CONTINUING CONNECTED TRANSACTIONS

Upon [●], we intend to carry out the following connected transactions which constitute continuing connected transactions for our Company under the Listing Rules.

A. Exempt Continuing Connected Transactions

Following [●], the following transactions will be regarded as continuing connected transactions exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(3) of the Listing Rules.

(i) ZR Office Lease

On 1 December 2006, Zhangjiagang Rongli entered into a lease agreement (the "ZR Office Lease") as tenant with Mr. Wu Yue-xing (吳岳興) ("Mr. Wu") as landlord, pursuant to which Mr. Wu agreed to lease to Zhangjiagang Rongli an office building situated at No.148 Pangang Road South, Gang District, Jingang Town, Zhangjiagang City, Jiangsu Province, the PRC (中國張家港港區蟠港南路148號) at an annual rental of RMB30,000 for a term of 15 years commencing from 1 December 2006 and ending on 30 November 2021.

Connected persons

Mr. Wu is a substantial shareholder of Zhangjiagang Rongli and thus a connected person of our Company under the Listing Rules. The transaction under the ZR Office Lease will therefore constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon [●].

Historical transaction value

Zhangjiagang Rongli did not pay any annual rental to Mr. Wu pursuant to the ZR Office Lease for the year ended 31 December 2007 because, prior to the acquisition of a 70% equity interest in Zhangjiagang Rongli by us in January 2008, Zhangjiagang Rongli was controlled by Mr. Wu who agreed to waive such rentals when Zhangjiagang Rongli was in a start-up stage. For the year ended 31 December 2008, the aggregate rental paid by us under the ZR Office Lease was RMB30,000. The rental rates under the ZR Office Lease have been determined on the basis of prevailing market rates and on normal commercial terms. Our Company's valuer, Vigers Appraisal and Consulting Limited, has confirmed that the rentals payable under the ZR Office Lease are fair and reasonable as a whole and reflect the prevailing market rate.

The applicable percentage ratio derived from the annual rentals under the ZR Office Lease will be less than 0.1% and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements contemplated under Rule 14A.33(3) of the Listing Rules.

(ii) GAS Office Lease

The office of Guangzhou Asia Steel during the Track Record Period was located at an industrial complex at Ximentan, Miaotou Village, Nangang Town, Huangpu District, Guangzhou, Guangdong Province, the PRC. On 23 May 2008, Guangzhou Asia Steel entered into an office lease (the "GAS Office Lease") as tenant with GAS Property as landlord, pursuant to which GAS Property agreed to lease to Guangzhou Asia Steel the office premises situated at 15th Floor Asia Steel Building, No. 3401 Huangpu Road East, Huangpu District, Guangzhou, the PRC (中國廣州市黃埔區黃埔東

路3401號亞鋼大廈十五層) at a monthly rental of RMB36,028.59 (exclusive of building management fees) for a term commencing from 1 June 2008 and ending on 31 May 2010. We leased these properties due to the expansion of our Group's business in Guangzhou and the close proximity of the above office property with the Guangzhou Asia Steel's facility.

Connected persons

GAS Property is wholly owned by Asia Steel (Properties) Limited (亞州鋼鐵(置業)有限公司), an investment holding company, which, in turn, is wholly owned by Mr. Chun Chi-wai, our Chairman, Chief Executive Officer and Controlling Shareholder. As such, GAS Property is an associate of Mr. Chun and a connected person of our Company under the Listing Rules. The transactions under the GAS Office Lease will therefore constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon [●]. GAS Property is principally engaged in the investment of properties for the receipt of rental incomes.

Historical transaction value

Guangzhou Asia Steel did not lease the above-mentioned office premises from GAS Property during the three years ended 31 December 2007. For the year ended 31 December 2008, the aggregate rent incurred by us under the GAS Office Lease was RMB252,203.

The rental rate under the GAS Office Lease has been determined on the basis of prevailing market rates and on normal commercial terms. Our Company's valuer, Vigers Appraisal and Consulting Ltd., has confirmed that the rental payable under the GAS Office Lease are fair and reasonable as a whole and reflect the prevailing market rates.

The applicable percentage ratio derived from the annual rentals under the GAS Office Lease will be less than 0.1% and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements contemplated under Rule 14A.33(3) of the Listing Rules.

(iii) Cargo Handling Service Agreement

On 23 February 2009, our subsidiary, Huan Bao Steel entered into a service agreement with Asia Wing Tat (the "Cargo Handling Service Agreement") whereby Huan Bao Steel has engaged Asia Wing Tat to provide cargo handling services in the Yau Tong area at a monthly service fee of HK$288,000 for a term commencing from 1 January 2009 to 30 June 2009. The service fee payable by Huan Bao Steel in relation to the provision of cargo handling services by Asia Wing Tat is determined on the basis of prevailing market price, was negotiated on an arm's length basis and entered into in the ordinary course of business of our Group and on normal commercial terms.

Connected persons

Asia Wing Tat is wholly owned by Asia Huan Bao Steel Limited which is in turn wholly owned by Mr. Chun Chi-wai, our Chairman, Chief Executive Officer and Controlling Shareholder. As such, Asia Wing Tat is an associate of Mr. Chun and thus a connected person of our Company under the Listing Rules. The transactions contemplated under the Cargo Handling Service Agreement will therefore constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon [●].

Reasons for the transaction

We are in the process of relocating our business operation in Yau Tong to our Tuen Mun facility. To give convenience to certain scrap suppliers of our Group who are accustomed to the Yau Tong site, Huan Bao Steel entered into the Cargo Handling Service Agreement whereby Huan Bao Steel agreed to engage Asia Wing Tat and Asia Wing Tat agreed to provide cargo handling services to Huan Bao Steel upon and subject to the terms of the Cargo Handling Service Agreement. We shall relocate our remaining business operation in the event that the Cargo Handling Service Agreement is terminated. We believe that the Cargo Handling Service Agreement would enable us to achieve a smooth transition for our relocation of business operation from Yau Tong to Tuen Mun.

The applicable percentage ratio derived from the service fee under the Cargo Handling Service Agreement will be less than 0.1% and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements contemplated under Rule 14A.33(3) of the Listing Rules.

B. Continuing connected transactions which are exempt from the independent shareholders' approval requirement, but subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules

Service agreement in relation to port loading services

Prior to [●], Guangzhou Asia Steel received port loading services from Guangzhou Zhujiang Port to facilitate the business of Guangzhou Asia Steel.

On 22 May 2009, Guangzhou Asia Steel and Guangzhou Zhujiang Port entered into a service agreement (the "Port Loading Service Agreement") under which Guangzhou Zhujiang Port has agreed to provide port loading services to Guangzhou Asia Steel commencing from [●] and ending on 31 December 2011. The service fee payable by Guangzhou Asia Steel in relation to the provision of port loading services by Guangzhou Zhujiang Port is determined on the basis of prevailing market price and on normal commercial terms.

The Port Loading Service Agreement was negotiated on an arm's length basis and entered into in the ordinary course of business of the Group and the terms of which represent normal commercial terms.

Connected persons

GZSL is a substantial shareholder of Guangzhou Asia Steel and is therefore a connected person of our Company under the Listing Rules. GZS holds the entire equity interest in GZSL. GZS is an associate of GZSL and is therefore a connected person of our Company under the Listing Rules. GZS controls the exercise of 45% of the voting power at general meetings of Guangzhou Zhujiang Port. Guangzhou Zhujiang Port is therefore an associate of GZS and a connected person of our Company under the Listing Rules. The transactions contemplated under the Port Loading Service Agreement will therefore constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon [●].

Reasons for the transaction

During the Track Record Period, Guangzhou Asia Steel has received port loading services from Guangzhou Zhujiang Port in a timely and efficient manner. Our Directors consider that it is in our interests to continue our relationship with Guangzhou Zhujiang Port upon [●].

Historical transaction value

For the three years ended 31 December 2008, the annual service fees incurred by Guangzhou Asia Steel in relation to the provision of port loading services by Guangzhou Zhujiang Port amounted to approximately HK$3.0 million, HK$1.5 million and HK$32,000, respectively. The decrease of historical service fees was due to the decrease of sales of recycled metal to GZS as a result of our diversification of our customer base and the fact that we distributed our scrap metal to GZS primarily by trucks from GZAS rather than via waterways in barges or other vessels or imported from Huan Bao in 2008. During the Track Record Period, in addition to serving our ferrous customers such as GZS, we diversified our customer base and started serving non-ferrous customers such as Guangzhou Metallurgy Industrial Co., Ltd. and Guangzhou Nonferrous Metal Co., Ltd.

Annual Caps

Pursuant to the terms of the Port Loading Service Agreement, the proposed annual service fees payable by Guangzhou Asia Steel to Guangzhou Zhujiang Port will not exceed HK$3.2 million, HK$3.9 million and HK$4.7 million for the three years ending 31 December 2011, respectively (the "Service Caps"), which are determined on the basis of prevailing market rates and on normal commercial terms. In arriving at the Service Caps, we have taken into account: (i) the historical amount of port loading services provided by Guangzhou Zhujiang Port during the Track Record Period; (ii) the expected increase in demand for the Group's port loading services as a result of anticipated growth of our business operations; and (iii) the possibility of any appreciation in the value of Renminbi against the Hong Kong dollar. The Service Caps are estimated based on the expected growth in the Group's sales volumes to GZS and the projected increase in the port loading service fees for the three years ending 31 December 2011 taking into account the expected increase in infrastructure needs of the PRC, which in turn is expected to lead to the increased demand for the Group's products and the port loading services, coupled with an estimated appreciation in the value of Renminbi against the Hong Kong dollar over the three years ending 31 December 2011.

Given that each of the applicable percentage ratios in respect of the above transaction is more than 0.1% but less than 2.5%, the transactions contemplated under the Port Loading Service Agreement will be exempt from the independent shareholders' approval requirements but subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules.

C. Non-exempt continuing connected transactions which are subject to the reporting, announcement and the independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules

(i) Sale of recycled metal

We have supplied recycled scrap metal to certain subsidiaries of GSEG. As far as our Company is aware, GSEG is a large-scale state-owned enterprise in Guangzhou with the responsibility for managing various state-owned iron and steel enterprises in an administrative capacity. GSEG and each of its subsidiaries are separate legal entities and have their own independent management teams.

We have entered into separate sale agreements (collectively, the "Sale Agreements") with Guangzhou Metallurgy Industrial Co., Ltd. (廣州冶金實業有限公司), GZS, Guangzhou Nanfang Nonferrous Metal Co., Ltd. (廣州南方有色金屬有限公司) and Guangzhou Non-Ferrous Metal Trading Development Co. Ltd. (廣州有色金屬貿易發展有限公司) (collectively, the "Purchasers") that are GSEG's subsidiaries for the purchase of recycled metal. Under the Sale Agreements, we have agreed to supply recycled scrap metal to the Purchasers. The purchase price payable by the Purchasers in relation to the purchase of recycled scrap metal from us pursuant to the Sale Agreements is determined with reference to the prevailing market price of the recycled scrap metal.

The Sale Agreements were negotiated on an arm's length basis and entered into in the ordinary course of business of our Company and their terms represent normal commercial terms.

Connected persons

As mentioned above, GZSL is a substantial shareholder of Guangzhou Asia Steel and is therefore a connected person of our Company under the Listing Rules. GZS holds the entire equity interest in GZSL. GZS is therefore an associate of GZSL and a connected person of our Company under the Listing Rules.

GZS is owned, amongst others, as to approximately 39.54% by GSEG and as to approximately 32.9% by Kam Kwan Limited (金鈞有限公司). Kam Kwan Limited (金鈞有限公司) is wholly owned by Kam Kwan Enterprise (Holdings) Limited, which is in turn wholly owned by GSEG. Accordingly, GSEG is interested in an approximately 72.44% equity interest in GZS. GSEG is an associate of GZS and is therefore a connected person of our Company under the Listing Rules.

Relationship between GSEG and its subsidiaries is as follows:

	Name of subsidiaries	Relationship with GSEG
1.	Guangzhou Metallurgy Industrial Co., Ltd. (廣州冶金實業有限公司)	It is owned as to 95% by Guangzhou Nanfang Nonferrous Metal Co., Ltd. (廣州南方有色金屬有限公司) (which is in turn wholly owed by GSEG) and as to 5% by GSEG. It is therefore wholly owned by GSEG.
2.	GZS	It is owned as to approximately 72.4% by GSEG as mentioned above.
3.	Guangzhou Nanfang Nonferrous Metal Co., Ltd. (廣州南方有色金屬有限公司)	It is wholly owned by GSEG.
4.	Guangzhou Non-Ferrous Metal Trading Development Co. Ltd. (廣州有色金屬貿易發展有限公司)	It is owned as to 95% by Guangzhou Nanfang Nonferrous Metal Co., Ltd., and as to 5% by GSEG. It is therefore wholly owned by GSEG.

As GSEG controls the exercise of more than 30% of the voting power at general meetings of each of the Purchasers, the Purchasers are therefore associates of GSEG and are connected persons of our Company under the Listing Rules. The transactions contemplated under the Sale Agreements between the Purchasers that are GSEG's subsidiaries and we will therefore constitute connected transactions for our Company under Chapter 14A of the Listing Rules upon [●].

Reasons for the transaction

GSEG Group was our largest customer in the years ended 31 December 2006 and 2008. During the Track Record Period, we supplied recycled scrap metal to members of GSEG Group, which settled our invoices on a timely basis. Our Directors consider that it is in our interests to continue our relationship with members of the GSEG Group upon [●].

Historical transaction value

For the three years ended 31 December 2008, the annual sale price paid by GSEG's subsidiaries to us in relation to the sale of recycled metals amounted to HK$664.4 million, HK$679.0 million and HK$1,981.4 million, respectively, which represent approximately 61%, 35% and 30% of the total revenues of the Group for the three years ended 31 December 2008, respectively. The fluctuation of historical sales of recycled scrap metals is due to our diversification of our customer base. During the Track Record Period, in addition to serving our ferrous customers such as GZS, we diversified our customer base and started serving non-ferrous customers such as Guangzhou Metallurgy Industrial Co., Ltd. and Guangzhou Nanfang Nonferrous Metal Co., Ltd.

Annual Caps

The proposed annual sale price payable by the Purchasers to us will not exceed HK$3,300 million, HK$4,900 million and HK$5,500 million for the three years ending 31 December 2011, respectively (the "Sale Caps"), which are determined on the basis of the prevailing market rate and on normal commercial terms. In arriving at the Sale Caps, we have taken into account: (i) the historical amount of recycled scrap metal sold by us to the Purchasers during the Track Record Period; (ii) the expected increase in demand for our Group's products, based on the Sale Agreements, the current negotiations between our Group and the Purchasers, and as a result of anticipated growth of our business operations; (iii) potential fluctuations in the cost of recycled scrap metal; and (iv) the possibility of any appreciation in the value of Renminbi against the Hong Kong dollar. The Sales Caps are estimated based on the projected growth in the sales volumes to the Purchasers for the three years ending 31 December 2011 taking into account the expected increase in infrastructure needs of the PRC which in turn is expected to lead to the increasing demand for our Group's products, coupled with an estimated appreciation in the value of Renminbi against the Hong Kong dollar over the three years ending 31 December 2011.

Given that each of the applicable percentage ratios in respect of the above transaction is more than 2.5%, the transactions under the Sale Agreements will be subject to the reporting, announcement and the independent shareholders' approval requirements pursuant to Rules 14A.35(3) and (4) of the Listing Rules.

(ii) Purchase of scrap metal

We have purchased scrap metal from Lane Tone International Material Inc. ("Lane Tone"), which is a supplier of our Group in the United States engaged in the business of scrap metal trading.

On 1 June 2009, Lane Tone and our Company entered into a framework purchase agreement (the "Purchase Agreement") pursuant to which our Group has agreed to purchase scrap metal from Lane Tone commencing from [●] and ending on 31 December 2011. The purchase price payable by our Group in relation to the purchase of the scrap metal from Lane Tone is determined with reference to the prevailing market price of the scrap metal. The Purchase Agreement was negotiated on an arm's length basis and was entered into in the ordinary course of business of our Group and on normal commercial terms.

Connected persons

Huang Lei is a director of Tianjin Yatong (our subsidiary) and is therefore a connected person of our Company under the Listing Rules. Lane Tone is wholly owned by Huang Lei and his wife and is thus an associate of Huang Lei. Lane Tone is therefore a connected person of our Company under the Listing Rules. The transactions contemplated under the Purchase Agreement will therefore constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon [●].

Reasons for the transaction

We began to purchase scrap metal from Lane Tone as raw materials for our production beginning in the second half of 2007. Since then, we have expanded our business relationship with Lane Tone as it has proven to be a good source of raw materials for our Company. Our Directors consider that it is in our interests to continue our relationship with Lane Tone after [●].

Historical transaction value

For the three years ended 31 December 2008, the annual purchase price paid by our Group to Lane Tone in relation to the purchase of the scrap metals amounted to approximately HK$nil, HK$241.8 million and HK$1,012.9 million, respectively. Lane Tone is our largest supplier for the year ended 31 December 2008.

Annual Caps

The proposed annual purchase price payable by our Group to Lane Tone will not exceed HK$1,100 million, HK$1,600 million and HK$1,700 million for the three years ending 31 December 2011, respectively (the "Purchase Caps"), which are determined on the basis of the prevailing market rate and on normal commercial terms. In arriving at the Purchase Caps, we have taken into account: (i) the historical transaction amount of scrap metal supplied by Lane Tone to our Group during the Track Record Period; (ii) the expected increase in demand for our Group's products, based on the sales contract entered into between our Group and our customers and as a result of anticipated growth of our business operations; and (iii) potential fluctuations in the cost of scrap metal. The Purchase Caps are estimated based on the projected growth in the purchase volumes from Lane Tone for the three years ending 31 December 2011 as a result of continued expected economic growth in the PRC which in turn is expected to lead to the increasing demand for our Group's products.

Given that each of the applicable percentage ratios in respect of the above transaction is more than 2.5%, the transaction under the Purchase Agreement will be subject to the reporting, announcement and the independent shareholders' approval requirements pursuant to Rules 14A.35(3) and (4) of the Listing Rules.