
HISTORY AND DEVELOPMENT

HISTORY AND DEVELOPMENT

The following are the important milestones of our business history:

November 2003	Incorporation of Yifeng Wanguo, our principal operating subsidiary in the PRC
October 2006	Yifeng Wanguo obtained a mining licence for the Xinzhuang Mine and commenced its mining business
August 2007	Commercial production at the Xinzhuang Mine commenced
May 2011	Incorporation of our Company
July 2011	Our Company became the holding company of our Group

Our History

Our Company was incorporated in the Cayman Islands as an exempted company under the Cayman Islands Companies Law on 13 May 2011. As at the Latest Practicable Date, Victor Soar and Achieve Ample held 67% and 33% of the issued share capital of our Company, respectively.

Our Company's subsidiaries outside the PRC include MIH and HK Taylor which are both investment holding companies and wholly owned subsidiaries of our Company. They were established or acquired for the purpose of holding our Company's interests in Yifeng Wanguo, the principal operating entity of our Group engaging in the business of mining and processing of copper, iron, zinc, lead and associated ores, and the sale of the aforesaid mining products in the PRC.

Mr. Gao and Ms. Gao are the founders of our Group. They have been long acquaintances since 1988 when they were colleagues at Quanzhou City Sugar and Wine Subsidiary Foodstuff Company (泉州市糖酒副食品公司) in Fujian Province, PRC and do not have any family relationship with each other. Since 1996, they have worked on various business ventures together, including the general trading of mining and other products conducted by Quanzhou Wanguo. From these earlier profit-generating businesses and investment activities, Mr. Gao and Ms. Gao had accumulated a modest amount of capital, and they decided to further their investment interests in the mining industry. In order to benefit from the business foundations and sources of funding developed by Quanzhou Wanguo, Mr. Gao and Ms. Gao invested in Yifeng Wanguo through Quanzhou Wanguo.

Yifeng Wanguo

In 2002, Mr. Gao as the chairman of Quanzhou Wanguo became interested in the investment opportunities at the Xinzhuang copper-lead-zinc mining area after he was acquainted with the mineral resources development status in Jiangxi and being introduced to West-Jiangxi Brigade, the original owner of the exploration licence at the Xinzhuang copper-lead-zinc mining area (the "Xinzhuang Exploration Licence") where the Xinzhuang Mine is located. West-Jiangxi Brigade

HISTORY AND DEVELOPMENT

was established in 1998 as a PRC state business unit (事業單位), a social institution that is run by PRC State organs or other organisation using State-owned assets for the purpose of social and public interests in the PRC. Its principal activities include geological surveying, exploration of mineral resources, project surveying and construction, prevention of geological disasters, surveying and mapping, testing and related businesses.

Upon conducting further analysis of the mineral resources situation in Jiangxi and negotiation with West-Jiangxi Brigade, Quanzhou Wanguo decided to invest in the Xinzhuang Mine by entering into a cooperation agreement with West-Jiangxi Brigade in August 2002. Under the said cooperation agreement, Quanzhou Wanguo and West-Jiangxi Brigade agreed to establish a joint venture entity, namely Yifeng Wanguo, for the purpose of holding the Xinzhuang Exploration Licence and through which to obtain the mining licences and permits required before commencing commercial production at the Xinzhuang mining area. The parties agreed that West-Jiangxi Brigade shall be responsible for conducting geological surveys and providing the surveying and mapping information of the Xinzhuang mining area, liaising with the local counterparties and subsequently handling the registration of the mining rights. On the other hand, Quanzhou Wanguo shall be responsible for implementing the engineering and construction works on-site.

The business of our Group has been operated by Yifeng Wanguo since its date of establishment on 26 November 2003 as a limited liability company in the PRC. Yifeng Wanguo's current business scope is mining and processing of copper, lead, zinc, iron and associated ores and the sale of the aforesaid mining products and non-ferrous products with a valid operation period until October 2053. At the time of establishment of Yifeng Wanguo, Quanzhou Wanguo invested RMB6,855,000 as registered capital in cash, while West-Jiangxi Brigade invested RMB3,315,000 as registered capital, of which RMB1,281,000 was contributed in cash and RMB2,034,000 was invested by way of injection of an intangible asset, representing a part of the 50% of the total appraised value of the exploration rights in the Xinzhuang Mine as at 30 March 2003. The total appraised value of the exploration rights in the Xinzhuang Mine as at 30 March 2003 was approximately RMB12 million which was appraised by a certified asset valuer in the PRC.

Based on the above appraised value and an arm's length negotiation between West-Jiangxi Brigade and Quanzhou Wanguo and considering the restriction under the then applicable PRC law that intangible assets injected into a company in the PRC shall not account for more than 20% of its registered capital, the parties agreed that RMB3,966,000 (being the difference between 50% of the appraised value of the exploration rights in the Xinzhuang Mine as at 30 March 2003 and RMB2,034,000 which was invested as registered capital) was credited as capital reserve of Yifeng Wanguo.

The following table sets out the registered capital of Yifeng Wanguo held by each of Quanzhou Wanguo and West-Jiangxi Brigade at the time of its establishment:

	<i>RMB</i>	<i>%</i>
Quanzhou Wanguo	6,855,000	67.4
West-Jiangxi Brigade	3,315,000 ^(Note)	32.6
	<u>10,170,000</u>	<u>100.0</u>

Note: The amount of RMB3,315,000 represents the sum of the cash amount of RMB1,281,000 and an intangible asset of RMB2,034,000, which accounted for 20% of the entire registered capital of RMB10,170,000 of Yifeng Wanguo at the time of its establishment.

HISTORY AND DEVELOPMENT

As a result, Yifeng Wanguo had a registered capital of RMB10.17 million at the time of establishment, and was held as to 67.4% by Quanzhou Wanguo. The remaining 32.6% of the equity interest in Yifeng Wanguo was held by West-Jiangxi Brigade.

After the establishment of Yifeng Wanguo, the Department of Land and Resources of Jiangxi Province approved the transfer of the remaining 50% of the appraised value of the Xinzhuang Exploration Licence to Yifeng Wanguo in November 2003. Subsequently, West-Jiangxi Brigade and Yifeng Wanguo entered into an exploration right transfer agreement on 1 December 2003 for transferring to Yifeng Wanguo the remaining 50% of the appraised value of the Xinzhuang Exploration Licence. The consideration of RMB6 million for the said transfer was determined based on the 30 March 2003 valuation prepared by a certified asset valuer in the PRC and it was fully paid by Yifeng Wanguo on 27 October 2011. Upon approval by the Department of Land and Resources of Jiangxi Province, the ownership of the entire Xinzhuang Exploration Licence was effectively transferred to Yifeng Wanguo on 11 November 2003.

On 5 February 2004, a shareholder resolution was passed pursuant to which the registered capital of Yifeng Wanguo was increased from RMB10.17 million to RMB15.17 million by the capital contribution of RMB5 million from Mr. Gao. As a result of such capital contribution, Mr. Gao, Quanzhou Wanguo and West-Jiangxi Brigade were interested in 33%, 45.2% and 21.8% of the registered capital of Yifeng Wanguo, respectively.

After obtaining the Xinzhuang Exploration Licence, Yifeng Wanguo proceeded with the application of the mining licence for the Xinzhuang Mine, which was issued by the Department of Land and Resources of Jiangxi Province on 15 June 2004 and was valid from June 2004 until June 2009. Subsequent to obtaining the mining licence and obtaining PRC government approvals in respect of safety compliance, environmental protection compliance and project construction matters related to the operations of the Xinzhuang Mine, on 8 August 2006, the local branch of the NDRC issued to Yifeng Wanguo the approval for the setting up of mining operations at Xinzhuang Mine. Following NDRC's approval, the Department of Land and Resources of Jiangxi Province renewed the mining licence on 31 October 2006 for the mining of copper, lead, zinc and iron at Xinzhuang Mine over a geographical scope of 3.7692 km². The October 2006 mining licence was further renewed by the Department of Land and Resources of Jiangxi Province for various times, and the current mining licence is valid from 20 April 2012 to 20 April 2032. For further details on the mining right owned by the Group, please refer to the section headed "Business – Mining Right" in this prospectus.

On 2 August 2005, a shareholder resolution was passed pursuant to which the registered capital of Yifeng Wanguo was further increased to RMB27.63 million by the capital contribution of RMB12.46 million from Quanzhou Wanguo. As a result of the said capital contribution, Mr. Gao, Quanzhou Wanguo and West-Jiangxi Brigade were interested in 18.1%, 69.9% and 12% of the registered capital of Yifeng Wanguo, respectively.

On 17 November 2007, an equity joint venture agreement was entered into among HK Taylor, Quanzhou Wanguo and West-Jiangxi Brigade which was subsequently superceded by the Joint Venture Agreement (as defined below).

HISTORY AND DEVELOPMENT

On 7 December 2007, in order to reflect the asset value of Yifeng Wanguo based on an appraisal report prepared by an independent appraisal firm qualified in the PRC and in preparation for the transfer of equity interests in Yifeng Wanguo by Mr. Gao, Quanzhou Wanguo and Ms. Gao to HK Taylor on 8 January 2008, the registered capital of Yifeng Wanguo was further increased to RMB101.8 million, of which RMB16.87 million, RMB67.72 million, RMB12.22 million and RMB5 million were contributed by Mr. Gao, Quanzhou Wanguo, West-Jiangxi Brigade by way of conversion from capital reserve and Ms. Gao by way of cash, respectively. Upon the completion of the increase of registered capital on 7 December 2007, Yifeng Wanguo was owned as to 16.6% by Mr. Gao, 4.9% by Ms. Gao, 66.5% by Quanzhou Wanguo and 12% by West-Jiangxi Brigade.

On 8 January 2008, Mr. Gao, Quanzhou Wanguo and Ms. Gao transferred 16.6%, 38.5% and 4.9% equity interests in Yifeng Wanguo to HK Taylor, respectively. The consideration for the transfers by Mr. Gao, Quanzhou Wanguo and Ms. Gao was RMB20.34 million, RMB47.28 million and RMB6.03 million respectively and was determined on an arm's length basis and with reference to the net asset value of Yifeng Wanguo based on an appraisal report prepared by an independent appraisal firm qualified in the PRC. Such transfer was approved by the competent authority, Jiangxi Foreign Trade and Economic Cooperation Bureau (currently named as Jiangxi Province Department of Commerce), on 21 December 2007 and there is no other approval required for such transfer under the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (“M&A Rules”) (關於外國投資者併購境內企業的規定) as advised by our PRC Legal Advisers. Upon completion of the registration with Yichun Administration for Industry and Commerce on 8 January 2008, Yifeng Wanguo was converted from a domestic PRC company to a sino-foreign equity joint venture enterprise and owned as to 60% by HK Taylor, 28% by Quanzhou Wanguo and 12% by West-Jiangxi Brigade and, as advised by our PRC Legal Advisers, the above transfer was the only transaction under our historical reorganisations which required the said approval under the M&A Rules. On the same date, the business scope of Yifeng Wanguo was also changed to mining and processing of copper, lead, zinc, iron and the associated ores and sale of the aforesaid mining products.

Pursuant to an equity transfer agreement dated 15 May 2008 entered among Quanzhou Wanguo, West-Jiangxi Brigade and HK Taylor, HK Taylor acquired a further 15% equity interest in Yifeng Wanguo from Quanzhou Wanguo for a consideration of RMB17.16 million, which was determined on an arm's length basis with reference to the net asset value of Yifeng Wanguo based on an appraisal report prepared by an independent appraisal firm qualified in the PRC. Upon the completion of the transfer on 16 June 2008, Yifeng Wanguo was held as to 75% by HK Taylor, 13% by Quanzhou Wanguo and 12% by West-Jiangxi Brigade.

As part of the Reorganisation, on 2 March 2011, HK Taylor and Quanzhou Wanguo entered into an equity transfer agreement for the transfer of 13% equity interest in Yifeng Wanguo from Quanzhou Wanguo to HK Taylor for a consideration of RMB20.5 million, which was determined on an arm's length basis with reference to the net asset value of Yifeng Wanguo based on an appraisal report prepared by an independent appraisal firm qualified in the PRC. Please refer to the section headed “History and Development – Reorganisation” of this prospectus for details of the transfer. Upon completion of the said transfer, Quanzhou Wanguo does not form part of our Group. Please refer to the section headed “Our Relationship with Controlling Shareholders – Overview” for further information on Quanzhou Wanguo. Upon completion of the transfer on 31 March 2011, Yifeng Wanguo was owned as to 88% by HK Taylor and 12% by West-Jiangxi Brigade.

HISTORY AND DEVELOPMENT

In connection with the equity transfer agreement entered into on 2 March 2011 above, HK Taylor and West-Jiangxi Brigade entered into an equity joint venture agreement on 25 March 2011 (the “**Joint Venture Agreement**”). This Joint Venture Agreement substantially follows and supersedes the equity joint venture agreement entered into between HK Taylor, Quanzhou Wanguo and West-Jiangxi Brigade in November 2007. Under the Joint Venture Agreement, HK Taylor and West-Jiangxi Brigade agreed to convert Yifeng Wanguo as a sino-foreign equity joint venture enterprise (the “**Joint Venture Company**”) for conducting mining and processing of copper, lead, zinc, iron and the associated ores and sale of the aforesaid mining products. The term of the Joint Venture Company was 50 years, which can be renewed upon obtaining unanimous board approval and approval from relevant authorities no later than six months before the end of the term. Pursuant to the Joint Venture Agreement, the total amount of investment of the Joint Venture Company was RMB301.8 million and the amount of registered capital was RMB101.8 million. HK Taylor shall contribute RMB89,584,000 representing 88% of the registered capital of Yifeng Wanguo, and West-Jiangxi Brigade shall contribute RMB12,216,000 representing 12% of the registered capital of Yifeng Wanguo. The board of the Joint Venture Company shall consist of five members, of which HK Taylor shall have the right to appoint four directors, and West-Jiangxi Brigade shall have the right to appoint one director. The Joint Venture Agreement also stipulated that West-Jiangxi Brigade shall be responsible for liaising with the local PRC authorities for establishing the Joint Venture Company and obtaining the relevant land use rights, assisting the Joint Venture Company to set up its processing plant and ancillary facilities and recruiting employees, while HK Taylor shall be primarily responsible for providing capital to the Joint Venture Company and generally handling all other matters as required by the Joint Venture Company from time to time. The Joint Venture Agreement can be terminated by unanimous board consent either if the Joint Venture Company has been operated at a loss in successive years or is unable to continue its operations. In the event of any joint venture party committing a material breach of its obligations under the Joint Venture Agreement to the extent that the Joint Venture Company can no longer continue to operate or realise the business goals stipulated under the Joint Venture Agreement, the breaching party will be deemed as unilaterally terminating the Joint Venture Agreement, and the non-breaching party shall be entitled to either terminate the Joint Venture Agreement or apply to relevant authorities to replace the breaching party with another investor as a shareholder.

Under the Joint Venture Agreement and the applicable PRC laws, directors’ unanimous consent is required for certain important decisions relating to the corporate governance of Yifeng Wanguo such as (i) amendment to the articles of association, (ii) increase or decrease of the registered capital; and (iii) dissolution. However, directors’ unanimous consent is not required for decisions in respect of the normal operations and business activities of Yifeng Wanguo.

As advised by our PRC Legal Advisers, Yifeng Wanguo has completed the relevant registration and obtained the relevant approvals for its historical reorganisations as required under the applicable PRC laws and regulations. Our PRC Legal Advisers further advised that the Listing does not require the approval or endorsement of West-Jiangxi Brigade.

HISTORY AND DEVELOPMENT

The Management Entrustment Agreements

After the establishment of Yifeng Wanguo in November 2003, West-Jiangxi Brigade has relied on the experience and capabilities of the directors and senior management of Quanzhou Wanguo and subsequently those of our Group for managing the development and business operations of Yifeng Wanguo. For the purpose of improving the management efficiency of Yifeng Wanguo, a management entrustment agreement was entered into on 2 December 2006 between Quanzhou Wanguo and West-Jiangxi Brigade (the “**First Management Entrustment Agreement**”), and another management entrustment agreement dated 4 January 2011 was entered into between HK Taylor and West-Jiangxi Brigade (the “**Second Management Entrustment Agreement**”) in anticipation of the equity transfer of 13% interest in Yifeng Wanguo from Quanzhou Wanguo to HK Taylor in March 2011 (the First Management Entrustment Agreement and the Second Management Entrustment Agreement collectively, the “**Management Entrustment Agreements**”). Pursuant to the First Management Entrustment Agreement, it was agreed, inter alia, that (i) after-tax dividends fixed at the amounts of RMB2.0 million, RMB2.8 million, RMB3.1 million, RMB4.03 million and RMB5.24 million shall be paid to West-Jiangxi Brigade from Yifeng Wanguo for the five years ended 31 December 2011, respectively, and RMB6 million each year thereafter, and (ii) Quanzhou Wanguo shall be responsible for the operations and management of Yifeng Wanguo until the dissolution of Yifeng Wanguo, and West-Jiangxi Brigade shall cease to be liable for any liabilities and risks arising from the operations of Yifeng Wanguo, which shall be assumed by Quanzhou Wanguo solely from the date of the First Management Entrustment Agreement. Pursuant to the Second Management Entrustment Agreement, it was agreed, inter alia, that (i) after-tax dividends fixed at the amounts of RMB5.24 million shall be paid to West-Jiangxi Brigade from Yifeng Wanguo for the year ended 31 December 2011 and RMB6 million each year thereafter, and (ii) HK Taylor shall be responsible for the operations and management of Yifeng Wanguo until the dissolution of Yifeng Wanguo, and West-Jiangxi Brigade shall cease to be liable for any liabilities and risks arising from the operations of Yifeng Wanguo, which shall be assumed by HK Taylor solely from the date of the Second Management Entrustment Agreement. While our PRC Legal Advisers subsequently confirmed that the Management Entrustment Agreements were not legally binding under PRC law, we were not aware of this when the Management Entrustment Agreements were entered into.

For the two years ended 31 December 2008, the dividends declared by the board of directors of Yifeng Wanguo to West-Jiangxi Brigade were approximately RMB1.6 million and RMB2.1 million, respectively, representing a shortfall of approximately RMB369,200 and RMB670,000 for the two years ended 31 December 2008, respectively when compared to those amounts as set out in the First Management Entrustment Agreement. The shortfall for the year ended 31 December 2007 was attributable to the commencement of our commercial production in August 2007 which affected the annual financial performance of Yifeng Wanguo during that year, and the shortfall for the year ended 31 December 2008 was due to the blizzard in central and southern China that had an adverse impact on the production volume of Yifeng Wanguo in the first half of 2008, and the global financial crisis in 2008 leading to a significant decrease in the market price of mining products in the second half of 2008. Further, the dividends declared by the board of directors of Yifeng Wanguo to West-Jiangxi Brigade for the two years ended 31 December 2010 aggregated to approximately RMB6.1 million, which represented a shortfall of approximately RMB1.03 million in aggregate when compared to the amounts in total as set out in the First Management Entrustment Agreement. The shortfall was a result of the global financial crisis on the world economy in 2008 which impact continued to adversely affect the business and financial performance of Yifeng Wanguo in 2009.

HISTORY AND DEVELOPMENT

Quanzhou Wanguo has been in a good and stable relationship with West-Jiangxi Brigade as business partners and had no material dispute with West-Jiangxi Brigade in respect of Yifeng Wanguo. Quanzhou Wanguo has also maintained regular communications with West-Jiangxi Brigade regarding the business and financial performance of Yifeng Wanguo. With West-Jiangxi Brigade's willingness to extend its support to Yifeng Wanguo during periods of unfavourable financial and market conditions, the board of directors of Yifeng Wanguo, including the director appointed by West-Jiangxi Brigade, unanimously affirmed the decision to declare the dividend amounts payable to West-Jiangxi Brigade which were lower than those set out in the Management Entrustment Agreements.

The shortfall arising from the difference between the dividend amounts declared in accordance to the board resolutions and the dividends amounts set out in the Management Entrustment Agreements were not accounted for in our accountants' report as set out in Appendix I to this prospectus as our PRC Legal Advisers have advised that the Management Entrustment Agreements are not legally binding under the PRC laws. The dividends distributions were recognised in our accountants' report as set out in Appendix I to this prospectus in accordance with the decisions resolved and approved by the board of Yifeng Wanguo.

Our Group had discussed with West-Jiangxi Brigade to resolve potential dividend distribution issues related to the Management Entrustment Agreements. As a result of the discussion, West-Jiangxi Brigade issued written confirmation to the Group on 20 February 2012 setting out the following:

- (i) it would not initiate any claims against Quanzhou Wanguo, HK Taylor, Yifeng Wanguo, Mr. Gao, Ms. Gao and other directors and senior management members of Yifeng Wanguo concerning the dividend distribution arrangements as approved by the board of directors of Yifeng Wanguo;
- (ii) it would not require Quanzhou Wanguo and/or the Group to repay the shortfall of dividends from 2007 to 2010;
- (iii) it would not require Quanzhou Wanguo and/or the Group to distribute dividends for the year ended 31 December 2011 at the amount as stipulated in the Second Management Entrustment Agreement;
- (iv) it would not require Quanzhou Wanguo and/or the Group to be liable for any breaches of the Management Entrustment Agreements;
- (v) it would not early terminate the Joint Venture Agreement by the reason of any enforcement issues related to the Management Entrustment Agreements;
- (vi) it would respect all decisions of the board of directors of Yifeng Wanguo concerning its dividend distribution arrangements; and
- (vii) it would no longer enforce all the terms of the Management Entrustment Agreements in the future.

HISTORY AND DEVELOPMENT

Our PRC Legal Advisers have advised that the Management Entrustment Agreements are not legally binding considering the Answers of the Supreme People's Court to Certain Questions Concerning the Trial of Cases Involving Disputes over Joint Operation Contracts (最高人民法院關於審理聯營合同糾紛案件若干問題的解答), which is a judicial interpretation issued by the Supreme People's Court that is authorised to formulate such judicial interpretation, and is legally enforceable. Under the above judicial interpretation, where an institution invests in a joint operation unit as a party thereto, if the institution neither participates in the business operation nor bears the liability for the risk in connection with the joint operation but it collects fixed profits as scheduled regardless of profit or loss of the joint operation unit, the relevant financial laws and regulations such as the then effective Interim Regulation on the Banks Administration are violated and the joint operation contract shall be determined invalid. As West-Jiangxi Brigade is entitled to a fixed amount of dividend and is not liable for any liabilities and risk arising from the operations of Yifeng Wanguo under the Management Entrustment Agreements, such agreements have violated the relevant financial laws and regulations in the PRC and therefore are not legally binding. Given that the Management Entrustment Agreements are not legally binding and West-Jiangxi Brigade has issued the written confirmation on 20 February 2012, our Group will not be required to repay the historical shortfall of dividends to West-Jiangxi Brigade or any default fees under the First Management Entrustment Agreement nor to comply with the Management Entrustment Agreements in the future. Besides, West-Jiangxi Brigade will not take further actions against our Group as a result of Quanzhou Wanguo or HK Taylor not complying with the Management Entrustment Agreements.

For the year ended 31 December 2011 and thereafter, the board of directors of Yifeng Wanguo will distribute dividends to its equity holders on a pro rata basis in accordance with their respective equity interests in Yifeng Wanguo. For details of our Group's dividend policy, please refer to the section headed "Financial Information – Dividend and Dividend Policy".

Capital Reduction Agreement

On 3 March 2012, Yifeng Wanguo, West-Jiangxi Brigade and HK Taylor entered into the Capital Reduction Agreement pursuant to which, among other things, the registered capital of Yifeng Wanguo shall be reduced and West-Jiangxi Brigade shall redeem its 12% equity investment in Yifeng Wanguo for approximately RMB207.9 million, which was determined on an arm's length basis with reference to the anticipated level of mineral reserves, production and life of and profits generated from the Xin Zhuang Mine and the corresponding economic benefits to be received by West-Jiangxi Brigade as a holder of equity interests in Yifeng Wanguo. In accordance with the PRC Laws, an independent valuer is required to be appointed in relation to the capital reduction and the consideration payable under the Capital Reduction Agreement generally cannot be lower than the corresponding net asset value of Yifeng Wanguo as appraised by an independent valuer. Therefore, an independent valuer was engaged to appraise the net asset value of Yifeng Wanguo as at 31 December 2011, which was appraised at approximately RMB262.6 million, and the corresponding share of such net asset value to which West-Jiangxi Brigade entitled amounted to approximately RMB31.5 million. The independent valuer's appraisal was based on the cost replacement basis, which assessed the potential re-sale value of the assets of Yifeng Wanguo. Our Company did not only take into account such appraised value when determining the consideration under the Capital Reduction Agreement. On the contrary, the consideration under the Capital Reduction Agreement was determined based on an arm's length negotiation between the parties and by taking into consideration the future income to be generated from Yifeng Wanguo's operations and the mining capacity expansion at the Xin Zhuang Mine, which were not considered by the independent valuer's appraisal. Our Directors are of the view that the difference between the appraised value and the

HISTORY AND DEVELOPMENT

consideration under the Capital Reduction Agreement is reasonable because the net asset value appraised by the independent valuer, which was prepared for the sole purpose of compliance with the requirements under the PRC Laws, does not reflect the future potential of the Xinzhuang Mine. As advised by our PRC Legal advisers, the consideration under the Capital Reduction Agreement, being higher than West-Jiangxi Brigade's share of the corresponding net asset value as appraised by the independent valuer, and its determination method do not violate the PRC Laws.

The redemption monies of approximately RMB207.9 million shall be payable by Yifeng Wanguo to West-Jiangxi Brigade by instalments set out below:

- (i) RMB6 million within five working days after the completion of the Capital Reduction Agreement;
- (ii) RMB6 million in December of the year in which the completion of the Capital Reduction Agreement took place and the year thereafter respectively;
- (iii) RMB20 million in December of the second year after the year in which the completion of the Capital Reduction Agreement took place, being 2014; and
- (iv) approximately RMB42.5 million in December of each of the third year to the sixth year after the year in which the completion of the Capital Reduction Agreement took place, being 2015 to 2018.

Our Directors believe that the payment of the redemption monies under the Capital Reduction Agreement can be funded by the existing internal financial resources and revenue generated by the operations of Yifeng Wanguo. However, our Company can also provide Yifeng Wanguo with further funding by way of additional equity investment in or shareholder's loan to Yifeng Wanguo if and when necessary.

The above capital reduction of Yifeng Wanguo was adopted so as to consolidate the entire equity interest in Yifeng Wanguo into our Group because, based on the negotiation with West-Jiangxi Brigade and the advice of our PRC Legal Advisers, our Directors believe it to be the faster means compared to, for example, equity transfer. Our Directors are of the view that the capital reduction of Yifeng Wanguo does not materially affect the operation of our Group. As a result of the capital reduction of Yifeng Wanguo, our Group has recorded a current liability of RMB12 million and a long-term liability of RMB142 million which are the present values of the redemption monies payable by Yifeng Wanguo to West-Jiangxi Brigade. Our Directors are of the view that our cash and cash equivalents as at 31 December 2011 of RMB37.4 million will be sufficient to settle the liabilities that fall due within a year while the long-term liability is expected to be paid using the internal financial resources generated from the operations of Yifeng Wanguo.

We expect to finance our working capital requirements for the 12 months following the date of this prospectus as required by the Listing Rules with the sources of funding as discussed in the section headed "Financial Information – Working Capital" in this prospectus, and having considered the relevant sources of funding available to our Group, our Directors are of the view that the expected payment of the redemption monies under the Capital Reduction Agreement will not have material impact on the cashflow and working capital position of our Group and that we will have sufficient funds for 125% of our present working capital requirements for at least 12 months from the date of this prospectus as required by the Listing Rules.

HISTORY AND DEVELOPMENT

As to the net asset position of our Group, the net assets of our Group had been reduced by approximately RMB154 million as a result of the reduction in the total equity of Yifeng Wanguo of approximately RMB154 million upon completion of the Capital Reduction Agreement.

Our Directors currently anticipate that the reduction in net assets of our Group as a result of the completion of the capital reduction would be offset entirely by the estimated net proceeds of approximately RMB182 million (based on the Offer Price of HK\$1.75, being the low end of the Offer Price range) to be received by our Group from the Share Offer.

Upon completion of the capital reduction, West-Jiangxi Brigade ceased to hold any equity interest in Yifeng Wanguo and the future profit and loss of Yifeng Wanguo will no longer be shared by West-Jiangxi Brigade.

Other major terms of the Capital Reduction Agreement are set out below:

- (a) the Capital Reduction Agreement shall be completed and become effective and legally binding only upon the necessary approval by the relevant authorities in the PRC;
- (b) upon the approval and registration of the capital reduction under the Capital Reduction Agreement by the relevant authorities in the PRC, the total investment and the registered capital of Yifeng Wanguo shall be reduced to approximately RMB268.8 million and RMB89.6 million, respectively;
- (c) Yifeng Wanguo shall provide a mortgage in favour of West-Jiangxi Brigade over Yifeng Wanguo's right in the State-owned Land Use Rights Certificate numbered "Yifeng County State-owned 2011-556" (宜豐縣國用(2011)第556號) for securing the obligations of Yifeng Wanguo in paying the redemption monies under the Capital Reduction Agreement. In case Yifeng Wanguo fails to pay the redemption monies in accordance with the Capital Reduction Agreement, West-Jiangxi Brigade shall request for rectification by Yifeng Wanguo within 90 days, failing which the mortgage shall become exercisable;
- (d) the Capital Reduction Agreement is subject to termination by the parties in the event of, among other things, force majeure or the serious breach of the Capital Reduction Agreement by any party;
- (e) in case of termination or breach of the Capital Reduction Agreement after the completion of registration of the capital reduction with the relevant authorities, the capital reduction shall not be affected and the parties to the Capital Reduction Agreement shall seek other forms of remedies; and
- (f) in case of delay in the instalment payments of capital redemption monies to West-Jiangxi Brigade, a daily charge of 0.025% of the amount of delayed payment shall be paid by Yifeng Wanguo to West-Jiangxi Brigade.

HISTORY AND DEVELOPMENT

The Capital Reduction Agreement does not contain, and the capital reduction does not result in, any restrictions in the future operations of Yifeng Wanguo. The land under the mortgage to be provided by Yifeng Wanguo under the Capital Reduction Agreement is intended to be used by our Group for building supporting facilities such as offices and staff quarters. Such buildings are being constructed on the subject land and targeted to be completed by the end of 2012. The Directors are of the view that the operation of our Group will not be materially affected if the mortgage is exercised by West-Jiangxi Brigade because the subject land is only intended for supporting facilities and the Directors believe that our Group would be able to relocate such supporting facilities to other land premises of the Group if necessary.

The Capital Reduction Agreement was approved by the competent authority, Yichun Municipal Commerce Administration Bureau (宜春市商務局) on 23 April 2012 and the registration of the capital reduction of Yifeng Wanguo with the relevant authorities in the PRC was completed on 27 April 2012. Upon completion of the above registration, the total investment and the registered capital of Yifeng Wanguo were reduced to approximately RMB268.8 million and RMB89.6 million, respectively, and Yifeng Wanguo became a direct wholly-owned subsidiary of HK Taylor. Yifeng Wanguo was also converted into a wholly foreign-owned enterprise. As West-Jiangxi Brigade ceased to hold any equity interest in Yifeng Wanguo, the Joint Venture Agreement shall cease to be effective.

HK Taylor

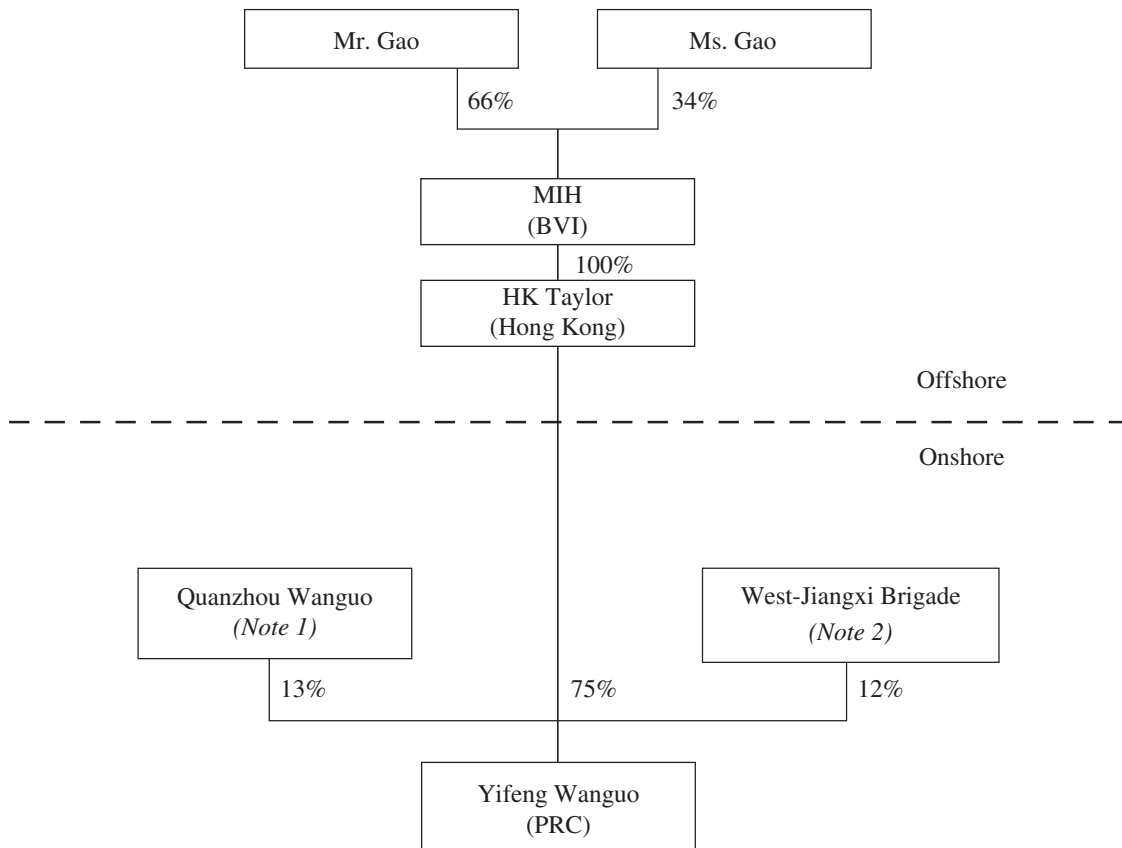
HK Taylor was incorporated in Hong Kong on 14 August 2006 as a limited liability company. It has been principally engaged in the business of investment holding since its incorporation. For the purpose of consolidating the equity interests in Yifeng Wanguo into one single offshore holding entity, Mr. Li Kwok Ping, a non-executive Director, subscribed for and was allotted with 9,999 shares of HK\$1.00 each in the share capital of HK Taylor for a consideration of HK\$9,999 on 7 November 2007 and acquired the remaining issued share in HK Taylor, being 1 share of HK\$1.00 each, from Wilpac Limited, an Independent Third Party, on 12 November 2007 for the consideration of HK\$1. Subsequent to the above share allotment and acquisition, Mr. Li Kwok Ping held the entire issued share capital of HK Taylor. On 5 January 2008, a trust agreement was entered into between Mr. Gao and Mr. Li Kwok Ping pursuant to which Mr. Li Kwok Ping agreed to hold the entire issued share capital of HK Taylor on trust for Mr. Gao because, in 2008, Mr. Gao spent a considerable portion of his time for family reasons and requested Mr. Li Kwok Ping to assist in managing some of his business in our Group, given Mr. Li Kwok Ping is a cousin of Mr. Gao and is someone whom Mr. Gao trusts. As confirmed by Mr. Li Kwok Ping and Mr. Gao, the trust agreement was mutually terminated on 26 August 2008, and Mr. Li Kwok Ping had not exercised any shareholder's authority during the period in which he held shares in HK Taylor on trust for Mr. Gao. On 26 August 2008, pursuant to Mr. Gao's instructions, Mr. Li Kwok Ping transferred the entire issued share capital of HK Taylor to MIH for a consideration of HK\$1.00. Our Directors confirm that HK Taylor had not owned any business or assets prior to its acquisition of equity interest in Yifeng Wanguo in January 2008.

HISTORY AND DEVELOPMENT

MIH

MIH was incorporated in the BVI on 23 November 2007 as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 18 December 2007, Mr. Gao and Ms. Gao subscribed for 33,000 and 17,000 shares of US\$1.00 each in the authorised share capital of MIH, respectively. On 26 August 2008, MIH acquired the entire issued share capital of HK Taylor from Mr. Li Kwok Ping for a consideration of HK\$1.00, details of which are disclosed in the section headed “– HK Taylor” above.

The following chart sets out the corporate structure of our Group immediately prior to the Reorganisation:



Notes:

1. Quanzhou Wanguo is owned as to 88% by Mr. Gao and 12% by Ms. Gao.
2. West-Jiangxi Brigade is a PRC state business unit (事業單位) and an Independent Third Party.

HISTORY AND DEVELOPMENT

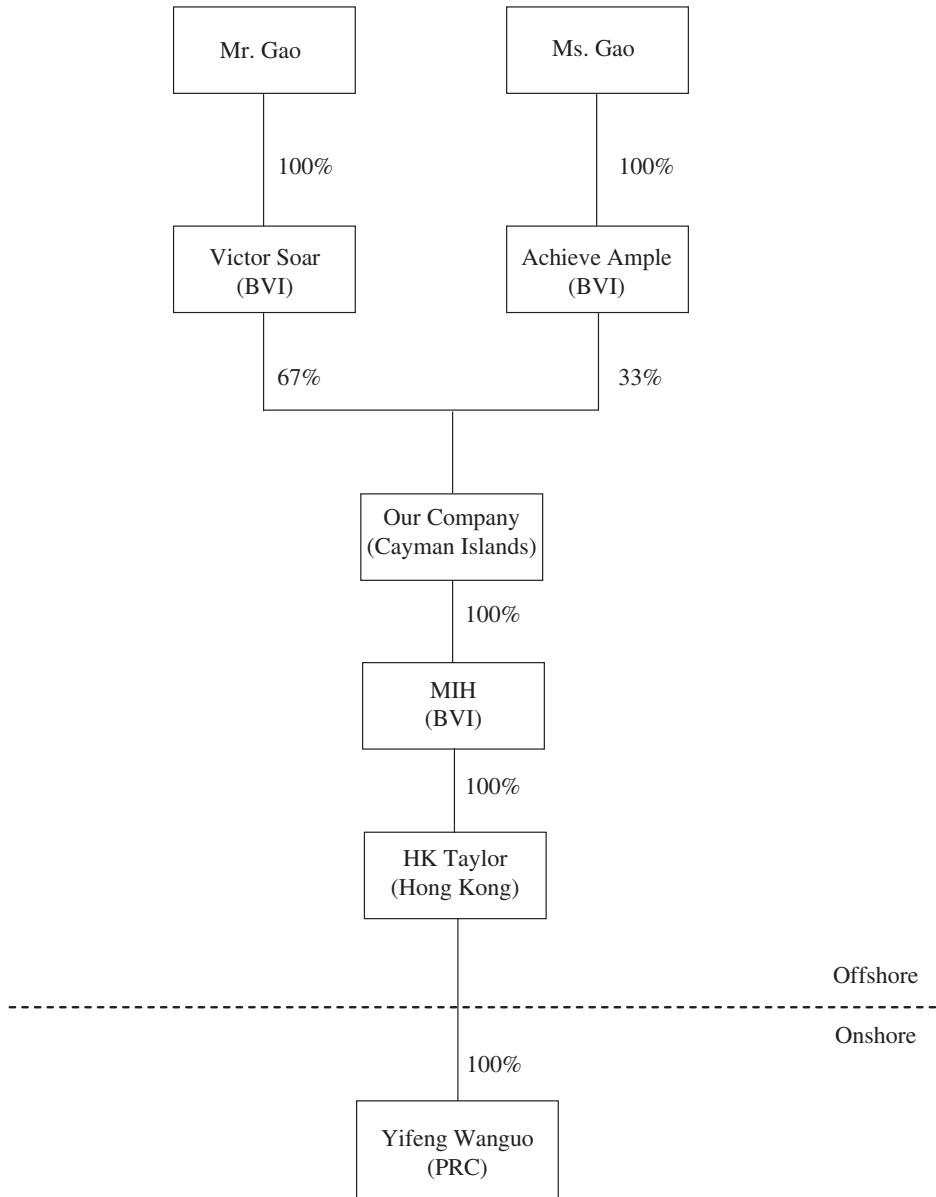
REORGANISATION

In preparation for the Listing, we underwent the Reorganisation to rationalise our corporate structure, and as a result, our Company became the holding company of our Group. The Reorganisation comprises the following steps:

1. On 10 March 2011, Victor Soar was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. Mr. Gao subscribed for one share in Victor Soar on 4 April 2011 at the subscription price of US\$1.00 and, since then, Victor Soar has been wholly owned and controlled by Mr. Gao.
2. On 10 March 2011, Achieve Ample was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. Ms. Gao subscribed for one share in Achieve Ample on 4 April 2011 at the subscription price of US\$1.00 and, since then, Achieve Ample has been wholly owned and controlled by Ms. Gao.
3. On 31 March 2011, Quanzhou Wanguo transferred 13% equity interest in Yifeng Wanguo to HK Taylor for a consideration of RMB20.5 million. The consideration was determined on arm's length basis with reference to net asset value of Yifeng Wanguo based on an appraisal report prepared by an independent appraisal firm qualified in the PRC. The consideration paid by HK Taylor was funded by its internal financial resources. Upon completion of the transfer on 31 March 2011, Yifeng Wanguo was owned as to 88% by HK Taylor and 12% by West-Jiangxi Brigade.
4. On 13 May 2011, our Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of HK\$390,000 divided into 3,900,000 Shares of HK\$0.10 each acting as the holding company of our Group. On the date of incorporation, 33,500 Shares and 16,500 Shares, representing 67% and 33% of the issued share capital of our Company, respectively, were allotted and issued to Victor Soar and Achieve Ample, respectively.
5. On 25 July 2011, Mr. Gao and Ms. Gao transferred 33,000 and 17,000 shares in MIH, respectively, to our Company for a consideration of US\$1.00 and US\$1.00, respectively. Upon completion of the transfers, our Company became the holding company of our Group.
6. On 27 April 2012, West-Jiangxi Brigade redeemed its 12% equity investment in Yifeng Wanguo for an aggregate of approximately RMB207.9 million, which was determined on an arm's length basis, payable by instalments and the total investment and registered capital of Yifeng Wanguo were reduced to approximately RMB268.8 million and RMB89.6 million, respectively. Upon the completion of the said redemption and reduction, Yifeng Wanguo became a wholly-owned subsidiary of HK Taylor.

HISTORY AND DEVELOPMENT

The following chart sets out the shareholding structure of our Group immediately upon the completion of the Reorganisation but immediately before the Share Offer:



HISTORY AND DEVELOPMENT

The following chart sets out the shareholding structure of our Group immediately upon the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme):

