
OUR RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Upon completion of the Capitalisation Issue and the Share Offer, Mr. Gao, via Victor Soar, will indirectly and beneficially own approximately 50.25% of the issued share capital of our Company taking no account Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme, and hence Mr. Gao and Victor Soar are our Controlling Shareholders. For further details, please refer to the section headed “Substantial Shareholders” in this prospectus.

EXCLUDED BUSINESSES

Apart from the mining business operated by our Group, Mr. Gao and his associates are currently operating other businesses, including the business engaged by (i) Quanzhou Wanguo, a company owned and controlled as to 88% by Mr. Gao at all material times, (ii) Jianyang Wanguo, a company owned and controlled as to 80% by Mr. Gao since its establishment and as of the Latest Practicable Date, and (iii) Jianyang Jinshan, a company owned as to 50% by Quanzhou Wanguo and 50% by an Independent Third Party (“**Excluded Businesses**”). The Excluded Businesses will not form part of our Group upon completion of the Reorganisation and after Listing.

Quanzhou Wanguo and Jianyang Wanguo

Quanzhou Wanguo is a limited liability company established in the PRC on 11 November 1996 principally engaged in general trading with a focus on the trading of aluminium products. On 3 November 2000, Quanzhou Wanguo entered into a licensing agreement with the holders of a mining licence who were Independent Third Parties. Pursuant to the licensing agreement, Quanzhou Wanguo as the licensee procured the establishment of Jianyang Wanguo solely for the purpose of operating and managing a silver, lead and zinc mine in Jianyang, Fujian province, PRC (“**Jianyang Mine**”) owned by the mining licence holders during the period from August 2000 to July 2006. During the term of the licensing agreement, Quanzhou Wanguo continued to principally engage in general trading with a focus on the trading of aluminium products, and the mining related activities carried out at the Jianyang Mine did not have significant revenue contribution to Quanzhou Wanguo during the term of the licensing agreement.

As the holders of the mining licence for the Jianyang Mine did not intend to renew the mining licence upon its expiry in October 2006, the underlying licensing agreement with Quanzhou Wanguo was discontinued in July 2006. Since then, Quanzhou Wanguo has not engaged in any mining activities directly except through its equity interest in Yifeng Wanguo, and Jianyang Wanguo had been principally engaged in the sale of the remaining inventory of mining products from its previous mining activities until January 2009. Quanzhou Wanguo recorded an unaudited net profits of less than RMB5 million for the year ended 31 December 2009 and net losses of less than RMB5.5 million for each of the two years ended 31 December 2011. Jianyang Wanguo recorded unaudited net losses of less than RMB1.2 million for each of the three years ended 31 December 2011. Upon the transfer of its remaining 13% equity interest in Yifeng Wanguo to HK Taylor on 31 March 2011 as part of the Reorganisation, Quanzhou Wanguo ceased to hold any interest in any member of our Group. Details of the transfer is disclosed in the section headed “History and Development – Reorganisation” in this prospectus.

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Jianyang Jinshan

In May 2006, Jianyang Jinshan obtained an exploration licence for a copper, lead, zinc and silver mine in Jianyang, Fujian province, PRC (“**Jinshan Mine**”) and engaged in the exploration of the Jinshan Mine. As Jianyang Jinshan was unable to obtain any mining licence for the Jinshan Mine, Jianyang Jinshan decided to cease its operations in January 2007. Jianyang Jinshan did not record any net profits or losses for each of the three years ended 31 December 2011.

During the Track Record Period, none of our Controlling Shareholders or Directors is interested in any business which is, whether directly or indirectly, in competition with our business. To ensure that competition will not occur in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favour of our Company to the effect that each of them will not, and will procure each of their respective associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

DELINEATION OF BUSINESSES

Operations of our Group are independent and separate from the Excluded Businesses. The Excluded Businesses were not injected into our Group as such businesses neither form part of our core business nor are in line with our strategy to grow our business into a leading copper and iron mining company in the PRC. As such, our Directors are of the view that there is a clear delineation between the Excluded Businesses and our business, and as a result none of the Excluded Businesses would compete, or is expected to compete, directly or indirectly with our business.

Given the different nature of our business and the Excluded Businesses, our Directors do not expect there to be any overlap or competition of the Excluded Businesses and our Group’s business after the Listing.

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has undertaken to us in the Deed of Non-Competition that it/he will not, and will procure its/his associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business that directly or indirectly competes with our business or undertaking, or hold shares or interest in any companies or business that compete directly or indirectly with our business.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their associates cease to hold, whether directly or indirectly, any of our Shares or our Shares cease to be listed on the Stock Exchange.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition includes the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- each of our Controlling Shareholders has undertaken to us that it/he/she will provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-Competition; and

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- we will disclose the review by the independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

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:

Management Independence

- (i) as of the Latest Practicable Date, no executive Director had overlapping roles or responsibilities in any business operation other than our business; and
- (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;

Operational Independence

- (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 licences necessary to carry on and operate our business and we have sufficient operational capacity in term of capital and employees to operate independently; and

Financial Independence

- (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 will be fully settled and that all share pledges and guarantees provided by our Controlling Shareholders and their respective associates on our Group's borrowing will be fully released on or before Listing. 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.