CONTINUING CONNECTED TRANSACTIONS

Following completion of the Global Offering, the following transactions will constitute continuing connected transactions of our Company under the Listing Rules:

Exempt continuing connected transactions

(i) Tenancy Agreement

On April 16, 2009, Huili Caitong entered into a two year and four month tenancy agreement (the "Tenancy Agreement") with Longwei Hotel, whereby Longwei Hotel leased office premises with a total gross floor area of approximately 131.0 sq.m. to Huili Caitong at a monthly rent of RMB8,122.0 (exclusive of management fees, water and electricity charges) for the period from April 16, 2009 to August 14, 2011. Huili Caitong uses such office premises as its principle place of business and headquarters in the PRC.

Longwei Hotel is owned as to 90.0% by Sichuan Jinli Property Development Co. Ltd (四川勁力房地產開發有限公司) and 10.0% by an Independent Third Party. Sichuan Jinli is a limited liability company established in the PRC on July 26, 2001, owned as to 10.0% by Chuan Wei, 9.7% by WANG Jin, 8.9% by WU Wendong and 5.2% by LI Hesheng. Accordingly, Longwei Hotel is a connected person for the purposes of the Listing Rules.

The monthly rent of RMB8,122.0 under the Tenancy Agreement is based on market rates. The Directors confirm that the rent under the Tenancy Agreement is fair and reasonable, and has been negotiated on an arm's length basis and upon normal commercial terms. Jones Lang LaSalle Sallmanns Limited, an independent property valuation firm, has also confirmed that the rent payable under the Tenancy Agreement is fair and reasonable and consistent with the prevailing market rates for similar premises in similar locations.

As the size of the above office premises is relatively small, our Directors are of the view that our Group would be able to lease suitable replacement premises from Independent Third Parties in the same area without undue difficulty, should this be necessary.

Based on the rent under the Tenancy Agreement, the Tenancy Agreement will constitute a de minimis transaction of our Group under Rule 14A.33 of the Listing Rules and, accordingly, the abovementioned continuing connected transaction of our Group will be exempted from reporting, announcement and shareholders' approval requirements under chapter 14A of the Listing Rules.

(ii) Options to Acquire Excluded Mines

Pursuant to the undertakings granted by the owners of the Excluded Mines, each owner undertakes, amongst others (i) to transfer to us the mining rights and related assets of the relevant Excluded Mine if we exercise the option to acquire the mining rights and related assets of the relevant Excluded Mine within 24 months of the undertaking and will enter into an agreement with us to transfer the mining rights and related assets of the relevant Excluded Mine within 120 business days from the date we exercise such option; and (ii) not to enter into any agreement with a third party to transfer the mining rights and related assets of the relevant Excluded Mine or grant a third party any right in respect of the same. In the event it intends to transfer the mining rights and related assets of the relevant Excluded Mine to any third party, we have the right of first refusal to acquire the same on terms and conditions no less favorable than those offered to the third party. See the "Business — Expansion and Construction Plan — Expansion of mineral reserves — Option agreements in respect of five iron ore mines in Sichuan and Yunnan" and "Relationship with Controlling Shareholders — Options to Acquire Excluded Mines" sections in the prospectus. In the event that we choose to exercise such option(s), we will comply with all relevant Listing Rules (including Chapter 14A).

Non-exempt continuing connected transaction subject to independent Shareholders' approval requirements

Sale of products to Weiyuan Steel

During the years ended December 31, 2006 and 2007, Huili Caitong sold the majority of its iron concentrates and iron pellets to Weiyuan Steel. See the "Business — Sales — Sales to Weiyuan Steel" section in this prospectus.

Background

Weiyuan Steel is a company established in the PRC in which Trisonic International, one of the Controlling Shareholders, owns 68.0% of the equity interest. Accordingly, Weiyuan Steel is a connected person for the purpose of the Listing Rules.

Reasons for the transaction

We sold iron concentrates to Weiyuan Steel because (i) it was willing to purchase in large quantities; (ii) it offered market prices for our products; and (iii) the resulting revenue stream from the sale of iron concentrates to Weiyuan Steel was stable and predictable.

The sale of iron concentrates to Weiyuan Steel was part of the ordinary course of our business.

Pricing basis and policy

In compliance with the Listing Rules, we have entered into an agreement dated December 26, 2007 and two supplemental agreements dated April 10, 2009 and June 1, 2009 (the "June Supplemental Agreement"), respectively, with Weiyuan Steel pursuant to which we sell iron concentrates to Weiyuan Steel from time to time from January 1, 2008 to December 31, 2011 (collectively the "Sales Agreement"). The prices of the iron concentrates to be sold to Weiyuan Steel are determined based on arm's length negotiations. The June Supplemental Agreement specifies the pricing arrangement with Weiyuan Steel for iron concentrates contracted for 2009 and 2010. According to the June Supplemental Agreement, the minimum selling price of iron concentrates for 2009 and 2010 is RMB605.1 and RMB632.5 per tonne, respectively, subject to adjustment based on the market price of iron concentrates. If the market price of iron concentrates falls below the minimum selling price, the sales price will remain the same. If the market price of iron concentrates rises above the minimum selling price, the sales price will be adjusted to a higher amount, which is equal to the sum of the minimum selling price and an amount to be agreed that is not more than 50% of the increase in the market price above the minimum selling price.

Annual transaction value

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, sales of iron concentrates to Weiyuan Steel amounted to approximately RMB75.2 million, RMB179.5 million, RMB152.7 million, and RMB84.2 million, respectively. Purchasing iron ore products from suppliers abroad or from other regions of the PRC is more costly than purchasing from suppliers in Sichuan due to related significant transportation costs and risks as well as the higher prices of imported iron ore products. In addition, iron ore from different areas has different mineral contents and steel producers must invest time and resources into formulating the appropriate mix of iron ore with other additives to produce steel of the same quality and specifications from such different ore lots.

As a result, Weiyuan Steel has the commercial incentive to purchase all the iron ore products we could supply to reduce its costs and secure a stable source of supply close to its production facilities. Since Weiyuan Steel is our related party and was willing to offer market prices for our products, we decided to give priority to Weiyuan Steel in the sales of our iron ore products since our first sale to Weiyuan Steel in 2005. Because of the increase in the production volume of our iron ore products in 2006 and 2007, our sales volume to Weiyuan Steel increased in the same periods.

Our Directors expect that sales of iron concentrates to Weiyuan Steel during the years ending December 31, 2009, 2010 and 2011 will amount to approximately RMB276.2 million, RMB359.6 million and RMB359.6 million, respectively. The estimate of the proposed cap for the year ending December 31, 2009 is calculated by reference to (i) the actual average selling price of RMB527.2 per tonne of iron concentrates for the six months ended June 30, 2009; (ii) the minimum sales price of RMB605.1 set out in the June Supplemental Agreement; and (iii) the contracted sales volume of 450.0 Kt set out in the Sales Agreement. The estimate of the proposed cap for the year ending December 31, 2010 is calculated by reference to (i) the minimum sales price of RMB632.5 set out in the June Supplemental Agreement; and (ii) the contracted sales volume of 520.0 Kt set out in the Sales Agreement. The estimate of the proposed cap for the year ending 2011 is calculated by reference to (i) the market prices determined based on the prices of the same products of the same grade sold by other iron ore product producers in the Panxi Region and by reference to the purchase prices of the same products bought by Weiyuan Steel from other Independent Third Party suppliers; and (ii) the contracted sales volume of 520.0 Kt set out in the Sales Agreement. We have considered the following factors in estimating these proposed caps:

- our production volume forecast;
- the need to maintain good relationships with our new Independent Third Party customers by allowing them to purchase in significant amounts while also ensuring a stable supply to Weiyuan Steel; and
- projected continuation of price trends in iron ore products based on current market trends.

The table below summarizes the historical and forecast sales volumes and amounts to Weiyuan Steel and our relevant annual production volume (including the volumes provided by our first Independent Third Party Processing Contractor) for the years ended December 31, 2006 to 2008 and the years ending December 31, 2009, 2010 and 2011 (including the volumes provided by our Independent Third Party Processing Contractors), respectively.

	Historical				**Forecast**		
	Year ended December 31,			**Six months ended June 30,**	**Year ending December 31,**		
	2006	**2007**	**2008**	**2009**	**2009**	**2010**	**2011**
Iron Concentrates							
Sales volume (Kt)	166.8	371.1	255.5	159.7	450.0	520.0	520.0
Sales amount (in RMB million)	75.2	179.5	152.7	84.2	276.2	359.6	359.6
Production volume (Kt)	287.0	519.0	1,163.8	743.5	1,598.1	1,874.0	2,098.0

Our annual transaction amount with Weiyuan Steel in 2009 is estimated to be RMB276.2 million. This estimate is based on the contracted sales volume of 450.0 Kt of iron concentrates to Weiyuan Steel with an average selling price of RMB613.8 per tonne. Our iron concentrates production (including the iron concentrates produced by our Independent Third Party Processing Contractors) is expected to reach approximately 1,598.1 Kt in 2009. We expect that the increase in expected sales volume will be supported by the expected increase in our production volume of iron concentrates in 2009. The percentage of our total sales volume to Weiyuan Steel in 2009 is expected to remain below 30.0% of our total sales volume of iron ore products in 2009 because of the concurrent increase in our production of iron concentrates. Based on historical and current market trends, we estimate that the average selling price of iron concentrates in 2009 will increase to a minimum of approximately RMB613.8 per tonne.

Our annual transaction amount with Weiyuan Steel in 2010 is estimated to be RMB359.6 million. This estimate is based on the contracted sales volume of 520.0 Kt of iron concentrates to Weiyuan Steel with an average selling price of RMB691.5 per tonne. Our iron concentrates production (including the iron concentrates produced by our Independent Third Party Processing Contractors) is expected to reach approximately 1,874.0 Kt in 2010. We expect that the increase in sales volume will be supported by the increase in our production volume of iron concentrates in 2010. The percentage of our total sales volume to Weiyuan Steel in 2010 is expected to remain below 30.0% of our total sales volume of iron ore products in 2010 because of the concurrent increase in the production of iron concentrates. Based on historical and current market trends, we estimate that the average selling price of iron concentrates will increase to approximately RMB691.5 per tonne in 2010, representing an increase of 12.7% as compared to the average selling price in 2009.

Our annual transaction amount with Weiyuan Steel in 2011 is estimated to be RMB359.6 million. This estimate is based on the contracted sales volume of 520.0 Kt of iron concentrates to Weiyuan Steel with an average selling price of RMB691.5 per tonne of iron concentrates. Our iron concentrates production (including the iron concentrates produced by our Independent Third Party Processing Contractors) is expected to reach approximately 2,098.0 Kt in 2011. We expect that the increase in sales volume will be supported by the increase in our production volume of iron concentrates in 2011. The percentage of our total sales volume to Weiyuan Steel in 2011 is expected to remain below 30.0% of our total sales volume of iron ore products in 2011 because of the concurrent increase in the production volume of iron concentrates. Based on historical and current market trends, we estimate that the average selling price of iron concentrates will remain stable at approximately RMB691.5 per tonne in 2011.

The table below summarizes the estimated average selling price of iron concentrates to Weiyuan Steel, the contracted sales volume of iron concentrates with Weiyuan Steel and the proposed annual cap for the years ending December 31, 2009, 2010 and 2011, respectively:

For the year ended December 31,	Estimated Average Selling Price to Weiyuan Steel	Contracted Sales Volume with Weiyuan Steel	Proposed Annual Cap
	(RMB)	(Kt)	(RMB million)
2009	613.8	450.0	276.2
2010	691.5	520.0	359.6
2011	691.5	520.0	359.6

Implications under the Listing Rules

Based on the annual transaction value, the applicable percentage ratios as stated in rule 14.07 of the Listing Rules will, on an annual basis, exceed 25.0%. Therefore, the transaction with Weiyuan Steel is subject to the reporting, announcement and independent Shareholders' approval requirements applicable to non-exempt continuing connected transactions under rule 14A.35 of the Listing Rules.

WAIVER FROM THE STOCK EXCHANGE

Under the Listing Rules, any transaction between our Group and any of the chief executive of our Company, the Directors or substantial Shareholders or any of our subsidiaries or an associate of any of them which is carried out on a continuing or recurring basis and is expected to extend over a period of time is considered to be a "continuing connected transaction" for as long as the other party to the transaction remains a connected person, and the transaction will require reporting, announcement and/ or independent Shareholders' prior approval unless it falls within any of the exceptions set forth in the Listing Rules.

Following Listing, the above transaction with Weiyuan Steel as described under "— Continuing Connected Transaction" in this section (the "Transaction") will constitute a continuing connected transaction for our Company for the purposes of the Listing Rules.

Our Company has applied to the Stock Exchange for a waiver under rule 14A.42(3) of the Listing Rules from compliance with the independent Shareholders' approval and announcement requirement with respect to the Transaction, and the Stock Exchange has granted such waiver. Except for the foregoing, we will comply with all applicable rules set out in Chapter 14A of the Listing Rules in relation to the Transaction.

With regard to rule 14A.35(2) and 14A.36(1) of the Listing Rules, the maximum aggregate annual value of the Transaction for each of the financial years ending December 31, 2009, 2010 and 2011 shall not exceed the relevant cap amount set forth below (the "Cap Amount"):

Revenue nature

	Historical transaction amount				Proposed annual cap		
	2006	2007	2008	Six months ended June 30, 2009	2009	2010	2011
	RMB (million)	RMB (million)	RMB (million)	RMB (million)	RMB (million)	RMB (million)	RMB (million)
Sale of iron concentrates to Weiyuan Steel*(Note)*	75.2	179.5	152.7	84.2	276.2	359.6	359.6

Note: We sold iron concentrates to Weiyuan Steel as its main business is smelting and refining of iron and steel. The historical figures represent the sales of iron concentrates to Weiyuan Steel during the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009.

Our Directors, including the independent non-executive Directors, are of the view that the Transaction has been and will continue to be entered into in the ordinary and usual course of business and on normal commercial terms for transactions of a similar nature and is fair and reasonable and in the interests of our Shareholders taken as a whole. The Sole Sponsor is of the view that the Transaction has been and will continue to be entered into in our ordinary and normal course of business, and that the terms of the Transaction (including the annual caps) are normal commercial terms which are fair and reasonable and in the interests of our Shareholders as a whole.

Our Directors consider our estimated transaction volume with a given connected person during the financial years ending December 31, 2009, 2010 and 2011 is based on the transaction volume with such connected person and the trends in transaction volume during the years ended December 31, 2006, 2007 and 2008, or in accordance with the existing agreement, taking into account the growth of operation scale, market and other factors. Therefore, our Directors, including the independent non-executive Directors, and the Sole Sponsor believe that the Cap Amount is fair and reasonable and in the interests of our Shareholders as a whole. In addition, we will comply with rules 14A.35(1), 14A.35(2) and 14A.36 to 14A.40 of the Listing Rules in relation to the continuing connected transaction.

Our Directors confirm that upon Listing, other than the transactions described under the paragraphs headed "— Exempt Continuing Connected Transactions" and "— Non-exempt Continuing Connected Transaction Subject to Independent Shareholders' Approval Requirements" in this section, there are no other connected transactions with connected persons. In the event that we enter into any new transaction or agreement with any connected person in the future, our Company will comply with the provisions of Chapter 14A of the Listing Rules. In addition, if the Transaction shall continue after the expiration of the current waivers, our Company will comply with the provisions of Chapter 14A of the Listing Rules in relation to the Transaction.