

PRC LAWS RELATING TO THE FOREIGN INVESTMENT IN THE MINERAL INDUSTRY

According to the Catalogue for the Guidance of Foreign Investment Industries (amended in 2011) (外商投資產業指導目錄 (2011年修訂)) effective on 30 January 2012, foreign investment in the exploration, exploitation and processing of copper, zinc and lead mines are categorized as permitted investment, and foreign investment in the exploration, exploitation and processing of iron mines are categorized as encouraged investment.

PRC LAWS RELATING TO THE MINERAL INDUSTRY

According to the Mineral Resource Law of the PRC (中華人民共和國礦產資源法) promulgated on 19 March 1986, effective as of 1 October 1986 and amended on 29 August 1996 and the Rules for the Implementation of the Mineral Resources Law (中華人民共和國礦產資源法實施細則) promulgated and effective as of 26 March 1994, an enterprise that intends to explore and exploit mineral resources shall apply for each exploration and mining rights separately according to the relevant PRC laws, regulations and policies, and is required to undergo the registration process for each of the exploration and mining rights, unless the mining enterprise which intends to conduct exploration operations for its own production within the defined mining areas has previously obtained mining rights.

The Procedures for the Registration of Mining of Mineral Resources (礦產資源開採登記管理辦法) (“State Council Circular No. 241”) was promulgated by the State Council and became effective as of 12 February 1998. Under the State Council Circular No. 241, anyone with mining rights shall file an application for registration of change(s) with the appropriate registration administration authority within the duration of the mining license term if there is any change in the scope of the mining area, the main exploited mineral categories, the exploitation mode, the name of the mining enterprise and/or the transfer of the mining right according to the relevant laws. If continuation of mining is necessary after the expiration of the mining license, the holder of a mining license shall apply for an extension with the registration authority within 30 days prior to the expiration of the term of the mining license. If the holder of a mining license fails to apply for an extension prior to the expiration of the term, the mining license shall terminate automatically.

According to the Tentative Provisions on Granting and Assigning Mining Industry Rights (礦業權出讓轉讓管理暫行規定, the “Tentative Provisions”) effective as of 1 November 2000, a holder of the exploration and mining rights (“mining industry right”) has the right to possess, use, benefit from and dispose of its mining industry right in accordance with laws. A mining industry right holder may lawfully assign a mining industry right in accordance with the Tentative Provisions through sale, capital contribution, cooperative exploration or mining or share listing. The parties to the assignment shall complete the procedure for the change of registration of the mining industry right with the original registration and licensing authority. A mining industry right holder may also lease or mortgage a mining industry right in accordance with the Tentative Provisions.

According to the Notice on Further Standardizing the Administration of Granting the Mineral Rights (關於進一步規範礦業權出讓管理的通知) promulgated on 24 January 2006, the mines were categorized, on basis of the natural existing conditions of mineral resources and extent of past geological investigation, into three classes, with different grant procedures, and the administrative rules on invitation for bid are perfected.

PRC LAWS RELATING TO THE M&A RULES

According to the M&A Rules which were promulgated by the MOFCOM, the State-owned Assets Supervision and Administration Commission, the CSRC, the State Administration of Taxation, the State Administration for Industry and Commerce and the SAFE and became effective on 8 September 2006, the following transactions shall obtain the approvals of the relevant commerce authorities: (a) where a foreign investor seeks to purchase by agreement the equity interests in a domestic non-foreign-funded enterprise from its existing shareholders or subscribe to the increased capital of a domestic non-foreign-funded enterprise, and thus change the domestic non-foreign-funded enterprise into a foreign-funded enterprise; (b) where a foreign investor seeks to incorporate a foreign-funded enterprise, purchase the assets of a domestic non-foreign-funded enterprise via the foreign-funded enterprise and operate such assets via the foreign-funded enterprise; or (c) where a foreign investor seeks to purchase assets of a domestic non-foreign-funded enterprise, incorporate a foreign-funded enterprise by injecting the purchased assets into it, and subsequently operate the injected assets via the foreign-funded enterprise.

Our PRC Legal Advisers have advised that HK Taylor, the acquiring enterprise, is not a company incorporated by PRC residents, therefore it is not necessary for us to obtain approval from the CSRC and the MOFCOM for our Listing under the M&A Rules. Based on the advice of our PRC Legal Advisers, our Directors are of the view that the M&A Rules are not applicable to our Listing and it is not necessary for us to obtain approval from the CSRC and the MOFCOM for the purpose of Listing.

PRC LAWS RELATING TO SAFE CIRCULAR NO. 75

According to SAFE Circular No. 75, PRC residents establishing or taking control of a special purpose company abroad and domestic enterprises receiving round-trip investments from funds raised by an offshore special purpose company controlled by PRC residents are required to effect foreign exchange registration with the local foreign exchange bureau. As advised by our PRC Legal Advisers, Mr. Gao and Ms. Gao are not PRC citizens, therefore it is not necessary for Mr. Gao and Ms. Gao to make the SAFE registration with SAFE. For further details, please refer to the section head “Risk Factors – Risks Relating to the PRC – PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders or our PRC subsidiary to liabilities or penalties, limit our ability to inject capital into our PRC subsidiary or limit the ability of our PRC subsidiary to distribute profits to us” in this prospectus.

PRC LAWS RELATING TO ENVIRONMENTAL PROTECTION

According to Environmental Protection Law of PRC (the “**Environmental Protection Law**”) (中華人民共和國環境保護法) effective as of 26 December 1989, the State Administration for Environmental Protection shall establish the national standards for environment quality. The people’s governments of provinces, autonomous regions and municipalities directly under the Central Government may establish their local standards for environment quality for items not specified in the national standards for environment quality and shall report them to State Administration for Environmental Protection for the record.

Environmental Protection Law requires all units that cause environmental pollution and other public hazards shall incorporate the work of environmental protection into their plans and establish a responsibility system for environmental protection. These units shall adopt effective measures to prevent and control the pollution and harms caused to the environment by waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities.

Environmental Protection Law requires installations for the prevention and control of pollution at a construction project shall be designed, built and commissioned together with the principal part of the project. No permission shall be given for a construction project to be commissioned or used, until its installations for the prevention and control of pollution are examined and considered up to the standard by the competent department of environmental protection administration that examined and approved the environmental impact statement. The Environmental Protection Law is applicable to both open pit mining and underground mining.

According to Ordinance of Environmental Protection Administration for the Construction Project (建設項目環境保護管理條例) effective as of 29 November 1998 and Law on Environmental Impact Appraisal of the PRC (中華人民共和國環境影響評價法) effective as of 1 September 2003, the PRC government has set up a system to appraise environmental impact for construction project and administer environmental impact appraisal based on the degree of environmental impact. Construction units shall submit the environmental impact documents to competent environment authorities for approval, and they cannot commence the construction without the approvals of competent environment authorities.

According to Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法) effective as of 1 November 1984 and amended on 15 May 1996 and 28 February 2008, new construction project, expansion, reconstruction project and other installment on water that directly or indirectly discharges pollutants into the water body shall be subject to the state regulations on environmental protection of construction projects. Enterprises and institutions that discharge pollutants directly or indirectly into a water body shall report to and register with the local environmental protection department their existing facilities for discharging and treating pollutants, and the categories, quantities and concentrations of pollutants discharged under their normal operation conditions, and also submit to the same department technical information concerning prevention and control of water pollution. It is necessary to obtain the pollutant discharge permit for directly or indirectly discharging pollutants into the water. Enterprises and institutions that discharge pollutants into a water body shall pay a pollutant discharge fee; if the discharge exceeds the limits set by the national or local standards, they shall pay a fee for excess discharge according to State regulations.

According to Law of the PRC on Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) effective as of 1 September 2000, new construction project, expansion, or reconstruction project that discharges pollutants into air shall be subject to the state regulations on environmental protection of construction projects. Units that discharge atmospheric pollutants shall report to the local administrative department of environmental protection their existing discharge and treatment facilities for pollutants and the categories, quantities and concentrations of pollutants discharged under normal operation conditions and submit to the same department their technical information concerning prevention and control of atmospheric pollution.

The State implements a system of collecting fees for discharging pollutants on the basis of the categories and quantities of the atmospheric pollutants discharged, and establishing reasonable standards for collecting the fees therefor according to the needs of strengthening prevention and control of atmospheric pollution and the State's economic and technological conditions.

According to Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) effective as of 1 April 1996 and amended on 1 April 2005, the principle is implemented that polluters shall bear their legal liability and producers, salesmen, importers and users shall bear the legal liability to prevent and control of solid wastes.

According to the Law of the PRC on Prevention and Control of Environmental Pollution by Noise (中華人民共和國環境噪聲污染防治法) effective as of 1 March 1997, new construction project, expansion, or reconstruction project that discharges pollutants into air shall be subject to the state regulations on environmental protection of construction projects. Industrial enterprises that discharge noise during industrial production with fixed facilities shall report to the local environmental protection department categories and quantities of their existing facilities for discharging noise, and the noise volume of noise discharged under their normal operation conditions as well as treating facilities against noise, and also submit to the same department technical information concerning prevention and control of noise pollution. Units discharge noise exceeding the relevant standards shall pay the discharge fee subject to the regulations.

PRC LAWS RELATING TO GEOLOGICAL ENVIRONMENT PROTECTION

According to the Provisions on the Protection of the Geologic Environment of Mines (礦山地質環境保護規定) promulgated on 2 March 2009 and effective as of 1 May 2009, (i) when an applicant for mining rights applies for the mining license, the applicant shall compile a plan for the protection and restoration of the mine's geological environment and submit the plan to the competent land and resources authority for approval; (ii) when a mine's geological environment is destroyed due to mineral mining, the holder of a mining license shall be responsible for restoration, the cost of the restoration is included in the production cost; and (iii) the holder of a mining license shall pay the security deposit for the restoration of the geological environment of mines. The standard and measures for the payment of the security deposit for the restoration of the geological environment of mines is implemented in compliance with relevant provisions formulated by each province, autonomous region or municipality.

PRC LAWS RELATING TO PRODUCTION SAFETY

According to the Production Safety Law of the PRC (中華人民共和國安全生產法) effective as of 1 November 2002 and amended on 27 August 2009 and the Law of the PRC on Safety in Mines (中華人民共和國礦山安全法) and its related implementation rules promulgated on 7 November 1992 and 30 October 1996 and effective as of 1 May 1993 and 30 October 1996 and amended on 27 August 2009, respectively, (i) safety facilities in mine construction projects shall be designed, constructed and put into operation at the same time as the commencement of the principal parts of the projects; (ii) the design of a mine shall comply with the safety rules and technological standards of the mining industry and shall be approved by the relevant authorities; and (iii) such mines may start production or operations only after they have passed the safety check and approval process as required by the relevant PRC laws and administrative regulations.

According to the Regulation on Work Safety Licenses (安全生產許可證條例) promulgated and effective as of 13 January 2004 and the Measures for the Implementation of Work Safety Licenses for Noncoal Mine Enterprises (非煤礦礦山企業安全生產許可證實施辦法) promulgated on 17 May 2004, amended on 30 April 2009 and effective as of 8 June 2009, (i) the work safety licensing system is applicable to any enterprise engaging in non-coal mining and such enterprise may not produce any products without obtaining a work safety license; (ii) prior to producing any products, the non-coal mining enterprise shall apply for a work safety license, which is valid for three years; (iii) the work safety bureau at or above provincial level are in charge of issuing the work safety license for non-coal mining enterprise; and (iv) if a work safety license needs to be extended, the enterprise shall apply for an extension with the administrative authority who issued the original license three months prior to the expiration of the original license.

PRC LAWS RELATING TO TAXATION AND FEE

According to the Enterprise Income Taxation Law effective as at 1 January 2008 and its implementation rules, a unified enterprise income tax rate of 25% is applied equally to both domestic enterprises and foreign invested enterprises.

According to the Interim Regulations of the PRC on Resource Tax (中華人民共和國資源稅暫行條例) promulgated on 25 December 1993, amended as of 30 September 2011 and effective as of 1 November 2011, any enterprise engaged in the exploitation of mineral products within the PRC is subject to pay a resource tax.

According to the Notice on Adjusting Resource Tax Applicable to lead-zinc ore and other tax items (財政部、國家稅務總局關於調整鉛鋅礦石等稅目資源稅適用稅額標準的通知) effective from 1 August 2007, statutory resource tax rate for lead-zinc ore ranges from RMB10 to RMB20 per ton.

According to the Provisions on the Administration of the Collection of Mineral Resources Compensation Fees (礦產資源補償費徵收管理規定) promulgated on 27 February 1994, effective as of 1 April 1994 and amended on 3 July 1997, mineral resources compensation fees shall be paid by the holder of the mining license if such holder exploits mineral resources within the PRC territory based on a ratio of the sale income from mineral products. The mineral resources compensation fee is calculated based on the following formula:

Resources compensation fee = Sales income of mineral products * Compensation fee rate * Coefficient of mining recovery rate

According to the Jiangxi Province's Interim Procedures on Mine Environmental Remediation and Ecological Restoration Security Deposit (江西省礦山環境治理和生態恢復保證金管理暫行辦法) effective from 1 October 2008, any enterprise engaged in the exploitation and selection of mineral products within Jiangxi province should compile a plan for the protection and comprehensive treatment of the mine's geological environment, sign an agreement on the protection and comprehensive treatment of the mine's geological environment, and make the security deposit which shall be made annually or in a lump sum to the duly appointed bank account. The security deposit is calculated based on the following formula:

Security deposit = Deposit standard * Area of the mining area * Area coefficients * Mining coefficients * Remaining effective years under the mining license

According to the Measures on the Withholding and Usage of Safety Production Fees of Enterprises (企業安全生產費用提取和使用管理辦法), effective as of 14 February 2012, safety production fees mean the funds specifically used for the improvement in production conditions of the enterprise in accordance with the required standard. Enterprises engaging in mining business in the PRC should provide for safety production fees. The standard provision for metal mines is RMB5 per tonne (surface mine) and RMB10 per tonne (underground mine). The standard provision can be raised properly.

PRC LAWS RELATING TO LAND

According to the Land Administration Law of the PRC (中華人民共和國土地管理法) promulgated on 25 June 1986 and effective as of 1 January 1987 and amended on 28 August 2004, an entity shall obtain land use rights for construction projects, which includes mining activities. Land collectively owned by rural residents is contracted to and operated by the members of respective collective economic entities for uses such as plantation, forestry, livestock husbandry or fishery production. The land use rights of collectively owned land shall not be granted, assigned or leased to any party for any non-agricultural uses. In the case of temporary use of state-owned land or land collectively-owned by farmers for construction projects or by geological survey teams, approval shall be obtained from the land administrative department of the government at or above the county level. Land users shall sign contracts with relevant land administrative department or rural economic collective organisations or village committees for the temporary use of land, depending on the ownership of land and shall pay land compensation fees as stipulated in the contracts for the temporary use of land. The term for the temporary use of land shall generally not exceed two years.

According to the Regulation on Land Reclamation (土地復墾條例) promulgated and effective on 3 March 2011, the land reclamation obligor should compile and submit the land reclamation plan to the competent departments of land and resources.

PRC LAWS RELATING TO PREVENTION AND CONTROL OF OCCUPATIONAL DISEASES

According to the Prevention and Control of Occupational Diseases Law of the PRC (中華人民共和國職業病防治法) effective as of 1 May 2002 and amended on 31 December 2011, for construction projects, including projects to be constructed, expanded or reconstructed, and projects for technical renovation and introduction which may incur occupational disease hazards, the unit responsible for the construction project shall: (i) during the period of feasibility study, submit to the safety production administrative department a preliminary assessment report on such hazards; (ii) assess the effect of the control on occupational disease hazards before the construction project is completed for inspection and acceptance; and (iii) adopt protective facilities against occupational diseases. The protective facilities may be put into formal operation and use only after they have passed the inspection by the safety production administration department.

According to the Prevention and Control of Occupational Diseases Law of the PRC, an employing unit shall: (i) establish and improve the responsibility system of occupational disease prevention and treatment, strengthen the administration and improve the level of occupational disease prevention and treatment, and bear responsibility for the harm of occupational diseases engendered therefrom; (ii) purchase social insurance for industrial injury; (iii) adopt effective protective facilities against occupational diseases, and provide protective articles to the labourers for personal use against occupational diseases; (iv) set up alarm equipment, allocate on-spot emergency treatment articles, washing equipment, emergency safety exits and safety zones for poisonous and harmful work places where acute occupational injuries are likely to take place; and (v) inform the employees, according to the facts, of the potential harm of occupational disease as well as the consequences thereof and the protective measures and treatment against occupational diseases when signing a labour contract with employees.

PRC LAWS RELATING TO LABOUR

According to the PRC Labour Law (中華人民共和國勞動法) promulgated on 5 July 1994 and effective as of 1 January 1995 and amended on 27 August 2009 and the PRC Labour Contract Law (中華人民共和國勞動合同法) promulgated on 29 June 2007 and effective as of 1 January 2008, labour contracts shall be concluded if labour relationships are to be established between the units and the labourers. The units cannot require the labourers to work exceed the time limit and shall provide the wages which are no lower than local standards on minimum wages to the labourers in time. The units shall establish and perfect their system for labour safety and sanitation, strictly abide by the rules and standards on labour safety and sanitation set by the State, educate labourers in labour safety and sanitation. The units shall provide labourers with labour safety and sanitation conditions meeting stipulations by the State and necessary articles of labour protection, and carry out regular health examination for labourers engaged in work with occupational hazards.

According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) promulgated and effective as of 22 January 1999 and the Interim Measures concerning the Administration of the Registration of Social Insurance (社會保險登記管理暫行辦法) promulgated and effective as of 19 March 1999, the units in the PRC shall conduct the registration of social insurance with the competent authorities, and make contributions to the basic pension insurance, basic medical insurance and unemployment insurance for their employees.

According to the Regulations on Occupational Injury Insurance (工傷保險條例) promulgated on 27 April 2003 and effective as of 1 January 2004, as amended on 20 December 2010, and the Interim Measures concerning the Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法) promulgated on 14 December 1994 and effective as of 1 January 1995, PRC companies shall pay occupational injury insurance premiums and maternity insurance premiums for their employees.

According to the Regulations on the Administration of Housing Fund (住房公積金管理條例) promulgated and effective as of 3 April 1999, as amended on 24 March 2002, PRC unit shall register with the applicable housing fund management center and open a special housing fund account with a designated bank. Each of the PRC unit and their employees are required to contribute to the housing fund and their respective deposits shall not be less than 5% of an individual employee's monthly average wage during the preceding year.

PRC LAWS RELATING TO DIVIDEND DISTRIBUTION AND THE FOREIGN EXCHANGE

According to the Sino-foreign Equity Joint Venture Law of the PRC (中華人民共和國中外合資經營企業法) promulgated and effective on 8 July 1979 and amended on 4 April 1990 and 15 March 2001 and the Implementation Rules of the PRC on the Sino-foreign Equity Joint Venture Law (中華人民共和國中外合資經營企業法實施條例) promulgated and effective on 20 September 1983 and amended on 15 January 1986, 21 December 1987 and 22 July 2001, the incorporation of a Sino-foreign equity joint venture enterprise shall be approved by the MOFCOM or its local counterparts. A Sino-foreign equity joint venture enterprise shall pay certain taxes and allocate portions of its profits to the reserve funds, bonuses, welfare funds and expansion funds, prior to the declaration of its dividends. The allocation proportion of the distributable profit will be decided by the board of directors of the Sino-foreign equity joint venture enterprise. The foreign party to Sino-foreign equity joint venture could remit the net profit which distributed to it overseas subject to the regulations on foreign exchange.

According to the Regulations on Foreign Exchange Control of the PRC (中華人民共和國外匯管理條例) promulgated on 29 January 1996, effective as of 1 April 1996 and amended on 5 August 2008, payments made in foreign currencies for international transactions, such as the sale or purchase of goods, are not subject to PRC governmental control or restrictions. Certain organisations in the PRC, including foreign-invested enterprises, may purchase, sell and/or remit foreign currencies at certain banks authorised to conduct foreign exchange business upon providing valid commercial documents to such banks. However, approvals are required for the relevant capital account transactions, such as an overseas investment by a domestic company.

Under the Administration Rules of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) promulgated by the People's Bank of China on 20 June 1996, foreign investment enterprises in the PRC generally may purchase foreign exchange without the approval or review of SAFE, if such purchases are trade and service related foreign exchange transactions and commercial documents evidencing these transactions are produced. They may also retain foreign exchange, subject to a cap approved by SAFE, under current account items.