BACKGROUND INFORMATION OF CONTROLLING SHAREHOLDERS

Trisonic International

Trisonic International was incorporated in Hong Kong on July 19, 2006 as a private limited liability company. Trisonic International is currently an investment holding company. As of the Latest Practicable Date, Trisonic International is controlled by our Founders and its shareholders include our Founders and Kingston Grand.

Our Founders

Our Founders are the majority shareholders of Chuan Wei. Most of them currently form the management team of Chuan Wei. They are:

- Mr. WANG Jin (王勁) ("Mr. WANG"), who is one of our non-executive Directors. Mr. WANG has accumulated over 20 years of experience in steel production, raw material procurement and operations management in the steel industry. Mr. WANG has been the chairman of Chuan Wei since May 1998. In addition, he has been a director of Atlantic China Welding Consumables, Inc. (四川大西洋焊接材料股份有限公司), a company listed on the Shanghai Stock Exchange, since September 1999. In April 2000, Mr. WANG obtained the qualification of senior economist (高級經濟師) from the Sichuan Province Professional Title Reform Leading Group (四川省職稱改革領導小組), a PRC governmental authority. He served as a deputy to the 10th National People's Congress (第十屆全國人大代表) from March 2003 to March 2008 and he is currently serving as a deputy to the 11th National People Congress (第十一屆全國人大代表). He is also currently the director of the China Confederation of the Iron and Steel Industry (中國鋼鐵工業聯合會常務理事), the vice-chairman of the Sichuan Chamber of Commerce (四川省商會副會長), and the vice-chairman of the Sichuan Enterprise Confederation and Sichuan Entrepreneur Association (四川省企業聯合會暨企業家協會副會長).

- Mr. YANG Xianlu (楊先露), who was the vice-president of Chuan Wei from May 1998 to November 2005. He was the president of Chuan Wei from November 2005 to May 2008. He has over 20 years of experience in steel production, technology application and operational management in the steel industry.

- Mr. WU Wendong (吳文東), who has been the chief operating officer of Chuan Wei since September 2008. He was the head of research and development department of Chuan Wei from May 1998 to August 1999. He was the vice-president and chief engineer of Chuan Wei from August 1999 to September 2008. He has over 20 years of experience in quality control, research and development of products in the steel industry.

- Mr. ZHANG Yuangui (張遠貴), who has been the chief marketing officer of Chuan Wei since September 2008. He was the general manager of the sales department of Chuan Wei from May 1998 to May 2001. He was also the assistant to the president of Chuan Wei from February 2000 to May 2001. He was the vice-president of Chuan Wei from May 2001 to September 2008. He has over 20 years of experience in quality control and sales in the steel industry.

- Mr. SHI Yinjun (石銀君), who has been the chief financial officer of Chuan Wei since September 2008. He was the head of the finance department of Chuan Wei from May 1998 to May 2001. He was also the assistant to the president of Chuan Wei from February 2000 to May 2001. He was the chief accountant of Chuan Wei from May 2001 to

December 2004. He was the vice-president and chief accountant from December 2004 to September 2008. He has over 20 years of experience in accounting related matters.

- Mr. LI Hesheng (李和勝), who has been the deputy secretary of the Communist Party Committee in Chuan Wei since December 2001 and the chairman of the labor union of Chuan Wei since October 2006. He was the vice-president of Chuan Wei from December 2004 to November 2005. He has over 19 years of experience in labor union and party administrative related work.

Kingston Grand

Kingston Grand is an investment holding company holding 40.0% of the issued share capital of Trisonic International.

EXCLUDED BUSINESSES

As of the Latest Practicable Date, Trisonic International holds 68.0% equity interest in Weiyuan Steel and 70.0% equity interest in Neijiang Bowei Combustion. Chuan Wei and Weiyuan Steel hold 29.43% and 0.57% equity interest, respectively, in Neijiang Chuanwei Special Steel.

Weiyuan Steel

Weiyuan Steel was established as a limited liability company in the PRC on April 3, 2001. Its predecessor was Weiyuan Steel Factory (威遠鋼鐵廠) which had been engaged in steel production since 1929. On August 24, 2006, with the approval of Sichuan Provincial Department of Commerce, Trisonic International contributed to the registered capital of Weiyuan Steel which then became a Sino-foreign equity joint venture enterprise. According to Weiyuan Steel's business license, it has a registered capital of approximately RMB553.2 million. It is currently engaged in steel production, such as the production of rolled steel wire for welding, low carbon hot-rolled steel wire, hot-rolled rib steel and hot-rolled bar.

As of June 30, 2009, Weiyuan Steel has an annual production capacity of 3.0 Mt of crude steel and is the second largest steel production company in Sichuan by annual production volume. For the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009, it purchased a total of approximately 3.0 Mt, 3.4 Mt, 3.3 Mt and 1.7 Mt of iron ore products, respectively, out of which 336.8 Kt, 626.7 Kt, 274.3 Kt and 159.7 Kt of iron ore products were purchased from us for the years ended December 31, 2006, 2007 and 2008, respectively.

Weiyuan Steel was our single largest customer during the years ended December 31, 2006 and 2007. For the years ended December 31, 2006 and 2007, our sales to Weiyuan Steel accounted for approximately 96.5% and 94.1% of our total revenue for these periods, respectively. Beginning in January 2008, we began the process of increasing our sales to Independent Third Party customers in order to reduce our sales to Weiyuan Steel to approximately 30.0% or less of our total contracted sales revenue. As of December 31, 2008 and June 30, 2009, our sales to Weiyuan Steel accounted for only 21.1% and 17.3% of our total revenue, respectively. During such period, we supplied our products to Weiyuan Steel at market prices. See the "Business — Sales — Sales to Weiyuan Steel" section in this document. Weiyuan Steel does not engage in any business that competes or is likely to compete with our business and has been operating independently from our Group. Other than Mr. WANG Jin, who is our non-executive Director and a director of Weiyuan Steel, there is no overlap between our Directors and management team and those of Weiyuan Steel. See "— Independence from Controlling Shareholders — Management independence" in this section.

Neijiang Chuanwei Special Steel

Neijiang Chuanwei Special Steel was established as a domestic limited company in the PRC on September 1, 1998 and converted to a Sino-foreign joint venture enterprise on September 4, 2006. According to its business license, Neijiang Chuanwei Special Steel has a registered capital of RMB200.0 million. It is currently engaged in the business of steel smelting, steel compression processing and sales of steel products.

Neijiang Chuanwei Special Steel does not engage in any business that competes or is likely to compete with our business. Other than Mr. WANG Jin, who is our non-executive Director and a director of Neijiang Chuanwei, there is no overlap between our Directors and management team and those of Neijiang Chuanwei Special Steel. See "— Independence from Controlling Shareholders — Management independence" in this section.

Neijiang Bowei Combustion

Neijiang Bowei Combustion was established as a domestic limited company in the PRC on November 28, 1994 and converted to a Sino-foreign joint venture enterprise on September 4, 2006. According to its business license, Neijiang Bowei Combustion has a registered capital of RMB100.0 million. It is currently engaged in the business of producing and sales of metallurgical coke, coal tar, coke oven coal gas, ammonium sulfate, coal tar processing and crude benzol.

Neijiang Bowei Combustion does not engage in any business that competes or is likely to compete with our business. Other than Mr. WANG Jin, who is our non-executive Director and a director of Neijiang Bowei Combustion, there is no overlap between our Directors and management team and those of Neijiang Bowei Combustion. See "— Independence from Controlling Shareholders — Management independence" in this section.

Size of Weiyuan Steel, Neijiang Chuanwei Special Steel and Neijiang Bowei Combustion during the Track Record Period

The table below summarizes the revenue, cost of sales, gross profit, net profit, gross profit margin and total assets of Weiyuan Steel, Neijiang Chuanwei Special Steel and Neijiang Bowei Combustion during the Track Record Period based on the audited and unaudited financial statements of these companies prepared under the applicable PRC accounting standards:

	Year ended December 31,			Six months ended June 30,
	2006	2007	2008	2009
Weiyuan Steel				
Revenue (RMB million)	4,758.6	5,684.3	7,663.6	2,909.6
Cost of sales (RMB million)	4,495.6	5,326.8	7,526.2	2,787.2
Gross profit (RMB million)	246.8	341.7	137.3	122.4
Net profit (RMB million)	86.9	156.5	40.9	26.9
Gross profit margin (%)	5.5	6.3	1.8	4.2
Total assets (RMB million)	3,111.0	4,124.7	3,942.8	4,268.5
Neijiang Chuanwei Special Steel				
Revenue (RMB million)	1,528.1	2,162.6	2,002.7	248.6
Cost of sales (RMB million)	1,416.1	2,040.7	1,891.4	237.7
Gross profit (RMB million)	112.0	121.9	111.3	10.9
Net profit (RMB million)	69.9	71.5	45.4	11.6
Gross profit margin (%)	7.3	5.6	5.6	4.4
Total assets (RMB million)	598.3	763.9	730.3	751.0
Neijiang Bowei Combustion				
Revenue (RMB million)	1,031.7	1,158.9	1,682.8	678.5
Cost of sales (RMB million)	968.7	1,085.7	1,594.6	639.8
Gross profit (RMB million)	63.0	73.2	88.2	38.8
Net profit (RMB million)	16.5	27.9	39.9	20.8
Gross profit margin (%)	6.1	6.3	5.2	5.7
Total assets (RMB million)	432.0	706.1	507.0	471.9

The sales amount of our iron ore products to Weiyuan Steel in 2006, 2007, 2008 and the six months ended June 30, 2009 was RMB203.7 million, RMB344.9 million, RMB167.1 million and RMB84.2 million, respectively. Such amounts represent 4.5%, 6.5%, 2.2% and 3.0%, respectively, of the total amount of the cost of sales of Weiyuan Steel in the same period. As the sales amount of our iron ore products to Weiyuan Steel only constitutes a small percentage of the total amount of the cost of sales of Weiyuan Steel during the Track Record Period, our Directors are of the view that Weiyuan Steel has not relied on us for the supply of raw materials for its production of steel products during the Track Record Period.

Reasons for not including Weiyuan Steel, Neijiang Chuanwei Special Steel and Neijiang Bowei Combustion in our Group

Our Founders have decided to position ourselves as a mining operator with a strong focus on iron and titanium-related products. Because the Excluded Businesses are so different from the business we intend to focus on, our Founders do not consider it commercially reasonable to put these businesses all in one group. In addition, Weiyuan Steel, Neijiang Chuanwei Special Steel and Neijiang Bowei Combustion have been operating as separate businesses independently from our Group during the Track Record Period and it therefore would require the significant reorganization of these companies to achieve integration with our Group and such reorganization would be difficult to complete in a cost-effective or timely manner.

Further, there are different business risks faced by the Excluded Businesses compared to those risks faced by our Group. The Excluded Businesses require substantial facilities and involve more complex supply and customer relationships than the mining business. For example, steel production requires significant capital investment in more sophisticated machinery and requires a workforce with a different skill set from those required in open-pit, low-skilled mining operations. Customer product specifications are also more varied, requiring greater control over the manufacturing process, and product quality is more difficult to control. Finally, laws and regulations, particularly those related to environmental protection that apply to the Excluded Businesses, may be different from those that apply to mining.

Based on the above, our Founders have no present intention to include Weiyuan Steel, Neijiang Chuanwei Special Steel and Neijiang Bowei Combustion in our Group before or after [●].

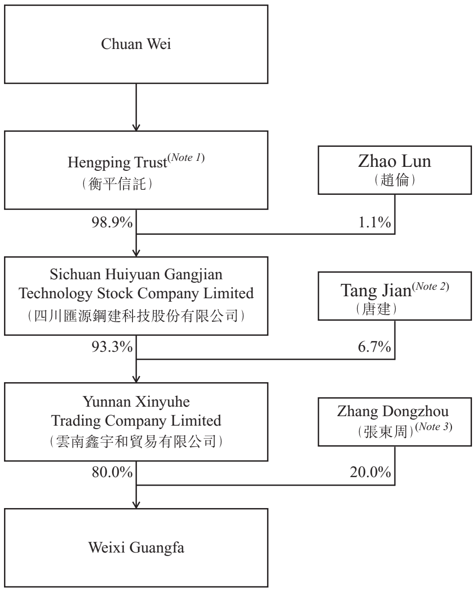
EXCLUDED MINES

As of the Latest Practicable Date, Chuan Wei, a company which our Founders are majority shareholders of, held various iron ore mines in the southwest region of the PRC (the "Excluded Mines") indirectly.

Under the Non-Competition Agreement, our Founders have undertaken not to engage in further competitive activities apart from the Excluded Mines described below.

Weixi Guangfa Iron Ore Development Company Limited (維西廣發鐵礦開發有限公司) (“Weixi Guangfa”)

As of the Latest Practicable Date, Chuan Wei holds 80.0% equity interest in Weixi Guangfa indirectly as follows:



Notes:

1. Hengping Trust (衡平信托) holds 98.9% equity interest in Sichuan Huiyuan Gangjian Technology Stock Company Limited (四川匯源鋼建科技股份有限公司) in trust for Chuan Wei.
2. Mr. TANG Jian (唐建) is the chairman of Weixi Guangfa.
3. Mr. ZHANG Dongzhou (張東周) is a director of Weixi Guangfa.

Weixi Guangfa is a limited liability company incorporated in the PRC on June 10, 2005. According to its business license, it has a registered capital of RMB5.1 million. Its current business scope includes exploration for, processing and sale of iron ore. Weixi Guangfa is the holder of an exploration permit for Lagaluo mine (拉嘎洛鐵礦), an iron ore mine located at Lagaluo Village, Zhonglu Townlet, Weixi County, Diqing, Yunnan Province.

As of the Latest Practicable Date, the directors of Weixi Guangfa are Messrs. TANG Jian (唐建), LI Youyi (李幼毅) and ZHANG Dongzhou (張東周). As of the Latest Practicable Date, Weixi Guangfa has only obtained an exploration permit for Lagaluo mine and has not commenced its business operations. Hence there is no profit or loss derived or incurred (as the case may be) by Weixi Guangfa during the Track Record Period. According to the information provided by Weixi Guangfa, its exploration costs in 2006, 2007, 2008 and the six months ended June 30, 2009 were RMB0.3 million, RMB12.4 million, RMB5.7 million and 6.7 million, respectively. Pursuant to the exploration permit of Lagaluo mine, the mine covers an area of 12.0 sq. km. and the term of the exploration permit is one year, from October 30, 2007 to October 29, 2008. Weixi Guangfa has obtained an extension of the exploration permit for Lagaluo mine for one year, from October 30, 2008 to October 20, 2009. Weixi Guangfa is in the process of applying for an extension of the exploration permit for Lagaluo mine for one year, and expects to obtain approval for the extension on or before the expiry date of the current exploration permit. As of the Latest Practicable Date, there is no review of the reserves at Lagaluo mine. We have decided not to acquire Lagaluo mine prior to [●] because it is still at the exploration stage. We have obtained a binding undertaking from Weixi Guangfa dated July 28, 2009. Under its terms, Weixi Guangfa undertakes the following: (i) Lagaluo mine covers an area of 12.0 sq. km with total proved mineral resources of 8.1 Mt; (ii) it will sell to us Lagaluo mine if we intend to acquire

Lagaluo mine within 24 months of the undertaking and will enter into an agreement to transfer Lagaluo mine to us within 120 days from the date we exercise such option; (iii) it will use its best efforts to assist us in our application to the relevant government authority to transfer Lagaluo mine to us; and (iv) it will not enter into any agreement with a third party to sell Lagaluo mine or grant a third party an option similar to ours. In the event it intends to sell Lagaluo mine to any third party, we have the right of first refusal to acquire Lagaluo mine on terms and conditions no less favorable than those offered to the third party. See “— Options to Acquire Excluded Mines” in this section. We intend to exercise our option to acquire the Lagaluo mine one year after Weixi Guangfa has obtained the mining permit for Lagaluo mine.

Our Directors do not believe that the business of Weixi Guangfa poses a material competitive threat to our business because the mining operations at Lagaluo mine have not yet begun. Weixi Guangfa’s target customer base will be customers located in Yunnan province. In contrast, the majority of our customers are located in Sichuan. In addition, under the Non-Competition Agreement, there are provisions restricting the Controlling Shareholder from selling iron ore to our existing customers or customers in Sichuan. Further, provisions will be made such that if Weixi Guangfa were to sell any of its iron ore products outside of Yunnan Province, Weixi Guangfa will have to obtain consent from us prior to such sales. Such consent will be reviewed and approved by the independent non-executive Directors.

Yaba Mining Company Limited (阿壩礦業有限公司) (“Yaba Mining”)

As of the Latest Practicable Date, Chuan Wei holds 85.0% equity interest in Yaba Mining. The remaining 15.0% equity interest in Yaba Mining is owned as to 10.0% by Mr. ZHAO Maolin (趙茂林), and 5.0% by Mr. ZHANG Yiliang (張藝良), respectively.

Yaba Mining is a limited liability company incorporated in the PRC on February 27, 2004 with a registered capital of RMB20.0 million. Its current business scope includes that of mining, beneficiation and sale of ore products. Yaba Mining is the holder of a mining permit for Maoling mine (毛嶺鐵礦), an iron ore mine located at Maoling Village, Weizhou Town, Wenchuan County, Yaba Autonomous Prefecture, Sichuan, PRC.

As of the Latest Practicable Date, the directors of Yaba Mining are Messrs. ZHAO Maolin (趙茂林), ZHANG Yiliang (張藝良) and QIU, Xuhua (邱緒華).

Yaba Mining has obtained a mining permit for Maoling mine. Pursuant to the mining permit of Maoling mine, the mode of mining will be underground mining and the mine covers an area of 1.9 sq. km. with a permitted operating scale of 300.0 Kt per year. The term of the mining permit is 30 years, from October 2004 to October 2034. The table below sets forth the information relating to the operations of Maoling mine based on management account.

	Year ended December 31,			Six months ended June 30,
Maoling mine	**2006**	**2007**	**2008**	**2009**
Revenue (in RMB'000)	44,372.0	49,674.0	6,896.0*(Note 1)*	182,331
Cost of sales (in RMB'000)	25,266.0	28,855.0	7,128.0	177,400
Gross profit/(loss) (in RMB'000)	19,106.0	20,819.0	(232.0)	4,931
Gross profit margin (%)	43.1	41.9	(3.4)*(Note 2)*	2.7
Net profit/(loss) (in RMB'000)	5,690.0	2,461.0	(14,094)	(2,495)
Total assets (in RMB'000)	79,936.0	141,733.0	144,408.0	187,907
Production capacity (Kt/year)	80.0	80.0	N/A*(Note 3)*	N/A
Production volume (Kt)	84.0	90.0	N/A*(Note 3)*	N/A
Sales volume (Kt)	84.0	90.0	1.9	—

Notes:

1. The revenue for 2008 was derived from the sale of Yaba Mining's inventory of 0.8 Kt of iron ore products and distribution of 1.1 Kt of Chuan Wei's steel products.

2. There was no gross profit margin for 2008 as there was a loss suffered by Yaba Mining in relation to Maoling mine for the same period.

3. The operations of Maoling mine ceased on October 2007 and has not yet resumed operations as of June 30, 2009.

According to a reserve report prepared by Geochemical Exploration Team of Sichuan Geological Mining Exploration and Development Bureau (四川省地質礦產勘查開發局找探隊) dated October 2007, Maoling mine has reserves of 10.4 Mt of iron ore.

We have obtained a binding undertaking from Yaba Mining dated June 17, 2009. Under its terms, Yaba Mining undertakes the following: (i) Maoling mine has total proved mineral resources of 10.0 Mt; (ii) it will sell to us Maoling mine if we exercise the option to acquire Maoling mine within 24 months of the undertaking and will enter into an agreement to transfer Maoling mine to us within 120 days from the date we exercised such option; (iii) it will use its best endeavors to assist us in our application to the relevant government authority to transfer Maoling Mine to us; and (iv) it will not enter into any agreement with a third party to sell Maoling mine or grant a third party an option similar to ours. In the event it intends to sell Maoling mine to any third party, we have the right of first refusal to acquire Maoling mine on terms and conditions no less favorable than those offered to the third party. See "— Options to Acquire Excluded Mines" in this section. In view of the uncertainty of the timing of resumption of the operations of Maoling mine, we have decided not to acquire the mine prior to [●] and will reconsider an acquisition after its operations resume.

Our Directors do not believe that the business of Yaba Mining poses a material competitive threat to our business. To the knowledge of our Directors, Maoling mine has not been in operation since October 2007 when a landslide occurred in the Maoling mine. As a result, Yaba Mining decided to cease the operation of Maoling mine temporarily and the mine has not resumed operations. Furthermore, because Maoling mine is located in the area affected by the earthquake, it is unlikely that its operations will resume in 2009.

Yanyuan County Xiwei Mining Company Limited (鹽源縣西威礦業有限責任公司) (“Yanyuan Xiwei”)

As of the Latest Practicable Date, Chuan Wei holds the entire equity interest in Yanyuan Xiwei indirectly through Yaba Mining. Yanyuan Xiwei is wholly owned by Yaba Mining. Yaba Mining is owned as to 85.0% by Chuan Wei, 10.0% by Mr, ZHAO Maolin (趙茂林) and 5.0% by Mr. ZHANG Yiliang (張藝良) respectively.

Yanyuan Xiwei is a limited liability company incorporated in the PRC on December 7, 2007. It is in the process of setting up its business operations. It has yet to obtain the short-term land use rights and certain other permits and certificates for its operations. It is the holder of a mining permit for Huangcaoping mine (黃草坪鐵礦), an iron ore mine located at Huangcaoping near the Ping Chuan Town of Yanyuan County, Sichuan, PRC.

As of the Latest Practicable Date, Yanyuan Xiwei has three directors, Mr. ZENG Qiang (曾強), Mr. QIU Jianwei (邱建偉) and Mr. GUO Honggang (郭宏鋼).

Yanyuan Xiwei has obtained a mining permit for Huangcaoping mine. Pursuant to the mining permit of Huangcaoping mine, the mode of mining is underground mining and the mine covers an area of 0.4 sq. km, with a permitted operating scale of 20.0 Kt per year. The term of the mining permit is six years and seven months, from June 2008 to January 2015. Information relating to the table below sets forth the operation of Huangcaoping mine.

	Year ended December 31,			Six months ended June 30,
Huangcaoping mine	**2006**	**2007**	**2008**	**2009**
Revenue (in RMB’000)	—	—	7,083.0	3,772
Cost of sales (in RMB’000)	—	—	2,753.0	1,766
Gross profit (in RMB’000)	—	—	4,330.0	2,006
Gross profit margin (%)	—	—	61.1	53.2
Net profit (in RMB’000)	—	—	1,207.0	(860)
Total assets (in RMB’000)	—	—	13,516.0	22,111
Production capacity (Kt/year)	—	—	20.0	20.0
Production volume (Kt)	—	—	12.6	17.0
Sales volume (Kt)	—	—	9.1	7.0

We have obtained a binding undertaking from Yanyuan Xiwei dated June 17, 2009. Under its terms, Yanyuan Xiwei undertakes the following: (i) Huangcaoping mine has total proved mineral resources of 269.3 Kt; (ii) it will sell to us Huangcaoping mine if we exercise the option to acquire Huangcaoping mine within 24 months of the undertaking and will enter an agreement to transfer the mine to us within 120 days from the date we exercised such option; (iii) it will use its best endeavors to assist us in our application to the relevant government authority in relation to the transfer of Huangcaoping mine; and (iv) it will not enter into any agreement with a third party to sell Huangcaoping mine or grant a third party an option similar to ours. In the event it intends to sell Huangcaoping mine to any third party, we have the right of first refusal to acquire Huangcaoping mine on terms and conditions no less favorable than those offered to the third party. We have decided not to acquire Huangcaoping mine prior to [●] because of the time, cost and efforts involved in obtaining such permits and certificates. See “— Options to Acquire Excluded Mines” in this section. We intend to exercise our option to acquire the Huangcaoping mine after Yanyuan Xiwei obtains all the necessary permits and certificates required for its operations.

Our Directors do not believe that the business of Yanyuan Xiwei poses any material competitive threat to our business. In any event, if Yanyuan Xiwei were to sell any of its iron ore products in Sichuan, Yanyuan Xiwei will have to obtain consent from us prior to selling its iron ore products. Such consent will be reviewed and approved by our independent non-executive Directors. Therefore, our Directors are of the view that the nature of Huangcaoping mine and the implementation of these provisions in the Non-Competition Agreement can sufficiently safeguard our interest and Yanyuan Xiwei will not be competing with us during the period before Yanyuan Xiwei has obtained all the necessary permits and certificates.

OPTIONS TO ACQUIRE EXCLUDED MINES

Pursuant to the undertakings granted by the owners of the Excluded Mines, each owner undertakes, amongst others (i) to sell to us its respective Excluded Mine if we exercise the option to acquire such Excluded Mine within 24 months of the undertaking and will enter into an agreement with us to transfer such Excluded Mine within 120 days from the date we exercise such option; and (ii) it will not enter into any agreement with a third party to sell such Excluded Mine or grant a third party an option similar to ours. In the event it intends to sell such Excluded Mine to any third party, we have the right of first refusal to acquire such Excluded Mine on terms and conditions no less favorable than those offered to the third party.

Under the Non-Competition Agreement, our Founders have also agreed to cause the owners of the Excluded Mines to transfer its respective Excluded Mine to us if we exercise the options to acquire such Excluded Mine. A description of the range of the acquisition price of the iron ore mining reserve in relation to the Excluded Mines may be found in “Business — Expansion and Construction Plan — Expansion of mineral reserves — Option agreements in respect of five iron ore mines in Sichuan and Yunnan” section in this document. Accordingly, when our Directors consider it to be beneficial for us to do so, such as when all the necessary due diligence has been undertaken, or when the timing is considered appropriate or beneficial to us, we may exercise our options to purchase all or any of the Excluded Mines, subject to compliance with any applicable PRC laws and the approval of the relevant government authorities and our independent Shareholders. In addition, each of our Controlling Shareholders will provide all information as may be reasonably requested by us from time to time relating to the Excluded Mines so that we may consider whether we shall exercise any of its rights under the Non-Competition Agreement. We currently intend to exercise our options within two years [●] for the following reasons:

- We intend to acquire our option to acquire the Lagaluo mine after the mining permit for the mine has been obtained and the owner of the Lagaluo mine is permitted to transfer the mining rights of the Lagaluo mine to us. Under PRC law, mining rights cannot be transferred to another party until one year after the commencement of operation of the mine. As of the Latest Practicable Date, the mine owner of Lagaluo mine has not yet obtained the mining permit.
- We intend to exercise our option to acquire the Maoling mine after its operations resume. Because substantial repairs to the electricity supply and roads to the mine are required, we expect that the operation of the Maoling Mine will not resume until 2011.

- We intend to exercise our option to acquire the Huangcaoping mine after all the necessary permits and certificates required for its operations are obtained. Based on our experience, we expect that it will take the mine owner of Huangcaoping mine at least 18 months to obtain all these permits and certificates.

In addition, any decisions relating to the exercise of any of the rights under the Non-Competition Agreement shall be made by the independent non-executive Directors, who will convene at least twice a year or upon our request to consider whether or not to exercise the option to purchase any of the Excluded Mines. The independent non-executive Directors will consider, among other things, the total proved and probable reserves, the average grade and content of the reserves, the market value of iron ore, regulatory compliance and the scale of production in respect of the relevant Excluded Mine. In the event the independent non-executive Directors consider appropriate, they will appoint experts or independent technical advisors to assist them in their consideration of whether to exercise the said option. See "— Deed of Non-Competition" in this section.

According to the Tentative Regulations on the Administration of Transfer of Mining Industry Rights《礦業權出讓轉讓管理暫行規定》, the Measures for the Administration of Transfer of Mineral Exploration Right and Mining Right (《探礦權採礦權轉讓管理辦法》) and other relevant regulations, the transfer of the mineral exploration rights and mining rights is subject to the approval of the relevant PRC land and resources authority.

When the relevant PRC land and resources authority reviews a request to transfer mineral exploration rights or mining rights, it takes into consideration the following material factors: (1) two years since the date of issuance of an exploration and survey permit, or discovery of mineral resources within the exploration and survey area(s); (2) one year since a mining enterprise's commencement of production; (3) fulfillment of the specified minimum exploration and survey investment; (4) no dispute on the ownership of the mineral exploration rights/ mining rights; (5) payment of the mineral exploration rights utilization fee and mineral exploration rights purchase price, or payment of the mining rights utilization fee, mining rights purchase fee, mineral resources compensation fee and resources tax; (6) qualification of the transferee; (7) whether the mineral exploration rights or the mining rights are obtained via state-funded exploration and survey; (8) if the transferor is a state-owned enterprise, consent from the applicable governing authority; and (9) whether the mineral exploration rights/mining rights transfer contract complies with relevant PRC laws and policies.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors believe we are independent from our Controlling Shareholders and their associates (other than our Group), including Weiyuan Steel, Neijiang Chuanwei Special Steel and Neijiang Bowei Combustion, in terms of our business operations, financial matters and administrative management. Our Directors also believe there is no conflict of interest or undue reliance on our Controlling Shareholders.

Operational independence

There were certain transactions between us and certain related parties during the two years ended December 31, 2006 and 2007, details of which are set forth in Note 32 of Section II of the Accountants' Report attached as Appendix I to this document. Weiyuan Steel was our single largest customer during the years ended December 31, 2006 and 2007. For the years ended December 31, 2006 and 2007, our sales to Weiyuan Steel accounted for approximately 96.5% and 94.1% of our total revenue for these periods, respectively. Our sales to Weiyuan Steel were reduced to approximately 21.1% and 17.3% of our total revenue for the year ended December 31, 2008 and the six months ended June 30, 2009, respectively. We plan to keep the percentage of sales to Weiyan Steel to approximately 30.0% or less of our total contracted revenue by the end of 2009. See the “Business — Sales — Sales to Weiyuan Steel” section in this document.

For the year ended December 31, 2008 and the six months ended June 30, 2009, we have been able to execute contracts with Independent Third Party customers for quantities of our products sufficient to reduce the percentage of our total revenue made to Weiyuan Steel to 21.1% and 17.3%, respectively. See the “Business — Sales — Sales to Weiyuan Steel” section in this document. We believe our plan to secure Independent Third Party customers quickly is achievable because of the shortage of iron ore supply in Sichuan, and in the PRC generally. See the “Industry Overview — PRC Iron Ore Industry — Iron ore demand” and “Industry Overview — Sichuan Iron Ore Industry — Iron ore demand” sections in this document. Thus, we do not believe we rely on our Controlling Shareholders to gain access to our customers and suppliers.

The business of our Company and that of the Excluded Businesses are different. Our Company is principally engaged in the business of production of iron ore products. In contrast, Weiyuan Steel is principally engaged in the business of steel production. Neijiang Chuanwei Special Steel is principally engaged in the business of steel compression processing and sales of its products. Neijiang Bowei Combustion is principally engaged in the production of metallurgical coke, coal tar, coke oven coal gas, ammonium sulfate and the processing of coal.

In addition, we do not have the same products, nor do we share any common customers or services and/or employees with our Controlling Shareholders and their associates.

Based on the above, our Directors confirm that our Group is operating independently from our Controlling Shareholders and their associates.

Financial independence

Our Directors confirm that our Group has the ability to operate independently of our Controlling Shareholders from a financial perspective. Our Group is capable of obtaining financing independently of our Controlling Shareholders, including securing loans from commercial banks. Our Group is capable of operating its financial, accounting and treasury functions independently without relying on our Controlling Shareholders. Our Group has its own finance and accounting department which is responsible for our accounting and treasury functions, including financial reporting, liaising with our auditors, review of our cash flow position and negotiation and monitoring of our bank loan facilities and drawdowns. As of the Latest Practicable Date, our Group has no outstanding loans owed to, and no outstanding guarantees from, our Controlling Shareholders. Our Directors further confirm that as of [●], our Group will not have any outstanding loans owed to, and no outstanding guarantees from, our Controlling Shareholders.

In light of the above, our Directors believe that we are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders.

Management independence

Since 2001, our Founders have engaged in a conglomerate strategy of investing in different industries and each time they established or acquired a new company as a platform for expanding into a new industry, they would allocate or hire a new management team to focus on the business segment and operate independently. Establishing a new subsidiary with a specialized management team allows control over business operations, and enables the subsidiary to enter into and focus on the new industry more efficiently. Since each company established by our Founders in a different industry faces different opportunities, growth potential and risks and rewards from other subsidiaries, different international investors have invested in each of them and each company has a separate board of directors and management team.

Our business is run by our senior management under the supervision of our executive Directors. Our Board has four non-executive Directors and four independent non-executive Directors. Our senior management is responsible for overseeing the daily operations of our Group and for formulating business strategies and reports to the Board on a regular basis.

Our Board is the highest authority in managing our Group's business and approving the overall business strategies. This clear delineation of responsibilities has been adopted by our Group since the establishment of our business in the PRC. Our Board acts collectively to decide on matters in the interests of our Group. All decisions of our Board must be approved by a simple majority of members of our Board. If a conflict of interest, whether actual or potential, arises, the relevant Directors are required to declare his interest and abstain from voting on the relevant resolutions pursuant to the Articles and the requirements under the Listing Rules.

As of the Latest Practicable Date, the positions of our Directors in our Controlling Shareholders are as follows:

Name	Position in our Company	Position in Trisonic International	Position in Kingston Grand
JIANG Zhongping (Note 1)	executive Director	N/A	N/A
LIU Feng	executive Director	N/A	N/A
WANG Yunjian	executive Director	N/A	N/A
YU Xingyuan	executive Director	N/A	N/A
WANG Jin	non-executive Director	Director	Director
ZHU Xiaolin (Note 2)	non-executive Director	N/A	N/A
TEO Cheng Kwee	non-executive Director	Director	Director
DEVLIN Paul Jason	non-executive Director	N/A	N/A
YU Haizong	independent non-executive Director	N/A	N/A
GU Peidong	independent non-executive Director	N/A	N/A
LIU Yi	independent non-executive Director	N/A	N/A
WU Wei	independent non-executive Director	N/A	N/A

Notes:

1. Mr. JIANG Zhongping was appointed director of Trisonic International on August 18, 2006 and he resigned on November 10, 2008.

2. Mr. ZHU Xiaolin was appointed director of Trisonic International on August 18, 2006 and he resigned on November 10, 2008.

Two out of our twelve Directors serve as directors of Trisonic International, which is an investment holding company. Two of our twelve Directors serve as directors of Kingston Grand. The retention of Messrs. TEO Cheng Kwee and WANG Jin as directors of Trisonic International and Kingston Grand is due to their vast commercial experience and knowledge, enabling them to provide valuable input on corporate governance and business and financial strategies. Mr. TEO Cheng Kwee is the chief executive officer and founder of a company listed on the Singapore Exchange Limited and has over 30 years of experience in the building and construction industry. Mr. WANG Jin has been a director of a company listed on the Shanghai Stock Exchange and has over 20 years of experience in steel production, raw material procurement and operations management in the steel industry. See the "Directors, Senior Management and Employees — Board of Directors — Non-executive Directors" section in this document. For their roles and duties in our Group, see the "Directors, Senior Management and Employees" section in this document. Mr. WANG Jin also serves as a non-executive director in Weiyuan Steel, Neijiang Chuanwei Special Steel and Neijiang Bowei Combustion. He is not responsible for the day-to-day operations of these companies. None of the Directors serve as directors in the Excluded Mines.

Our Directors believe that our Board can function effectively. According to the Articles of Association, an overlapping Director may not attend any Board meetings at which a contract, arrangement or proposal that he or any of his associates has a material interest in will be considered. If at the request of other non-conflicted Directors, such overlapping Director is present at the Board meeting, such overlapping Director shall not vote or be counted for quorum purposes in respect of any Board resolutions approving such contract or arrangement or proposal, and shall be excluded from all deliberations over such contract, arrangement or proposal. See the "Appendix VI — Summary of the Constitution of the Company and Cayman Companies Law — Articles of Association" section in this document. The two overlapping Directors are non-executive Directors. They are not responsible for the day to day operations of the decision of our Group. Because all of our executive Directors and all of the independent non-executive Directors do not overlap, our Board can function effectively in the event that the overlapping Directors cannot attend a Board meeting or vote or be counted for quorum purposes and the presence of our overlapping Directors do not compromise our Board's independence or our Board's ability to act in the best interests of our shareholders as a whole. The presence of the overlapping Directors do not compromise our Board's independence or its ability to function effectively in the best interests of our shareholders as a whole for the following reasons:

(a) the two overlapping Directors are non-executive Directors and therefore are not responsible for the day to day operations of the business of our Group;

(b) even without the presence of the two overlapping Directors at a board meeting, the remaining Directors will be able to function effectively given their qualifications, expertise and experience in various fields such as iron ore mining, accounting and enterprise management in the PRC, mineral processing engineering and experience in the iron and titanium related business; and

(c) all of our executive Directors and all of the independent non-executive Directors do not overlap. As such, the remaining ten non-overlapping Directors would be able to vote or be counted for quorum purposes for any board resolutions approving such contract or arrangement or proposal which the overlapping Directors or his associates has a material interest in.

As of the Latest Practicable Date, the positions of the management team of Weiyuan Steel are as follows:

Name	Management Position in Weiyuan Steel	Management Position in our Group
YUAN Yong (袁勇)	Chairman and chief executive officer	N/A
PENG Bo (彭波)	Director and deputy chief executive officer	N/A
WANG Jin (王勁)	Director	Non-Executive Director
YANG Xianlu (楊先露)	Director	N/A
ZHANG Yuangui (張遠貴)	Director	N/A
SHI Yinjun (石銀君)	Director	N/A
YANG Nengzhong (楊能忠)	Director	N/A

Our Directors are of the view that our management team operates independently from that of Weiyuan Steel. Other than Mr. WANG Jin who concurrently serves as a director in Weiyuan Steel and our non-executive Director, the remaining members of the board of directors and management team of Weiyuan Steel are different from ours.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders has entered into the Non-Competition Agreement in favor of our Company, pursuant to which each of our Controlling Shareholders has agreed, undertaken to and covenanted with our Company jointly and severally that with effect from [●]:

(a) (i) our Controlling Shareholders shall not;

(ii) our Controlling Shareholders shall procure that the Controlled Companies (as defined below) and the Controlled Persons (as defined below) shall not; and

(iii) our Controlling Shareholders shall use their best endeavors to procure that their associates and associate companies (as defined below) (other than our Group) shall not:

whether as principal or agent and whether undertaken directly or indirectly through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or concerned with, directly or indirectly, any business including mining, ore processing and sale of iron concentrates, iron pellets, titanium concentrates and titanium-related downstream products (“Competing Business”) in Hong Kong, the PRC or such other part of the world where any member of our Group carries on its business from time to time (the “Restricted Territories”) (other than the Excluded Mines); and

(b) in the event that any of our Controlling Shareholders, the Controlled Persons (as defined below), any of the Controlled Companies (as defined below), and/or any of their associates or associate companies (as defined below) is offered or becomes aware of any business opportunity to directly or indirectly engage or become interested in any activity relating to the Competing Business in any of the Restricted Territories (the “Business Opportunity”), he/it:

(i) shall promptly notify our Company in writing and refer such Business Opportunity to our Company for consideration and provide such information as is reasonably required by our Company in order to come to an informed assessment of such Business Opportunity; and

(ii) shall not and shall procure that his/its associates shall not, invest or participate in such Business Opportunity unless (i) such Business Opportunity shall have been rejected by our Company; (ii) the principal terms on which our Controlling Shareholders or associates may invest or participate in such Business Opportunity are no more favorable than those made available to our Company; and (iii) such Business Opportunity has been first offered to our Company.

For the purpose of the above, the following terms shall have the following meanings:

"associate company" shall mean a company in which a person or a company has an equity interest of less than 30% and in which he or it exercises significant influence over its management;

"Controlled Companies" shall mean the companies controlled, whether directly or indirectly, by our Controlling Shareholders and the term "controlled" shall have the meaning ascribed to a subsidiary of another company as provided for in section 2 of the Companies Ordinance; and

"Controlled Persons" shall mean any spouse or children under the age of 18 of our Controlling Shareholders and persons to whom our Controlling Shareholders provide financial assistance to set up and operate business.

See "— Options to Acquire Excluded Mines" in this section for a description of options granted under the Non-Competition Agreement".

The restrictions mentioned above shall take effect from [●] and shall remain in full force and effect until [●] or when our Controlling Shareholders cease to be interested in 30.0% or more of the issued Shares of our Company.

Our independent non-executive Directors will review annually whether our Controlling Shareholders have fully complied with the undertakings stipulated in the Non-Competition Agreement. For the purpose of this review, each of our Controlling Shareholders has undertaken that it/he will provide information as requested by such Directors. Each of our Controlling Shareholders has also undertaken that it/he will notify us as to whether there is a violation of the undertakings in the Non-Competition Agreement and provide reasons for such violation, if any. Our Company will disclose the results of the annual review of our independent non-executive Directors in the next annual report.

In the event of default of any of the non-competition undertakings stipulated under the Non-Competition Agreement, our Controlling Shareholders shall discuss with our Company in good faith as to an appropriate remedy. Our independent non-executive Directors will review the appropriateness of such remedy. The results of such review, in case of default of the Non-Competition Agreement, will be disclosed in the next annual report of our Company and the announcement will be made pursuant to [●].

For the avoidance of doubt, the following shall not be considered a restriction for the purpose of the Non-Competition Agreement above:

(a) holding or being interested in any securities in a company which engages in or involves a business which is in competition with or is likely to be in competition with the key business of our Company or any of our Company’s subsidiaries, provided that the amount of such holding does not exceed 10.0% of the issued share capital of such company or it/he is not the single largest shareholder of such company or it/he does not control the board of such company;

(b) holding any securities in our Company; or

(c) engaging in or discharging any duty, service or act for the benefit of our Company or any of our Company’s subsidiaries.