investment holding. AL Safat Asia Resources I Limited is a private company, which is wholly owned by AL Safat Investment Company K.S.C.C., a Kuwaiti shareholding company (closed) listed on the Kuwait Stock Exchange. AL Safat

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Investment Company K.S.C.C. was incorporated in Kuwait on September 15, 1983. As of the Latest Practicable Date, there is no single shareholder of AL Safat Investment Company K.S.C.C. that can exercise 30.0% of the voting power or control the composition of its board of directors. According to the information provided by Green Globe, AL Safat Investment Company K.S.C.C. carries out investment activities for its own benefit and for the benefit of its clients in financial, real estate, industrial, agricultural and service sectors and contributes to the establishment of companies, acquisitions and restructuring of other companies, asset management, investment funds, portfolio management, lending, mediation and consultations inside and outside the State of Kuwait. Its total income and net profits for 2007 were 32.2 million Kuwait Dinar (equivalent to approximately HK\$950.7 million) and 24.6 million Kuwait Dinar (equivalent to approximately HK\$728.5 million), respectively. As of December 31, 2007, it had total assets of 185.3 million Kuwait Dinar (equivalent to approximately HK\$5.6 billion).

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

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

Corporate value

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

HISTORY, REORGANIZATION AND GROUP STRUCTURE

2004, we did not contemplate [●]. However, by the time of investment by Green Globe, we had already started preparing for [●]. The possibility of [●] increases our valuation.

Shareholders' agreement

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

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

Reorganization

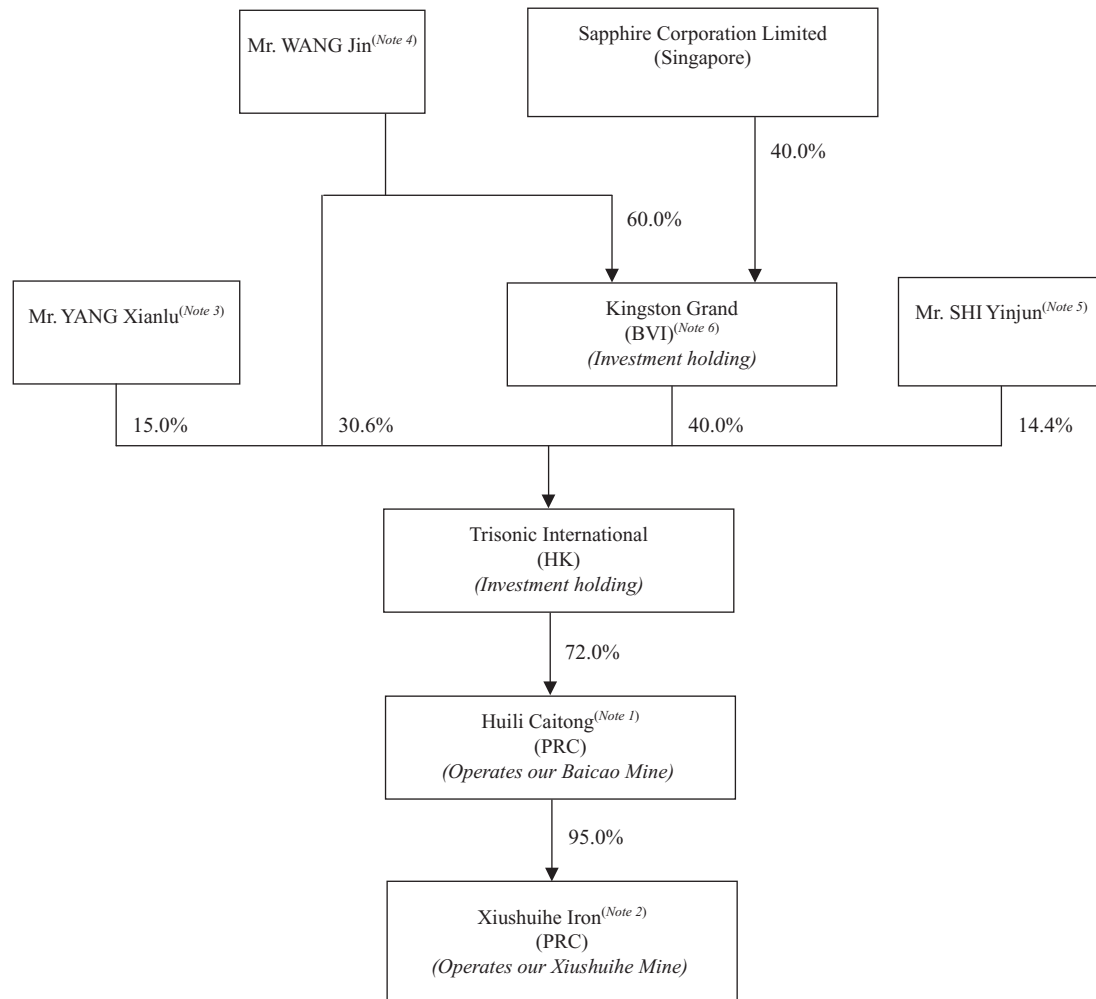
We underwent the Reorganization to rationalize our corporate structure. We undertook the following steps:

- (a) On January 2, 2008, Simply Rise was incorporated in Hong Kong and one share of HK\$1.00 was allotted and issued to Harefield Limited, an Independent Third Party, on the same day. This share was transferred to Powerside on March 5, 2008 at par.
- (b) On January 8, 2008, Powerside was incorporated in the BVI and Trisonic International was the sole Shareholder on March 5, 2008.
- (c) On April 28, 2008, our Company was incorporated in the Cayman Islands and Trisonic International was the sole Shareholder.
- (d) On March 6, 2008, Simply Rise acquired from Trisonic International its 72.0% equity interest in Huili Caitong at a consideration of US\$18.0 million, determined on an arm's length basis.
- (e) On May 22, 2008, our Company acquired the entire issued share capital of Powerside from Trisonic International by the allotment and issue of additional Shares by our Company to Trisonic International, which was credited as fully paid. After the allotment, Trisonic International remained to be the sole Shareholder.
- (f) On July 21, 2008, our Company allotted and issued shares that represented 20.4% of the issued share capital of our Company to Green Globe in exchange for the entire issued share Capital of First China. After this allotment, our Company was owned by Trisonic International as to 79.6% and Green Globe as to 20.4%.
- (g) On August 1, 2008, our Company acquired the entire issued share capital of First China from Green Globe.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Group structure

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

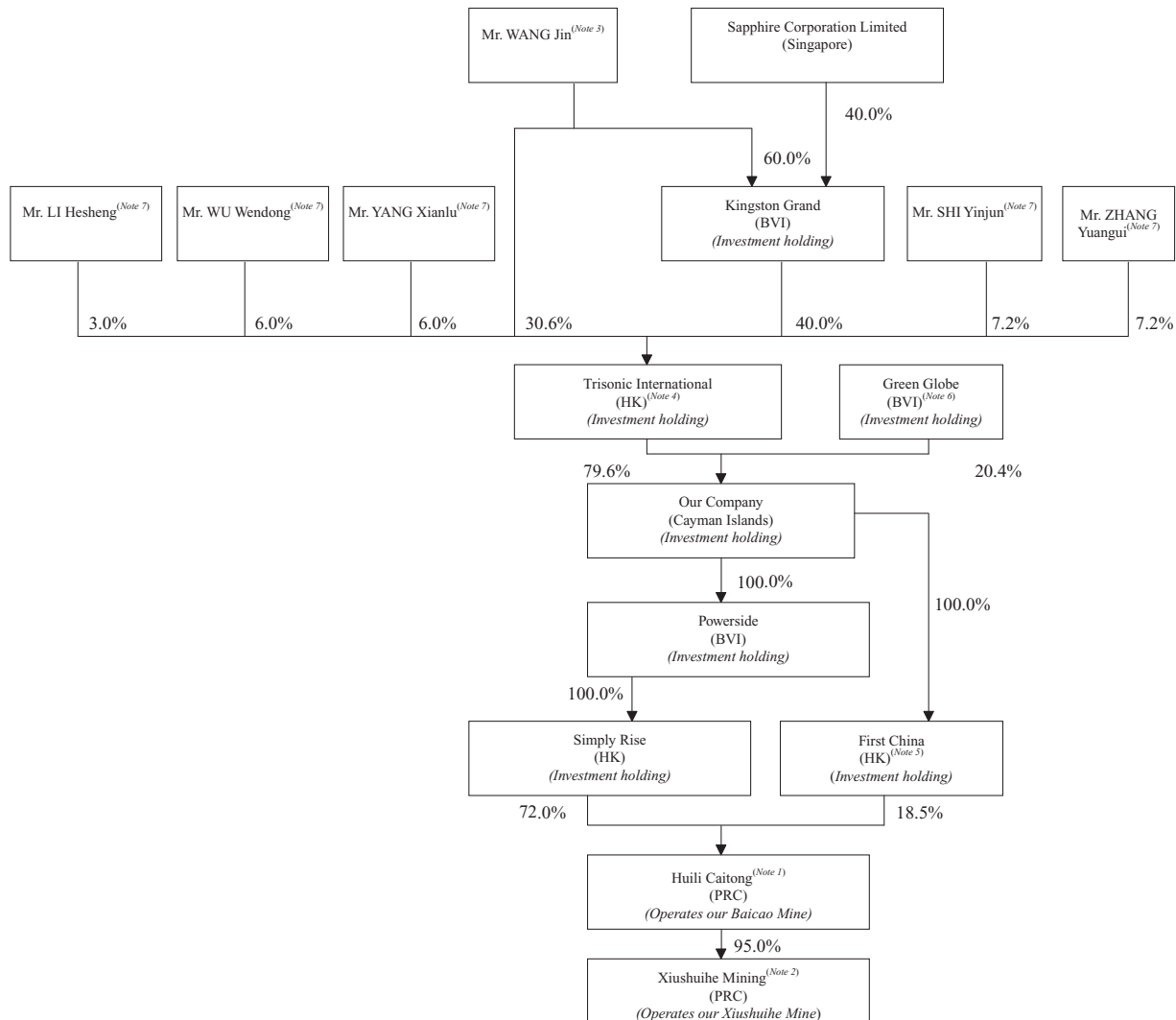


Notes:

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

HISTORY, REORGANIZATION AND GROUP STRUCTURE

The following chart summarizes our Group structure after the Reorganization:



Notes:

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

HISTORY, REORGANIZATION AND GROUP STRUCTURE

REGULATION ON THE ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

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

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

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

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