
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Reorganization, the Global Offering and the sale of the Sale Shares, Rich BVI will be interested in approximately 45.00% of our issued share capital (assuming no exercise of the Over-allotment Option and without taking into account Shares which may be issued pursuant to options that may be granted under the Share Option Scheme). Rich BVI is indirectly owned by Credit Suisse Trust Limited as trustee of the Chen Family Trust. Pursuant to the trust deed in respect of the Chen Family Trust, Mr. Chen Wantian, as the protector of the Chen Family Trust, has the power to exercise all voting rights attached to the shares of Rich BVI, while Ms. Zhou Peizhen, as the settlor of the Chen Family Trust, is deemed to be interested in the shares of Rich BVI. As a result, Rich BVI, Mr. Chen Wantian and Ms. Zhou Peizhen are considered as our Controlling Shareholders immediately after the Global Offering. As confirmed by our Controlling Shareholders, none of them nor any of their respective associates engages in or had interests in any business that, directly or indirectly, competes or may compete with our Group's business.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered all relevant factors, we are satisfied that we can conduct our business independently of our Controlling Shareholders (including any associate thereof) after the Global Offering:

(i) Management independence and operational independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, our Board has full authority to make all decisions regarding, and to carry out, our own business operations independently. Our Company (through its subsidiaries or pursuant to certain contractual arrangements) holds or enjoys the benefit of all relevant licenses necessary to carry out our businesses, and has sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders.

Our Board consists of a total of six Directors, comprising three executive Directors and three independent non-executive Directors. Except for Mr. Chen Wantian who is our executive Director, no other Controlling Shareholder holds any directorship in our Company.

In relation to the arrangement pursuant to which Mr. Chen Wancheng and Mr. Chen Wanquan have always taken Mr. Chen Wantian's instruction in exercising their powers as directors and will continue to do so (as further described in the section headed "Directors and Senior Management" in this prospectus), our Directors are of the view that despite the Arrangement, we are able to operate independently from our Controlling Shareholders on the following basis:

- (a) Mr. Chen Wancheng and Mr. Chen Wanquan are neither our Directors nor the proposed Directors of our Company. The aforesaid arrangement refers to their directorship at Longtianyong Nonferrous Metals' level;
- (b) although Mr. Chen Wantian is a Controlling Shareholder, he is also a director of Longtianyong Nonferrous Metals. In his capacity as a director of Longtianyong Nonferrous Metals, he is aware of, and is bound by, his duties under the PRC Company Law which require, among other things, that he acts for the benefit and in the best interests of shareholders of Longtianyong Nonferrous Metals as a whole; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (c) the Arrangement was given by Mr. Chen Wantian in his capacity as a director of Longtianyong Nonferrous Metals and with his cognizance that in giving such instructions he has to do so in compliance with his duties under PRC laws as a director of Longtianyong Nonferrous Metals.

Our management and operational decisions are made by our executive Directors and senior management, most of whom have served our Group for a long time and have substantial experience in the industry in which we are engaged. Moreover, each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interests.

Pursuant to our Articles, a Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company, shall declare the nature of his interest at the meeting of our Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of our Board after he knows that he is or has become so interested. A Director shall not be entitled to vote (nor be counted in the quorum) on a resolution of our Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, except in certain prescribed circumstances, details of which are set out in the section headed “Appendix V — Summary of the Constitution of our Company and Cayman Companies Law” to this prospectus.

The provisions in our Articles ensure that matters involving a conflict of interests which may arise from time to time will be managed in line with accepted corporate governance practice so as to ensure that the best interests of our Company and the Shareholders (including the minority Shareholders) taken as a whole are preserved. Following the Listing, our Board is required to comply with the provisions of the Hong Kong Listing Rules.

Further, we believe our three independent non-executive Directors bring independent judgment to the decision-making process of our Board.

Each of our Controlling Shareholders has undertaken to abstain from voting on any future connected transactions relating to it, him or her and/or its, his or her associates. On the basis of the foregoing, our Directors are of the view that we are independent from our Controlling Shareholders and their associates in terms of management and business operations.

(ii) Administrative independence

We have our own capabilities and personnel to perform all essential administrative functions including financial and accounting management, human resources management and research and development. Our company secretary is independent of our Controlling Shareholders.

(iii) Financial independence

We have our own financial management system and the ability to operate independently from our Controlling Shareholders from a financial perspective. Our Directors believe that we are capable of obtaining financing from external sources without reliance on the Controlling Shareholders. Upon completion of the Global Offering, (i) all amounts due to or from and (ii) all

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

guarantees provided to or from, the Controlling Shareholders to our Company, have been fully settled or released.

DEED OF NON-COMPETITION

Conditional upon the Listing taking place, each of our Controlling Shareholders, (collectively, the “Covenantors” for the purpose of this section headed “Deed of Non-competition”) has entered into the Deed of Non-competition in favor of our Company, pursuant to which each of the Covenantors jointly and severally undertakes to us that with effect from the Listing Date and for as long as the Shares remain listed on the Stock Exchange and the Covenantors are regarded as controlling shareholders (as defined under the Hong Kong Listing Rules), each of the Covenantors will not, and will procure that none of their respective associates will:

- (a) directly or indirectly engage, participate or hold any right or interest in or otherwise be involved in any business in competition with or likely to be in competition with our existing business activity or any principal business activity of any member of the Group or be in competition with us in any business activities which we may undertake in the future (the “Restricted Business”) save for (i) the holding of not more than 5% shareholding interests (individually or any of the Covenantors with their associates collectively) in any listed company in Hong Kong; or (ii) the holding of shares in any listed company in Hong Kong where the Restricted Business conducted or engaged in by such company accounts for less than 10% of the relevant company’s consolidated turnover or consolidated assets, or (iii) where the Covenantors are already, directly or indirectly, interested or invested in the operations of companies which are engaging in Restricted Business and details of which have been specifically disclosed in this prospectus.
- (b) take any direct or indirect action which constitutes an interference with or a disruption to our business activities including, but not limited to, solicitation of our customers, suppliers or staff.

Each of the Covenantors also represents and warrants that, neither it, he or she nor any of its, his or her associates is currently engaging in and has not had any interest in any business that directly or indirectly competes or may compete with our Group’s business.

In addition, each of the Covenantors has jointly and severally undertaken that if any new business opportunity relating to any Restricted Business is made available to any of the Covenantors, it will direct the Restricted Business to us with such required information to enable us to evaluate the merits of the Restricted Business.

Any decision of our Company as to whether or not to engage in the Restricted Business will have to be approved by our independent non-executive Directors. Where our independent non-executive Directors have reviewed the opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business and has declined such opportunity, the Covenantors (or its/his/her associate(s)) may subsequently invest, participate, engage in or operate the Restricted Business as long as the terms by which the Covenantors subsequently invest are not more favorable than those disclosed to our Company. The decision of our independent non-executive Directors on whether to pursue or not to take up the Restricted Business and the corresponding basis will be disclosed in our Company’s annual report or by way of an announcement to the public after the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Where our Company decides and offers to invest, participate, be engaged in and/or operate any Restricted Business with the Covenantor and/or its/his/her associates, the Covenantor and/or its/his/her associates can invest, participate, be engaged in and/or operate such Restricted Business with our Company. Our Company will comply with the requirements of the Hong Kong Listing Rules in case of such cooperation with the Covenantor and/or its/his/her associates.

Each of the Covenantors further jointly and severally undertakes that it/he/she will provide to our Company all information necessary for the enforcement of their above non-competition undertakings.

Our Directors believe that there are adequate corporate governance measures in place to manage the conflict of interests arising from any competing business and to safeguard the interests of the Shareholders as the Deed of Non-competition also provides that:

- (i) our independent non-executive Directors shall review, at least on an annual basis, compliance with the Deed of Non-competition by the Covenantors and the options, pre-emptive rights or first rights of refusal provided by the Covenantors on their existing or future competing businesses;
- (ii) the Covenantors shall provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (iii) the Covenantors shall use their reasonable endeavors to procure that their associates shall provide all information and access to the financial records of the Covenantors and their associates as necessary subject to confidentiality restrictions owed by them to any third party for the annual review by our independent non-executive Directors and professional advisers of our Company with regard to the compliance with and enforcement of the Deed of Non-competition;
- (iv) our Company shall disclose decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the undertaking of the Covenantors under the Deed of Non-competition (for example, the exercise of options or first rights of refusal) either through the annual report of our Company, or by way of announcements to the public;
- (v) the Covenantors shall make declarations on compliance with the Deed of Non-competition in accordance with the principle of making voluntary disclosure in the corporate governance report; and
- (vi) where the Covenantor is a Controlling Shareholder or a Director, such Covenantor shall abstain from voting and shall not be counted in the quorum at any general meeting of our Company or a Board meeting if there is any actual or potential conflict of interest or if there are connected transactions relating to our Controlling Shareholder and/or his or its associates.

The Deed of Non-competition will cease to have effect on any of the Covenantors if he or it ceases to be a Controlling Shareholder of our Company, or the date on which the Listing is withdrawn, whichever occurs first.

All Directors confirmed that they do not engage in or are not interested in any business which competes, or is likely to compete, directly or indirectly, with our Group's business.