
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDER

Immediately following completion of the Global Offering (but not taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the exercise of options under the Share Option Scheme), our Controlling Shareholders, Mr. Ran Chenghao, Mr. Ran Xiaochuan, Mr. Shi Xiangdong, Mr. Zhu Xiaolin, Hover Wealth, Total Flourish, AL Stone and Silver Lion will remain the controlling shareholders of the Company with substantial control over its total issued share capital.

We believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective associates (other than our Group) after Listing for the following reasons:

- (i) as of the Latest Practicable Date, no executive Director had overlapping roles or responsibilities in any business operation other than our business;
- (ii) as of the Latest Practicable Date, none of our Directors had an interest in any business which competes or is likely to compete, either directly or indirectly, with our business;
- (iii) as of the Latest Practicable Date, we had our own independent operation capabilities and independent access to customers and suppliers and we had not entered into any connected transactions with any connected person of our Company. We are also in possession of all relevant permits and licenses necessary to carry on and operate our business and we have sufficient operational capacity in term of capital and employees to operate independently; and
- (iv) we are financially independent of our Controlling Shareholders and their associates. All loans, advances and balances due to and from our Controlling Shareholders and their respective associates have been fully settled and that all share pledges and guarantees provided by our Controlling Shareholders and their respective associates on our Group's borrowing have been fully released. In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing.

Our Directors are satisfied that we are capable of carrying on our business independently from any of our Controlling Shareholders (including their respective associates) after our Company is listed on the Stock Exchange.

Our Directors have confirmed that to the best of their knowledge, information and belief, our Controlling Shareholders and our Directors have no interests in businesses, other than our Group's businesses, which may directly or indirectly compete against the businesses of our Group.

Mr. Ran Chenghao, Mr. Ran Xiaochuan, Hover Wealth, Silver Lion and Total Flourish have agreed to extend the lock-up period for **thirty-six months** from the Listing Date to the Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters); and will not during the same period dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the securities of the Company held by them now or in the future unless the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) consent otherwise. Such extended lock-up period is longer than the lock-up period required under Rule 10.07 of the Listing Rules which indicates that the Controlling Shareholders are confident of the prospects and the future of our Group.

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DEED OF NON-COMPETITION

Each of our Controlling Shareholders has entered into the Deed of Non-competition in favor of the Company, pursuant to which each of our Controlling Shareholders has jointly and severally irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his associates (other than any member of our Company) would not, during the restricted period set out below, directly or indirectly, either on its or his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) any business which is or may be in competition with the business of any member of our Company from time to time (the “Restricted Business”). Such non-compete undertaking does not apply to:

- (i) Any interests in the shares of any member of our Company; or
- (ii) Interests in the shares of a company other than the Company whose shares are listed on a recognized stock exchange provided that:
 - (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or
 - (b) the total number of the shares held by our Controlling Shareholders and/or their respective associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Controlling Shareholders and/or their respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and their respective associates in aggregate; or
 - (c) our Controlling Shareholders and/or their respective associates do not have the control over the board of such company.

The “restricted period” stated in the Deed of Non-competition refers to the period during which (i) the Shares of the Company remain listed and traded on the Stock Exchange; (ii) as far as each Controlling Shareholder is concerned, it or he or its or his associate holds an equity interest in the Company; and (iii) the relevant Controlling Shareholders and/or their respective associates are entitled to jointly or severally exercise or control the exercise of not less than 30% in aggregate of the voting rights at general meetings of the Company.

The Company will adopt the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

- the independent non-executive Directors will review, on an annual basis, the compliance with the non-compete undertaking by our Controlling Shareholders under the Deed of Non-competition;
- our Controlling Shareholders undertake to provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;

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- the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of the Company; and
- our Controlling Shareholders will make confirmation on compliance with their undertaking under the Deed of Non-competition in the annual report of the Company.

DIRECTORS

Each of our Directors confirms that he or she does not have any competing business with our Company. Moreover, pursuant to their service agreements, executive Directors shall not at any time during his or her term of service with our Company without the prior written consent of the Board be or become a director of any company (other than the Company or any other member of our Company) or be engaged, concerned or interested directly or indirectly in any other business, trade or occupation.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that our Company will be able to be operationally and financially independent from our Controlling Shareholders and their associates:

Management Independence

Our Board comprises of six executive Directors, one non-executive Directors and six independent non-executive Directors. We consider that our Board will function independently from our Controlling Shareholders because:

- each Director is aware of his/her fiduciary duties as a Director of the Company which requires, among other things, that he/she acts for the benefit and in the best interests of the Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;
- in the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Company and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of the Company in respect of such transactions and shall not be counted in the quorum; and
- our board comprises thirteen Directors and six of them are independent non-executive Directors, which represents more than one-third of the members of the Board. Such composition is in line with or better than the current corporate governance best practices in Hong Kong according to the Listing Rules.

Financial Independence

On June 27, 2011, our Company capitalized all the outstanding shareholder's loan from Silver Lion by issuing one new Share to Silver Lion, which eliminated our Company's net current liabilities and net deficit positions. We do not expect to receive, nor will we rely on, any future financial support from Silver Lion. We commenced trial production at the end of July 2011 and commercial

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production in October 2011. The commencement of commercial production allowed our Group to begin generating revenue and rely on cash flows from the operations of the mine to fund its working capital and capital expenditure needs. In addition, we have obtained a banking facility amounting to RMB130 million from Agricultural Bank of China in April 2011, which has been completely drawn down as of September 30, 2011.

Our Company has an independent financial system and makes financial decisions according to its own business needs. Taking into account the banking facility from Agricultural Bank of China, the proceeds from the Pre-IPO investment and the proceeds from the Global Offering, and that we are able to obtain financing from third parties such as the Agricultural Bank of China without reliance on our Controlling Shareholders, we believe that we are able to achieve financial independence and sufficient working capital without relying on our Controlling Shareholders. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Global Offering.

Operational Independence

Our Company has an independent work force to carry out its mining business and has not shared its operation team with our Controlling Shareholders. Although there had been certain transactions between us and our related parties during the Track Record Period, details of which are set out in Note 25 to the Accountants' Report set out in Appendix I to this Prospectus, none of the historical related party transactions with our connected persons are expected to continue after Listing.

CORPORATE GOVERNANCE MEASURES

Our Directors have confirmed that they fully comprehend their obligations to act in the best interests of the Company and our Shareholders as a whole. To avoid potential conflicts of interest, we have adopted a system of corporate governance with the following principal components:

- as part of our preparation for the Global Offering, we have amended our Memorandum and Articles to comply with the Listing Rules. In particular, our Articles provide that, except in certain limited circumstances, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting. In addition, our Directors shall abstain from voting and shall not be counted in the quorum in respect of any proposals involving our Directors or any of their affiliates;
- we are committed that our Board should include a balanced composition of executive Directors and non-executive Directors (including six experienced independent non-executive Directors). We believe our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. All six independent non-executive Directors possess strong experiences and stellar reputations in their respective fields of expertise in finance, accounting, investments, consulting and mining and all have long track-record of serving managerial roles and supervising corporate governance in public companies listed in the world's major stock exchanges, leading investment banks, consulting firms or accounting firms. We believe

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that our independent non-executive Directors, who comprise nearly half of the Board seats and a majority of the members of our audit, remuneration and nomination committees, will significantly enhance the standard of corporate governance of the Company and improve transparency and soundness of the Board's decision-making process, which in turn will better serve the interests of our public investors and our Company as a whole. Details of our independent non-executive Directors are set out in the section headed "Directors and Senior Management" in this prospectus;

- we have appointed Guotai Junan Capital Limited as our compliance adviser, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and internal controls;
- any transaction that is proposed between us and our connected persons will be conducted and disclosed in accordance with Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting and independent Shareholders' approval requirements of those rules; and
- in addition, if our independent non-executive Directors consider it necessary or desirable, they may also engage professional advisers (including an independent financial adviser) at the costs of the Company to advise them on matters relating to the non-competition agreement or on any business opportunities which may be referred to us by our Controlling Shareholders.