
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT PRIOR TO CHANGE IN CONTROLLING SHAREHOLDERS

Formation and capital contributions (2005 – 2010)

The Group traces its origins back to 2005 when Mr. Zhao and Mr. Zhao Yinhe, who were cousins and who were then engaged in the semi-coking coal mining business in Hebei Province through Xing Rong Coal Mine, started to explore the opportunity to expand their business to other mining operations. They also invited Mr. Chen and Mr. Liu to join them in investing in iron ore mining and processing. They made their investment through Xingye Mining.

In July 2005, Mr. Zhao Yinhe, one of the promoters of Xingye Mining, entered into a sale and purchase agreement with Mr. He Xingguo (何興國) (“Mr. He”), an Independent Third Party, Mr. Zhao, Mr. Chen, Mr. Liu, Mr. Yip and Mr. Sin, to acquire Mr. He’s production line at the Yanjiazhuang Mine, and all of Mr. He’s rights to an exploration license in relation to approximately 5.79 km² at the Yanjiazhuang Mine for consideration of RMB8 million. The acquisition was approved by the Department of Land and Resources of Hebei Province in December 2007. This production line was subsequently revamped into the No. 1 Processing Facility in Yanjiazhuang Mine.

Yanjiazhuang Mine has a mining area of approximately 5.22 km². At the time of the acquisition by Mr. Zhao Yinhe of Mr. He’s production line in Yanjiazhuang Mine, along with all of Mr. He’s rights to an exploration license in relation to Yanjiazhuang Mine, the relevant authorities had not yet approved Mr. He’s application for an exploration license for the Yanjiazhuang Mine, and thus development and exploration work in Yanjiazhuang Mine had not commenced.

On 29 August 2005, Mr. Zhao Yinhe entered into a sale and purchase agreement with Mr. Wang Lianqing (王連慶), an Independent Third Party, Mr. Zhao, Mr. Chen, Mr. Liu, Mr. Yip and Mr. Sin, pursuant to which Mr. Zhao Yinhe acquired a 99.0% equity interest in Guomu Nangou Mining Co. in consideration for RMB2.3 million. Mr. Zhao, Mr. Chen, Mr. Liu and Mr. Zhao Yinhe agreed that Mr. Zhao Yinhe would act as promoter of Xingye Mining and advance the RMB2.3 million from his personal funds (which were comprised mostly of earnings distributed and remuneration paid to him for his contributions to and investments in Xing Rong Coal Mine between 1998 and 2005) to fund the acquisition of the equity interest in Guomu Nangou Mining Co., pending the establishment of Xingye Mining. Upon its establishment, Xingye Mining acquired the equity interest of Guomu Nangou Mining Co. for consideration of RMB2.3 million, which was advanced by Mr. Zhao Yinhe on behalf of Xingye Mining. Pursuant to a commercial arrangement between Mr. Zhao and Mr. Zhao Yinhe, such outstanding amount and other outstanding amounts due from the Group to Mr. Zhao Yinhe were transferred to Mr. Zhao in consideration for Mr. Zhao transferring his beneficial interests in Xing Rong Coal Mine, which was owned by Mr. Zhao and Mr. Zhao Yinhe, to Mr. Zhao Yinhe in August 2009. Both Mr. Zhao and Mr. Zhao Yinhe considered such commercial arrangement to be fair and on arm’s length terms. In August 2009, the outstanding amount owed to Mr. Zhao Yinhe was transferred to Mr. Zhao. (Please refer to Note 16 to the Accountants’ Report as set out in Appendix I to this Prospectus for details.) When Mr. Zhao Yinhe acquired the 99.0% equity interest in Guomu Nangou Mining Co. on Xingye Mining’s behalf, Xingye Mining was yet to be established and, therefore, he did not proceed to arrange for a change in legal ownership from the vendor to himself or any other party. In February 2009, Xingye Mining became the legal owner of the equity interest when Guomu Nangou Mining Co. was transformed into Guomu Nangou Mining Ltd., and the remaining 1.0% equity interest was transferred from Mr. Wang Lianqing to Mr. Wang Jiangping (王江平), a member of the senior management of our Group.

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Guomu Nangou Mine is an iron ore mine with a mining area of approximately 0.11 km² and has a license to mine 30,000 tonnes of iron ore each year using the underground mining method.

In early 2006, Mr. Zhao invited Mr. Sin and Mr. Yip to invest in Xingye Mining. Together with Mr. Zhao, Mr. Chen, Mr. Liu, Mr. Zhao Yinhe and Mr. Sin approached the People's Government of Lincheng County of Hebei Province to discuss the exploration rights to Yanjiazhuang Mine. Mr. Sin is principally engaged in the financial management and investment business in Hong Kong.

On 27 March 2006, pending the establishment of Xingye Mining, Precise Power, a company controlled by Mr. Zhao, signed a letter of investment intent with the People's Government of Lincheng County of Hebei Province in respect of the exploration rights for Yanjiazhuang Mine. Pursuant to this letter of investment intent, Precise Power would establish Xingye Mining and, upon its official establishment, Xingye Mining would be permitted to explore, exploit, produce and sell mineral resources in Yanjiazhuang Mine.

On 10 May 2006, Precise Power established Xingye Mining as a WFOE with a registered capital of US\$2 million to take up the 99.0% equity interest in Guomu Nangou Mining Co. and the exploration rights for, and the production line in, Yanjiazhuang Mine.

On 4 July 2006, Venca was established and was effectively held as to 51.0% by Mr. Zhao, 25.0% by Mr. Chen, 14.0% by Mr. Liu, 6.0% by Mr. Yip and 4.0% by Mr. Sin. As a gesture of goodwill to the government of Lincheng, in July 2006, Precise Power transferred 1.0% of its equity interest in Xingye Mining to Li Yuan and, in December 2006, transferred the remaining 99.0% of its equity interest in Xingye Mining to Venca thereby converting Xingye Mining into a joint venture enterprise. None of the registered capital of Xingye Mining was paid up at the time of the transfers, and these transfers were conducted for nil consideration. The then entire registered capital of Xingye Mining was subsequently paid in by installments amounting to US\$2 million prior to 10 December 2008.

Li Yuan was owned by Mr. Wang Jiangping, Mr. Zhao Jinxian (趙進縣) and Mr. Shi Jianchao (史建朝) in trust for Mr. Zhao Yinhe in July 2007. Both Mr. Zhao Jinxian and Mr. Shi Jianchao are Independent Third Parties. This trust arrangement allowed Mr. Zhao Yinhe to participate in the operation of Li Yuan while maintaining the three other parties' shareholdings in Li Yuan. Prior to, and in the early stage of the establishment of Xingye Mining, Li Yuan was the corporate entity used to handle various preliminary work for the development of Yanjiazhuang Mine and Guomu Nangou Mine in the PRC on behalf of Xingye Mining. After the establishment of Xingye Mining in 2006, Li Yuan began to transfer various preliminary works for the development of Yanjiazhuang Mine and Guomu Nangou Mine in the PRC to Xingye Mining. Towards the completion of such transfers, Li Yuan ceased to engage in any business activities other than holding the 1.0% equity interest in Xingye Mining. In August 2009, Mr. Wang Jiangping, Mr. Zhao Jinxian, Mr. Shi Jianchao and Mr. Zhao Yinhe terminated the trust arrangement through declarations made by Mr. Wang Jiangping, Mr. Zhao Jinxian and Mr. Shi Jianchao, respectively. From September 2009 onwards, Mr. Zhao Yinhe no longer held any equity interest in Li Yuan.

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In August 2007, Faithful Boom was established, and on 10 December 2007, Mr. Zhao, Mr. Chen, Mr. Liu, Mr. Yip and Mr. Sin swapped their interests in Venca for interests in Faithful Boom. Faithful Boom became the new holding company of Venca, and was held as to 51.0% by Mr. Zhao, 25.0% by Mr. Chen, 14.0% by Mr. Liu, 6.0% by Standlink and 4.0% by Start Well.

In August 2009, Lincheng Bureau of Commerce in Xingtai City of Hebei Province (河北省邢臺市臨城縣商務局) approved an increase of the registered capital of Xingye Mining from US\$2 million to US\$12 million to fund the development of Yanjiazhuang Mine. An amount equivalent to US\$3,981,733 was contributed to Xingye Mining by Venca as of 31 December 2009. In January and February 2010, an amount equivalent to US\$8 million was contributed to Xingye Mining by Venca.

In February 2010, Lincheng Bureau of Commerce in Xingtai City of Hebei Province approved a further increase of the registered capital of Xingye Mining from US\$12 million to US\$20 million. As of July 2010, an aggregate amount of US\$20 million was contributed to Xingye Mining.

At the time of its establishment, the registered capital of Xingye Mining was US\$2 million, which was subsequently fully paid in by its shareholders in installments prior to 10 December 2008. In August 2009, the registered capital of Xingye Mining was increased from US\$2 million to US\$12 million to fund the development of the Yanjiazhuang Mine. An amount equivalent to US\$3,981,733 was contributed to Xingye Mining by Venca as of 31 December 2009. In January and February 2010, an amount equivalent to US\$8 million was contributed to Xingye Mining by Venca. As of February 2010, Li Yuan had made aggregate capital contributions of US\$120,000 to Xingye Mining. The aggregate capital contributions made in Xingye Mining by the previous shareholders (including Mr. Zhao, Mr. Chen, Mr. Yip, Mr. Liu, Mr. Sin and Li Yuan) as of July 2010 was US\$20 million.

In July 2010, the Lincheng Bureau of Commerce in Xingtai City of Hebei Province approved a further increase of the registered capital of Xingye Mining from US\$20 million to US\$30 million. The additional US\$10 million capital contribution was fully paid up on 7 January 2011. The current registered capital of Xingye Mining is US\$30 million.

Initial decision to apply for listing (May – December 2009)

In 2009, Mr. Zhao was examining funding options for the development of the Yanjiazhuang Mine with other shareholders of Venca, leading to Mr. Sin (a minority shareholder of Venca) approaching Rothschild in May 2009 to assist in a proposed fundraising exercise for Venca to fund working capital requirements for operations of Xingye Mining.

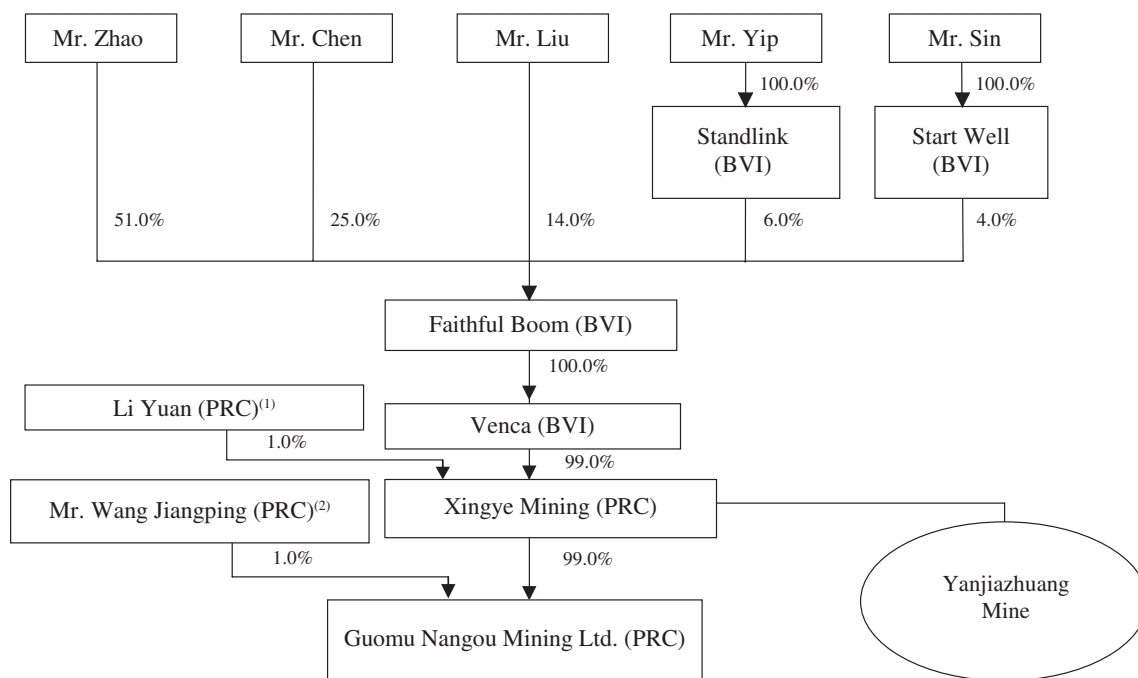
In July 2009, Rothschild first met with other shareholders of Venca, including Mr. Zhao and discussed, among other things, the feasibility of a listing of Venca's business on the Stock Exchange. After further discussions in September and October 2009, the Company (through Venca) confirmed the engagement of Citi and Rothschild (the "Prior Sponsors") and the other professional parties to assist in the application of a listing on the Stock Exchange.

In December 2009, the Prior Sponsors filed an application with the Stock Exchange relating to an initial public offering of the Shares and their listing on the Stock Exchange (the "Prior Offering")

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Reorganization

The below chart shows the corporate structure of the Group immediately prior to the Reorganization:



(1) Li Yuan was held as to 33.3% by Mr. Wang Jiangping, 33.3% by Mr. Zhao Jinxian and 33.3% by Mr. Shi Jianchao. Mr. Wang Jiangping is a member of the senior management of the Group and Mr. Zhao Jinxian and Mr. Shi Jianchao are Independent Third Parties.

(2) Mr. Wang Jiangping is a member of the senior management of the Group.

In preparing the Company for the Listing, the Group has undertaken the Reorganization. A summary of the Reorganization is set out below.

On 25 September 2009, the Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with an authorized share capital of HK\$350,000 divided into 3,500,000 Shares of HK\$0.1 each.

On 25 September 2009, one subscriber Share was allotted and issued to Start Well at par value and on 16 December 2009 the authorized share capital of the Company was increased to HK\$1,000,000,000 divided into 10,000,000,000 Shares of HK\$0.1 each.

On 9 November 2009, Xingye Mining entered into an agreement to transfer to Mr. Wang Zhixiong (王志雄) (an Independent Third Party resident in the PRC) all of its shares, which amounted to a 99.0% interest, in Guomu Nangou Mining Ltd. for a consideration of RMB1 and the assumption of all debts of Guomu Nangou Mining Ltd. amounting to RMB13,200,000 owed equally to (i) Mr. Zhao, (ii) Mr. Chen and (iii) Mr. Liu.

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An important consideration leading to our commercial decision to dispose of our interest in Guomu Nangou Mining Ltd. was the significant difference between its scale of production and that of Yanjiazhuang Mine. Yanjiazhuang Mine has an initial production capacity of approximately 1,000 ktpa, whereas Guomu Nangou Mine has an initial production capacity of approximately 30 ktpa. We believe that the disposal of Guomu Nangou Mine allows a better use of funds and resources available to the Company and is in the best interests of Shareholders upon Listing as any resources expended on Yanjiazhuang Mine are expected to generate higher revenues for the Company. The consideration for the disposal was determined commercially upon arms' length negotiations and based on the total outstanding obligations of Guomu Nangou Mining Ltd. as of 12 November 2009. It also took into account the Group's development strategy to focus resources on the development and exploration of Yanjiazhuang Mine and the opportunity to reduce leverage and reliance on then existing Shareholders. This decision to dispose of Guomu Nangou Mine was made despite the fact that we developed the mine in a satisfactory manner and were not aware of any material accidents involving personal injury or property damage during the period of our management.

On 14 November 2009, Standlink transferred a 2.0% interest in Faithful Boom to Start Well for a consideration of US\$220,540 (determined after negotiation at arms' length and based on the consolidated net asset value of the Group and the amounts due to shareholders as of 13 November 2009 and payable on demand). On 14 November 2009, Mr. Chen also transferred a 1.0% interest in Faithful Boom to Start Well for a consideration of US\$110,270 (determined after negotiation at arms' length and based on the consolidated net asset value of the Group and the amounts due to shareholders as of 13 November 2009 and payable on demand).

On 14 November 2009, Mr. Chen transferred an 11.0% interest in Faithful Boom to Mr. Liu for a consideration of US\$1,212,970 (determined after negotiation at arms' length and based on the consolidated net asset value of the Group and the amounts due to shareholders as of 13 November 2009 and payable on demand). Upon completion of the above transfers, Mr. Zhao, Mr. Chen, Mr. Liu, Standlink and Start Well owned 51.0%, 13.0%, 25.0%, 4.0% and 7.0%, respectively, of the issued share capital of Faithful Boom.

On 14 November 2009, Mr. Sin directed the transfer of the 7.0% equity interest in Faithful Boom held by Start Well to Aleman (a company incorporated on 21 October 2009 and acquired by Mr. Sin on 9 November 2009) for a consideration of US\$771,890 (determined after negotiations at arms' length and based on the consolidated net asset value of the Group and the amounts due to shareholders as of 13 November 2009 and payable on demand).

On 6 January 2010, Start Well transferred its one share in the Company to Mr. Zhao for US\$1. On 15 January 2010, Mr. Zhao transferred his one share in the Company to Faithful Boom for a nominal consideration of US\$1 satisfied by the issuance of one share in Faithful Boom to Mr. Zhao. On 15 January 2010, Faithful Boom transferred its 100.0% interests in Venca to the Company at a consideration of US\$11,027,000 (determined after negotiations at arm's length based on the consolidated net asset value of the Group and the amounts due to shareholders as of 13 November 2009) which was satisfied by the issuance of 1,000 shares by the Company to Faithful Boom. Upon completion, the Company became a wholly-owned subsidiary of Faithful Boom.

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On 8 March 2010, Mr. Zhao, Mr. Chen and Mr. Liu transferred their respective shares in Faithful Boom to Perfect Move for an aggregate consideration of US\$9,814,030 (determined after negotiations at arm's length based on the consolidated net asset value of the Group and the amounts due to shareholders as of 13 November 2009) which was satisfied by the issuance of 572, 146 and 281 shares by Perfect Move to Zhao SPV, Chen SPV and Liu SPV respectively. Upon completion of these transfers, Zhao SPV, Chen SPV and Liu SPV owned 57.3%, 14.6% and 28.1%, respectively, of the issued share capital in Perfect Move. Through Perfect Move, Mr. Zhao, Mr. Chen and Mr. Liu indirectly owned 51.0%, 13.0% and 25.0%, respectively, of the issued share capital of Faithful Boom while Mr. Yip (through Standlink) and Mr. Sin (through Aleman) indirectly own 4.0% and 7.0%, respectively, of the issued share capital of Faithful Boom.

In addition, on 8 March 2010, Venca acquired the entire interest in Jet Bright, a shelf company incorporated on 2 November 2009, and subsequently entered into an agreement to transfer its 99.0% equity interest in Xingye Mining to Jet Bright. On 30 June 2010, the relevant regulatory approvals and registrations on the transfer were received and Jet Bright became the holding company of Xingye Mining.

Issuance of Exchangeable Bonds by Faithful Boom (January – March 2010)

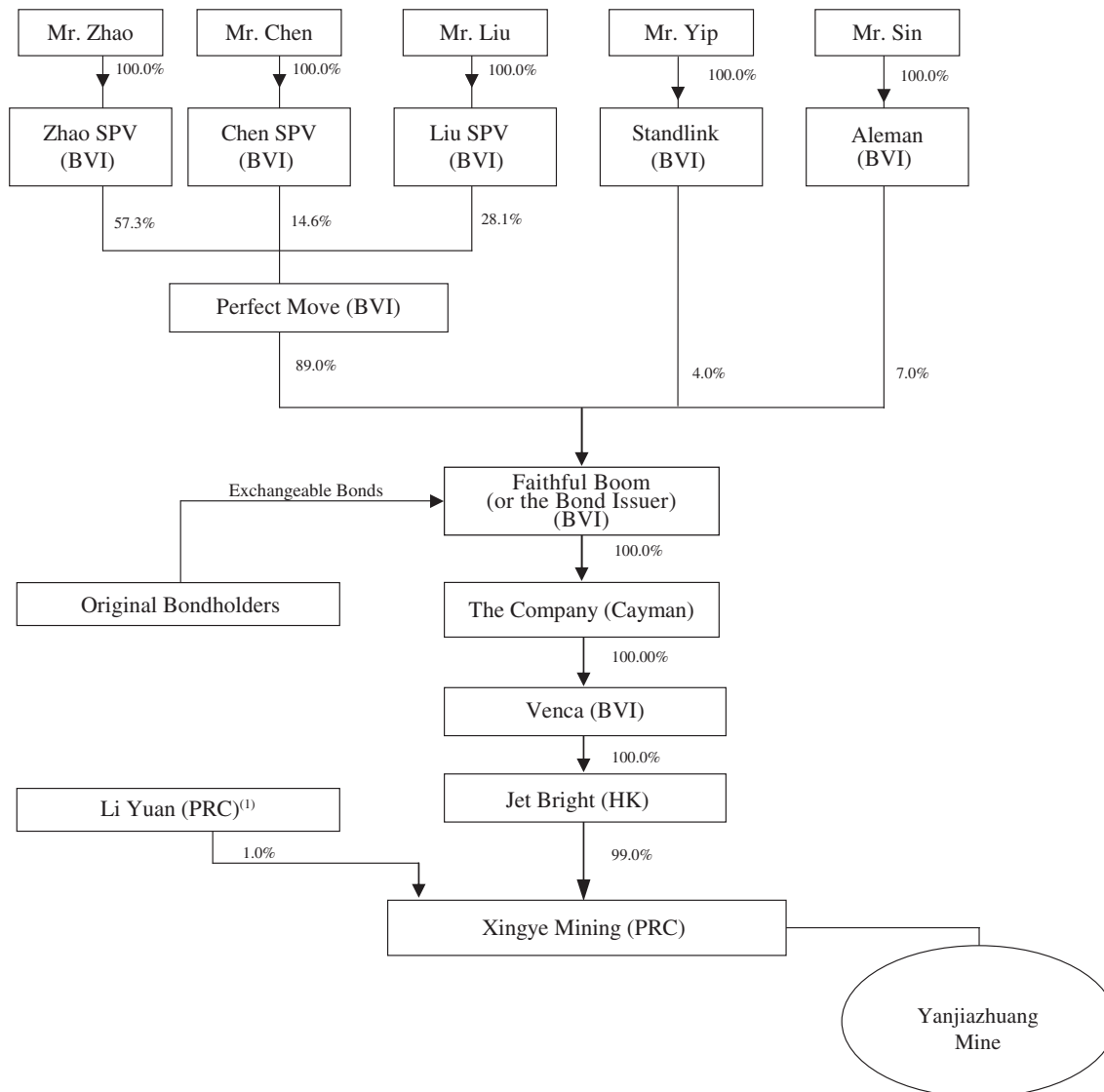
Working with the Prior Sponsors, the Company sought interim funding for the capital expenditures for the production ramp-up plan for the Yanjiazhuang Mine and working capital for the Company. As a result of that process, on 17 January 2010, Faithful Boom, the Original Bondholders, Mr. Zhao, Mr. Chen and Mr. Liu entered into a subscription agreement (the "Subscription Agreement"), pursuant to which the Original Bondholders agreed to purchase, and Faithful Boom, as the bond issuer (the "Bond Issuer"), agreed to issue, US\$60 million aggregate principal amount of exchangeable bonds due 2015. Pursuant to the Subscription Agreement, the Bond Issuer, the shareholders of the Bond Issuer, our Company and our subsidiaries provided certain security to the Bondholders in connection with the issuance of the Exchangeable Bonds. The bonds were secured by certain assets of Mr. Zhao, Mr. Chen, Mr. Liu, Faithful Boom, the Company and Venca. The bonds were issued in January and March of 2010.

US\$8 million of the net proceeds from the Exchangeable Bonds was used to fund the unpaid registered capital of Xingye Mining in January 2010 by way of capital injection. As a result of one or more events constituting events of default, in particular, failure to register certain charges in the PRC within the time specified, an EOD Redemption Amount became due and payable by the Bond Issuer to the Original Bondholders. See "– Change in Controlling Shareholders – Event of default triggering notice of the Exchangeable Bonds."

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 and there will be no dilutive effect to our shareholders.

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The following chart sets forth the corporate structure of the Group immediately after establishing our corporate structure and issuance of the Exchangeable Bonds:



(1) Li Yuan was held as to 33.3% by Mr. Wang Jiangping, 33.3% by Mr. Zhao Jinxian and 33.3% by Mr. Shi Jianchao. Mr. Wang Jiangping is a member of the senior management of the Group and Mr. Zhao Jinxian and Mr. Shi Jianchao are independent third parties of the Company.

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Anonymous Letter (May 2010)

On 6 May 2010, the Prior Sponsors became aware that the Anonymous Letter had been sent to the Stock Exchange alleging that a person or persons surnamed “Zhao” in senior management had been involved in a civil complaint filed in the United States federal court in the Eastern District of New York by the SEC against China Energy Savings Technology, Inc. (“China Energy”), a company unrelated to us, and other persons relating to trading in China Energy’s Stock (the “SEC Complaint”). In light of the Anonymous Letter, the Prior Sponsors considered a number of factors, including (1) that the Anonymous Letter had come to light only four days before the commencement of the Hong Kong portion of the Prior Offering on 10 May 2010, (2) the seriousness of the allegations in the SEC Complaint, (3) the fact that a

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company named Precise Power Holdings Limited was involved in the matters alleged in the SEC Complaint and (4) that Mr. Zhao and Mr. Zhao Yinhe had not demonstrated to the satisfaction of the Prior Sponsors that they were not Mr. Jun Tang Zhao or Mr. Yan Hong Zhao, two of the parties named in the SEC Complaint. On the basis of these considerations and the then overall market conditions, the Prior Sponsors decided not to proceed with the Prior Offering. For a more detailed discussion of the SEC Complaint, see “History, Reorganization and Corporate Structure – SEC Complaint”.

Mr. Zhao’s decision to dispose of his equity interest in the Company (May 2010)

Following the decision not to proceed with the Prior Offering, Mr. Zhao expressed an interest in selling his 51% equity interest in the Company and requested the Prior Sponsors to assist in a search for potential buyers. Without the proceeds from the Prior Offering, the Group lacked the capital needed to develop the Yanjiazhuang Mine as planned. With the abandonment of the Prior Offering, it was also likely that Faithful Boom would be required to repay the Exchangeable Bonds in cash. Failure to timely repay the Exchangeable Bonds could trigger the enforcement of Mr. Zhao’s personal guarantee under the Exchangeable Bonds and the exercise of the share pledges under the Exchangeable Bonds, possibly resulting in the loss of the shares of Faithful Boom, a company majority-owned by Mr. Zhao, as well as other assets pledged as security to the Original Bondholders.

Introduction to NWS and VMS (May 2010)

Following Mr. Zhao’s request to seek potential buyers, Rothschild reached out to potential buyers including the New World Group. Since early 2006, NWS, a member of the New World Group, has been implementing a strategy for entering into the resources sector. New World Group also approached VMS to explore the investment opportunity together. VMS, with which the New World Group has co-invested in the past, has experience in the mining sector and investing in special situations. VMS is the holding company of an investment group, with businesses covering proprietary investments, asset management, securities brokerage and corporate financial advisory services. NWS, a subsidiary of the New World Group, was evaluating potential expansion into the mining sector at the time and was also brought in to explore the opportunity in light of its experience in more than 60 investment projects in sectors such as roads, water, energy, ports and logistics. For more information see “Relationship with our Controlling Shareholders and Connected Transactions – Relationship with our Controlling Shareholders”. Having contacted other potential buyers, on 17 May 2010, Mr. Zhao executed a conditional agreement with Bright Prosper, pursuant to which, among other terms and conditions, an exclusivity period was given to Bright Prosper to conduct due diligence on the Group, based on an offer for Mr. Zhao’s 51% equity interest in the Company and Mr. Zhao’s agreement to facilitate the acquisition of the Exchangeable Bonds from the Original Bondholders.

Independent due diligence undertaken by NWS and VMS (May – July 2010)

NWS and VMS engaged various professional advisors, including a financial advisor, legal advisors and other experts to assist in conducting financial, legal and technical due diligence, as well as conducted its own site visits, in order to determine whether to proceed with the acquisition of Mr. Zhao’s interest in the Company.

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Event of default triggering notice of the Exchangeable Bonds (June 2010)

While NWS and VMS were conducting due diligence, on 1 June 2010, the Original Bondholders issued a notice to the Security Agent stating that one or more events of default, in particular, failure to register certain charges in the PRC within the time specified, had occurred under the Exchangeable Bonds. Pursuant to the terms of the Exchangeable Bonds, the EOD Redemption Amount in the sum of US\$96.0 million and all other amounts accrued or outstanding became immediately due and payable by Faithful Boom to the Original Bondholders. In addition, each Original Bondholder was entitled to require the Security Agent to exercise any of its powers, remedies, discretion and rights under the Exchangeable Bonds, including enforcing the share or asset charges or mortgages given by the Group and its then shareholders pursuant to the Exchangeable Bonds, and enforcing Mr. Zhao's guarantee on the Exchangeable Bonds.

The Original Bondholders also issued notices to Citicorp International Limited, acting as the security agent (the "Security Agent"), on 1 June 2010 which, among other things, directed the Security Agent to transfer funds from certain bank accounts of Faithful Boom to the cash collateral account and release such funds to the Original Bondholders. Approximately US\$39.8 million (being a part of the proceeds of the Exchangeable Bonds) was collected by the Security Agent, and paid to the Original Bondholders pursuant to the direction of the Original Bondholders, resulting in a residual EOD Redemption Amount of approximately US\$56.2 million owed by Faithful Boom immediately due and payable to the Original Bondholders. Save as to US\$39.8 million which was collected by the Security Agent and paid to the Original Bondholders, none of the other security provided was enforced prior to the termination of the Exchangeable Bonds.

The acquisition of Mr. Zhao's effective controlling equity interest in the Company by NWS and VMS (June 2010)

Based on results of their extensive business, financial, legal and technical due diligence as well as site visits, NWS and VMS decided to proceed with the acquisition of Mr. Zhao's 51% equity interest in the Company. In particular, NWS and VMS, in making their decision to purchase Mr. Zhao's interest, took into account that none of the Company or its subsidiaries was named in, or alleged to have participated in the actions complained of in the SEC Complaint, and as such there was not expected to be legal or financial liability stemming from the SEC Complaint that would cause a material adverse impact on the Company. The Controlling Shareholders conducted an independent due diligence to ensure (i) that there would be no adverse impact on the business or financial condition of the Company as a result of the SEC Complaint, (ii) that there are no undisclosed shareholder benefits or arrangements between current and former shareholders of the Company and (iii) that the former shareholders, in particular Mr. Zhao, have no longer any economic or other interest in the Company.

On 4 June 2010, following arm's length negotiations, Bright Prosper, Mr. Zhao and Zhao SPV entered into a sale and purchase agreement, whereby Mr. Zhao's 51% equity interest in the Company would be acquired by NWS and VMS for US\$140.0 million. The consideration was arrived at after arm's length negotiations between the parties with reference to (1) the potential value of the iron ore reserves of the Yanjiazhuang Mine, (2) NWS's and VMS's view of iron ore prices in Hebei Province, (3) the stage of development of the Yanjiazhuang Mine, (4) the additional time and investment that would be required for the Company to reach commercial production and (5) the financial position of the Company at the time and the relative bargaining power of the parties under the circumstances. At the time of the negotiations for the acquisition of Mr. Zhao's 51% equity interest in the Company, the Company required significant additional capital investment in order to fund the Company's then production ramp-up plan. As a result of the Prior Sponsors' decision not to proceed with the Prior Offering following the receipt of the Anonymous Letter and their consideration of the matters alleged therein in May 2010, it was highly unlikely that the Company's planned Prior Offering would have been able to proceed in the short term. The buyers of Mr. Zhao's equity interest, NWS and VMS, did not know what other financing options were available to the Company or to Mr. Zhao, nor did they know what other offers to acquire the 51% equity interest in the Company Mr. Zhao may have received at that time. However, it is certain that after the

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Event of Default was declared under the Exchangeable Bonds, Mr. Zhao faced additional imminent financial pressure for payment of the EOD Redemption Amount of US\$96.0 million and potential enforcement of various guarantees and security interests pursuant to the Exchangeable Bonds. Given that Mr. Zhao would need to fund the Company's capital requirements without the expected proceeds from the Prior Offering, and the additional imminent financial pressure from the Exchangeable Bonds, NWS and VMS have informed us that they believed they were in a strong bargaining position vis-a-vis Mr. Zhao. Since NWS and VMS were at that time Independent Third Parties engaging in arm's length negotiations, the ultimate purchase price reflected the relative bargaining positions of the parties. Completion of the acquisition was subject to the satisfaction of a number of conditions, including certain key licenses needed for commencement of commercial operations having been obtained and completion of the acquisition by NWS and VMS of the Exchangeable Bonds. The sale and purchase agreement provided that it would lapse if completion had not occurred by 30 June 2010.

Acquisition of the Exchangeable Bonds (June 2010)

In parallel with acquisition of Mr. Zhao's 51% equity interest in the Company, NWS and VMS also reviewed and conducted extensive analyses on the terms and conditions of the Exchangeable Bonds to understand the rights of the bondholders and their potential impact on the Company. On 9 June 2010, NWS and VMS agreed to purchase the Exchangeable Bonds from the Original Bondholders for approximately US\$44.2 million as a result of which the Original Bondholders were no longer in a position to seize the pledged shares of the Company. The consideration was arrived at after arm's length negotiations between the parties and represented a discount to the outstanding EOD Redemption Amount, being US\$56.2 million. NWS and VMS acquired all the outstanding Exchangeable Bonds on 18 June 2010.

Amendment of Sale and Purchase Agreement and Completion of Sale (July 2010)

Completion under the sale and purchase agreement dated 4 June 2010 for Mr. Zhao's 51% equity interest in the Company did not occur by 30 June 2010. Following the acquisition of the Exchangeable Bonds, NWS and VMS were also in a stronger bargaining position to negotiate on the acquisition of Mr. Zhao's 51% equity interest in the Company before completion of the sale and purchase agreement. Following further negotiations between the parties, on 12 July 2010, NWS (through Modern Global), VMS (through Fast Fortune) and Mr. Zhao entered into a revised sale and purchase agreement. Under the terms of the revised agreement, the purchase price for Mr. Zhao's 51% equity interest in the Company was reduced to US\$139.0 million, with payment to be made to Mr. Zhao in installments upon certain conditions being achieved, including certain licenses being obtained. The negotiation of the amendment to the sale and purchase agreement was concluded on an arm's length basis. Completion of the transfer of Mr. Zhao's 51% equity interest in the Company also took place on 12 July 2010. Payment of the purchase price was made in installments on 12 July 2010, 22 September 2010 and 27 September 2010 in accordance with certain conditions being achieved. The total consideration of US\$139.0 million was fully paid by the Controlling Shareholders as of 27 September 2010.

Capital injection and recruitment of senior management by the Controlling Shareholders (since July 2010)

Following acquisition of Mr. Zhao's 51% equity interest in the Company and the Exchangeable Bonds, the Controlling Shareholders provided additional capital amounting to US\$84.2 million to the Group up to 30 April 2011 to fund working capital for the overall operations, assisted the Group in obtaining the relevant licenses, permits and approvals required to commence commercial production, enhanced the senior management team of the Company and restructured the board of Directors, examined and improved the mining plan and upgraded production and safety facilities at the Yanjiazhuang Mine. By taking these actions, the Controlling Shareholders were able to bring the Yanjiazhuang Mine to commercial production on 1 January 2011. In addition, the Controlling Shareholders simplified the shareholding structure and revived the plan to apply for Listing.

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The Controlling Shareholders' acquisition of the effective minority equity interest in the Company and Li Yuan (January and February 2011)

As part of the Controlling Shareholders' intention to simplify and restructure the Group's ownership structure, in January and February 2011, the Controlling Shareholders, through their subsidiaries, acquired the remaining 49% minority interests in the Company for a total consideration of US\$138.7 million. The total investment cost of NWS's and VMS's acquisition of the 100% equity interest in the Company and the Exchangeable Bonds was approximately US\$321.9 million in aggregate. The consideration was arrived at after arm's length negotiations between the parties, with reference to the consideration for the acquisition of the effective controlling equity interest in the Company. The consideration was payable in several installments in accordance with certain conditions being achieved.

On 2 March 2011, Li Yuan, a limited liability company that completed preliminary work on the Yanjiazhuang Mine, transferred its 1% interest in Xingye Mining to Tianjin Chuangji for consideration of US\$300,000. The consideration was arrived at after arm's length negotiations between the parties, with reference to the registered capital of Xingye Mining contributed by Li Yuan. Tianjin Chuangji is a PRC company and an indirect, wholly-owned subsidiary of NWS.

As of the Latest Practicable Date, all shares of Perfect Move and Faithful Boom owned by the previous minority shareholders have been transferred to the Controlling Shareholders. As of the Latest Practicable Date, 75% of the payment for the minority equity interests has been paid by NWS and VMS. The remaining 25% will be paid by the Controlling Shareholders one day before the Listing.

The total investment cost of the Controlling Shareholders' acquisition of the 100% equity interest in the Company and the Exchangeable Bonds was approximately US\$321.9 million in aggregate. The previous shareholders of Xingye Mining had made capital contributions of approximately US\$20 million as of July 2010. Additional funding provided to the Company by the Controlling Shareholders outstanding as of the Indebtedness Date was in the form of shareholders' loans as set forth in "Financial Information — Indebtedness". Faithful Boom has undertaken to waive all unpaid shareholders' loans upon Listing, save as to an amount equivalent to 10% of the net proceeds of the Global Offering, or approximately HK\$145.0 million, assuming a mid-point Offer Price of HK\$2.05. As of 18 February 2011, all of the previous shareholders' equity interests in the Group had been transferred to the Controlling Shareholders. The board of Directors and the senior management team were restructured and experienced industry veterans were added. The shareholding structure was simplified and the Exchangeable Bonds were restructured as a result of which the Original Bondholders were no longer in a position to seize the pledged shares of the Company. The Company faced significant developmental challenges and operating uncertainties at the time the Controlling Shareholders made the investment, and the Directors believe that it is only as a result of the Controlling Shareholders' significant further investments in, and other contributions to, the Group that the Company was able to commence commercial production on 1 January 2011.

Due diligence undertaken by Joint Sponsors prior to filing for listing application and confirmation by the Directors and the Controlling Shareholders (since December 2010)

The Joint Sponsors have undertaken enhanced due diligence to seek to establish and ensure that (1) Mr. Zhao and Mr. Zhao Yinhe retain no economic or other interests in the Company and are independent both of the Company and of the Controlling Shareholders and (2) the historical involvement of Mr. Zhao or Mr. Zhao Yinhe would not adversely affect the financial condition of the Company. These steps included conducting site visits, making enhanced and in-depth due diligence enquiries, conducting public searches and engaging a third-party search firm to conduct background searches on all existing Directors and senior management of the Company to ensure that they are not connected to Mr. Zhao or Mr. Zhao Yinhe. Furthermore, the Joint Sponsors have also conducted due diligence interviews with all of the current members of the board of Directors and senior management, in which all of the current members of the board of Directors and senior management confirmed that they have no direct or indirect association with Mr. Zhao or Mr. Zhao Yinhe. In addition, the Joint Sponsors have made enhanced in-depth due diligence enquiries of the Independent Technical Advisor as well as of other third-party customers,

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suppliers and principal banks. As part of this enhanced due diligence, the Joint Sponsors requested the Independent Technical Advisor to conduct additional visits to the Yanjiazhuang Mine and engage in further in-depth discussions with senior management of the Company. The foregoing steps did not bring anything to the Joint Sponsors' attention which would indicate that (1) Mr. Zhao or Mr. Zhao Yinhe retain any economic or other interests in the Company or are not independent of both the Company and the Controlling Shareholders or (2) that the historical involvement of Mr. Zhao or Mr. Zhao Yinhe in the Company would adversely affect the financial condition of the Company.

Confirmation by the Directors, the Company and the Controlling Shareholders

The Directors, the Company and the Controlling Shareholders confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, each of the Controlling Shareholders and the Company is independent of Mr. Zhao, Mr. Zhao Yinhe and any individuals who, to the Directors', the Company's, and the Controlling Shareholders' best knowledge, are their respective associates; Mr. Zhao, Mr. Zhao Yinhe and any individuals who, to the Directors', the Company's, and the Controlling Shareholders' best knowledge, are their respective associates, retain no economic or other interests in the Company or in the proposed Listing. There is no relationship between any person or other party involved in the SEC Complaint and the Company or the Controlling Shareholders, and the SEC Complaint will not have any impact on the Company's business, operations or financial condition. The acquisition of the equity interest in the Company and the Exchangeable Bonds reflected a commercial decision concluded after due diligence and extensive arm's length negotiations. Prior to the acquisition, the Controlling Shareholders were not in any manner related to Mr. Zhao and Mr. Zhao Yinhe and did not otherwise know them or their respective associates. The Controlling Shareholders, the Directors and members of our senior management do not have any agreement (other than those already disclosed), arrangement or understanding with any of our former controlling shareholders or senior management who are no longer with the Group in relation to the Group's affairs going forward.

SEC COMPLAINT

On 6 May 2010, the Prior Sponsors became aware that the Anonymous Letter had been sent to the Stock Exchange alleging that a person or persons surnamed "Zhao" in senior management had been involved in a civil complaint filed in the United States federal court in the Eastern District of New York by the United States Securities and Exchange Commission (the "SEC") against China Energy Savings Technology, Inc. ("China Energy"), a company unrelated to us, and other persons relating to trading in China Energy's stock (the "SEC Complaint"). In the SEC Complaint, which was brought on 4 December 2006, the SEC alleged that China Energy, a Nevada corporation and Chiu Wing Chiu, the sole director of China Energy's majority shareholder, with the assistance of China Energy's corporate secretary, Lai Fun Sim, devised a wide-ranging stock manipulation scheme to fraudulently obtain a listing on the Nasdaq National Market System; to artificially inflate China Energy's stock price; and to sell millions of China Energy shares into the U.S. capital markets. According to the SEC Complaint, other participants in the scheme included China Energy's former purported chairman and chief executive officer, Sun Li, a former China Energy employee, Jun Tang Zhao and New Solomon Consultants, which was China Energy's majority stockholder. Amicorp Development Limited, Essence City Limited, Precise Power Holdings Limited, Yan Hong Zhao, Ai Qun Zhong and Tung Tsang were named as relief defendants in the SEC Complaint.

In the SEC Complaint, the SEC alleged, among other things, that Chiu Wing Chiu and Lai Fun Sim formed China Energy through transactions with a Nevada shell corporation called Rim Holdings, Inc. and a British Virgin Islands holding company called Starway Management Limited. According to the SEC Complaint, in furtherance of the scheme, the defendants caused China Energy to purchase the shares of Starway Management Limited at an excessive price to facilitate the issuance of large quantities of China Energy shares, which were used to pay the purchase price, to entities controlled by Chiu Wing Chiu; caused China Energy to obtain a Nasdaq National Market System listing by artificially creating a

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stockholder base and falsely representing to Nasdaq that the company had met its minimum stockholder requirement; issued false press releases concerning China Energy's Nasdaq National Market System listing; created artificial demand for China Energy stock by engaging in manipulative trading and entering into secret deals to give free China Energy stock to stockholders willing to purchase China Energy stock in the open market; and concealed the fact that Chiu Wing Chiu controlled China Energy. In addition, according to the SEC Complaint, China Energy, Chiu Wing Chiu and others engaged in illegal unregistered sales by gifting stock to more than 400 persons as part of the Nasdaq listing scheme and by improperly issuing stock to promoters engaged in capital raising activities and consultants who performed no services.

The SEC alleged that the relief defendants, Precise Power Holdings Limited, Essence City Limited, Amicorp Development Limited and Yan Hong Zhao, realized millions of dollars in proceeds from the fraudulent scheme by receiving and selling thousands of shares of China Energy stock, with the relief defendants acting under the direction and control of Chiu Wing Chiu.

The SEC charged China Energy, Chiu Wing Chiu, Lai Fun Sim, Jun Tang Zhao, Sun Li, and New Solomon Consultants with violating the antifraud provisions of the U.S. federal securities laws. It also charged China Energy, Chiu Wing Chiu, Lai Fun Sim and Jun Tang Zhao with violating the registration provisions of the securities laws, with the relief defendants being unjustly enriched through the monies derived as proceeds of the fraud and the China Energy stock that they received from the defendants and for which they did not give adequate consideration.

In March 2008, the U.S. District Court for the Eastern District of New York entered a final judgment in the litigation that permanently enjoined China Energy, Chiu Wing Chiu, Lai Fun Sim, Jun Tang Zhao, and the other main defendants from violations of the antifraud and registration provisions of the U.S. securities laws. The judgment also ordered the payment of various penalties and approximately US\$33 million in disgorgement of profits, penalties and interest, and granted other ancillary relief. In July 2009, summary judgment was entered against the relief defendants in the litigation. The court found that Chiu Wing Chiu controlled and directed sales of China Energy shares in the relief defendants' accounts and that the relief defendants failed to show that the China Energy shares were received in exchange for adequate consideration. The court found, based on a Magistrate Judge's report, that Yan Hong Zhao and Precise Power opened accounts in the same brokerage firm and both listed as their mailing address the residential address of Chiu Wing Chiu in Hong Kong. The court noted that the China Energy shares deposited into these accounts were the only shares ever received in those accounts. In 2005 and 2006, both parties named the same person as their registered representative at the brokerage firm, who then sold all the China Energy Shares in both accounts. In December 2009, the court ordered the relief defendants to pay approximately US\$4 million in disgorgement of profits and interest.

The senior management of the Company at the time of the Anonymous Letter included two persons with the surname "Zhao": Mr. Zhao and Mr. Zhao Yinhe. Moreover, Precise Power Holdings Limited, a company incorporated in the BVI in 2004, was controlled by Mr. Zhao in 2006 (when the actions alleged in the SEC Complaint took place) and previously owned our subsidiary Xingye Mining. A company named Precise Power Holdings Limited, also organized under the laws of the BVI, is one of the relief defendants named in the SEC Complaint and against which a judgment was rendered in 2009.

In light of the Anonymous Letter, the Prior Sponsors considered a number of factors, including (1) that the Anonymous Letter had come to light only four days before the commencement of the Hong Kong portion of the Prior Offering on 10 May 2010, (2) the seriousness of the allegations in the SEC Complaint, (3) the fact that a company named Precise Power Holdings Limited was involved in the matters alleged in the SEC Complaint and (4) that Mr. Zhao and Mr. Zhao Yinhe had not demonstrated to the satisfaction of the Prior Sponsors that they were not Mr. Jun Tang Zhao or Mr. Yan Hong Zhao, two of the parties named in the SEC Complaint. On the basis of these considerations and the then overall market conditions, the Prior Sponsors decided not to proceed with the Prior Offering.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE AND HISTORY SUBSEQUENT TO THE ACQUISITION BY THE CONTROLLING SHAREHOLDERS

Completion of Reorganization

On 15 June 2011, VMS, NWS Mining, Modern Global, Fast Fortune, Perfect Move, Pioneer Vast, Star Valiant and Faithful Boom entered into a reorganization agreement pursuant to which:

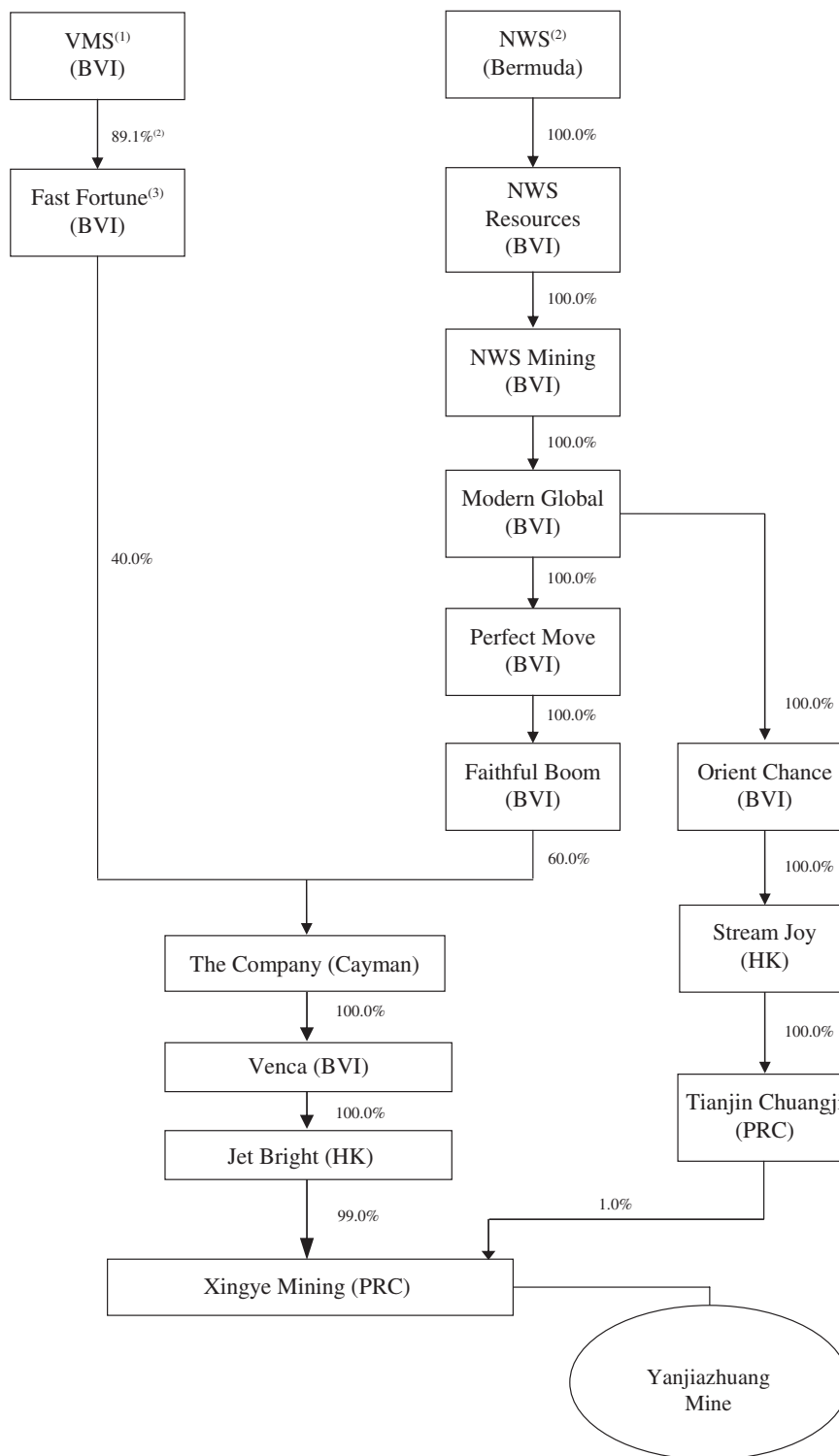
- (a) Fast Fortune agreed to transfer 40% of shares of Perfect Move to Modern Global. After completion of the transfer, Perfect Move is wholly-owned by Modern Global;
- (b) Modern Global agreed to transfer 6.6% of shares of Faithful Boom to Perfect Move and Fast Fortune agreed to transfer 4.4% of shares of Faithful Boom to Perfect Move. After completion of the transfer, Faithful Boom is wholly-owned by Perfect Move;
- (c) each of Pioneer Vast and Star Valiant and Faithful Boom agreed that upon completion of (a) and (b) above, all the rights and obligations of the parties under the Exchangeable Bonds and related documents shall terminate, including without limitation, the outstanding EOD Redemption Amount owing by Faithful Boom to Pioneer Vast and Star Valiant. It was also agreed that breaches (if any) under the Exchangeable Bonds were waived without any further obligations or liabilities on the part of Faithful Boom;
- (d) all loans provided to Faithful Boom by Fast Fortune were waived upon completion of (a) and (b) above;
- (e) Faithful Boom agreed to transfer 40% of the Shares to Fast Fortune upon completion of (a) and (b) above. After completion of the transfer, the Company is 40% owned by Fast Fortune and 60% owned by Faithful Boom; and
- (f) Faithful Boom undertook to waive, upon completion of (a) to (e) above and the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions thereof), and such obligations not being terminated in accordance with the terms of the Underwriting Agreements, all outstanding loans owing by our Company to Faithful Boom save and except for an amount that is equal to 10% of the net proceeds to be received by us from the Global Offering, which amount is expected to be used by our Company to repay the unwaived portion of the loans from Faithful Boom upon Listing.

As a result of completion of the transactions in the aforementioned reorganization agreement, NWS, through NWS Resources, NWS Mining, Modern Global, Perfect Move and Faithful Boom holds 60% of the Shares and VMS, through Fast Fortune, holds 40% of the Shares.

As all the above equity transfer transactions are conducted and completed outside the territory of China, according to our PRC legal advisor, King & Wood, we are not required to obtain any regulatory approval of PRC government authorities in respect of the aforesaid equity transfer transactions. Our Directors believe that the equity transfer transactions will not have an adverse impact on Xingye Mining's operations.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets forth the corporate structure of the Group after completion of the transactions noted above and the Reorganization and immediately before completion of the Global Offering:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (1) As of the Latest Practicable Date, Ms. Mak Siu Hang, Viola held 100% direct interest in VMS. VMS and Ms. Mak Siu Hang, Viola are independent from NWS, except their joint investment in the Company.

VMS focuses on enforcement of corporate governance standards in respect of its investees, and has also devoted considerable capital and human resources to the mining industry. For further details on VMS, please see the section headed “Relationship with our Controlling Shareholders and Connected Transactions – Background of VMS” in this Prospectus.

- (2) As of the Latest Practicable Date, NWS was directly owned as to approximately 59.79% by NWD. Chow Tai Fook Enterprises Limited, together with its subsidiaries, held approximately 40.42% in NWD and 2.65% in NWS. Chow Tai Fook Enterprises Limited was 100% owned by Centennial Success Limited which is held as to 51% by Cheng Yu Tung Family (Holdings) Limited. NWS is independent from VMS and Ms. Mak Siu Hang, Viola, except their joint investment in the Company.

NWS’s diversified business portfolio in the PRC includes more than 60 projects in the high growth sectors of roads, water, energy, ports and logistics. Two of these projects are located in Hebei Province. NWS has also explored investment opportunities in natural resources and mining projects with a view to developing these investment as part of its core business operations. The investment in the Company is part of that strategy. For more details on NWS, please see the section headed “Relationship with our Controlling Shareholders and Connected Transactions – Background of NWS” in this Prospectus.

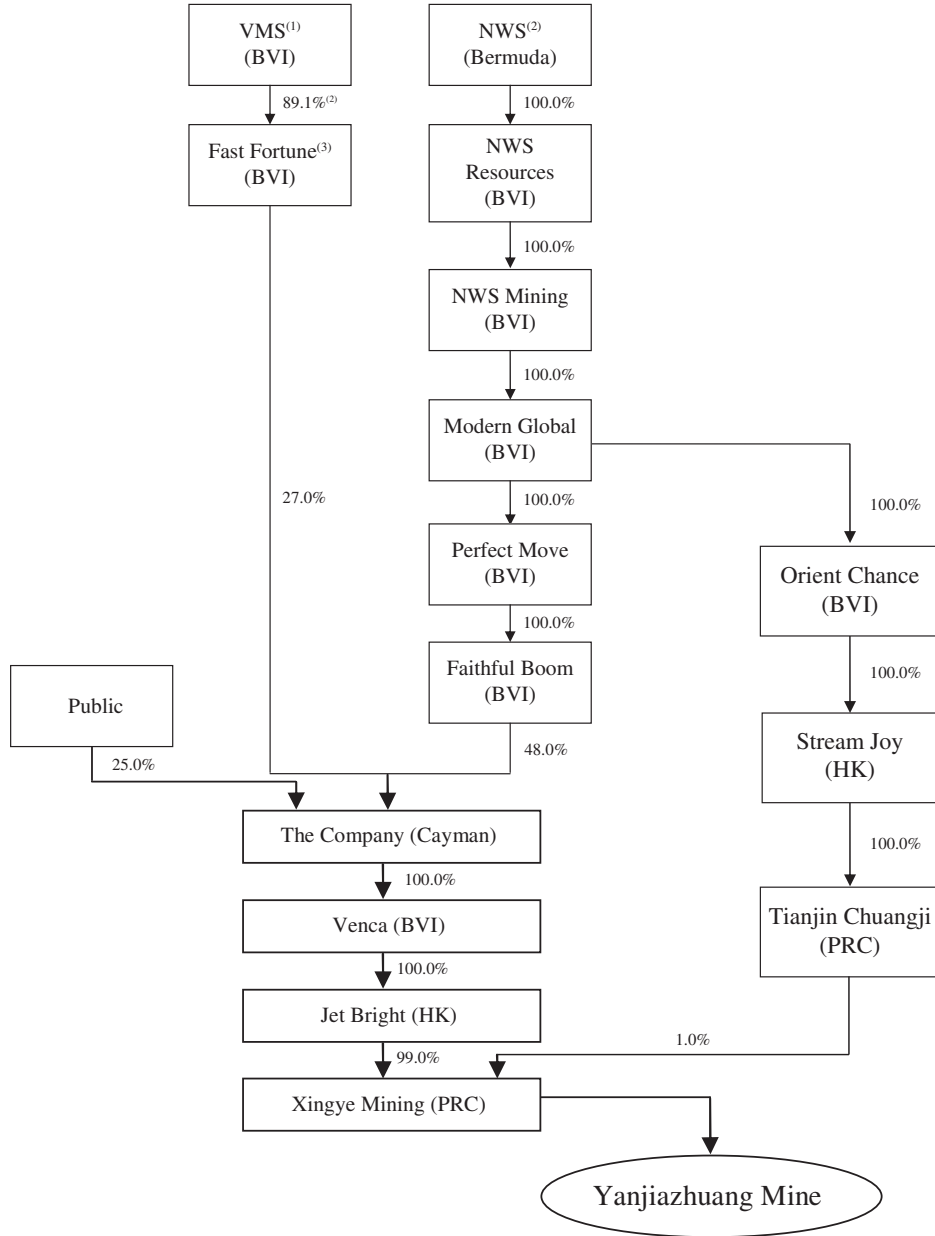
- (3) As of the Latest Practicable Date, VMS held the voting non-participating management share in Fast Fortune and therefore had all the voting control in Fast Fortune.

As of the Latest Practicable Date, VMS held approximately 89.1% of all the non-voting participating shares in Fast Fortune, Mr. Lam Yee Ming through Southern Pacific Limited held approximately 7.3% of all the non-voting participating shares in Fast Fortune and the remaining 3.6% of all the non-voting participating shares in Fast Fortune were held by Mr. Chan Ting Lai. Mr. Lam Yee Ming and Mr. Chan Ting Lai are Independent Third Parties.

Conditional on the share premium account being credited as a result of the Global Offering, our Directors will be authorized to capitalize the amount of HK\$319,999,899.9 from such account and apply such sum in paying up in full at par a total of 3,199,998,999 Shares for allotment and issue to our then shareholders.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets forth the corporate structure of the Group immediately after completion of the Reorganization, the Global Offering and the Capitalization Issue (but not taking into account of any Shares which may be issued upon the exercise of the options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme, nor any exercise of the Over-allotment Option):



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (1) As of the Latest Practicable Date, Ms. Mak Siu Hang, Viola held 100% direct interest in VMS. VMS and Ms. Mak Siu Hang, Viola are independent from NWS, except their joint investment in the Company.

VMS focuses on enforcement of corporate governance standards on its investees, and has also devoted considerable capital and human resources to the mining industry. For more details on VMS, please see the section headed “Relationship with our Controlling Shareholders and Connected Transactions – Background of VMS” in this Prospectus.

- (2) As of the Latest Practicable Date, NWS was directly owned as to approximately 59.79% by NWD. Chow Tai Fook Enterprises Limited, together with its subsidiaries, held approximately 40.42% in NWD and 2.65% in NWS. Chow Tai Fook Enterprises Limited was 100% owned by Centennial Success Limited which is held as to 51% by Cheng Yu Tung Family (Holdings) Limited. NWS is independent from VMS and Ms. Mak Siu Hang, Viola, except their joint investment in the Company.

NWS’s diversified business portfolio in the PRC includes more than 60 projects in the high growth sectors of roads, water, energy, ports and logistics. Two of these projects are located in Hebei Province. NWS has also explored investment opportunities in natural resources and mining projects with a view to developing these investments as part of its core business operations. The investment in the Company is part of that strategy. For further details on NWS, please see the section headed “Relationship with our Controlling Shareholders and Connected Transactions – Background of NWS” in this Prospectus.

- (3) As of the Latest Practicable Date, VMS held the voting non-participating management share in Fast Fortune and therefore had all the voting control in Fast Fortune.

As of the Latest Practicable Date, VMS held approximately 89.1% of all the non-voting participating shares in Fast Fortune, Mr. Lam Yee Ming through Southern Pacific Limited held approximately 7.3% of all the non-voting participating shares in Fast Fortune and the remaining 3.6% of all the non-voting participating shares in Fast Fortune were held by Mr. Chan Ting Lai. Mr. Lam Yee Ming and Mr. Chan Ting Lai are Independent Third Parties.

SALE OF SHARES IN THE GLOBAL OFFERING

Fast Fortune intends to sell some of its Shares in the Global Offering. Please see the section headed “Substantial Shareholders and Selling Shareholder” in this Prospectus for further details. Upon completion of the Global Offering and the Capitalization Issue, the shareholding of Fast Fortune will be reduced to 27.0% (assuming the Over-allotment Option is not exercised) or 23.25% (assuming the Over-allotment Option is exercised in full), without taking into account the options which have been granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme.

The total investment cost of US\$321.9 million (being US\$44.2 million for the Exchangeable Bonds and US\$277.7 million for the equity interest) paid by NWS and VMS through their respective wholly-owned subsidiaries for their respective indirect interests in our Shares, represented a discount of approximately 61.7% to the value of their interests in the Company after the Global Offering and proceeds from the Sale Shares and any sale of Option Shares, assuming the mid-point Offer Price of HK\$2.05. The Controlling Shareholders acquired the Company more than nine months ago. Since then, as discussed above under “– Change in Controlling Shareholders,” the Controlling Shareholders have taken actions since their acquisition of us that have demonstrated their long-term commitment to us. They have injected significant capital to fund the ongoing development of our operations; assisted us in obtaining the relevant licenses, permits and approvals required to commence commercial production; enhanced our management team; and provided leadership and expertise in order to assist us in bringing the Yanjiazhuang Mine from a development stage mining asset into commercial production on 1 January 2011. Since their acquisition of us, iron ore prices in Hebei Province have increased significantly, and almost to previous peak levels in 2008. As a result of the significant capital investments and contributions by our Controlling Shareholders, including assisting the Company in negotiating and entering into the Shougang Agreement which secures 30% of our annual production of iron ore concentrate, the risks associated with the development of our projects have been substantially reduced over the past nine months. Furthermore, our Directors believe that our current Controlling Shareholders bring significant financial expertise and improved corporate governance practices to the Company. Our Controlling Shareholders have further demonstrated their long-term commitment by:

- (i) extending the lock-up period to a period commencing from the date hereof to 30 June 2012, which is effectively a lock-up period of approximately one year after the Listing Date; and

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (ii) undertaking not to offer, pledge, charge, mortgage, sell, contract to pledge, charge, mortgage, sell any option or purchase or contract to purchase any option, right or warrant to purchase or otherwise transfer or dispose of the securities of our Company held by them or engage in certain prohibited hedging transactions if, immediately following such action, disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would then cease to be controlling shareholders of the Company during the period from 1 July 2012 to 31 December 2012.

For more information, please see “Underwriting – Undertakings – Undertakings by our Controlling Shareholders pursuant to the Deeds of Lock-up”.

PROPOSED SPIN-OFF OF OUR COMPANY FROM NWD AND NWS

Pursuant to the Listing Rules and in accordance with the corporate structure and ownership of the Company (as set out in the section “History, Reorganization and Corporate Structure”), the listing of the Company would constitute a spin-off of each of NWD and NWS.

The board of directors of NWD and NWS are of the view that the Proposed Spin-off of the Company will be beneficial for NWD, NWS and the Company as it will:

- (1) provide capital for our operations and new investment opportunities, and free up capital which would otherwise be required from NWS and NWD for such new developments and opportunities;
- (2) increase the operational and financial transparency of the Company and provide investors and the public with greater clarity on our businesses, operations and financial performance;
- (3) allow the Company to establish our own profile as a separately listed entity with the ability to access the debt and equity capital markets to fund our operations, future development and investment opportunities; and
- (4) provide incentives to the Company’s management who are focused on the iron-ore mine operation business.

The Proposed Spin-off by NWD and NWS complies with the requirements of Practice Note 15 of the Listing Rules.

KEY DEVELOPMENT MILESTONES

During the Track Record Period, the Group focused its resources in developing Yanjiazhuang Mine. Important milestones achieved during this period in relation to Yanjiazhuang Mine are set out below.

2006

In May 2006, shortly after the establishment of Xingye Mining, the Group instructed the 11th Geological Brigade to conduct a geological study for Yanjiazhuang Mine.

2007

In May 2007, the 11th Geological Brigade completed their first phase geological study for Yanjiazhuang Mine.

Between June and August 2007, we constructed a connecting road network to link up the operating sites for the development of the initial two mining pits, the dry magnetic cobbing system, the No. 1 Processing Facility and the No. 2 Processing Facility which commenced construction. In September 2007, the Group completed the first test-run for the No. 1 Processing Facility.

At the same time, we paid the construction costs for the upgrade of the Yanjiazhuang Reservoir, a surface water reservoir with an existing water storage capacity of approximately 120,000 m³ which supported our 1,000 ktpa iron ore mining operation.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On 10 December 2007, Xingye Mining became the registered holder of the exploration license for the Yanjiazhuang Mine.

2008

On 27 March 2008, the exploration license was renewed for an extended period through 17 April 2010 and the exploration area was expanded to 3.24 km².

In March 2008, the first open-pit mining pit was excavated. In May, the revamp and upgrade of the No. 1 Processing Facility and the No. 2 Processing Facility were constructed.

In June 2008, the dry magnetic cobbing system was constructed. In the same month, the connecting pipelines directing water from the Yanjiazhuang Reservoir to the No. 1 Processing Facility and the No. 2 Processing Facility were also constructed.

In June and July 2008, the No.1 Processing Facility and the No.2 Processing Facility commenced a test run of their facilities and equipment which was estimated to operate at an average production capacity of up to 3,500 tonnes of iron ore per day, equivalent to approximately 1,000 ktpa of iron ore (based on 300 working days per year).

In July 2008, the second open-pit mining pit was excavated.

2009

On 20 May 2009, Xingye Mining obtained a mining license in respect of the iron ore for Yanjiazhuang Mine for a mining area of 5.22 km². With this mining license, Xingye Mining is permitted to use the open-pit mining method to mine up to 3,000 ktpa of iron ore for the period between 20 May 2009 and 20 July 2017.

In July and August 2009, the Group fine-tuned the operating efficiency of the equipment installed at the No. 1 Processing Facility and the No. 2 Processing Facility such that they could operate at an average processing capacity that could exceed 3,500 tonnes of iron ore per day, equivalent to approximately 1,000 ktpa of iron ore (based on 300 working days per year).

2010

The Company obtained all requisite permits, licenses and approvals necessary for commercial production. In connection with the Global Offering, Sinosteel conducted a pre-feasibility-level technical study.

2011

The Company commenced commercial production on 1 January 2011. Behre Dolbear issued the Independent Technical Report that set forth estimated total measured and indicated resources of approximately 312 Mt and total proved and probable reserves of approximately 260 Mt under the JORC Code. The Company expects to complete Phase One of its expansion plan in June 2011, attaining an ore processing capacity of 3,000 ktpa, and has started preparation for Phase Two of its expansion plan, which is expected to result in an ore processing capacity of 7,000 ktpa. The Company expects to complete Phase Two in the third quarter of 2011. The Company is in the process of applying for an expansion of the existing quota from 3,000 ktpa to 10,500 ktpa of iron ore.