
HISTORY AND ORGANIZATION

INTRODUCTION

Our Company was incorporated on November 30, 2009 in the Cayman Islands under the Companies Law as an exempted company.

Kunrun is our principal operating subsidiary, and is engaged in our principal business of mining and processing of polymetallic ore.

Our other subsidiaries are Gilberta, Next Horizon, Dehong Yinbang and Dehong Yinrun. Gilberta and Next Horizon, all of which were incorporated on November 3, 2009, are investment holding companies. Next Horizon was established for the purpose of holding all of our interests in Dehong Yinbang, which in turn holds 100% of the equity interests in Dehong Yinrun. Dehong Yinrun holds 99% of the equity interests in Kunrun and the remaining 1% is held by Mr. Ran Xiaochuan, the father of Mr. Ran Chenghao.

OUR HISTORY

Kunrun was established as a limited liability company in the PRC with an initial registered capital of RMB13,000,000 on April 23, 2009 by Mr. Ran Xiaochuan and his brother, Mr. Ran Xiaoyun. Upon establishment, Mr. Ran Xiaochuan and Mr. Ran Xiaoyun held 70% and 30% of the equity interests of Kunrun, respectively. Upon Kunrun's establishment, Mr. Ran Xiaochuan and Mr. Ran Xiaoyun contributed RMB2,730,000 and RMB1,170,000 registered capital respectively. On November 4, 2009, pursuant to an equity transfer agreement (the "First Kunrun Equity Transfer Agreement"), Mr. Ran Xiaoyun transferred 10% of the equity interest in Kunrun to Mr. Tao Jiazheng, an Independent Third Party, and the remaining 20% of the equity interest in Kunrun to Mr. Ran Xiaochuan with the consideration being Mr. Tao Jiazheng and Mr. Ran Xiaochuan shall contribute to the registered capital of Kunrun. Upon signing of the First Kunrun Equity Transfer Agreement, Mr. Tao Jiazheng and Mr. Ran Xiaochuan contributed RMB390,000 and RMB780,000 respectively to the registered capital of Kunrun. As a result, Mr. Ran Xiaochuan and Mr. Tao Jiazheng owned 90% and 10% of the equity interest in Kunrun, respectively. The considerations involved for these transactions were the corresponding value of the paid-up registered capital.

Gilberta and Next Horizon were incorporated on November 3, 2009. Our Company was incorporated on November 30, 2009. On December 3, 2009, the subscriber share of Gilberta was transferred to the Company. On the same day, the subscriber share of Next Horizon was transferred to Gilberta. Following these transfers, Next Horizon became a wholly owned subsidiary of Gilberta and Gilberta became a wholly owned subsidiary of our Company.

On December 23, 2009, Next Horizon incorporated Dehong Yinbang in the PRC as its wholly owned subsidiary and on January 7, 2010, Dehong Yinbang incorporated Dehong Yinrun in the PRC as its wholly owned subsidiary.

Pursuant to an equity transfer agreement dated January 10, 2010 (the "Second Kunrun Equity Transfer Agreement") and a supplemental equity transfer agreement dated January 11, 2010, Mr. Ran Xiaochuan transferred 60% of the equity interest in Kunrun to Dehong Yinrun with the consideration being Dehong Yinrun shall contribute to the registered capital of Kunrun and Mr. Tao Jiazheng transferred all his equity interest in Kunrun to Dehong Yinrun for a consideration of RMB390,000, based on the corresponding value of the paid-up registered capital. In addition, Dehong Yinrun and Mr. Ran Xiaochuan agreed to contribute the outstanding share capital to Kunrun in the amount of RMB8,710,000 and RMB390,000 respectively. Following the transfers taking effect, Dehong Yinrun and Mr. Ran Xiaochuan owned 70% and 30% of the equity interest in Kunrun, respectively. On the following day, Dehong Yinrun undertook to Mr. Ran Xiaochuan that it shall make an increase capital contribution to Kunrun of not less than RMB30,000,000 and that it shall hold not less than 90% of Kunrun before July 1, 2010. Before such increased capital contribution has been duly completed, Mr. Ran Xiaochuan retained the voting rights and dividend rights in respect of the 60% equity interest in Kunrun.

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In January 2010, we obtained approval from the Yunnan Land and Resources Department for the transfer of the mining rights for Shizishan Mine from Tengchao Mining Factory, an Independent Third Party, pursuant to an agreement Kunrun entered into with Tengchao Mining Factory in May 2009 for a consideration of RMB9,000,000. On January 22, 2010, Dehong Yinrun and Mr. Ran Xiaochuan contributed outstanding share capital amounted to RMB8,710,000 and RMB390,000, respectively, into the capital of Kunrun, thereby fully paying up the RMB13,000,000 registered capital of Kunrun.

In February 2010, we obtained a mining permit under our name for the Shizishan Mine. The permit covers the mining of lead and zinc, had an initial approved production scale of 30,000 tpa.

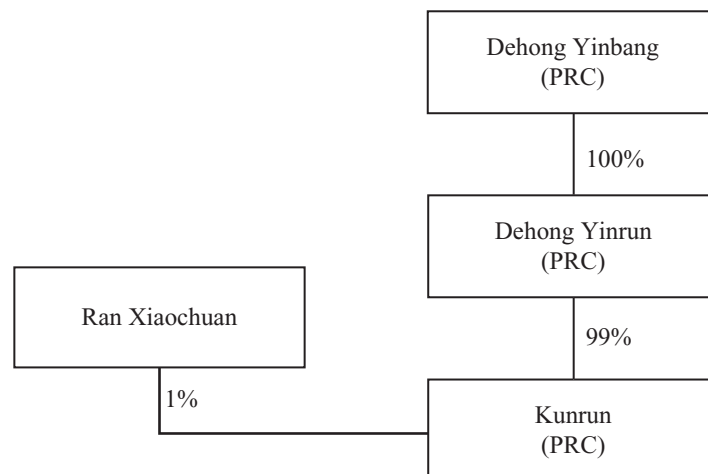
On June 25, 2010, the registered capital and paid-up capital of Kunrun was increased from RMB13,000,000 to RMB56,000,000 resulting from Dehong Yinrun contributed a further RMB43,000,000. Following the capital injection, Kunrun was owned as to 93.04% by Dehong Yinrun and 6.96% by Mr. Ran Xiaochuan. The undertaking made by Dehong Yinrun was thereby fulfilled and Ran Xiaochuan no longer retains voting and dividend rights to 60% equity interests in Kunrun upon such capital injection.

On July 12, 2010, pursuant to a Mine Exploration Right Grant Agreement between Kunrun and the Yunnan Land and Resources Department (雲南省國土資源廳), Kunrun was granted the exploration right to the Dazhupeng Mine for the duration of 3 years for a consideration of RMB2,020,000. Kunrun received the exploration permit of the Dazhupeng Mine issued in April 2011.

In March 2011, we successfully renewed our mining permit for the Shizishan Mine to extend its term to 15 years ending in April 2026, cover the mining of silver and expand the approved production scale of Shizishan Mine to 450,000 tpa.

Pursuant to an equity transfer agreement dated June 18, 2011, Mr. Ran Xiaochuan transferred 5.96% of the equity interest in Kunrun to Dehong Yinrun for a consideration of RMB6.16 million based on the net book asset value of Kunrun at the time of the transfer. Following such transfer, Kunrun was owned as to 99% by Dehong Yinrun and 1% by Mr. Ran Xiaochuan. There is no restriction, under PRC law, against the Group holding the entire equity interest in Kunrun.

The following chart sets out the shareholding structure of our Group within the PRC immediately before the Global Offering:



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INFORMATION ON OUR SHAREHOLDERS

Silver Lion

Silver Lion is an investment holding company incorporated in the BVI on October 28, 2009 as a limited liability company with an authorized share capital of US\$50,000 divided into 50,000 shares with US\$1.00 each. Silver Lion is our Controlling Shareholder. The initial subscriber of one share of Silver Lion transferred such share to Mr. Shi Xiangdong on November 20, 2009.

Pursuant to a declaration of trust declared on November 30, 2009 (which is the date of incorporation of our Company) and documented on December 24, 2010 (the “**Trust Arrangement**”), Mr. Shi Xiangdong declared that he held the beneficial interest in the one share standing in his name in the register of members of Silver Lion on trust and for the benefit of Mr. Ran Chenghao until Mr. Ran Chenghao became a shareholder of Silver Lion. When the Trust Arrangement was entered into, Mr. Ran Chenghao was still pursuing his professional study in business administration. The purpose of the Trust Arrangement was for Mr. Ran Chenghao to become the beneficial owner of the one share in Silver Lion, which was the entire issued share capital of Silver Lion at that time, after completion of his professional study. Prior to the completion of Mr. Ran Chenghao’s professional study, due to Mr. Shi Xiangdong’s extensive experience in corporate finance and capital markets, Mr. Ran Chenghao considered that Mr. Shi Xiangdong would be in a better position to assume a directorship and shareholding role in the Group, especially in light of the need to source for initial funding for the Group where Mr. Shi’s expertise would be useful. Therefore, Mr. Shi Xiangdong joined other Controlling Shareholders at the incorporation stage of the Group in November 2009. On December 24, 2010, Mr. Ran Chenghao and Mr. Shi Xiangdong entered into a Deed of Termination (the “**Deed of Termination**”), whereby the Trust Arrangement is being terminated and as a result, Mr. Shi Xiangdong became the owner of the one share of Silver Lion while Mr. Ran Chenghao was allotted and issued additional share in Silver Lion. See “— Reorganization at the level of our Shareholders.”

Hover Wealth

Hover Wealth is an investment holding company incorporated in the BVI on June 1, 2010 as a limited liability company with an authorized share capital of US\$100,000,000,000 divided into 100,000,000,000 shares with US\$1.00 each. Mr. Ran Chenghao holds the entire issued share capital of Hover Wealth. Hover Wealth is our Controlling Shareholder.

On December 24, 2010, Mr. Ran Chenghao transferred 84,569 shares of Silver Lion to Hover Wealth. As a result, Hover Wealth directly holds 84.57% of the then issued share capital of Silver Lion and indirectly holds 76.31% of the issued share capital of our Company.

Total Flourish

Total Flourish is an investment holding company incorporated in the BVI on September 20, 2011 as a limited liability company with an authorized share capital of US\$50,000 divided into 50,000 shares with US\$1.00 each. Mr. Ran Chenghao holds the entire issued share capital of Total Flourish. Total Flourish is our Controlling Shareholder. Shares held by Total Flourish does not count as public float under Rule 8.08 of the Listing Rules.

AL Stone

AL Stone is an investment holding company incorporated in the BVI on May 30, 2011 as a limited liability company with an authorized share capital of US\$50,000 divided into 50,000 shares

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with US\$1.00 each. Mr. Shi Xiangdong holds the entire issued share capital of AL Stone. AL Stone is our Controlling Shareholder. Shares held by AL Stone do not count as public float under Rule 8.08 of the Listing Rules.

Ran Family Trust

The Ran Family Trust was established as a discretionary trust by Mr. Ran Chenghao as settlor and the Trustee as trustee on October 18, 2011. The beneficiaries of The Ran Family Trust include Mr. Ran Chenghao and his designated beneficiaries. The entire issued share capital of Hover Wealth is being held by the Trustee as the trustee of The Ran Family Trust.

Grow Brilliant

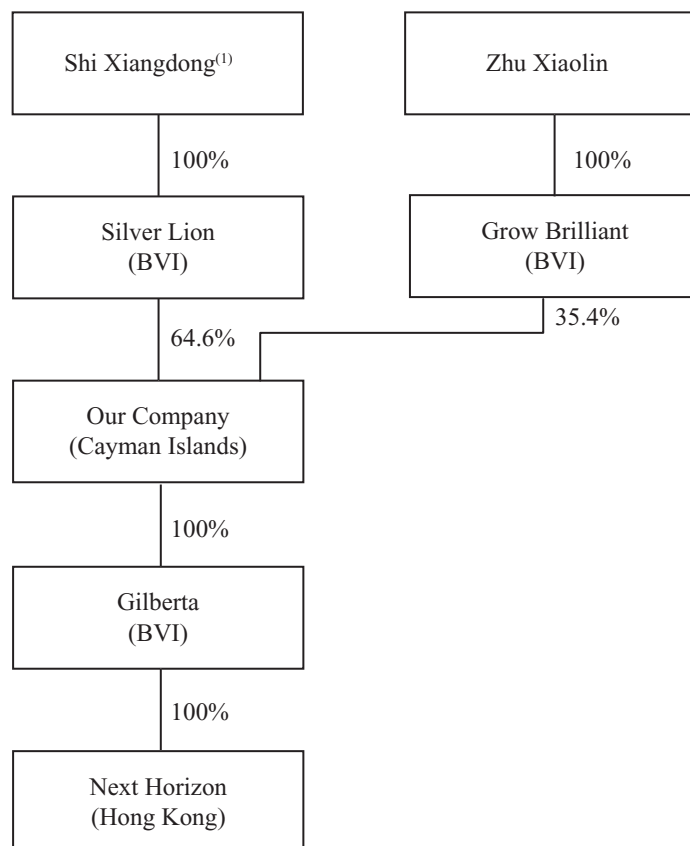
Grow Brilliant is an investment holding company incorporated in the BVI on October 28, 2009 as a limited liability company with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. Grow Brilliant has been wholly owned and controlled by Mr. Zhu Xiaolin, one of our executive Directors, since its incorporation. Shares held by Grow Brilliant do not count as public float under Rule 8.08 of the Listing Rules. Grow Brilliant is our Controlling Shareholder.

Silver Lion subscribed one Share in our Company upon our incorporation on November 30, 2009.

Our Company further allotted and issued 7,311 shares to Silver Lion and 4,000 shares to Grow Brilliant on February 3, 2010 and February 8, 2010, respectively, resulting in Silver Lion and Grow Brilliant, our Controlling Shareholders, holding 64.6% and 35.4% of the issued share capital of our Company, respectively. The shares were credited as fully paid shares.

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The following charts set out the offshore shareholding structure of our Group immediately before the reorganization carried out at the shareholder level of the Company:



Note:

- (1) Pursuant to the Trust Arrangement, Mr. Shi Xiangdong declared that he held the beneficial interest in the one share standing in his name in the register of members of Silver Lion on trust and for the benefit of Mr. Ran Chenghao until Mr. Ran Chenghao became a shareholder of Silver Lion. The Trust Arrangement was terminated on December 24, 2010 pursuant to the Deed of Termination.

Reorganization at the level of our Shareholders

On December 23, 2010, our Company allotted and issued an additional 88,688 Shares to Silver Lion. Such Shares were credited as fully paid.

On December 24, 2010, the authorized share capital of Silver Lion was increased to US\$200,000 of 200,000 Shares of US\$1.00 each and on the same day 84,569 shares of Silver Lion were allotted and issued to Mr. Ran Chenghao, 11,870 shares of Silver Lion were allotted and issued to Mr. Shi Xiangdong and 3,560 shares of Silver Lion were allotted and issued to Diamond Century, an Independent Third Party.

Upon Mr. Ran Chenghao becoming the legal owner of 84,569 shares of Silver Lion on December 24, 2010, the Trust Arrangement was terminated.

On the same day, Mr. Ran Chenghao further transferred the 84,569 shares of Silver Lion to Hover Wealth, a company owned and controlled by Mr. Ran Chenghao. In consideration, Hover Wealth allotted and issued 227,000,000 new shares credited as fully paid to Mr. Ran Chenghao.

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Upon the completion of the above-mentioned transfers in Silver Lion, Silver Lion is owned as to 84.57% by Hover Wealth, 11.87% by Mr. Shi Xiangdong and 3.56% by Diamond Century.

On June 27, 2011, Silver Lion subscribed one new Share in our Company by way of a share premium in the amount of US\$80,500,000. Upon the above allotment, Silver Lion owned 96,001 Shares in our Company. On the same day, our Company allotted and issued 6,399 new Shares, which will represent 6.01% of our share capital immediately before the Global Offering (without taking into account any exercise of the Over-allotment Option and options granted under the Share Option Scheme), to Grow Brilliant, a company wholly owned by Mr. Zhu Xiaolin, our executive Director and chief executive officer as reward for his valuable and indispensable contribution. Mr. Zhu led the management team to obtain all material government permits and approvals for the construction and operation of the Shizishan Mine and the associated processing facilities to enable the Company to commence commercial production. Mr. Zhu led the Group in the process of assessing the mineral resources, successful negotiation of the exclusive long-term supply agreement of the Lushan Mine, the acquisition agreement of the Liziping Mine and the acquisition option agreement of the Dakuangshan Mine. Mr. Zhu had also led the Company to complete three rounds of pre-IPO investments of US\$90 million from sophisticated international investors specialized in investment in the mining industry. He successfully led the development of the Group from a start-up company with a single greenfield project to one operational company with substantial resources and multiple mineral assets. Therefore, the Company is of a view that the allotment to Mr. Zhu is well justified. For details of Mr. Zhu's contribution to the Group, please see section headed "Directors, senior management and employees."

On November 10, 2011, our then shareholders and directors passed resolutions approving a sub-division in our share capital. Each ordinary share of nominal value HK\$0.10 was sub-divided into 10,000 ordinary shares of nominal value of HK\$0.00001 each. As a result of the sub-division, Silver Lion held 960,010,000 Shares and Grow Brilliant held 103,990,000 Shares. On the same day, Silver Lion and Grow Brilliant subscribed for further Shares on a pro-rata basis. Silver Lion subscribed for a further 393,387,556 Shares while Grow Brilliant subscribed for a further 42,612,444 Shares. The effective shareholding of Silver Lion and Grow Brilliant in the Company remain unchanged.

On November 16, 2011, Mr. Shi Xiangdong transferred his shareholdings in Silver Lion to AL Stone. As consideration of the transfer, AL Stone allotted and issued 1 new share to Mr. Shi Xiangdong. On the same day, Silver Lion transferred 113,100,000 Shares to AL Stone and as consideration, AL Stone transferred its entire shareholdings in Silver Lion to Hover Wealth.

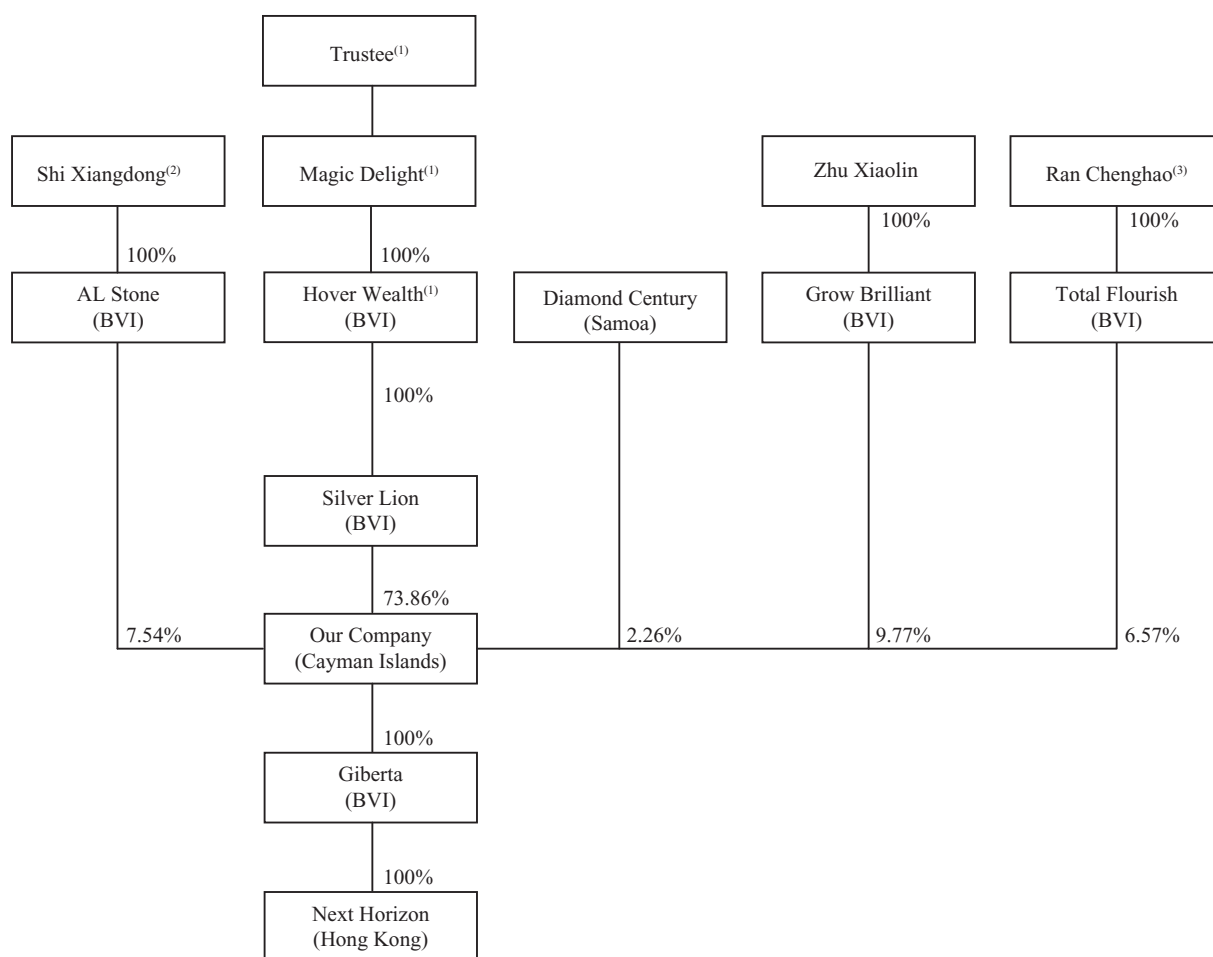
On November 16, 2011, Silver Lion transferred 33,900,000 Shares to Diamond Century and as consideration, Diamond Century transferred its entire shareholdings in Silver Lion to Hover Wealth.

On November 16, 2011, Mr. Ran Chenghao transferred 100% of the issued share capital of Hover Wealth into The Ran Family Trust and as consideration, Silver Lion transferred 6.57% of the Company's issued share capital to Mr. Ran Chenghao.

On November 16, 2011, Mr. Ran Chenghao transferred his 6.57% of the Company's issued share capital to Total Flourish and as consideration, Total Flourish allotted and issued 1 new share to Mr. Ran Chenghao.

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The following charts set out the offshore shareholding structure of our Group immediately after the reorganization carried out at the shareholder level of the Company:



Notes:

- (1) The entire issued share capital of Hover Wealth is held by Magic Delight which is in turn ultimately held by the Trustee as the trustee of The Ran Family Trust. Ran Chenghao is the settlor and the protector of The Ran Family Trust.
- (2) Pursuant to the Trust Arrangement, Mr. Shi Xiangdong declared that he held the beneficial interest in the one share standing in his name in the register of members of Silver Lion on trust and for the benefit of Ran Chenghao until Ran Chenghao became a shareholder of Silver Lion. The Trust Arrangement was terminated on December 24, 2010 pursuant to the Deed of Termination.
- (3) Ran Xiaochuan, our executive Director, is the father of Ran Chenghao.

PRE-IPO INVESTMENTS

US\$5,000,000 Exchangeable Loan

In late 2009, Mr. Shi Xiangdong, our non-executive Director, introduced the Group’s business plans to his personal friend, Kevin Russell. Kevin Russell and Mr. Shi Xiangdong were colleagues when Mr. Shi Xiangdong worked at Citigroup. Kevin Russell became acquainted with the Group and introduced other KR Lenders excluding Kevin Russell (“Other KR Lenders”) to the Group. The

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Other KR Lenders are individuals who are friends of Kevin Russell. The KR Lenders invested into the Group in December 2009. On January 15, 2010, the KR Lenders and Silver Lion recorded the investment and entered into the KR Loan Agreement, whereby Silver Lion borrowed an aggregate amount of US\$5,000,000 from the KR Lenders including Kevin Russell who contributed US\$2,500,000 (the “KR Loan”) while the Other KR Lenders contributed US\$2,500,000 (the “Other KR Lenders Loan”), at an interest rate of 5% per annum. In consideration of the loan, Silver Lion agreed to grant the KR Lenders an option to exchange the loan into shares of Silver Lion or Shares before September 30, 2010, so long as the full amount of the principal sum of the loan remains outstanding. Kevin Russell shall have an option (the “KR Option”) to convert or exchange the full amount of the KR Loan into 1.54% of the fully diluted shares outstanding of Silver Lion or the fully diluted Shares. The Other KR Lenders shall have the option (the “Co-Lender Option”) to jointly convert or exchange the full amount of the Other KR Lenders Loan into 1.10% of the fully diluted shares outstanding of Silver Lion or the fully diluted Shares. The conversion ratios were determined based on arm’s length negotiations among the parties considering the principal sum of the investment against risks the investors faced at the time of the investment. The KR Lenders must exercise the KR Option and the Co-Lender Option together, not individually. Under the KR Loan Agreement, Silver Lion may prepay the loan in whole or in part upon giving the KR Lenders ten Business Days’ written notice.

Pursuant to the amendment and supplemental agreement to the KR Loan Agreement dated September 30, 2010 (the “First KR Supplemental Agreement”), the deadline for the exercise of the KR Option and the Co-Lender Option were extended from September 30, 2010 to December 31, 2011. This deadline was further extended to the earlier of April 21, 2013 and the date which falls five Business Days prior to the Listing Date pursuant to the second amendment and supplemental agreement dated April 21, 2011 (the “Second KR Supplemental Agreement”). The Second KR Supplemental Agreement also extended the repayment date for the loan from December 31, 2011 to a date which shall coincide with the maturity date of the Round 2 Bond (as defined below).

Pursuant to the third amendment and supplemental agreement dated June 30, 2011, the KR Option was amended such that Kevin Russell shall have an option to exchange the full amount of the KR Loan into 1.45% of the fully diluted Shares owned and held by Silver Lion while the Co-Lender Option was amended such that Other KR Lenders shall have the option to jointly exchange the full amount of the Other KR Lenders Loan into 1.03% of the fully diluted Shares owned and held by Silver Lion. The ratios were amended to reflect the transfer of the 5.96% equity interests in Kunrun from Mr. Ran Xiaochuan to Dehong Yinrun on June 18, 2011.

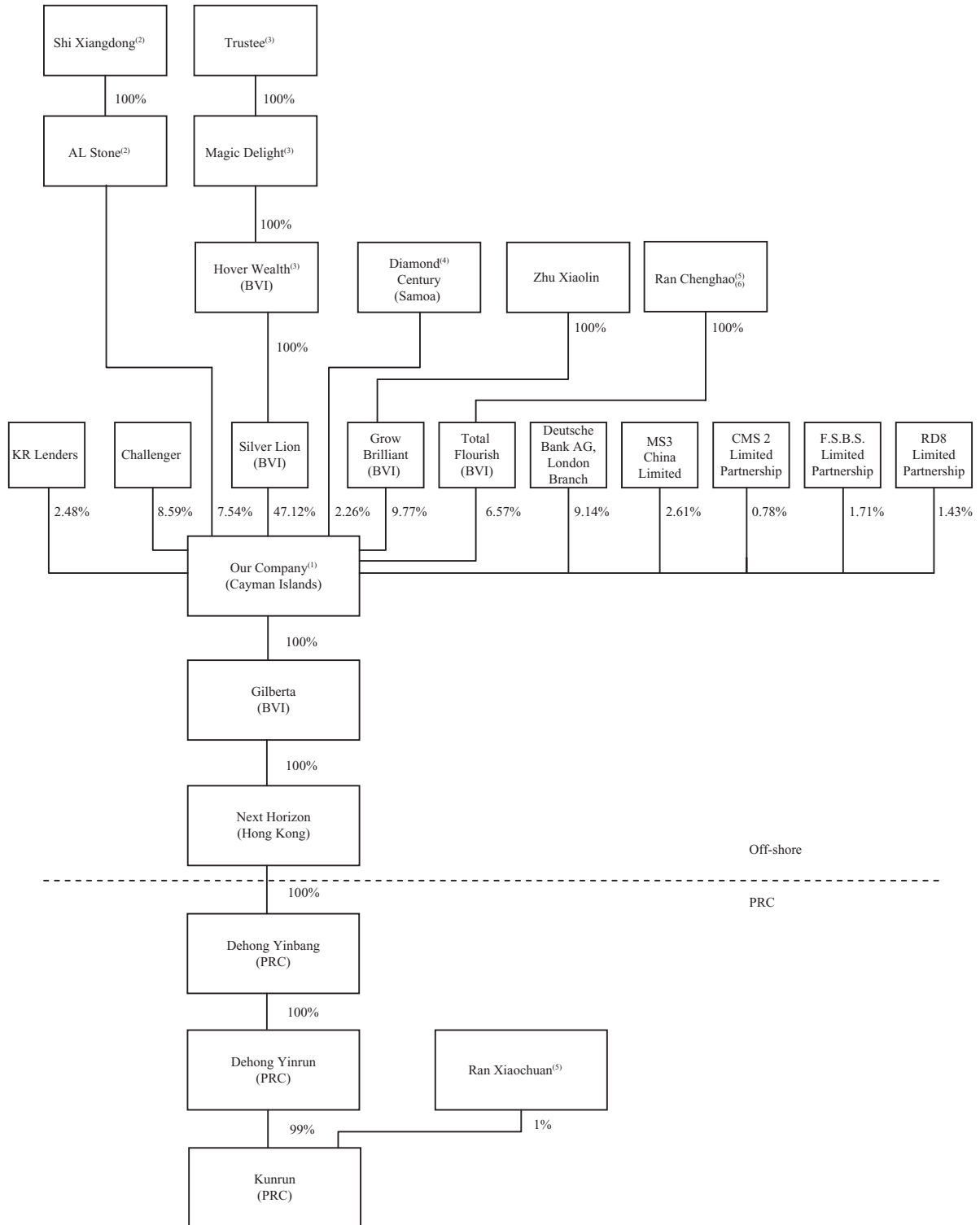
If the KR Option and the Co-Lender Option are exercised, the KR Lenders shall hold approximately 2.48% of the issued share capital of the Company immediately before the Global Offering (without taking into account the exercise of the Over-allotment Option and any options granted under the Share Option Scheme).

Issuance of the Exchangeable Bonds

Silver Lion has issued the Exchangeable Bonds, which are exchangeable into Shares in the Company, details of which are set out in the section headed “Exchangeable Bonds”.

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The following chart sets out the shareholding structure of our Group upon full exercise of the conversion rights and completion of the exchange of all the Exchangeable Bonds but immediately before the Global Offering.



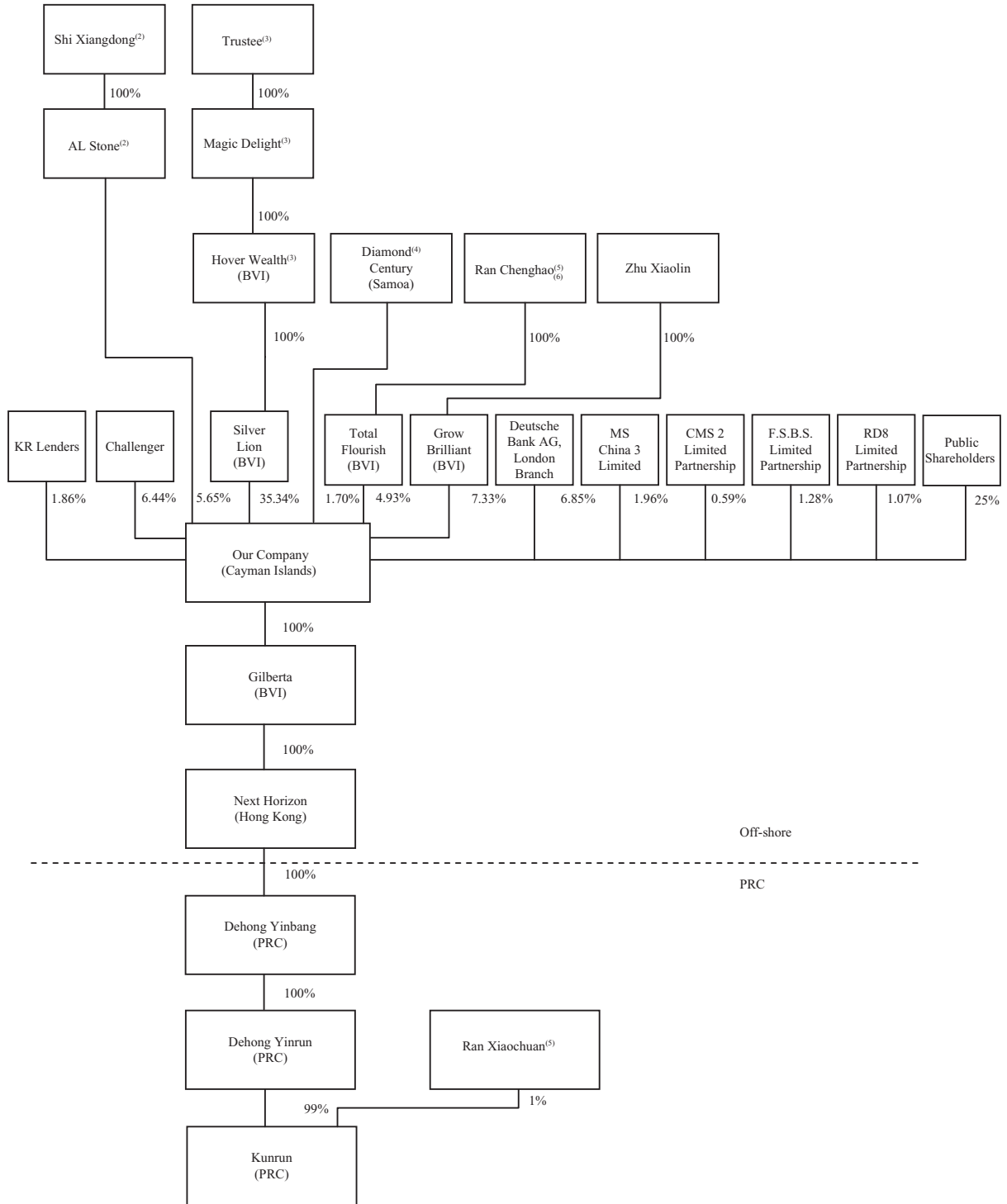
HISTORY AND ORGANIZATION

Notes:

- (1) We are not and will not be obliged to issue any new Shares in connection with the exchange of the Exchangeable Bonds. As a result, any exchange of the Exchangeable Bonds will not affect the number of Shares in issue. All obligations imposed on us in connection with the issuance of the Exchangeable Bonds will lapse upon the Listing. See the section headed “Exchangeable Bonds” for further details.
- (2) Pursuant to the Trust Arrangement, Mr. Shi Xiangdong declared that he held the beneficial interest in the one share standing in his name in the register of members of Silver Lion on trust and for the benefit of Ran chenghao until Ran Chenghao became a shareholder of Silver Lion. The Trust Arrangement was terminated on December 24, 2010 pursuant to the Deed of Termination.
- (3) The entire issued share capital of Hover Wealth is held by Magic Delight which is in turn ultimately held by the Trustee as the trustee of The Ran Family Trust. Ran Chenghao is the settlor and the protector of The Ran Family Trust.
- (4) Diamond Century is wholly owned by Jingya Zhu (朱靜亞), an Independent Third Party. Jingya Zhu is a personal friend of Ran Xiaochuan, and provided contribution and advices to Ran Xiaochuan in the early exploration stage of the Shizishan Mine.
- (5) Ran Xiaochuan, our executive Director, is the father of Ran Chenghao.
- (6) Being father and son and have been acting in concert with each other with respect to the Company since the establishment of Kunrun on April 23, 2009.

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The following chart sets out the shareholding structure of our Group following completion of the Global Offering and the exchange of all the Exchangeable bonds in full⁽¹⁾ (assuming the Over-allotment Option and any options granted under the Share Option Scheme are not exercised):



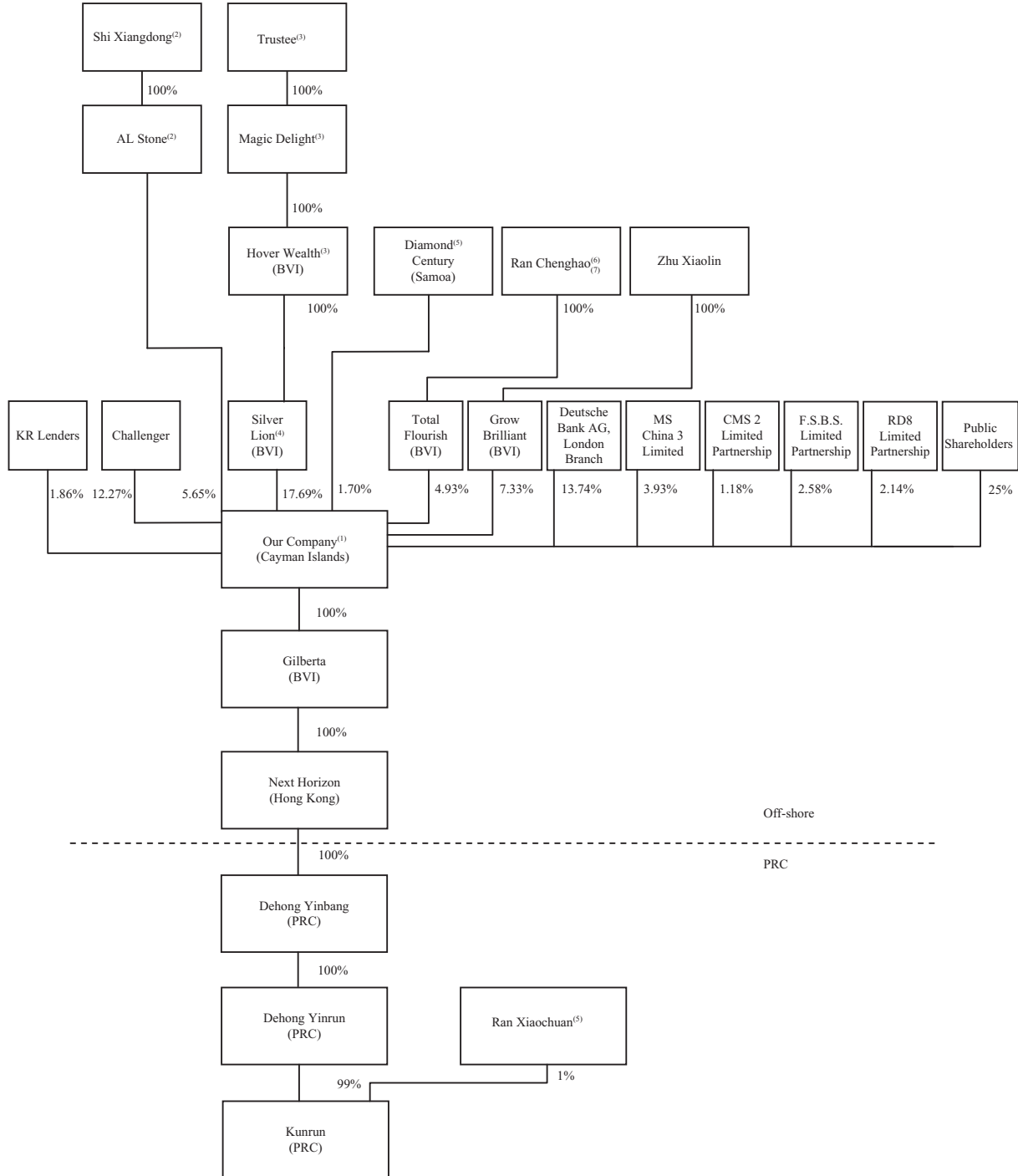
HISTORY AND ORGANIZATION

Notes:

- (1) We are not and will not be obliged to issue any new Shares in connection with the exchange of the Exchangeable Bonds. As a result, any exchange of the Exchangeable Bonds will not affect the number of Shares in issue. All obligations imposed on us in connection with the issuance of the Exchangeable Bonds will lapse upon the Listing. See the section headed “Exchangeable Bonds” for further details.
- (2) Pursuant to the Trust Arrangement, Mr. Shi Xiangdong declared that he held the beneficial interest in the one share standing in his name in the register of members of Silver Lion on trust and for the benefit of Ran Chenghao until Ran Chenghao became a shareholder of Silver Lion. The Trust Arrangement was terminated on December 24, 2010 pursuant to the Deed of Termination.
- (3) The entire issued share capital of Hover Wealth is held by Magic Delight which is in turn ultimately held by the Trustee as the trustee of The Ran Family Trust. Ran Chenghao is the settlor and the protector of The Ran Family Trust.
- (4) Diamond Century is wholly owned by Jingya Zhu (朱靜亞), an Independent Third Party. Jingya Zhu is a personal friend of Ran Xiaochuan, and provided contribution and advices to Ran Xiaochuan in the early exploration stage of the Shizishan Mine.
- (5) Ran Xiaochuan, our executive Director, is the father of Ran Chenghao.
- (6) Being father and son and have been acting in concert with each other with respect to the Company since the establishment of Kunrun on April 23, 2009.

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The following chart sets out the shareholding structure of our Group assuming no exercise of conversion rights and completion of Mandatory Redemption of the Exchangeable Bonds immediately after completion the Global Offering based on the mid-point of the offer price range of HK\$2.38 per Share (assuming the Over-allotment Option and any options granted under the Share Option Scheme are not exercised):



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Notes:

- (1) We are not and will not be obliged to issue any new Shares in connection with the exchange of the Exchangeable Bonds. As a result, any exchange of the Exchangeable Bonds will not affect the number of Shares in issue. All obligations imposed on us in connection with the issuance of the Exchangeable Bonds will lapse upon the Listing. See the section headed “Exchangeable Bonds” for further details.
- (2) Pursuant to the Trust Arrangement, Mr. Shi Xiangdong declared that he held the beneficial interest in the one share standing in his name in the register of members of Silver Lion on trust and for the benefit of Ran chenghao until Ran Chenghao became a shareholder of Silver Lion. The Trust Arrangement was terminated on December 24, 2010 pursuant to the Deed of Termination.
- (3) The entire issued share capital of Hover Wealth is held by Magic Delight which is in turn ultimately held by the Trustee as the trustee of The Ran Family Trust.
- (4) It is expected the Silver Lion shall remain as a Controlling Shareholder even after completion of Mandatory Redemption of all the Exchangeable Bonds.
- (5) Diamond Century is wholly owned by Jingya Zhu (朱靜亞), an Independent Third Party. Jingya Zhu is a personal friend of Ran Xiaochuan, and provided contribution and advices to Ran Xiaochuan in the early exploration stage of the Shizishan Mine.
- (6) Ran Xiaochuan, our executive Director, is the father of Ran Chenghao.
- (7) Being father and son and have been acting in concert with each other with respect to the Company since the establishment of Kunrun on April 23, 2009.

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The following table illustrates the shareholding details of our Group in the event of both the exercise of the conversion rights and completion of Mandatory Redemption of the Exchangeable Bonds immediately after completion of the Global Offering based on the low end of the offer price range of HK\$2.22 and the high end of the offer price range of HK\$2.54 per Share (assuming the Over-allotment Option is not exercised):

Shareholders	Percentage of Shares that can be converted based on the offer price of HK\$2.22 per Share	Percentage of Shares that can be converted based on the offer price of HK\$2.54 per Share	Percentage of Shares upon completion of Mandatory Redemption based on the offer price of HK\$2.22 per Share	Percentage of Shares Upon completion of Mandatory Redemption based on the offer price of HK\$2.54 per Share
	(%)	(%)	(%)	(%)
Silver Lion	35.34	35.34	15.11	19.94
Total Flourish	4.93	4.93	4.93	4.93
AL Stone	5.65	5.65	5.65	5.65
Grow Brilliant	7.33	7.33	7.33	7.33
Diamond Century	1.70	1.70	1.70	1.70
KR Lenders	1.86	1.86	1.86	1.86
Challenger	6.44	6.44	13.16	11.50
Deutsche Bank AG, London Branch	6.85	6.85	14.74	12.88
MS China 3 Limited	1.96	1.96	4.21	3.68
CMS 2 Limited Partnership	0.59	0.59	1.26	1.11
F.S.B.S Limited Partnership	1.28	1.28	2.76	2.41
RD 8 Limited Partnership	1.07	1.07	2.29	2.01
Public Shareholders	25.00	25.00	25.00	25.00
Total	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

PRC LEGAL COMPLIANCE

On October 21, 2005, the SAFE issued Circular 75 which became effective on November 1, 2005. Circular 75 requires PRC residents to register with the local SAFE branch before establishing an “offshore special purpose vehicle”, outside of the PRC for the purpose of capital financing, and to amend the SAFE registration after completing an investment in or acquisition of any operating subsidiaries in the PRC, which we refer to herein as a “round-trip investment.” The term “PRC resident” defined under the Circular 75 includes (i) any PRC individual who holds a PRC identity card or a passport; or (ii) any non-PRC individual who chronically resides in PRC due to economic interest in the PRC. Further, a non-PRC individual who chronically resides in the PRC due to economic interest mainly refers to (i) an individual who domiciles permanently in the PRC, but temporarily leaves the PRC for reasons such as travel, study, medical treatment or work outside the PRC or satisfying a residence requirement in a foreign country, and who returns to his or her permanent domicile in the PRC after the aforementioned reasons cease to exist; or (ii) an individual who holds domestic equity interests in a domestic enterprise; or (iii) an individual who originally held domestic equity interests in a domestic enterprise and has remained the beneficial owner after legal ownership of such interests are converted to equity interests in a foreign-invested enterprise. In addition, any change of material capital such as an increase or decrease of capital, share transfer, share swap, merger or division, long term equity or debt investment or providing guarantee to foreign party in such offshore special purpose vehicle without involving a round-trip investment

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shall be filed within 30 days starting from the date of such shareholding transfer or capital alteration. Mr. Ran Chenghao, who is not a PRC identity card or passport holder, nor holds any equity interests in domestic companies in the PRC, does not fall within the definition of “PRC resident”, as such term is defined in the Circular 75. As confirmed by the competent SAFE branch, it is not necessary for Mr. Ran Chenghao to make SAFE registration.

On August 8, 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, promulgated the *Provisions on the Acquisition of Domestic Enterprises by Foreign Investors* (關於外國投資者併購境內企業的規定) (the “M&A Regulation”), which became effective on September 8, 2006 and was reissued by the MOFCOM in June 2009. As advised by our PRC legal advisor, the merger and acquisition under the M&A Rules means a transaction whereby: (1) a foreign investor purchases equity interests in a domestic enterprise or subscribes to the increased registered capital of the domestic enterprise, and effectively converts the domestic enterprise into a foreign-invested enterprise; (2) a foreign investor incorporates a foreign-invested enterprise, and purchases assets of a domestic enterprise via the foreign-invested enterprise and operates such assets via the foreign-invested enterprise; or (3) a foreign investor purchases assets of a domestic enterprise, injects the purchased assets to incorporate a foreign-invested enterprise, and subsequently operates the injected assets via the foreign-invested enterprise. Dehong Yinrun, which acquired Kunrun, is a domestic company (rather than a foreign-invested enterprise) and the Group’s acquisition of equity interests in Kunrun does not fall within any of the above-mentioned circumstances. Article 40 of the M&A Regulation requires that an offshore special purpose vehicle formed for the purposes of an offshore listing and controlled directly or indirectly by PRC companies or individuals, shall obtain the CSRC approval prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange. Our PRC legal advisor is of the opinion that no activities under M&A Regulations have been conducted by the Group, therefore the Company’s proposed listing does not require the approval of the CSRC and any other PRC government authorities.

Our PRC legal advisor, Commerce & Finance Law Offices, has also confirmed that we have obtained all material approvals and permits required under PRC laws and regulations in connection with each material stage of our corporate reorganization in the PRC.