
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalization Issue (but not taking into account of any Shares which may be sold upon the exercise of the Over-allotment Option and may be issued upon the exercise of options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), our Controlling Shareholders, Wongs Investment and Mr. Huang will remain the controlling shareholders of the Company with substantial control over its total issued share capital.

Mr. Huang is interested in certain other mining assets relating to coal. Our Company has a strong focus on marble as our core commodity and does not focus on coal business. Our Directors believe and Mr. Huang confirms that these companies engaged in the coal mining business do not compete with our Company's existing business. Mr. Huang does not intend to inject such coal mining assets into our Company.

Historically, the role of Mr. Huang, our Controlling Shareholder, has been to assist the Company in identifying and acquiring our initial strategic assets (i.e., marble mines). However, a team of professional management has been hired for our Company and hence Mr. Huang has neither been involved in the daily development of our marble mines nor in the operation of our Company. We have been operating independently from our Controlling Shareholders. Mr. Huang's role is expected to be limited to exerting influence on the Company at the shareholder level as he is, and will continue to be after the Listing, our Controlling Shareholder of the Company.

Qinghai Xiancheng Mining Joint Stock Company (青海賢成礦業股份有限公司) (previously known as Qinghai Xiancheng Industry Joint Stock Company) ("Qinghai Xiancheng"), a publicly-listed company listed on the Shanghai Stock Exchange of which Mr. Huang was a controlling shareholder and director, entered into a series of guarantee agreements (the "Guarantee Agreements") with commercial banks in China from 2002 to 2005. Under the Guarantee Agreements, Qinghai Xiancheng provided guarantees on loans totaling RMB94.5 million, RMB159.5 million, RMB602.5 million and RMB565 million, in 2002, 2003, 2004 and 2005, respectively. Such guarantees were not disclosed in Qinghai Xiancheng's periodic reports filed pursuant to the PRC Securities Law. The CSRC instituted an investigation against Qinghai Xiancheng for the failure to disclose such guarantees provided by Qinghai Xiancheng. Following the investigation, the CSRC issued a censure against Qinghai Xiancheng and all members of the board of directors of Qinghai Xiancheng, including Mr. Huang. Mr. Huang and a number of the directors were also subject to a fine ranging from RMB30,000 to RMB50,000.

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.

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,

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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:
 - (i) 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
 - (ii) 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
 - (iii) 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:

- (i) 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;
- (ii) 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;
- (iii) 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
- (iv) our Controlling Shareholders will make confirmation on compliance with their undertaking under the Deed of Non-competition in the annual report of the Company.

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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 four executive Directors, one non-executive Director and three independent non-executive Directors. We consider that our Board will function independently from our Controlling Shareholders because:

- (i) 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;
- (ii) 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
- (iii) our Board comprises eight Directors and three 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

Our Company has an independent financial system and makes financial decisions according to its own business needs. We are able to obtain financing from third parties or from our internally generated funds without reliance 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 28 to the Accountants' Report set out in Appendix I to this Prospectus, our Directors have confirmed that these related party transactions were conducted in the ordinary course of business and on terms more favorable than terms available from an Independent Third Party. None of the historical related party transactions with our connected persons are expected to continue after the Listing.

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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 independent non-executive Directors). We have appointed Mr. Deng Huiqing, Mr. Liu Yuquan and Mr. Chu Ho Hwa, Howard as our 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. 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.